



NORTHERN OCEAN LTD
RESULTS FOR THE FOURTH QUARTER 2022 AND TWELVE MONTHS
ENDED DECEMBER 31, 2022

Highlights - Fourth Quarter

- On December 10, 2022, Northern Ocean Ltd (the "Company") announced that *Deepsea Bollsta* had safely completed its transit to Namibia and commenced its contract with Shell Upstream Namibia BV ("Shell"). Technical Utilization of 96% was achieved through the end of the December.
- On December 13, 2022, the Company announced a contract award for *Deepsea Mira* from a subsidiary of TotalEnergies SE ("TotalEnergies") to commence in second quarter 2023 for 300 firm days and two options, adding \$135 million of estimated revenue backlog, excluding options and bonuses.
- On December 13, 2022, in connection with the *Deepsea Mira* contract award, the Company completed a private placement resulting in approximately \$45.0 million of gross proceeds, to be used for the reactivation and mobilization of the rig, along with other corporate activities.

Subsequent Events

- On February 15 and 16, 2023, respectively, the Company announced the approval of a prospectus and a subsequent offering for 2,500,000 shares in connection with the private placement on December 13, 2022.

Results

In the fourth quarter, contract revenue was \$10.6 million (Technical Utilization 96% from commencement on December 10, 2022) compared to nil in the previous quarter. Revenue was earned through the drilling contract of *Deepsea Bollsta* with Shell, of which \$8.1 million related to drilling and pre-commencement activities and the remaining were one-time reimbursed costs. Other revenue was \$0.3 million compared to \$0.3 million in the previous quarter. Other revenue is primarily earned from the provision of management services rendered to a related party, Northern Drilling Ltd.

Total operating expenses were \$27.1 million compared to \$17.6 million in the previous quarter. Rig operating expenses increased to \$14.8 million compared to \$5.9 million in the previous quarter. The primary reason for the increase was the commencement of the *Deepsea Bollsta's* contract with Shell. Prior to commencement of contract, costs related to the reactivation and mobilization activities of the rig were being deferred, to be amortized over the firm contract period. Post contract commencement no costs relating to the operating of the *Deepsea Bollsta* are being deferred and the previously deferred costs are being amortized.

Administrative expenses were \$2.1 million in the fourth quarter compared with \$1.5 million in the previous quarter, as the contracts were finalized for operations in new jurisdictions.

Foreign exchange gains were \$2.9 million in the fourth quarter compared with losses of \$2.7 million in the previous quarter. The gains occurred due to the Company holding monetary assets denominated in NOK, which strengthened against USD in the quarter. The Company holds monetary assets denominated in NOK to finance the Norwegian operations of the Company, most notably the reactivation and mobilization of the *Deepsea Mira*.

The net loss from operations before taxes in the fourth quarter was \$21.9 million, compared with a loss of \$27.4 million in the previous quarter.

The net loss in the fourth quarter resulted in a basic and diluted loss per share of \$0.15, compared to a loss of \$0.24 in the previous quarter.

Company Update

On December 10, 2022, the Company announced that *Deepsea Bollsta* had safely completed its transit to Namibia and commenced its contract with Shell.

On December 13, 2022, the Company announced a contract award for *Deepsea Mira* from a subsidiary of TotalEnergies. The contract is expected to commence in the second quarter of 2023 with a firm duration of 300 days, plus a subsequent 180-day option and a 90-day option. The contract adds approximately \$135 million of firm revenue backlog to the Company, excluding options and bonuses. Odfjell Drilling Ltd (“Odfjell” or the “Manager”) will manage operations through the duration of the contract and commenced reactivation activities in the previous quarter.

On December 13, 2022, in connection with the *Deepsea Mira* contract award, the Company completed a private placement resulting in 47,022,157 million shares being issued at a price of NOK 9.50 per share. The placement raised approximately \$45.0 million in gross proceeds, to be used for the reactivation and mobilization of the rig and other corporate activities.

On February 15 and 16, 2023, the Company announced the approval of the prospectus and a subsequent offering, respectively. The Financial Supervisory Authority of Norway approved the prospectus prepared for (i) the listing of 47,022,157 new shares issued in connection with the private placement; and (ii) the subsequent offering and listing of up to 2,500,000 of offer shares. Eligible shareholders have until March 1, 2023 to participate in the subsequent offering.

Technical utilization for the *Deepsea Bollsta* first quarter as of the report date is 96%.

Outlook

The Company continues to be supportive of the offshore drilling market and has a positive outlook for 2023.

Long-term demand for investment in energy resources continues to strengthen, and is driven by the convergence of energy security, depleted natural resource inventories, and evaporated OPEC spare production capacity. In response to this growing demand and limitations of supply in offshore rigs, the offshore drilling markets have materially tightened resulting in higher utilizations of the offshore global fleet and significant improvements in dayrates.

However, in the harsh environment segment demand for drilling rigs has been somewhat anemic or bearish last year and is expected to continue relatively similar through 2023. New activities on the Norwegian Continental Shelf (“NCS”) have either been downsized, delayed or eliminated and there is now limited visibility of new drilling programs over the next 12 months. Outside of the NCS, indications are that the United Kingdom Continental Shelf and Canada will increase activity levels and potentially have incremental demand for high specification rigs exceeding the capacity of the existing rigs in the region. Thus, some of the most capable and advanced drilling rigs are exiting the Norwegian market and finding employment in other areas.

The Northern Ocean fleet has been a part of this trend of exiting the NCS. Notwithstanding the Company continues to stay very active with participating in tenders and responsive towards inquiries for work within the NCS. Northern Ocean is maintaining the optionality and ability to return to the region when the timing is justified. For 2023, the *Deepsea Bollsta* will continue drilling in Namibia, which is an area showing indications for potential large-scale investments from several Supermajors and could require at least one high specification semi-submersible for some time to come. The *Deepsea Mira* will soon depart the yard in Bergen and commence its multi-country drilling program in West Africa in the second quarter of 2023. The Company continues to work closely with its operational manager, Odfjell Drilling Ltd, to ensure a safe and efficient reactivation, mobilization, and operations on both rigs across the globe.

Forward Looking Statements

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

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words "believes", "expects", "intends", "plans", "estimates" and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted developments. No obligations are assumed to update any forward-looking statements or to conform these forward-looking statements to actual results.

The Board of Directors
Northern Ocean Ltd
Hamilton, Bermuda
February 28, 2023

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

2021 Oct - Dec	2022 Oct - Dec	CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (in thousands of \$)	2022	2021
17,704	10,610	Contract revenue	20,440	56,648
—	—	Reimbursable revenue	—	9,685
440	270	Other income	1,222	1,445
18,144	10,880	Total operating revenues	21,662	67,778
5,638	14,760	Rig operating expenses	37,434	51,978
—	—	Reimbursable expenses	—	7,565
10,774	10,229	Depreciation	40,209	42,657
38	—	Provision for doubtful debts	358	5,441
2,681	2,106	Administrative expenses	7,620	10,147
19,131	27,095	Total operating expenses	85,621	117,788
(987)	(16,215)	Net operating loss	(63,959)	(50,010)
—	233	Interest income	363	5
(4,939)	(8,873)	Interest expense	(27,855)	(19,643)
421	2,938	Foreign exchange gain (loss)	(1,040)	(88)
(495)	(7)	Other financial expenses	(11)	(1,930)
(6,000)	(21,924)	Net loss from continuing operations before taxes	(92,502)	(71,666)
48	(217)	Tax (charge) credit	(388)	3,067
(5,952)	(22,141)	Net loss from continuing operations	(92,890)	(68,599)
57,574	—	Related party settlement gain, net of taxes	—	57,574
51,622	(22,141)	Net income (loss)	(92,890)	(11,025)
(0.09)	(0.15)	Basic and diluted loss from continuing operations per share (\$)	(0.80)	(1.07)
0.90	0.00	Basic and diluted income from related party settlement gain, net of taxes, per share (\$)	0.00	0.90
0.81	(0.15)	Basic and diluted income (loss) per share (\$)	(0.80)	(0.17)

2021 Oct-Dec	2022 Oct-Dec	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (in thousands of \$)	2022	2021
51,622	(22,141)	Net income (loss)	(92,890)	(11,025)
(318)	(1,107)	Foreign currency translation gain (loss)	201	(418)
(318)	(1,107)	Other comprehensive (loss) income	201	(418)
51,304	(23,248)	Comprehensive income (loss)	(92,689)	(11,443)

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

NORTHERN OCEAN LTD
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET <i>(in thousands of \$)</i>	Dec 2022	Dec 2021
ASSETS		
Short term		
Cash and cash equivalents	67,494	5,461
Restricted cash	5,428	10,152
Related party receivables	405	3,514
Accounts receivable, net	7,770	—
Unbilled receivables	11,390	—
Other current assets	41,586	4,637
Accrued income	542	—
Current portion of right-of-use assets under operating leases	185	—
Long term		
Drilling units	917,465	953,750
Fixtures and fittings	50	5
Deferred tax	—	35
Right-of-use assets under operating leases	197	—
Long-term deferred asset	1,270	—
Total assets	1,053,782	977,554
LIABILITIES AND EQUITY		
Short term liabilities		
Current portion of long-term debt	19,970	10,000
Other current liabilities	36,971	7,454
Current portion of deferred revenue	22,218	1,924
Related party payables	—	79
Current portion of obligations under operating leases	—	—
Current obligations under operating leases	196	—
Long term liabilities		
Long-term debt	369,449	389,531
Deferred revenue	6,237	2,934
Related party long-term debt	91,778	70,000
Obligations under operating leases	164	—
Commitments and contingencies (Note 14)		
Total equity	506,799	495,632
Total liabilities and equity	1,053,782	977,554

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

NORTHERN OCEAN LTD
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

2021 Oct-Dec	2022 Oct-Dec	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of \$)	2022	2021
51,622	(22,141)	NET LOSS	(92,890)	(11,025)
	0	Adjustments to reconcile net loss to net cash used in operating activities;		
445	67	Amortization of deferred charges	718	1,979
(3,299)	(570)	Amortization of deferred revenue	(2,466)	(19,459)
38	—	Provision for doubtful debts	—	5,441
10,774	10,230	Depreciation	40,209	42,657
(383)	(1,107)	Unrealized foreign exchange loss (gain)	201	(418)
(48)	—	Tax	35	(3,067)
(57,574)	—	Related party settlement gain, net of taxes	—	(57,574)
—	(542)	Accrued income	(542)	—
—	—	Change in operating assets and liabilities;	—	—
(37)	(7,770)	Receivables	(7,770)	1,855
—	(11,390)	Unbilled receivables	(11,390)	8,913
(605)	(7,361)	Other current assets	(13,478)	1,752
—	3,471	Other long-term assets	2,033	—
—	44	Right-of-use assets under operating leases	(382)	—
(2,598)	17,948	Other current liabilities	29,516	(7,127)
1,257	(6)	Related party balances	3,031	13,087
—	—	Deferred revenue	—	1,177
—	(49)	Obligations under operating leases	360	—
(408)	(19,176)	Net cash used in operating activities	(52,815)	(21,809)
		INVESTING ACTIVITIES		
—	(3,322)	Additions to drilling units	(4,626)	(206)
—	(1)	Additions to fixtures and fittings	(53)	—
—	(3,323)	Net cash used in investing activities	(4,679)	(206)
		FINANCING ACTIVITIES		
—	44,500	Net proceeds from share issuances	103,855	—
—	1,557	Proceeds from related party long-term debt	21,778	—
—	—	Repayment of long-term debt	(10,000)	—
—	(50)	Debt fees paid	(830)	—
—	46,007	Net cash provided by financing activities	114,803	—
(408)	23,508	Net change	57,309	(22,015)
16,021	49,414	Cash, cash equivalents and restricted cash at start of the period	15,613	37,628
15,613	72,922	Cash, cash equivalents and restricted cash at end of the period	72,922	15,613

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

NORTHERN OCEAN LTD
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i>	2022	2021
Number of shares outstanding		
Balance at beginning of period	63,802,378	63,802,378
Shares issued	117,815,808	—
Balance at end of period	181,618,186	63,802,378
Share capital		
Balance at beginning of period	63,803	63,803
Shares issued	58,908	—
Reduction in nominal value of shares	(31,902)	—
Balance at end of period	90,809	63,803
Additional paid in capital		
Balance at beginning of period	488,334	488,334
Shares issued	44,948	—
Reduction in nominal value of shares	31,902	—
Balance at end of period	565,184	488,334
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(346)	72
Other comprehensive income (loss)	201	(418)
Balance at end of period	(145)	(346)
Retained deficit		
Balance at beginning of period	(56,159)	(45,134)
Net loss	(92,890)	(11,025)
Balance at end of period	(149,049)	(56,159)
Total equity	506,799	495,632

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, (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 worldwide. As of the date of this report, the Company owns two semi-submersible drilling rigs, *Deepsea Bollsta* and *Deepsea Mira*, which were delivered to the Company in December 2018 and June 2019, respectively. Rig management and marketing services for both rigs were transferred to Odfjell Drilling Ltd (“Odfjell” or the “Manager”) during the first quarter of 2022. *Deepsea Bollsta* is currently operating in Namibia under a contract with Shell Upstream Namibia BV (“Shell”), whereas the *Deepsea Mira* is being mobilized for commencement of operation under a multi country contract entered into with TotalEnergies SE (“TotalEnergies”).

On January 13, 2022, the Company completed the private placement previously announced on December 23, 2021, (“January Private Placement”) and the Board of Directors proposed a subsequent offering (“Subsequent Offering”) of up to eight million shares, to be satisfied from the January 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 January 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 *Deepsea Mira* facility and the \$5.0 million due on March 13, 2021 for the *Deepsea Bollsta* facility. On January 14, 2022, the Company also closed the amendment and extension process for the Sterna Finance Ltd (“Sterna”) revolving credit facility in line with the announcement made on December 23, 2021. In the twelve months ended December 31, 2022, the Company drew an additional \$21.8 million, bringing the related party balance to \$91.8 million. \$15.0 million of the drawings were in the form of a cash withdrawal for general corporate purposes, while the remaining \$6.8 million was drawn to settle the interest payments on the Sterna facility as they fell due. Following the \$15.0 million withdrawal the remaining available funds of the facility are restricted for settling the interest payment of the Sterna facility as they fall due, until the end of first quarter 2024. Sterna has 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.

On August 25, 2022, the Company announced a contract award for *Deepsea Bollsta* from Shell, a subsidiary of Shell Plc, for work in Namibia. The contract commenced in December 2022 and has a 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.

On August 26, 2022, the Company completed the private placement previously announced on August 25, 2022, (“August Private Placement”), providing funding for the reactivation and mobilization of the *Deepsea Bollsta*, increasing working capital, and for other general corporate purposes. The private placement issued 30,793,651 million shares at a price of NOK 12.60 per share, raising approximately USD 40 million in gross proceeds.

On December 10, 2022, the Company announced that *Deepsea Bollsta* had safely completed the transit to Namibia and commenced its contract with Shell.

On December 13, 2022, the Company announced a multi country contract award for *Deepsea Mira* from a subsidiary of TotalEnergies. The contract has a firm duration of 300 days plus one 180-day option plus one 90-day option. The contract adds approximately USD 135 million of firm revenue backlog to the Company, excluding options. Odfjell, the operations manager has commenced reactivation activities for commencement of operations in the middle of 2nd Quarter 2023. To fund the reactivation costs and the working capital required for the execution of the contract, the Company also announced an intention to effect a private placement of new shares to raise gross proceeds of approximately USD 45 million (“December Private Placement”). On December 13, 2022, following the announcement of the intention to effect a private placement, the Company announced that it had completed the private placement, resulting in 47,022,157 million shares being issued at a price of NOK 9.50 per share, raising approximately USD 45 million in gross proceeds. The Company also communicated that it would consider carrying out a subsequent offering of up to 2.5 million new shares towards the Company's existing shareholders who were not invited to partake in the private placement. The Company announced the commencement of this subsequent offering on February 16, 2023.

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 a fully 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 dependent 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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about receivables and contract liabilities from our contracts with customers at December 31, 2022:

(in thousands of \$)

Accounts receivable, net	7,770
Unbilled receivables	11,390
Current contract liabilities (deferred revenue)	22,218
Non-current contract liabilities (deferred revenue)	6,237

The current deferred revenue and non-current deferred revenue balances of a combined \$28.5 million consists of \$8.5 million revenue received from Shell under the *Deepsea Bollsta* drilling contract, \$17.1 million revenue received from Total under the *Deepsea Mira* drilling contract and \$2.9 million received from the Norwegian government as a grant due to the fact the *Deepsea Mira* was built with systems which reduce NOx emissions. The balances for the drilling contract related revenues are credited to the Consolidated Statement of Operations over the estimated firm duration of the respective drilling contracts, whereas the grant from the Norwegian government is credited to the Consolidated Statement of Operations over the estimated useful life of the *Deepsea Mira*.

(in thousands of \$)

Total contract liabilities at December 31, 2021	4,858
Deferred revenue accruing in the period	26,063
Amortization of deferred revenue	(2,466)
Total contract liabilities at December 31, 2022	28,455
Current contract liabilities	22,218
Long term contract liabilities	6,237

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, Namibia 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 loss. The Company does not have any dilutive instruments. The components of the numerator and the denominator in the calculation are as follows;

2021 Oct-Dec	2022 Oct-Dec		2022	2021
(5,952)	(22,141)	Net loss from continuing operations (in thousands of \$)	(92,890)	(68,599)
57,574	—	Related party settlement gain, net of taxes (in thousands of \$)		57,574
51,622	(22,141)	Net loss (in thousands of \$)	92,890	(11,025)
63,802	143,796	Weighted average number of ordinary shares (in thousands)	115,495	63,802

6. RESTRICTED CASH

The combined total balance consists of \$5.4 million primarily relates to a deed of performance for TotalEnergies at \$5.3 million. The remaining balance relates to cash withheld for a guarantee to NIS, and for payroll taxes.

7. DRILLING UNITS

Movements in the carrying value of Drilling units in the twelve months ended December 31, 2022 are summarized as follows:

<i>(in thousands of \$)</i>	Cost	Accumulated depreciation	Net carrying value
Balance at December 31, 2021	1,028,974	(75,224)	953,750
Additions	4,627	—	4,627
Adjustment to previously capitalized balance	(710)	—	(710)
Depreciation	—	(40,202)	(40,202)
Balance at December 31, 2022	1,032,891	(115,426)	917,465

8. OTHER CURRENT ASSETS

Other current assets at December 31, 2022 may be summarized as follows:

<i>(in thousands of \$)</i>	
Deposit held	35
Fuel	485
VAT receivable	2,959
Other	9,683
Short-term portion of deferred assets	28,424
	41,586

Short-term portion of deferred assets

Short-term portion of deferred assets comprises of the reactivation activities and mobilization preparation costs incurred up to December 31, 2022 in order for the *Deepsea Bollsta* and the *Deepsea Mira* to meet their respective contractual obligations of the contracts with Shell and TotalEnergies. These costs are being deferred and amortized over the contract period.

Other

The category is principally composed of prepayments for operating equipment required to reactivate and mobilize the *Deepsea Mira*.

9. OTHER LONG-TERM ASSETS

The other long-term assets at December 31, 2022 may be summarized as follows:

<i>(in thousands of \$)</i>	
Long-term portion of deferred assets	1,270
	1,270

Long-term portion of deferred assets

Long-term portion of deferred assets comprises of the reactivation activities and mobilization preparation costs incurred up to December 31, 2022 in order for the *Deepsea Mira* to meet its contractual obligations of the contract TotalEnergies. These costs are being deferred and amortized over the contract period.

10. OTHER CURRENT LIABILITIES

Other current liabilities at December 31, 2022 may be summarized as follows:

<i>(in thousands of \$)</i>	
Accounts payable	7,662
Accrued administrative expenses	445
Accrued operating expense	19,427
Other payables	1,982
Accrued interest expense	7,455
	36,971

11. DEBT

Debt at December 31, 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>Deepsea Mira</i>	165,000
\$200.0 million term loan facility - <i>Deepsea Bollsta</i>	175,000
\$50.0 million term loan facility - <i>Deepsea Mira</i> and <i>Deepsea Bollsta</i>	50,000
Total debt - gross of deferred charges	390,000
Short-term portion of debt issuance costs	(30)
Long-term portion of debt issuance costs	(551)
Total debt	389,419
Short-term debt	19,970
Long-term debt	369,449
Total debt	389,419

The outstanding debt as of December 31, 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

In December 2022, the DNB loan agreement was amended to defer the January 2023 and the April 2023 scheduled installment payments until the loan maturity in 2025. Each quarterly installment is \$5M per rig.

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	917,465

Deferred charges

<i>(in thousands of \$)</i>	
Debt arrangement fees	6,690
Accumulated amortization	(6,109)
	581

12. 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 January 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.

On August 26, 2022, the Company completed a private placement, providing funding for the reactivation and mobilization of the *Deepsea Bollsta*, increasing working capital, and for other general corporate purposes. The private placement issued 30,793,651 shares at a price of NOK 12.60 per share, raising gross proceeds of approximately USD 40 million. Following the private placement and registration in the relevant register of members, the Company has 134,596,029 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.

On December 13, 2022, the Company completed a private placement, providing funding for the reactivation and mobilization of the *Deepsea Mira*, increasing working capital, and for other general corporate purposes. The private placement issued 47,022,157 shares at a price of NOK 9.50 per share, raising gross proceeds of approximately USD 45 million. Following the private placement and registration in the relevant register of members, the Company has 181,618,186 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.

13. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of December 31, 2022 are as follows:

<i>(in thousands of \$)</i>	Carrying Value	Fair Value
Assets:		
Cash and cash equivalents	67,494	67,494
Restricted cash	5,428	5,428
Liabilities:		
Floating rate debt	389,419	389,419
Related party long term debt	91,778	87,548

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

<i>(in thousands of \$)</i>	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	67,494	67,494	—	—
Restricted cash	5,428	5,428	—	—
Liabilities:				
Floating rate debt	389,419	—	389,419	—
Related party long term debt	87,548	—	—	87,548

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.

14. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd, or Hemen Holding, a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owned 39.2% of the Company's outstanding ordinary shares at December 31, 2022. In the twelve month ended December 31, 2022, the Company has transacted 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 twelve months ended December 31, 2022, the Company drew an additional \$21.8 million, bringing the related party balance to \$91.8 million. \$15.0 million of the drawings were in the form of a cash withdrawal for general corporate purposes, the remaining \$6.8 million was drawn to settle the interest payments on the Sterna facility as they fell due. Following the \$15.0 million withdrawal the remaining available funds of the facility are restricted for settling the future interest payment of the Sterna facility as they fall due. Sterna has 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 in full on April 17, 2025.

Frontline, Flex, Front Ocean and Seatankers transactions

The Company and its subsidiaries have received treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.5 million in the twelve months ended December 31, 2022. The management services agreement with Flex ended in September 2022.

Northern Drilling transactions

The Company provides management services to Northern Drilling and charged \$0.9 million in the twelve months ended December 31, 2022.

A summary of balances due from related parties at December 31, 2022 is as follows:

(in thousands of \$)

Northern Drilling	405
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A summary of long term balances due to related parties at December 31, 2022 is as follows:

(in thousands of \$)

Sterna	91,778
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There were no short term balances due to related parties at December 31, 2022.

15. COMMITMENTS AND CONTINGENCIES

As of December 31, 2022, the Company had no capital commitments.

16. SUBSEQUENT EVENTS

On February 15 and 16, 2023, respectively, the Company announced the approval of a prospectus and a subsequent offering for 2,500,000 shares in connection with the private placement on December 13, 2022.