CONSOLIDATED FINANCIAL STATEMENTS

NORTHERN OCEAN LTD.

YEAR ENDED DECEMBER 31, 2021

Index to the Consolidated Financial Statements of Northern Ocean Ltd.

Northern Ocean Ltd.
Board of Directors Report

Nature of the Business

Northern Ocean 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 primarily engaged in offshore contract drilling for the oil and gas industry in harsh environments worldwide.

The Company's shares were registered for trading on the Norwegian OTC list (ticker “NOL”) and commenced trading 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 were cancelled upon settlement.

On February 26, 2020, NODL 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 NODL. Following completion of the exchange offer, NODL does not hold any shares in the Company and 91,422,966 of NODL's shares were cancelled. Upon completion of the exchange offer, Hemen Holding 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 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.

As of the date of this report, the Company owns two semi-submersible rigs, *West Mira* (to be renamed *Deepsea Mira*) and *West Bollsta* (to be renamed *Deepsea 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 was 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 was between a wholly-owned subsidiary of Seadrill, which had a bareboat contract with a wholly-owned subsidiary of the Company, whereby Seadrill chartered in the rig while it was on contract with Lundin. The contract between the Seadrill entity and Lundin completed during the first quarter of 2022 at which time the bareboat charter ended.

On December 23, 2021, the Company agreed to enter contracts with Odfjell Drilling Ltd. (“Odfjell”) for the provision of marketing and management services for the Company's rig fleet, with commercial chartering decisions to remain with the Company.

The Company announced that it was amending and extending the Company’s bank debt. The final debt maturity was to be extended by 36 months from closing, and the amortization of $40.0 million due in 2022 to be deferred and added to the balloon payment. The amendments were subject to certain conditions, which included the Company raising equity and amendments to the revolving credit facility provided by Sterna Finance Ltd. (“Sterna”). Additionally, the Company may raise additional equity proceeds in 2022 for general corporate purposes in order to fulfil requirements under the bank commitments.

The Company entered into a conditional subscription agreement with Hemen Holding Limited (“Hemen”) and investment funds managed and/or advised by Hayfin Capital Management LLP and its affiliates (“Hayfin”, and together with Hemen, the “Subscribers”) pursuant to which they agreed to subscribe for 40 million new shares (the “New Shares”) in the Company at a subscription price of $0.50 per share, raising proceeds of $20.0 million (the “Private Placement”).

The Company also announced that it was amending the revolving credit facility to extend the final maturity date of the junior secured revolving credit facility by 39 months, and provide the Company with improved liquidity of $30.0 million through funding $15.0 million to the Company and payment in kind for the interest over the remaining term. Sterna shall have the ability at its discretion to convert $15.0 million of the loan amount into the Company's shares at a strike price of $0.50 per share.

The Company and Seadrill met all the conditions of the their settlement, which was announced on November 26, 2021, and the agreement became fully effective. The bareboat lease payments on the *West Bollsta* have been and continue to be received from Seadrill. The Company recorded a non-cash gain, net of taxes, of $57.6 million in the fourth quarter resulting from the settlement agreement with Seadrill.

On December 29, 2021, the Company issued a Notice of Proposed Written Resolution of the Shareholders, proposing the reduction of the nominal value of each Share from $1.00 to $0.50.

On January 13, 2022, the Company announced that the Notice of Proposed Written Resolution of the Shareholders had been passed and the new nominal value of each share of the Company's issued and authorized share capital is $0.50.

On January 13, 2022, the Company announced that the Private Placement had been completed, and as a result the Board of Directors would propose a subsequent offering of up to eight million shares, to be satisfied from the Private Placement shares, meaning no cash proceeds being generated for the Company. The subsequent offering commenced March 14, 2022, and is expected to conclude March 28, 2022.

On January 14, 2022, the Company closed the amendment and extension process for its bank debt in line with what was announced on December 23, 2021. It was simultaneously agreed to pay to the banks the amortization payments of $5.0 million due on March 3, 2021 for the West Mira facility and the $5.0 million due on March 13, 2021 for the West Bollsta facility. As a result, $10.0 million was paid to the banks on January 14, 2022. This amount had been set aside in a restricted account secured on behalf of the lenders.

On January 14, 2022, the Company closed the amendment and extension process for the Sterna revolving credit facility in line with what was announced on December 23, 2021, and borrowed an additional $15.0 million taking the outstanding balance to $85.0 million.

Following the completion of the contract for *West Bollsta* with Lundin on March 1, 2022, the Company's 6th generation semi-submersible drilling rigs, *West Mira* and *West Bollsta,* are both currently warm stacked at Hanøytangen outside Bergen, Norway. Rig management and marketing services for both rigs have been transferred to Odfjell during the first quarter of 2022.

The Working Environment
At the end of 2021, the Company had three employees, one being the Chief Executive Officer who was appointed in December 2018. There have not been any serious injuries or accidents in the current year and total absence due to sickness has been minimal during the accounting year. The Company's Board of Directors currently consists of four men.

Gender Equality
The Company is an equal opportunities employer and will not discriminate against any employee or job applicant because of race, color, religion, national origin, sex, physical or mental disability, or age. The Company's recruitment policy is based on these values. The Company has in 2021 been, and remains, committed to base any decision with respect to any person on the Company's needs and the performance and potential of the person, and not on any other criterion.

Impact on the External Environment
The Company has an objective that all activities that are performed are to be carried out so as to minimize negative impacts to people and the environment. Given the nature of the operations there is currently minimal corporate impact on the environment.

Going Concern Assumption
These consolidated financial statements are prepared under the going concern assumption. In January 2022, the Company completed a private placement of 40 million new shares generating proceeds of $20.0 million, extended the repayment profiles of its bank debt and Sterna revolving credit facility and drew down an additional $15.0 million from the latter. The Company, however, remains dependent on loans and/or equity issuances to finance its loan obligations and working capital in the next twelve months, which raises substantial doubt about the Company's ability to continue as a going concern.

Assessment of Results and Cash Flow Items
The Company used cash in operating activities of $21.8 million due to a cash outflow of $41.5 million from operations, which was partially offset by a $19.7 million favorable change in other operating assets and liabilities.

The Company's investing activities in the year of $0.2 million comprised mobilization costs of its rigs.

The Company did not have any financing activities in 2021.

At December 31, 2021, the Company had cash and cash equivalents of $15.6 million.

The carrying value of Drilling units and the amount payable to Seadrill decreased by $74.9 million and $138.5 million, respectively, in the fourth quarter of 2021 as a result of the Amended Settlement Agreement.

Risk Assessment
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.

Prospects for the Future
Northern Ocean sees a strengthening offshore drilling market, however this year may remain muted for the harsh environment segment. Key macro indicators and current contract tenders are reflecting that 2023 and beyond will be quite active. Demand continues to increase for modern high specification rigs that can achieve high efficiencies in drilling operations and environmentally responsible operations. These Tier 1 rigs, such as the *West Bollsta* and *West Mira*, are well suited to meet the demand in the coming years.

With the financing amendments complete and a new manager now in place, the Company is able to focus on safely transitioning operations and working with Odfjell to secure new backlog. Following the completion of the contract for *West Bollsta* with Lundin on March 1, 2022, the *West Mira* and *West Bollsta,* are both currently warm stacked at Hanøytangen outside Bergen, Norway, under Odfjell management. Together, the Company and Odfjell, are actively marketing both rigs for work in the harsh environment, including areas such as Norway, United Kingdom, Canada, South Africa and Australia.

Corporate Governance Report
Section 1 "Implementation and reporting on corporate governance": As a company incorporated in Bermuda, the Company is subject to Bermuda laws and regulations. Additionally, as a consequence of being listed on the Oslo Stock Exchange, the Company must comply with section 3-3b) of the Norwegian Accounting Act and certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance, or the Code of Practice, on a "comply or explain" basis. Further, the Company has in place a Memorandum of Association and Bye-Laws, which set forth certain governance provisions. The Norwegian Accounting Act is found on www.lovdata.no and the Code of Practice is found on www.nues.no.

The Company's corporate governance principles are based on the Code of Practice. However, since the Company is governed by Bermuda laws and regulations, and given the nature of the Group's activities, certain practices are applied which deviate from some of the recommendations of the Code of Practice.

In the following sections, the Company's corporate governance policies and procedures will be explained, with reference to the principles of corporate governance as set out in the sections identified in the Code of Practice. This summary does not purport to be complete and is qualified in its entirety by the Company's Memorandum of Association and Bye-Laws, Bermuda and Norwegian law.

Section 2 "Business": The Company is an international offshore drilling contractor to the oil and gas industry, with the ambition of acquiring and operating modern drilling assets. The Company has initially targeted the harsh environment sector and will continue to dedicate resources for further growth within this segment. The Company has an opportunistic growth strategy and will carefully review all opportunities for assets that can operate in various water depths.

In accordance with normal practice for Bermuda companies, the Company's Bye-Laws do not include a specific description of its business. According to the Memorandum of Association, the objects for which the Company was formed and incorporated are unrestricted. As a Bermuda incorporated company, the Company has chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Code of Practice.

Section 3 "Equity and dividends": The Company's equity capital is at a level appropriate for its objectives, strategy, and risk profile. In accordance with Bermuda law, the Board of Directors is authorized to permit its own shares to be held as treasury shares, and to issue any unissued shares within the limits of the authorized share capital without further shareholder approval. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code of Practice. The Board of Directors will propose to the shareholders that they consider and, if necessary, resolve to increase the authorized capital of the Company that will allow the Board of Directors some flexibility to increase the number of issued shares without further shareholder approval. Any increase of the authorized capital is, however, subject to approval by the shareholders by simple majority of the votes cast. While the Company aims at providing competitive long-term return on the investments of its shareholders, it does not currently have a formal dividend policy.

Section 4 *"Equal treatment of shareholders and transactions with close associates"*: Neither the Company's Bye-Laws nor Bermuda company laws include regulation of preemptive rights for shareholders in connection with share capital increases. The Bye-Laws provide for the Board of Directors in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. The Company is subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board of Directors will, in connection with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified. The Board of Directors will consider and determine on a case-by-case basis whether independent third party evaluations are required if entering into agreements with close associates in accordance with the Code of Practice section 5. The Board of Directors may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.

Section 5 *"Freely negotiable shares"*: With limited exceptions, all shares in the Company are freely negotiable, and the Bye-Laws contain no form of restriction on the negotiability of the shares, or on voting rights.

Section 6 "General meetings": The Company's Bye-Laws require five days' notice for a meeting of the shareholders, rather than 21 days. Given the Company's current commercial position, this shorter period is considered to be sufficient for shareholders to consider the matters being voted on.

The Company strives to maintain an open and fair dialogue with its shareholders through the publishing of information, presentations and responding to questions from shareholders. The Company has not, however, taken specific measures for obtaining shareholders' proposals for matters to be proposed to the meeting of shareholders. In the view of the Company, the current shareholder structure, the shareholder representation, and the policy to communicate with shareholders is sufficient to ensure that shareholders may communicate their points of view to the executive management and the Board.

The Board of Directors has not made arrangements for an independent Chairman for each annual meeting of the shareholders as the Company believes that the Chairman of the Board can act independently and in the interests of shareholders. Further, the Company does not believe that it is necessary for all directors and the auditor to be physically present at the meeting of the shareholders.

As a Bermuda registered company, the general meetings of the Company can be conducted through proxy voting. The VPS registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practice of other non-Norwegian companies listed on the Oslo Stock Exchange. The Company complies in all other respects with the recommendations for general meetings as set out in of the Code of Practice.

Section 7 "Nomination committee": As permitted under Bermuda law, the Company will not have a nomination committee as recommended by the Code of Practice section 7. In lieu of a nomination committee comprised of independent directors, the Board of Directors is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.

Section 8 "Corporate assembly and board of directors": The Company's Board of Director's shall consist of a minimum of two members, and shall at all times comprise a majority of directors who are not resident in the United Kingdom. The current composition of the Company's Board of Directors is in compliance with the independence requirements of the Code of Practice. The Company's shareholders may determine the minimum and maximum number of directors by the vote of shareholders representing a majority of the total number of votes which may be cast at any annual or extraordinary general meeting, or by written resolution. Each director is elected at an annual general meeting of shareholders for a term commencing upon election and expiring on the date of the next scheduled annual general meeting of shareholders or until his or her successor is appointed. The Bye-Laws do not permit cumulative voting for directors.

The Board of Directors elects its Chairman, rather than the shareholders. Given the Company's current development status the Company believe that this is satisfactory and that the Chairman can ensure that the Board is effective in its tasks of setting and implementing the Company's direction and strategy.

As a Bermuda registered company with a limited number of employees and contractors, the Company does not have a corporate assembly. Given the size of the Company this is not believed to be necessary.

Section 9 "The work of the board of directors": The Board is ultimately responsible for the management of the Company and for supervising its day-to-day management. The entire Board of Directors is responsible for any decisions otherwise subject to review and preparation by an audit committee.

Section 10 "Risk management and internal control": The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Further, the Board in conjunction with the executive management evaluates the risk inherent in the operations of the Company. Principal among these risks currently are risks associated with the capacity of the Group to obtain future financing on reasonable terms, risks associated with the ability of the Company to retain key staff, the general drilling market conditions and trends and the charter market conditions for the drilling rigs. In addition, the following risks inherent in the business of the Group are monitored: Risk associated with changes in exchange rates, increased competition, the political, regulatory and tax environment of the Group, counterparty performance and risks associated with potential growth of the business. The Board ensures that the Company has reliable internal controls and systems for risk management through this annual assessment.

The Board has the responsibility to evaluate risk exposure and internal control on an annual basis. The Board is also presented financial statements on a quarterly basis, which are reviewed with the executive management. The Company's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

Section 11 "Remuneration of the board of directors": The compensation of the Company's Board of Directors is determined on an annual basis by the shareholders of the Company at the annual shareholders meeting. Board remuneration is to reflect the Board's responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on the Company's financial performance and the Company does not grant share options to the board members. There is no obligation to present the guidelines for remuneration of the Board of Directors to the shareholders of a Bermuda incorporated company. The Company therefore deviates from this part of section 11 of the Code of Practice. There are no service contracts between the Company and any of its directors providing for benefits upon termination of their service.

Section 12 "Remuneration of executive personnel": The remuneration of the Chief Executive Officer is determined by the Board of Directors. The process aims to link the performance related element of the remuneration (options and bonus) to value creation for shareholders. There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure and information provided through the annual report and financial statements are sufficient to keep shareholders adequately informed. The Company therefore deviates from this part of section 12 of the Code of Practice.

Section 13 "Information and communications": The Company will ensure that the shareholders receive accurate, clear, relevant and timely information in accordance with the legal requirements and good corporate governance practices. Publication methods will be selected to ensure simultaneous and equal access for all equity shareholders and the information is provided in English. The Company also provides information to the market through financial reports. Events of importance are made available to the stock exchange market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Stock Exchange announcements are also made available on the Company's website.

Section 14 "Take-overs": The Company has not yet established guiding principles for how it will act in the event of a take-over bid. Although a deviation from the Code of Practice, the Board has thus far not deemed it appropriate to adopt specific guidelines for takeover situations.

Section 15 "Auditors": The auditor shall annually present its assessment of accounting risk and audit plan to the Board. The Board of Directors has established procedures for regular contact with the external auditor through the management. This contact will include, but is not limited to, the auditor presenting the audit plan for the coming year, contributing to meetings concerning the Company's annual financial statements, presentation of audit findings, including changes in accounting principles, significant estimates and judgments reflected in the annual financial statements, any areas of disagreement with management and identified internal control process improvement opportunities.

Annually, the auditor will present to the Board of Directors a review of the Company's internal control procedures, and the Board of Directors holds a meeting with the auditor at least once a year at which no member of the executive management is present. At present, the Company believes this is sufficient given its size and enables the auditor to communicate with members of the Board.

The Board of Directors have established guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board of Directors shall report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

The external auditor has provided the Board with written confirmation of its independence.

Northern Ocean Ltd.
Responsibility Statement

We confirm that, to the best of our knowledge, the financial statements for the year ended December 31, 2021 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.

Board of Directors and Chief Executive Officer of Northern Ocean Ltd.
March 24, 2022

/s/ Gary Casswell
Gary Casswell (Director and Chairman)

/s/ Bote de Vries Bote de Vries (Director)	/s/ Ole Falk Hansen Ole Falk Hansen (Director)
/s/ James Ayers James Ayers (Director)	/s/ Scott McReaken Scott McReaken (Chief Executive Officer)

Northern Ocean Ltd.
Consolidated Statements of Operations for the years ended December 31, 2021 and 2020
(in thousands of $, except loss per share)

	2021	2020
Operating revenues		
Contract revenue	**56,648**	86,849
Reimbursable revenue	**9,685**	7,142
Other revenues	**1,445**	621
Total operating revenues	**67,778**	94,612
Operating expenses		
Rig operating expenses	**51,978**	77,224
Reimbursable expenses	**7,565**	6,996
Depreciation	**42,657**	29,584
Provision for doubtful debts	**5,441**	—
Administrative expenses	**10,147**	4,495
Total operating expenses	**117,788**	118,299
Net operating loss	**(50,010)**	(23,687)
Other income (expenses)		
Interest income	**5**	171
Interest expense	**(19,643)**	(16,071)
Foreign exchange (loss) gain	**(88)**	3,351
Other financial expenses	**(1,930)**	(2,125)
Total other income (expenses)	**(21,656)**	(14,674)
Net loss from continuing operations before taxes	**(71,666)**	(38,361)
Tax credit	**3,067**	1,853
Net loss from continuing operations	**(68,599)**	(36,508)
Related party settlement gain, net of taxes	**57,574**	—
Net loss	**(11,025)**	(36,508)
Basic and diluted loss from continuing operations per share ($)	**(1.07)**	(0.57)
Basic and diluted income from related party settlement gain, net of taxes, per share ($)	**0.90**	—
Basic and diluted loss per share ($)	**(0.17)**	(0.57)

See accompanying Notes to the Consolidated Financial Statements.

Northern Ocean Ltd.
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021 and 2020
(in thousands of $)

	2021	2020
Net loss	**(11,025)**	**(36,508)**
Foreign currency translation (loss) income	**(418)**	**59**
Other comprehensive (loss) income	**(418)**	59
Comprehensive loss	**(11,443)**	(36,449)

See accompanying Notes to the Consolidated Financial Statements.

Northern Ocean Ltd.
Consolidated Balance Sheets at December 31, 2021 and 2020
(in thousands of $)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	**5,461**	37,471
Restricted cash	**10,152**	157
Accounts receivable, net	**—**	7,296
Unbilled receivables	**—**	8,913
Related party receivables	**3,514**	696
Other current assets	**4,637**	6,373
Total current assets	**23,764**	60,906
Non-current assets		
Drilling units	**953,750**	1,070,745
Fixtures and fittings	**5**	1
Deferred tax	**35**	2,973
Total assets	**977,554**	1,134,625
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long term debt	**10,000**	190,000
Other current liabilities	**7,454**	14,188
Deferred revenue	**1,924**	17,909
Related party payables	**79**	122,670
Total current liabilities	**19,457**	344,767
Long term liabilities		
Long term debt	**389,531**	207,552
Deferred revenue	**2,934**	5,231
Related party long term debt	**70,000**	70,000
Total liabilities	**481,922**	627,550
Commitments and contingencies (Note 17)		
Equity		
Share capital (63,802,378 shares issued and outstanding, par value $1.00 each)	**63,803**	63,803
Additional paid in capital	**488,334**	488,334
Accumulated other comprehensive (loss) income	**(346)**	72
Retained deficit	**(56,159)**	(45,134)
Total equity	**495,632**	507,075
Total liabilities and equity	**977,554**	1,134,625

See accompanying Notes to the Consolidated Financial Statements.

Northern Ocean Ltd.
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020
(in thousands of $)

	2021	2020
Net loss	**(11,025)**	(36,508)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities;		
Amortization of deferred charges	**1,979**	2,057
Amortization of deferred revenue	**(19,459)**	(12,101)
Provision for doubtful debts	**5,441**	—
Depreciation	**42,657**	29,584
Unrealized foreign exchange (gain) loss	**(418)**	(131)
Tax	**(3,067)**	(1,853)
Related party settlement gain, net of taxes	**(57,574)**	—
Change in operating assets and liabilities;		
Accounts receivable, net	**1,855**	(82)
Unbilled receivables	**8,913**	6,758
Other current assets	**1,752**	5,343
Other current liabilities	**(7,127)**	6,871
Related party balances	**13,087**	5,784
Deferred revenue	**1,177**	8,773
Net cash (used in) provided by operating activities	**(21,809)**	14,495
Investing activities		
Additions to newbuildings	**(206)**	(41,290)
Net cash used in investing activities	**(206)**	(41,290)
Financing activities		
Net proceeds from share issuances	**—**	400
Proceeds from long term debt	**—**	50,000
Repayment of bank debt	**—**	(40,000)
Net cash provided by financing activities	**—**	10,400
Net change	**(22,015)**	(16,395)
Cash, cash equivalents and restricted cash at start of the year	**37,628**	54,023
Cash, cash equivalents and restricted cash at end of the year	**15,613**	37,628
Supplemental disclosure of cash information:		
Interest paid, net of interest capitalized	**18,214**	14,123
Income taxes paid	**—**	—

Details of non-cash investing and financing activities are given in Note 18.

See accompanying Notes to the Consolidated Financial Statements.

Northern Ocean Ltd.
Consolidated Statements of Changes in Equity for the years ended December 31, 2021 and 2020
(in thousands of $, except number of shares)

	2021	2020
Number of shares outstanding		
Balance at start of the year	**63,802,378**	63,726,692
Shares issued	**—**	75,686
Balance at end of the year	**63,802,378**	63,802,378
Share capital		
Balance at start of the year	**63,803**	63,727
Shares issued	**—**	76
Balance at end of the year	**63,803**	63,803
Additional paid in capital		
Balance at start of the year	**488,334**	488,010
Shares issued	**—**	324
Balance at end of the year	**488,334**	488,334
Accumulated other comprehensive (loss) income		
Balance at start of the year	**72**	13
Other comprehensive (loss) income	**(418)**	59
Balance at end of the year	**(346)**	72
Retained deficit		
Balance at start of the year	**(45,134)**	(8,626)
Net loss	**(11,025)**	(36,508)
Balance at end of the year	**(56,159)**	(45,134)
Total equity	**495,632**	507,075

See accompanying Notes to the Consolidated Financial Statements.

1. GENERAL

Northern Ocean 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 primarily engaged in offshore contract drilling for the oil and gas industry in harsh environments worldwide.

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

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 was 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 was between a wholly-owned subsidiary of Seadrill, which had a bareboat contract with a wholly-owned subsidiary of the Company, whereby Seadrill chartered in the rig while it was on contract with Lundin. The contract between the Seadrill entity and Lundin completed during the first quarter of 2022 at which time the bareboat charter ended.

On December 23, 2021, the Company agreed to enter contracts with Odfjell Drilling Ltd. (“Odfjell”) for the provision of marketing and management services for the Company's rig fleet, with commercial chartering decisions to remain with the Company.

The Company announced that it was amending and extending the Company’s bank debt. The final debt maturity was to be extended by 36 months from closing, and the amortization of $40.0 million due in 2022 to be deferred and added to the balloon payment. The amendments were subject to certain conditions, which included the Company raising equity and amendments to the revolving credit facility provided by Sterna Finance Ltd. (“Sterna”). Additionally, the Company may raise additional equity proceeds in 2022 for general corporate purposes in order to fulfil requirements under the bank commitments.

The Company entered into a conditional subscription agreement with Hemen Holding Limited (“Hemen”) and investment funds managed and/or advised by Hayfin Capital Management LLP and its affiliates (“Hayfin”, and together with Hemen, the “Subscribers”) pursuant to which they agreed to subscribe for 40 million new shares (the “New Shares”) in the Company at a subscription price of $0.50 per share raising gross proceeds of $20.0 million (the “Private Placement”).

The Company also announced that it was amending the revolving credit facility to extend the final maturity date of the junior secured revolving credit facility by 39 months and provide the Company with improved liquidity of $30.0 million through funding $15.0 million to the Company and payment in kind for the interest over the remaining term. Sterna shall have the ability at its discretion to convert $15.0 million of the loan amount into the Company's shares at a strike price of $0.50 per share.

The Company and Seadrill met all the conditions of the their settlement, which was announced on November 26, 2021, and the agreement became fully effective. The bareboat lease payments on the *West Bollsta* have been and continue to be received from Seadrill. The Company recorded a non-cash gain, net of taxes, of $57.6 million in the fourth quarter resulting from the settlement agreement with Seadrill.

On December 29, 2021, the Company issued a Notice of Proposed Written Resolution of the Shareholders, proposing the reduction of the nominal value of each Share from $1.00 to $0.50.

On January 13, 2022, the Company announced that the Notice of Proposed Written Resolution of the Shareholders had been passed and the new nominal value of each share of the Company's issued and authorized share capital is $0.50.

On January 13, 2022, the Company announced that the Private Placement had been completed, and as a result the Board of Directors would propose a subsequent offering of up to eight million shares, which commenced on March 14, 2022, and is expected to conclude on March 28, 2022.

On January 14, 2022, the Company closed the amendment and extension process for its bank debt in line with what was announced on December 23, 2021. It was simultaneously agreed to pay to the banks the amortization payments of $5.0 million due on March 3, 2021 for the West Mira facility and the $5.0 million due on March 13, 2021 for the West Bollsta facility and $10.0 million was paid to the banks on January 14, 2022. This amount had been set aside in a restricted account secured on behalf of the lenders.

On January 14, 2022, the Company closed the amendment and extension process for the Sterna revolving credit facility in line with what was announced on December 23, 2021, and borrowed an additional $15.0 million taking the outstanding balance to $85.0 million.

Following the completion of the contract for *West Bollsta* with Lundin on March 1, 2022, the Company's 6th generation semi-submersible drilling rigs, *West Mira* and *West Bollsta,* are both currently warm stacked at Hanøytangen outside Bergen, Norway. Rig management and marketing services for both rigs have been transferred to Odfjell during the first quarter of 2022.

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

Basis of accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation. The preparation of the 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.

We evaluated all of our activity through March 24, 2022 being the date these financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements.

Going Concern
These consolidated financial statements are prepared under the going concern assumption. In January 2022, the Company completed a private placement of 40 million new shares generating proceeds of $20.0 million, extended the repayment profiles of its bank debt and Sterna revolving credit facility and drew down an additional $15.0 million from the latter. The Company, however, remains dependent on loans and/or equity issuances to finance its loan obligations and working capital in the next twelve months, which raises substantial doubt about the Company's ability to continue as a going concern.

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 day rate 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.

Day rate Drilling Revenue - Our drilling contracts generally provide for payment on a day rate 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 day rate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such day rate 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 day rate 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.

West Bollsta - The *West Bollsta* bareboat contract was always intended to be novated to the same variable interest entity subsidiary of Seadrill, which the Company consolidates, with no payments being made by Seadrill upto the date of novation (similar to the *West Mira* arrangements). As the collectability of the lease payments was not probable at the commencement of the bareboat contract, lease income shall be limited to the lease payments collected from Seadrill. No revenue was recognised in 2020.

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.

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.

Other revenues relate to management support and administrative services provided to NODL.

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.

Cash and cash equivalents
All demand and time deposits and highly liquid, low risk investments with original maturities of three months or less are considered equivalent to cash.

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

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

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.

Newbuildings
The carrying value of the drilling units under construction, or newbuildings, represents the accumulated costs at the balance sheet date. Cost components include payments of yard installments and variation orders, construction supervision costs, equipment, spare parts, capitalized interest, guarantee fees and costs related to first time mobilization and commissioning costs. No charge for depreciation is made until commissioning of the newbuilding has been completed and it is ready for its intended use.

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

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.

Impairment of long-lived assets
The carrying value of the Drilling Units is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be appropriate. The Company first assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, an impairment loss is recorded based on the difference between the carrying value and the fair value.

Related parties
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Earnings per share
Basic earnings per share is computed based on the income available to ordinary shareholders and the weighted average number of shares outstanding. The Company does not have any potentially dilutive instruments.

Foreign currencies
The functional currency of the Company and all of its subsidiaries is the U.S. dollar as the majority of expenditures are denominated in U.S. dollars. The Company's reporting currency is also U.S. dollars. Assets and liabilities are translated into the

functional currency at exchange rates existing at the date of the balance sheet. Such currency translation gains and losses are included in the Consolidated Statement of Operations. Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rate at the transaction date.

Fair values

We have determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that we could realize in a current market exchange.

Recently Adopted Accounting Standards

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). The ASU provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate (e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective as of March 12, 2020 through December 31, 2022. We continue to evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU has not and is currently not expected to have a material impact on our consolidated financial statements.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There have been no accounting pronouncements issued and not yet effective that are expected to have significance to our consolidated financial statements.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(in thousands of $)	**2021**	2020
Accounts receivable, net	—	7,296
Unbilled receivables	—	8,913
Current contract liabilities (deferred revenue)	**1,924**	17,909
Non-current contract liabilities (deferred revenue)	**2,934**	5,231

The current deferred revenue balance of $1.9 million includes $1.8 million for capital expenditure variation orders on the *West Bollsta* as a result of the Lundin contract. The remaining balance of current deferred revenue and the non-current deferred revenue relates to a grant received from the Norwegian government due to the fact the *West Mira* was built with systems which reduce NOx emissions. This grant is being credited to the Consolidated Statement of Operations over the estimated useful like of the *West Mira.*

(in thousands of $)	
Total contract liabilities at December 31, 2020	23,140
Deferred revenue accruing in the year	1,177
Amortization of deferred revenue	(19,459)
Total contract liabilities at December 31, 2021	4,858
Current contract liabilities	1,924
Long term contract liabilities	2,934

On October 6, 2020, the *West Bollsta* commenced a 10 well drilling contract in Norway with Lundin. This contract was between a wholly-owned subsidiary of Seadrill, which the Company does not consolidate, and Lundin. It had been expected that this contract would have been novated to the same VIE that held the Wintershall contract prior to the commencement of drilling but this novation did not occur. See Note 6.

5. INCOME TAXES

Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

Other Jurisdictions
The Company has 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 used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities 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.

6. RELATED PARTY SETTLEMENT GAIN

On February 11, 2021, the Company announced that it had reached an agreement in principle with Seadrill to settle outstanding balances. The settlement was subject to several conditions, including amendments from the Company's secured lenders and approval by the bankruptcy court under Seadrill's Chapter 11 protection in the US. In connection with the settlement, the Company committed to raise $30.0 million of new equity.

On August 8, 2021, the Company announced it had signed an amended settlement agreement with Seadrill and its subsidiaries ("Amended Settlement Agreement"), which 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 starting August 10, 2021. The settlement was subject to several conditions, including approval by the bankruptcy court under Seadrill’s Chapter 11 protection in the US, before the bareboat lease payments would be made.

On October 29, 2021, the Company announced the Amended Settlement Agreement had been approved by the bankruptcy court in Seadrill’s Chapter 11 process in the US. 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.

The Amended Settlement Agreement became effective on December 23, 2021 when the final condition precedent was waived and the Company recorded a non-cash gain, net of taxes, of $57.6 million in the fourth quarter of 2021. This non-cash gain comprises;

a. $36.4 million of *West Bollsta* bareboat revenue for the period from February 6, 2020, being the date the rig entered Norwegian waters, to August 9, 2021;
b. $27.2 million compensation for the Xmas Tree incident on the *West Mira* in May 2021, less
c. tax expense of $6.0 million on b. above.

The $138.0 million payable to Seadrill at September 30, 2021 became a receivable of $6.1 million on December 23, 2021, being the effective date of the Amended Settlement Agreement, as a result of

i. a decrease in capitalized project costs on the *West Mira* and the *West Bollsta* of $74.9 million,
ii. an aggregate amount of $63.6 million in respect of a. and b. above,
iii. $14.4 million of *West Bollsta* bareboat revenue for the period from August 10, 2021 to December 31, 2021, which has been recorded in Contract Revenue in the fourth quarter, less
iv. $0.5 million for future transition services for the *West Bollsta*, less
v. cash paid by Seadrill in respect of *West Bollsta* bareboat charges of $5.2 million and $3.1 million on November 1, 2021 and December 3, 2021, respectively.

Seadrill paid $3.0 million on December 31, 2021 in respect of *West Bollsta* bareboat charges. The balance due from Seadrill at December 31, 2021 was $3.1 million.

7. EARNINGS PER SHARE

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

	2021	2020
Net loss from continuing operations *(in thousands of $)*	**(68,599)**	(36,508)
Related party settlement gain, net of taxes *(in thousands of $)*	**57,574**	—
Net loss *(in thousands of $)*	**(11,025)**	(36,508)
Weighted average number of ordinary shares *(in thousands)*	**63,802**	63,791

8. 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 West Bollsta facility.

9. DRILLING UNITS

Movements in the carrying value of Drilling units in the years ended December 31, 2021 and 2020 may be summarized as follows:

(in thousands of $)	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
Impact of Related party settlement (Note 6)	(74,931)	—	(74,931)
Additions	593	—	593
Depreciation	—	(42,657)	(42,657)
Balance at December 31, 2021	1,028,975	(75,225)	953,750

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.

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.

10. NEWBUILDINGS

Movements in the carrying value of Newbuildings in the years ended December 31, 2021 and 2020 may be summarized as follows:

(in thousands of $	**2021**	2020
Balance at beginning of the year	**—**	480,011
Newbuilding supervision fees and costs	**—**	2,097
Mobilization costs	**—**	76,516
Interest capitalized	**—**	6,752
Transfer to Drilling Units	**—**	(565,376)
Balance at end of the year	**—**	—

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.

11. OTHER CURRENT ASSETS

Other current assets at December 31, 2021 and 2020 may be summarized as follows:

(in thousands in $)	**2021**	2020
Deposit held	**1,187**	—
Reimbursable amounts due from customer	**—**	2,145
VAT receivable	**998**	3,539
Other	**2,452**	689
	4,637	6,373

12. OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 2021 and 2020 may be summarized as follows:

(in thousands in $)	**2021**	2020
Accounts payable	**2,332**	4,950
Accrued administrative expenses	**945**	5,455
Accrued newbuilding expenses	**—**	1,283
Other payables	**995**	747
Accrued interest expense	**3,182**	1,753
	7,454	14,188

13. DEBT

(in thousands of $)	**2021**	2020
U.S. dollar denominated floating rate debt:		
$200.0 million term loan facility - *West Mira*	**170,000**	170,000
$200.0 million term loan facility - *West Bollsta*	**180,000**	180,000
$50.0 million term loan facility - *West Mira* and *West Bollsta*	**50,000**	50,000
Total debt	**400,000**	400,000
Short term debt	**(10,000)**	(190,000)
	390,000	210,000
Deferred charges	**(469)**	(2,448)
Long term debt	**389,531**	207,552

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

(in thousands in $)	
2022	10,000
2023	40,000
2024	40,000
2025	310,000
2026	—
Thereafter	—
	400,000

$200.0 million senior secured term loan facility - *West Mira*

In November 2018, the Company entered into a $200.0 million senior secured term loan facility with a number of banks and the full loan amount was drawn in December 2018 upon the delivery of *West Mira* from the yard. The loan has a nine month amortization grace period followed by nine quarterly installments of $5.0 million and a balloon payment of $155.0 million in December 2021. The interest rate is Libor plus 3.5% per annum. The loan is secured by a mortgage in *West Mira* and contains certain financial covenants on a consolidated basis, which require a certain equity ratio, positive working capital and a minimum liquidity amount.

$200.0 million senior secured term loan facility - *West Bollsta*
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 3.5% per annum.

$50.0 million senior secured term loan facility - *West Mira* and *Bollsta*
In 2019, 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 revised bank facility. As part of the revised bank facility a new, revolving credit facility of up to $50.0 million was 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.

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, waivers to certain covenants (the "Covenant Waivers") 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 Covenant Waivers until February 26, 2021. This extension allowed the Company to stay in compliance with its loan requirements while discussions continued regarding a potential settlement of outstanding project balances with Seadrill.

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 remained 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 remained 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 remained 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 remained 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 remained 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 remained 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 remained in an account secured on behalf of the lenders.

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

On November 19, 2021, the lenders in the term loan facilities agreed that the instalments due under the West Mira and West Bollsta facilities in March, June, September and December 2021 (in aggregate $40.0 million) are deferred until January 17, 2022 and that the maturity date of the West Mira facility was extended from December 3, 2021 until January 21, 2022. In addition, certain changes were made to the financial covenants.

The Company is in compliance with all financial covenants as of December 31, 2021.

Assets pledged

(in thousands of $)	**2021**	2020
Drilling units	**953,750**	1,070,745

Deferred charges

(in thousands of $)	**2021**	2020
Debt arrangement fees	**5,910**	5,910
Accumulated amortization	**(5,441)**	(3,462)
	469	2,448

In 2021, the Company paid $nil (2020: $nil) with respect to debt arrangement fees.

In 2021, amortization expense of $2.0 million (2020: $2.1 million) in respect of deferred charges was recorded in other financial expense in the Consolidated Statement of Operations.

14. 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 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 were cancelled upon settlement.

On February 26, 2020, NODL 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 NODL. Following completion of the exchange offer, NODL does not hold any shares in the Company and 91,422,966 of NODL's shares were cancelled. Upon completion of the exchange offer, Hemen Holding Ltd owned 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).

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

As at December 31, 2021 and 2020, the Company had 63,802,378 shares outstanding.

15. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2021 and 2020 are as follows:

	2021		2020	
(in thousands of $)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	5,461	5,461	37,471	37,471
Restricted cash	10,152	10,152	157	157
Liabilities:				
Floating rate debt	399,531	399,531	397,552	397,552
Related party long term debt	70,000	65,862	70,000	62,154

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

	2021			
(in thousands of $)	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	5,461	5,461	—	—
Restricted cash	10,152	10,152	—	—
Liabilities:				
Floating rate debt	399,531	—	399,531	—
Related party long term debt	65,862	—	—	65,862

	2020			
(in thousands of $)	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 (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.

16. 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, 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, Flex LNG Limited, or Flex, Front Ocean Management AS and Front Ocean Management Ltd. (together "Front Ocean") and Northern Drilling Ltd or Northern Drilling.

On February 23, 2022, Seadrill announced that it has emerged from Chapter 11 after successfully completing its reorganization pursuant to its Chapter 11 plan of reorganization, which was confirmed by the U.S. Bankruptcy Court for the Southern District of Texas on October 26, 2021. Seadrill is no longer considered a related party as from February 23, 2022.

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

Seadrill transactions
Wholly-owned subsidiaries of Seadrill carried out the newbuilding supervision of the two drillships, *West Mira* and *West Bollsta.* In 2020, the Company was charged and capitalized newbuilding supervision fees of $1.9 million.

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 2021, the Company was charged management fees from Seadrill in the amount of $2.6 million (2020: $8.3 million). On December 23, 2021, these agreements were conclude as a result of the Amended Settlement Agreement (see Note 6).

Golden Ocean, Frontline, Flex, Front Ocean and Seatankers transactions
The Company and its subsidiaries receive treasury, accounting, corporate secretarial and advisory services from these entities and was charged $0.5 million in 2021 (2020: $0.6 million). The Golden Ocean agreement was cancelled during 2021, leaving the agreements with Frontline, Flex, Front Ocean and Seatankers in place at end of the year.

NODL transactions
The Company provides management services to NODL and charged $1.3 million in 2021 (2020: $0.6 million).

Related party balances
A summary of balances due from related parties at December 31, 2021 and 2020 is as follows:

(in thousands of $)	**2021**	2020
Seadrill companies	**3,103**	—
Northern Drilling Ltd	**411**	696
	3,514	696

A summary of short term balances due to related parties at December 31, 2021 and 2020 is as follows:

(in thousands of $)	**2021**	2020
Seadrill companies	**—**	122,498
Seatankers Management Co Ltd	**—**	144
Frontline companies	**45**	28
Flex	**34**	—
	79	122,670

A summary of long term balances due to related parties at December 31, 2021 is as follows:

(in thousands of $)	**2021**	2020
Sterna	**70,000**	70,000

The loan from Sterna is repayable on April 17, 2025.

17. COMMITMENTS AND CONTINGENCIES

As of December 31, 2021, the Company had no capital commitments and no non-cancelable operating commitments..

18. SUPPLEMENTAL INFORMATION

The carrying value of Drilling units and the amount payable to Seadrill decreased by $74.9 million and $138.5 million, respectively, in the fourth quarter of 2021 as a result of the Amended Settlement Agreement (see Note 6).

19. SUBSEQUENT EVENTS

On January 13, 2022, with reference to the Company's announcement on December 29, 2021 regarding the Proposal (see Note 12), the Company announced that the Proposal has been carried by a Relevant Majority. The new nominal value of each share of the Company's issued and authorized share capital is $0.50.

On January 13, 2022, with reference to the Company's announcement on December 29, 2021 regarding the Private Placement (see Note 1), the Company announced that the Private Placement had been completed. The New Shares will be delivered on a separate ISIN pending approval of a listing prospectus. Following registration in the relevant register of members, the authorized share capital of the Company is $968,098,811 divided into 1,936,197,622 common shares of a par value of $0.50 each, of which 103,802,378 common shares have been issued and fully paid or credited as fully paid.

On January 13, 2022, the Company announced that as a result of the Private Placement, the Board of Directors would propose a subsequent offering (the "Subsequent Offering") of up to 8 million shares, in which shareholders of the Company as of close of trading on January 13, 2022, as recorded in the VPS on January 17, 2022, who were not allocated shares in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action, will receive subscription rights. The Subsequent Offering will, inter alia, be conditional upon (i) approval from the Board of Directors of the Company, and (ii) approval and publication of a prospectus regarding, inter alia, the Subsequent Offering. The subscription price in the Subsequent Offering is equal to the Private Placement, $0.50 per share. The Subsequent Offering shares were to be satisfied from the shares that have been subscribed for by Hayfin, meaning no cash proceeds would be generated for the Company. The Subsequent Offering commenced on March 14, 2022 and is expected to conclude March 28, 2022. Further terms and conditions in the Subsequent Offering has been set out in the prospectus.

On January 14, 2022, the Company closed the amendment and extension process for its bank debt in line with what was announced on December 23, 2021. It was simultaneously agreed to pay to the banks the amortization payments of $5.0 million due on March 3, 2021 for the West Mira facility and the $5.0 million due on March 13, 2021 for the West Bollsta facility. As a result, $10.0 million was paid to the banks on January 14, 2022. This amount had been set aside in a restricted account secured on behalf of the lenders. $30.0 million to be paid in January 2022, as agreed in November 2021, was added to the balloon payment. Amortization for 2022 totaling $40 million will also be deferred and added to the balloon payment.

On January 14, 2022, the Company closed the amendment and extension process for the Sterna revolving credit facility in line with what was announced on December 23, 2021, and borrowed an additional $15.0 million taking the outstanding balance to $85.0 million.

To the Board of Directors and Shareholders of Northern Ocean Ltd.

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Northern Ocean Ltd. and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2021, consolidated Statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our opinion is consistent with our additional report to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the shareholders for the accounting year 2018.

Substantial Doubt Related to Going Concern

We draw attention to Note 2 in the financial statements which indicates that the Group is dependent on loans and/or equity issuances to finance its loan obligations and working capital in the next twelve months. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, raise substantial doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the substantial doubt Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters except for the Seadrill settlement. The impairment assessment for Drilling units have the same characteristics and risks this year as the previous year and consequently have been an area of focus also for the 2021 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment Assessment for Drilling Units	
We refer to Note 2 – Basis of Accounting, where management explains their impairment process. The Group has two semi-submersible rigs which have been put into operation. At the balance sheet date, the carrying value of the rigs were USD 954 million, which in total represent 97.6% of the values in the balance sheet. Management's accounting policy is to perform an assessment for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may no longer be appropriate. Management identified impairment indicators on one of the rigs, and as a result performed an impairment test on that rig. No impairment was recognised during 2021. We focused on this area due to the significant carrying value of the rigs and the judgement inherent in the impairment review. Due to the relative size of the items on the balance sheet, the potential impact of any fall in value of the rigs could be of significant consequence.	We evaluated and challenged management's assessment of indicators of impairment and the process by which this was performed. Our procedures included, among others, the following: • We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards, in particular ASC 360, were met. We also assessed the consistency year on year, of the application of the accounting policy. • Management considers each rig to be a cash generating unit ("CGU") in their assessment of impairment indicators, consequently we assessed for impairment indicators on the same basis. • We assessed the significant assumptions management used in their forecast. This included tracing input data to contracts and considering whether key assumptions, such as estimated utilisation rates and day rates, were consistent with expected market rates and our knowledge of the industry. We also performed a sensitivity analysis on the assumptions made by management, using various scenarios. • The valuation of the rigs are inherently uncertain due to the judgmental nature of the underlying

	estimates. This risk has increased due to the current market conditions. From the evidence obtained we found the assumptions and methodology used to be appropriate. We read Note 9 – Drilling units and assessed this to be in line with the requirements. No matters of consequence arose from the audit procedures described above.
Seadrill Settlement In 2021, the Company have reached an agreement with Seadrill to settle outstanding balances. The Amended Settlement agreement became effective from Q4 2021. In short, the Amended Settlement agreement closed all outstanding balances and claims between the companies, provided transition services for the Company's rigs, and required bareboat lease payments on the Deepsea Bollsta to calculated from a date in Q3 2021. Due to the impact on the financial statements arising from the agreement, the inherent complexity related to accounting for legal agreements of this kind and the significant transaction amounts, this has been a focus area for our audit of Northern Ocean Ltd. and its subsidiaries (the Group). Reference is made to note 6 to the financial statements where management explains the transaction and the nature of its execution in further detail.	We obtained and spent time understanding the content of relevant documents pertaining to company law and the underlying transactions. To further support our understanding, we carried out meetings and discussions with the company's management team. Furthermore, our focus has been on the determination of the consideration amount and the corresponding allocation in the consolidated statements. To address this matter, we focused our attention on the accounting solutions chosen by the management team and whether these were in accordance with the legal elements in the transactions and USGAAP requirements. The key accounting issues were related to the allocation of the reduction in outstanding balances and recognition in the profit and loss statement or balance sheet. Through meetings and discussions, we challenged management's assessments. Further, we performed detailed substantive procedures in order to evaluate the accuracy and completeness of recognition and presentation of transactions in the consolidated statements related to the agreement. This included an evaluation of whether the presentation in the financial statements and accompanying notes was in compliance with USGAAP requirements.

Other Information

The Board of Directors (Management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the consolidated financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a fair presentation in accordance the accounting principles generally accepted in the United States of America., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a substantial doubt exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a substantial doubt exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name NOL-2021-12-31-EN have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the financial statements.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Stavanger, 24 March 2022
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant