



**NORTHERN OCEAN LTD.**  
**RESULTS FOR THE SECOND QUARTER 2022 AND SIX MONTHS ENDED**  
**JUNE 30, 2022**

**Highlights - Second Quarter**

- The Northern Ocean fleet remains safely and efficiently warm stacked outside of Bergen, Norway.

**Subsequent Events**

- On August 25, 2022, the Company announced a contract award for *Deepsea Bollsta* from Shell Upstream Namibia B.V., a subsidiary of Shell Plc., for work in a benign environment market. The contract is expected to commence in the middle of the 4th quarter 2022 and has an estimated firm duration of twelve months plus a six month option to extend. The contract adds approximately USD 124 million of firm revenue backlog to the Company (excluding options). Odfjell Drilling Ltd, the operations manager, has commenced reactivation activities and mobilization preparation to meet the contract expectations safely and efficiently.
- On August 25, 2022, the Company announced its intention to carry out a private placement to raise gross proceeds of approximately USD 40 million for funding the reactivation of *Deepsea Bollsta*, increasing working capital, and other general corporate purposes.

**Results**

In the second quarter, operating revenue was \$0.4 million compared to \$10.1 million in the previous quarter. Contract revenue was nil, compared to \$9.8 million in the previous quarter, which included \$8.0 million of bareboat charter revenue and \$1.8 million of variation order deferred revenue. The reduction in contract revenue was due to the completion of the *Deepsea Bollsta's* drilling campaign with Lundin Norway AS ("Lundin") on March 1, 2022, which resulted in the conclusion of the corresponding bareboat charter agreement with Seadrill Ltd ("Seadrill"). Other revenue, primarily earned from the provision of management services, was \$0.4 million in the quarter, compared to \$0.3 million in the previous quarter.

Total operating expenses were \$22.3 million compared to \$18.6 million in the previous quarter. Rig operating expenses increased to \$10.6 million compared to \$6.3 million in the previous quarter, primarily due to the operational responsibility of the *Deepsea Bollsta* transitioning during the previous quarter, from Seadrill (a Seadrill group company) to a Northern Ocean group company, following the completion of the Lundin drilling contract. As the Company was only responsible for the *Deepsea Bollsta's* operational expenses for part of the previous quarter, compared to for the whole of the second quarter, the operational expenses recognized are significantly higher in the second quarter.

Administrative expenses were \$1.5 million compared with \$2.5 million in the previous quarter.

The net loss from operations before taxes in the second quarter was \$29.1 million, compared with a loss of \$14.2 million in the previous quarter.

The net loss in the second quarter resulted in a basic and diluted loss per share of \$0.28, compared to \$0.15 in the previous quarter.

## Company Update

In the second quarter 2022, the Company's rigs remain warm stacked outside of Bergen, Norway and under the day-to-day management of Odfjell Drilling Ltd ("Odfjell"). The Company is working closely with Odfjell to market both rigs for work in the harsh environment and other markets as opportunities arise.

On August 25, 2022, the Company announced a contract award for *Deepsea Bollsta* from Shell Upstream Namibia B.V., a subsidiary of Shell Plc., for work in a benign environment market. The contract is expected to commence in the middle of the 4th Quarter 2022 and has an estimated firm duration of twelve months plus a six month option to extend. The contract adds approximately USD 124 million of firm revenue backlog to the Company (excluding options). Odfjell Drilling Ltd, the operations manager, has commenced reactivation activities and mobilization preparation to meet the contract expectations safely and efficiently.

To fund the reactivation costs, working capital and other general corporate purposes, the Company has retained Fearnley Securities AS, Danske Bank A/S, Norwegian branch, DNB Markets, a part of DNB ASA, Skandinaviska Enskilda Banken AB (publ), Oslo Branch and SpareBank 1 markets AS as Bookrunners to advise on and effect a private placement (the "Private Placement") of new shares, with the intention to raise gross proceeds of approximately USD 40 million. The subscription price for the new shares will be determined by the Company's Board of Directors (the "Board") based on an accelerated book building process and expect to complete the capital raise on or about August 25, 2022.

## Outlook

The Company continues to see a strengthening offshore drilling market. While new activity in 2022 has been muted, the interest and opportunities for commencements in 2023 and beyond continue to increase. During the quarter, the Company has had active dialogue with numerous clients and participated in tender processes for the harsh environment and select benign environment areas. While the Northern Ocean fleet includes the two most capable units in the harsh environment segment, the rigs are capable of working in all locations globally and the Company remains particular on deploying the rigs outside of the harsh environment.

The recent *Deepsea Bollsta* contract award for work in southern west Africa is reflective of the Company's ability to secure long-term work with high caliber clients and reactivate its assets under new management with Odfjell. While the work is outside of the natural market for these rigs, there are seasonal conditions in this area where the semi submersible is well suited for year round drilling activity and the Company is looking forward to building a new relationship with this client.

The Company expects to be successful in the capital raise initiated today, which will provide sufficient funds for a safe reactivation of the *Deepsea Bollsta*, fresh working capital and a source for other general corporate purposes. The Company remains balanced on spending for new activities and cost focus on the stacking of the other rig. The Company remains dependent on loans and/or equity issuances to meet its cash flow requirements over the next twelve months and for reactivation of its second idle rig and expects to make prudent decisions with regard to the *Deepsea Mira* and future potential contracting activity.

## Forward Looking Statements

The Company's activities are subject to significant risks and uncertainties that can have an adverse effect on the Company's business, financial condition, results of operations and cash flow. See Note 1 to the unaudited condensed consolidated financial statements.

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words "believes", "expects", "intends", "plans", "estimates" and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ

materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted developments. No obligations are assumed to update any forward-looking statements or to conform these forward-looking statements to actual results.

The Board of Directors  
Northern Ocean Ltd.  
Hamilton, Bermuda  
August 25, 2022

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

<b>Apr 1 to Jun 30, 2021</b>	<b>Apr 1 to Jun 30, 2022</b>	<b>CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (in thousands of \$)</b>	<b>Jan 1 to Jun 30, 2022</b>	<b>Jan 1 to Jun 30, 2021</b>	<b>2021</b>
10,876	—	Contract revenue	9,830	35,615	56,648
1,084	—	Reimbursable revenue	—	2,750	9,685
579	417	Other income	686	851	1,445
<b>12,539</b>	<b>417</b>	<b>Total operating revenues</b>	<b>10,516</b>	<b>39,216</b>	<b>67,778</b>
18,123	10,553	Rig operating expenses	16,824	37,088	51,978
3,182	—	Reimbursable expenses	—	4,811	7,565
10,658	9,990	Depreciation	19,877	21,109	42,657
—	210	Provision for doubtful debts	210	—	5,441
3,318	1,548	Administrative expenses	4,014	5,034	10,147
<b>35,281</b>	<b>22,301</b>	<b>Total operating expenses</b>	<b>40,925</b>	<b>68,042</b>	<b>117,788</b>
<b>(22,742)</b>	<b>(21,884)</b>	<b>Net operating loss</b>	<b>(30,409)</b>	<b>(28,826)</b>	<b>(50,010)</b>
1	50	Interest income	56	3	5
(4,887)	(5,976)	Interest expense	(11,616)	(9,808)	(19,643)
(42)	(1,227)	Foreign exchange (loss) gain	(1,229)	398	(88)
(390)	(1)	Other financial expenses	(3)	(914)	(1,930)
<b>(28,060)</b>	<b>(29,038)</b>	<b>Net loss from continuing operations before taxes</b>	<b>(43,201)</b>	<b>(39,147)</b>	<b>(71,666)</b>
2,899	(75)	Tax (charge) credit	(139)	2,639	3,067
<b>(25,161)</b>	<b>(29,113)</b>	<b>Net loss from continuing operations</b>	<b>(43,340)</b>	<b>(36,508)</b>	<b>(68,599)</b>
—	—	Related party settlement gain, net of taxes	—	—	57,574
<b>(25,161)</b>	<b>(29,113)</b>	<b>Net loss</b>	<b>(43,340)</b>	<b>(36,508)</b>	<b>(11,025)</b>
<b>(0.39)</b>	<b>(0.28)</b>	<b>Basic and diluted loss from continuing operations per share (\$)</b>	<b>(0.43)</b>	<b>(0.57)</b>	<b>(1.07)</b>
<b>0.00</b>	<b>0.00</b>	<b>Basic and diluted income from related party settlement gain, net of taxes, per share (\$)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.90</b>
<b>(0.39)</b>	<b>(0.28)</b>	<b>Basic and diluted loss per share (\$)</b>	<b>(0.43)</b>	<b>(0.57)</b>	<b>(0.17)</b>

<b>Apr 1 to Jun 30, 2021</b>	<b>Apr 1 to Jun 30, 2022</b>	<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS (in thousands of \$)</b>	<b>Jan 1 to Jun 30, 2022</b>	<b>Jan 1 to Jun 30, 2021</b>	<b>2021</b>
<b>(25,161)</b>	<b>(29,113)</b>	<b>Net loss</b>	<b>(43,340)</b>	<b>(36,508)</b>	<b>(11,025)</b>
74	910	Foreign currency translation gain	847	1	(418)
<b>74</b>	<b>910</b>	<b>Other comprehensive (loss) income</b>	<b>847</b>	<b>1</b>	<b>(418)</b>
<b>(25,087)</b>	<b>(28,203)</b>	<b>Comprehensive loss</b>	<b>(42,493)</b>	<b>(36,507)</b>	<b>(11,443)</b>

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

**NORTHERN OCEAN LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

<b>CONDENSED CONSOLIDATED BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>Jun 2022</b>	<b>Dec 2021</b>
<b>ASSETS</b>		
<b>Short term</b>		
Cash and cash equivalents	28,169	5,461
Restricted cash	154	10,152
Related party receivables	253	3,514
Other current assets	3,937	4,637
<b>Long term</b>		
Drilling units	933,163	953,750
Fixtures and fittings	17	5
Deferred tax	—	35
<b>Total assets</b>	<b>965,693</b>	<b>977,554</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Short term liabilities</b>		
Current portion of long-term debt	19,966	10,000
Other current liabilities	11,411	7,454
Deferred revenue	110	1,924
Related party payables	109	79
<b>Long term liabilities</b>		
Long-term debt	369,371	389,531
Deferred revenue	2,879	2,934
Related party long-term debt	88,708	70,000
<b>Commitments and contingencies (Note 14)</b>		
Total equity	473,139	495,632
<b>Total liabilities and equity</b>	<b>965,693</b>	<b>977,554</b>

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

**NORTHERN OCEAN LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

<b>Apr 1 to Jun 30, 2021</b>	<b>Apr 1 to Jun 30, 2022</b>	<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of \$)</b>	<b>Jan 1 to Jun 30, 2022</b>	<b>Jan 1 to Jun 30, 2021</b>	<b>2021</b>
<b>(25,161)</b>	<b>(29,113)</b>	<b>NET (LOSS) INCOME</b>	<b>(43,340)</b>	<b>(36,508)</b>	<b>(11,025)</b>
		Adjustment to reconcile net (loss) income to net cash used in by operating activities;			
511	65	Amortization of deferred charges	586	1,017	1,979
(9,753)	(28)	Amortization of deferred revenue	(1,869)	(14,063)	(19,459)
—	210	Provision for doubtful debts	210	—	5,441
10,658	9,990	Depreciation	19,877	21,109	42,657
82	910	Unrealized foreign exchange loss (gain)	847	(25)	(418)
(2,899)	75	Tax	139	(2,639)	(3,067)
—	—	Related party settlement gain, net of taxes	—	—	(57,574)
		Change in operating assets and liabilities;			
4,058	4,703	Receivables	(210)	4,488	1,855
7,563	—	Unbilled receivables	—	8,874	8,913
520	(1,813)	Other current assets	1,305	(179)	1,752
(148)	3,733	Other current liabilities	3,959	(1,065)	(7,127)
8,612	(1,825)	Related party balances	3,292	8,071	13,087
1	—	Deferred revenue	—	1,177	1,177
<b>(5,956)</b>	<b>(13,093)</b>	<b>Net cash used in operating activities</b>	<b>(15,204)</b>	<b>(9,743)</b>	<b>(21,809)</b>
		<b>INVESTING ACTIVITIES</b>			
1,779	—	Additions to drilling units	—	(131)	(206)
—	(12)	Additions to fixtures and fittings	(14)	—	—
<b>1,779</b>	<b>(12)</b>	<b>Net cash used in investing activities</b>	<b>(14)</b>	<b>(131)</b>	<b>(206)</b>
		<b>FINANCING ACTIVITIES</b>			
—	—	Net proceeds from share issuances	20,000	—	—
—	3,708	Proceeds from related party long-term debt	18,708	—	—
—	—	Repayment of long-term debt	(10,000)	—	—
—	—	Debt fees paid	(780)	—	—
—	<b>3,708</b>	<b>Net cash provided by financing activities</b>	<b>27,928</b>	<b>—</b>	<b>—</b>
<b>(4,177)</b>	<b>(9,397)</b>	<b>Net change</b>	<b>12,710</b>	<b>(9,874)</b>	<b>(22,015)</b>
<b>31,931</b>	<b>37,720</b>	<b>Cash, cash equivalents and restricted cash at start of the period</b>	<b>15,613</b>	<b>37,628</b>	<b>37,628</b>
<b>27,754</b>	<b>28,323</b>	<b>Cash, cash equivalents and restricted cash at end of the period</b>	<b>28,323</b>	<b>27,754</b>	<b>15,613</b>

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

**NORTHERN OCEAN LTD.**  
**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b> <i>(in thousands of \$ except number of shares)</i>	<b>Jan 1 to Jun 30, 2022</b>	<b>2021</b>
<b>Number of shares outstanding</b>		
Balance at beginning of period	63,802,378	63,802,378
Shares issued	40,000,000	—
<b>Balance at end of period</b>	<b>103,802,378</b>	<b>63,802,378</b>
<b>Share capital</b>		
Balance at beginning of period	63,803	63,803
Shares issued	20,000	—
Reduction in nominal value of shares	(31,902)	—
<b>Balance at end of period</b>	<b>51,901</b>	<b>63,803</b>
<b>Additional paid in capital</b>		
Balance at beginning of period	488,334	488,334
Reduction in nominal value of shares	31,902	—
<b>Balance at end of period</b>	<b>520,236</b>	<b>488,334</b>
<b>Accumulated other comprehensive income (loss)</b>		
Balance at beginning of period	(346)	72
Other comprehensive income (loss)	847	(418)
<b>Balance at end of period</b>	<b>501</b>	<b>(346)</b>
<b>Retained deficit</b>		
Balance at beginning of period	(56,159)	(45,134)
Net loss	(43,340)	(11,025)
<b>Balance at end of period</b>	<b>(99,499)</b>	<b>(56,159)</b>
<b>Total equity</b>	<b>473,139</b>	<b>495,632</b>

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

## NORTHERN OCEAN LTD.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 1. GENERAL

Northern Ocean Ltd., or the Company, was incorporated under the laws of Bermuda on March 3, 2017 with its principal executive office located in Hamilton, Bermuda, for the purpose of ownership of offshore drilling rigs. The Company is engaged in offshore drilling for the oil and gas industry in harsh environments worldwide.

As of the date of this report, the Company owns two semi-submersible drilling rigs, *Deepsea Mira* and *Deepsea Bollsta*, which were delivered to the Company in December 2018 and June 2019, respectively.

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. The Proposed Written Resolution was passed on January 13, 2022.

On January 13, 2022, the Company completed the Private Placement previously announced on December 23, 2021, and the Board of Directors proposed a subsequent offering of up to eight million shares, to be satisfied from the Private Placement shares. The Subsequent Offering period commenced March 14, 2022 and ended on March 28, 2022, at which point the Company had received subscriptions for approximately 6.8 million subsequent offer shares. The shares were satisfied from the Private Placement shares, resulting in no cash proceeds being generated for the Company.

On January 14, 2022, the Company closed the amendment and extension process for its bank debt in line with the announcement made on December 23, 2021. The Company paid 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.

On January 14, 2022, the Company closed the amendment and extension process for the Sterna revolving credit facility in line with the announcement made on December 23, 2021. In the six months ended June 30, 2022, the Company drew an additional \$18.7 million, bringing the related party balance to \$88.7 million. \$15.0 million of the drawings were in the form of a cash withdrawal, the remaining \$3.7 million was drawn to settle the interest payments as they fell due. Following the \$15.0 million withdrawal the remaining available funds from the facility are restricted for settling the future interest payment to Sterna as they fall due. Sterna shall also 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.

Following the completion of the contract for the *Deepsea Bollsta* with Lundin on March 1, 2022, the Company's 6th generation semi-submersible drilling rigs, *Deepsea Mira* and *Deepsea Bollsta*, are both located at Hanøytangen outside Bergen, Norway. *Deepsea Mira* is kept in a warm stacked condition, whereas *Deepsea Bollsta* is currently being reactivated for commencement of operations in Q4. Rig management and marketing services for both rigs were transferred to Odfjell Drilling Ltd 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, developing into an operating business 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 loan facilities and failure to do so would require the outstanding loan to be repaid. Further, the success and growth of the Company's business is depending on the level of activity in the offshore oil and gas industry generally and the drilling industry specifically. Both such industries are highly competitive and are significantly impacted by the price of oil, which can be very volatile. Further, the Company has a limited number of rigs which makes it vulnerable in the event of a loss of revenue of any such rigs due to market developments, technical or regulatory matters, and should the Company not be able to obtain favorable contracts for its rigs.

#### 2. BASIS OF ACCOUNTING

The unaudited condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The unaudited condensed consolidated financial statements do not include all of the disclosures required in annual and interim consolidated financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021.



The Company has adopted update *ASU 2020-06 (ASC 470-20 Debt with Conversion and Other Options)* effective from January 1, 2022. The new standard reduces the number of accounting models for convertible debt instruments, resulting in fewer embedded conversion features being separately recognized from the host contract as compared with the previous guidance. The standard update is relevant for the amended and restated Sterna revolving credit facility closed on January 14, 2022, which contained a conversion option. Prior to the update the embedded beneficial conversion feature would have been recognized separately by allocating a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital. Adopting *ASU 2020-06* has resulted in the Company accounting for the debt in its entirety as a liability.

### 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, including deferring the 2022 amortizations totaling \$40.0 million, and drew down an additional \$15.0 million from the Sterna revolving credit facility.

In August 2022, the Company announced engagement of financial advisors for the purpose of carrying out another Private Placement generating gross proceeds of approximately \$40 million.

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.

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about receivables and contract liabilities from our contracts with customers at June 30, 2022:

<i>(in thousands of \$)</i>	
Accounts receivable, net	—
Current contract liabilities (deferred revenue)	110
Non-current contract liabilities (deferred revenue)	2,879

The current deferred revenue and non-current deferred revenue balances of a combined \$3.0 million relate to a grant received from the Norwegian government due to the fact the *Deepsea Mira* was built with systems which reduce NOx emissions. This grant is being credited to the Consolidated Statement of Operations over the estimated useful life of the *Deepsea Mira*.

<i>(in thousands of \$)</i>	
Total contract liabilities at December 31, 2021	4,858
Deferred revenue accruing in the period	—
Amortization of deferred revenue	(1,869)
Total contract liabilities at June 30, 2022	2,989
Current contract liabilities	110
Long term contract liabilities	2,879

### 4. INCOME TAXES

#### Bermuda

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

#### Other Jurisdictions

The Company has subsidiaries, which were incorporated in the Marshall Islands and they are not subject to income tax. Certain of the Company's subsidiaries and branches in Norway, Ireland and the USA are subject to income tax in their respective jurisdictions. The tax paid by subsidiaries and branches that are subject to income tax is not material.

## Deferred tax

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

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

## 5. EARNINGS PER SHARE

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

Apr 1 to Jun 30, 2021	Apr 1 to Jun 30, 2022		Jan 1 to Jun 30, 2022	Jan 1 to Jun 30, 2021	2021
(25,161)	(29,113)	Net loss from continuing operations (in thousands of \$)	(43,340)	(36,508)	(68,599)
—	—	Related party settlement gain, net of taxes (in thousands of \$)	—	—	57,574
(25,161)	(29,113)	Net (loss) income (in thousands of \$)	(43,340)	(36,508)	(11,025)
63,803	103,802	Weighted average number of ordinary shares (in thousands)	100,929	63,803	63,802

## 6. RESTRICTED CASH

Following the payments made in the first quarter 2022 of the \$5.0 million originally due on March 3, 2021 for the *West Mira* facility and the \$5.0 million originally due on March 13, 2021 for the *West Bollsta* facility, the restricted cash consists of cash held in a restricted account for payroll taxes.

## 7. DRILLING UNITS

Movements in the carrying value of Drilling units in the six months ended June 30, 2022 are summarized as follows:

<i>(in thousands of \$)</i>	Cost	Accumulated depreciation	Net carrying value
Balance at December 31, 2021	1,028,975	(75,225)	953,750
Adjustment to previously capitalized balance	(710)	—	(710)
Depreciation	—	(19,877)	(19,877)
Balance at June 30, 2022	1,028,265	(95,102)	933,163

## 8. OTHER CURRENT ASSETS

Other current assets at June 30, 2022 may be summarized as follows:

<i>(in thousands of \$)</i>	
Deposit held	132
VAT receivable	1,683
Other	2,122
	3,937

## 9. OTHER CURRENT LIABILITIES

Other current liabilities at June 30, 2022 may be summarized as follows:

<i>(in thousands of \$)</i>	
Accounts payable	1,483
Accrued administrative expenses	37
Accrued operating expense	4,275
Other payables	746
Accrued interest expense	4,870
	11,411

## 10. DEBT

Debt at June 30, 2022 may be summarized as follows:

<i>(in thousands of \$)</i>	
U.S. dollar denominated floating rate debt:	
\$200.0 million term loan facility - <i>West Mira</i>	165,000
\$200.0 million term loan facility - <i>West Bollsta</i>	175,000
\$50.0 million term loan facility - <i>West Mira and West Bollsta</i>	50,000
Total debt - gross of deferred charges	390,000
Short-term portion of debt issuance costs	(34)
Long-term portion of debt issuance costs	(629)
Total debt	389,337
Short term debt	19,966
Long term debt	369,371
Total debt	389,337

The outstanding debt as of June 30, 2022 is repayable as follows:

<i>(in thousands of \$)</i>	
Year 1	20,000
Year 2	40,000
Year 3	330,000
Year 4	—
Year 5	—
Thereafter	—
	390,000

On January 14, 2022, the Company closed the amendment and extension process for its bank debt in line with the announcement made on December 23, 2021. It was simultaneously agreed to pay to the banks the amortization payments of \$5.0 million originally due on March 3, 2021 for the *West Mira* facility and the \$5.0 million originally 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 previously been set aside in a restricted account secured on behalf of the lenders.

The Company is in compliance with the covenants set out in the bank debt and Sterna agreements.

### Assets pledged

<i>(in thousands of \$)</i>	
Drilling units	933,163

## Deferred charges

<i>(in thousands of \$)</i>	
Debt arrangement fees	6,690
Accumulated amortization	(6,027)
	663

## 11. SHARE CAPITAL

On December 29, 2021, and with reference to the Company's announcement on December 23, 2021 concerning a Private Placement and subsequent offering of shares, with each such share to be issued at a subscription price of \$0.50 (see Note 1), the Company, by virtue of Bye-laws 65-68 and 80 of the Company's Bye-laws, 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 (the "Proposal"). The majority requirement for the Proposal was 50% of the issued share capital of the Company (a "Relevant Majority") and the Proposal was carried out as soon as votes supporting the Proposal was cast by a Relevant Majority.

On January 13, 2022, with reference to the Company's announcement on December 29, 2021 regarding the Proposal, the Company announced that the Proposal has been carried by a Relevant Majority. The nominal value of each share of the Company's issued and authorized share capital was therefore reduced to \$0.50.

On January 13, 2022, with reference to the Company's announcement on December 29, 2021 regarding the Private Placement, the Company announced that the Private Placement had been completed. Following the Private Placement and registration in the relevant register of members, the Company has 103,802,378 fully paid common shares outstanding and authorized share capital of the Company of \$968,098,811 divided into 1,936,197,622 common shares of a par value of \$0.50 each.

## 12. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of June 30, 2022 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
<b>Assets:</b>		
Cash and cash equivalents	28,169	28,169
Restricted cash	154	154
<b>Liabilities:</b>		
Floating rate debt	389,337	389,337
Related party long term debt	88,708	83,463

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

<i>(in thousands of \$)</i>	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash and cash equivalents	28,169	28,169	—	—
Restricted cash	154	154	—	—
<b>Liabilities:</b>				
Floating rate debt	389,337	—	389,337	—
Related party long term debt	83,463	—	—	83,463

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.

### 13. 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 39.1% of the Company’s outstanding ordinary shares at June 30, 2022. 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 – Seatankers Management Co. Ltd, or Seatankers, Sterna Finance Ltd, or Sterna, 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.

#### Related party balances

##### *Sterna*

On January 14, 2022, the Company closed the amendment and extension process for the Sterna revolving credit facility in line with the announcement made on December 23, 2021. In the six months ended June 30, 2022, the Company drew an additional \$18.7 million, bringing the related party balance to \$88.7 million. \$15.0 million of the drawings were in the form of a cash withdrawal, the remaining \$3.7 million was drawn to settle the interest payments as they fell due. Following the \$15.0 million withdrawal the remaining available funds from the facility are restricted for settling the future interest payment to Sterna as they fall due. Sterna shall also 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 loan from Sterna is repayable on April 17, 2025.

##### *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 \$0.2 million in the six months ended June 30, 2022.

##### *Northern Drilling transactions*

The Company provides management services to Northern Drilling and charged \$0.5 million in the six months ended June 30, 2022.

A summary of balances due from related parties at June 30, 2022 is as follows:

<i>(in thousands of \$)</i>	
Northern Drilling	253
	253

A summary of short term balances due to related parties at June 30, 2022 is as follows:

<i>(in thousands of \$)</i>	
Flex	32
Seatankers	10
Front Ocean	67
	109

A summary of long term balances due to related parties at June 30, 2022 is as follows:

<i>(in thousands of \$)</i>	
Sterna	88,708

### 14. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, the Company had no capital commitments.

## 15. SUBSEQUENT EVENTS

On August 25, 2022, the Company announced a contract award for *Deepsea Bollsta* from Shell Upstream Namibia B.V., a subsidiary of Shell Plc., for work in a benign environment market. The contract is expected to commence in the middle of the 4th Quarter 2022 and has an estimated firm duration of twelve months plus a 6 month option to extend. The contract adds approximately USD 124 million of firm revenue backlog to the Company (excluding options). Odfjell Drilling Ltd, the operations manager, has commenced reactivation activities and mobilization preparation to meet the contract expectations safely and efficiently.

To fund the reactivation costs, working capital and other general corporate purposes, the Company has retained Fearnley Securities AS, Danske Bank A/S, Norwegian branch, DNB Markets, a part of DNB ASA, Skandinaviska Enskilda Banken AB (publ), Oslo Branch and SpareBank 1 markets AS as Bookrunners to advise on and effect a private placement (the "Private Placement") of new shares, with the intention to raise gross proceeds of approximately USD 40 million. The subscription price for the new shares will be determined by the Company's Board of Directors (the "Board") based on an accelerated book building process and expect to complete the capital raise on or about August 25, 2022.

**NORTHERN OCEAN LTD.  
INTERIM REPORT JANUARY - JUNE 2022**

**Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2022 have been prepared in accordance with U.S generally accepted accounting principles, and give a true and fair view of the Company's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related party transactions.

The Board of Directors and Chief Executive Officer  
Northern Ocean Ltd.  
Hamilton, Bermuda  
August 25, 2022

Gary Casswell (Chairman)  
Bote de Vries (Director)  
Ole Falk Hansen (Director)  
James Ayers (Director)  
Scott McReaken (Chief Executive Officer)