NORTHERN OCEAN LTD.
RESULTS FOR THE SECOND QUARTER 2023 AND SIX MONTHS ENDED JUNE 30, 2023

Key Information

Unless otherwise indicated, the terms "Northern Ocean" and the "Company", refer to Northern Ocean Ltd. and its consolidated subsidiaries.

Unless otherwise indicated, all references to "$" in this annual report are to the lawful currency of the United States of America.

Highlights - Second Quarter 2023

- The *Deepsea Mira* had three days of operation under its contract with a subsidiary of TotalEnergies SE ("TotalEnergies").

- On May 25, 2023, the Company entered into an extension of the contract with a subsidiary of Shell Plc. ("Shell") for continued work in Namibia with the *Deepsea Bollsta*.

Subsequent Events

- On July 7, 2023, the Company amended and restated its term loan facilities bank debt agreement and the Sterna Finance Ltd. ("Sterna") facility.

Results

In the second quarter, contract revenue was $34.7 million compared to $30.7 million in the previous quarter. Revenue was earned from the drilling contracts of the *Deepsea Bollsta* with Shell (achieving a economic utilization of 97.6%) and the *Deepsea Mira* with TotalEnergies, of which $26.7 million was dayrate drilling revenue, $4.8 million was mobilization and demobilization revenue and $3.2 million was other revenue.

Total operating expenses were $50.6 million compared to $40.0 million in the previous quarter. Rig operating expenses increased to $30.1 million compared to $26.5 million in the previous quarter. Prior to the commencement of the contract with Shell, costs related to the reactivation and mobilization activities of the rig were being deferred to be amortized over the firm contract period. The *Deepsea Mira* costs in relation to the reactivation and mobilization activities continued to be deferred during the quarter, and will be amortized over the firm contract period of the drilling contract with TotalEnergies.

Administrative expenses were $1.8 million compared to $2.0 million in the previous quarter.

Foreign exchange gains were $0.0 million as in the previous quarter.

The net loss from continuing operations before taxes in the second quarter was $18.0 million compared to a loss of $16.8 million in the previous quarter. The net loss in the second quarter resulted in a basic and diluted loss per share of $0.10, compared to a loss of $0.09 in the previous quarter.

Company Update

During the quarter, the *Deepsea Bollsta* continued to work under its contract with Shell in Namibia and further demonstrated the rig's capabilities as Namibia's winter season brought in more challenging operating conditions. The Company is pleased with the extension of the Shell contract and it shows a further commitment and potential in this region.

At the beginning of April, 2023, the *Deepsea Mira* departed from Bergen, Norway and began mobilization to the first well location in Namibia for its multi-country contract with TotalEnergies. Along the way, the rig had a layover in Las Palmas, Tenerife and in Walvis Bay, Namibia. These stops allowed the rig to rotate crews, load equipment, bunker fuel and complete specific maintenance and acceptance testing. The rig arrived at the first well location and commenced its contract with TotalEnergies on June 28, 2023.

On May 9, 2023, the Company announced changes to the Board of Directors based on the results of the Annual General Meeting. The new directors are Mikhael Botbol, Sven Børre Larsen and Jan Erik Klepsland.

On May 25, 2023, the Company entered into an extension of the contract with a subsidiary of Shell for continued work in Namibia using the *Deepsea Bollsta.* The firm term of the contract is extended from December 2023 for six months into June 2024 and provides an additional option for six months. The extension from December provides revenue backlog of approximately $88.6 million with the option to extend for an additional six months potentially adding a further $81.0 million.

At the date of this report, the Company's total revenue backlog is estimated to be $209 million, excluding options, performance bonuses and reimbursable revenue. The fleet technical utilization year to date is 95.1%.

On June 28, 2023, the Company amended and restated its credit facilities agreement with related party Sterna to provide an additional $50.0 million in short-term funding with this balance repayable by the end of September 2023.

On July 7, 2023, the Company amended and restated its term loan facilities bank debt agreement, deferring the next three amortization payments totaling $30.0 million and adding the balance to the balloon payment at maturity.

Outlook

The Company's view is that the offshore drilling market is continuing to improve and strengthen.

In the second quarter it was confirmed that two additional modern sixth generation semi-submersibles will leave the Norwegian continental shelf (“NCS”), thus bringing the total number, including the Company’s two rigs, around seven modern rigs leaving the NCS in the last eighteen months which leaves no similar rigs available for work over the coming years in the NCS. We continue to maintain our rig class and compliance to work in Norway, but will take advantage of the mobility of our assets to work anywhere in the world.

West Africa in general and more specifically Namibia, is and will continue to be an interesting area for our drilling rigs. There are ongoing tenders for work, both short and long-term, in this area and in South America, which would be ideal for our rigs following completion of the current contracts. Dayrates internationally have increased this year and recent contracts have been announced with dayrates between $450,000 and $500,000 for contracts with durations up to 3 years.

The Company finds it unlikely that newbuilds similar to its rigs will be ordered in the foreseeable future. This is due to yard capacity constraints and the willingness of the yard to build complex assets versus other ship shaped assets, such as a drillship. Additionally the decision to order now has a significantly high cost and there are limited funding alternatives. It will require a company or investor with a large risk appetite to build special purpose assets with a 30-35 year investment horizon in this market today.

The Company remains positive to the continuous strengthening of the oil and gas market, and we are well positioned to provide good returns with our two rigs, which remain the youngest and most modern high specification semi-submersibles in the global fleet.

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 and The Chief Executive Officer
Northern Ocean Ltd.
Hamilton, Bermuda
August 28, 2023

Questions should be directed to:
Scott McReaken: Chief Executive Officer
+1 (832) 509 7191

NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Apr 1 to Jun 30, 2022	Apr 1 to Jun 30, 2023	**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS** *(in thousands of $)*	Jan 1 to Jun 30, 2023	Jan 1 to Jun 30, 2022	2022
—	34,694	Contract revenue	65,323	9,830	20,440
—	8,338	Reimbursable revenue	9,812	—	—
417	351	Other income	730	686	1,222
417	**43,383**	**Total operating revenues**	**75,865**	**10,516**	**21,662**
10,553	30,128	Rig operating expenses	56,677	16,824	37,434
—	8,242	Reimbursable expenses	9,633	—	—
9,990	10,460	Depreciation	20,602	19,877	40,209
210	—	Provision for doubtful debts	—	210	358
1,548	1,783	Administrative expenses	3,738	4,014	7,620
22,301	**50,613**	**Total operating expenses**	**90,650**	**40,925**	**85,621**
(21,884)	**(7,230)**	**Net operating loss**	**(14,785)**	**(30,409)**	**(63,959)**
50	390	Interest income	897	56	363
(5,976)	(10,583)	Interest expense	(20,346)	(11,616)	(27,855)
(1,227)	188	Foreign exchange (loss) gain	215	(1,229)	(1,040)
(1)	(1)	Other financial expenses	(4)	(3)	(11)
(29,038)	**(17,236)**	**Net loss from continuing operations before taxes**	**(34,023)**	**(43,201)**	**(92,502)**
(75)	(767)	Tax charge	(797)	(139)	(388)
(29,113)	**(18,003)**	**Net loss from continuing operations**	**(34,820)**	**(43,340)**	**(92,890)**
(0.28)	**(0.10)**	**Basic and diluted loss from continuing operations per share ($)**	**(0.19)**	**(0.43)**	**(0.80)**

Apr 1 to Jun 30, 2022	Apr 1 to Jun 30, 2023	**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS** *(in thousands of $)*	Jan 1 to Jun 30, 2023	Jan 1 to Jun 30, 2022	2022
(29,113)	**(18,003)**	**Net loss**	**(34,820)**	**(43,340)**	**(92,890)**
910	113	Foreign currency translation gain	49	847	201
910	**113**	**Other comprehensive income**	**49**	**847**	**201**
(28,203)	**(17,890)**	**Comprehensive loss**	**(34,771)**	**(42,493)**	**(92,689)**

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

CONDENSED CONSOLIDATED BALANCE SHEET *(in thousands of $)*	**June 2023**	**Dec 2022**
ASSETS		
Short-term assets		
Cash and cash equivalents	68,585	67,494
Restricted cash	108	5,428
Related party receivables	674	405
Accounts receivable, net	26,516	7,770
Unbilled receivables	8,873	11,390
Short-term portion of deferred costs	70,400	28,424
Other current assets	11,222	13,162
Accrued income	5,005	542
Short-term portion of right-of-use assets under operating leases	194	185
Total short-term assets	**191,577**	**134,800**
Long-term assets		
Drilling units	927,032	917,465
Fixtures and fittings	42	50
Deferred tax	—	—
Right-of-use assets under operating leases	104	197
Long-term deferred costs	—	1,270
Total long-term assets	**927,178**	**918,982**
Total assets	**1,118,755**	**1,053,782**
LIABILITIES AND EQUITY		
Short-term liabilities		
Short-term portion of long-term debt	9,988	19,970
Other current liabilities	67,889	36,971
Short-term portion of deferred revenue	40,322	22,218
Related party payables	10	—
Short-term portion of related party debt	50,000	—
Short-term obligations under operating leases	199	196
Total short-term liabilities	**168,408**	**79,355**
Long-term liabilities		
Long-term debt	379,569	369,449
Long-term deferred revenue	2,770	6,237
Long-term related party debt	94,936	91,778
Obligations under operating leases	85	164
Total long-term liabilities	**477,360**	**467,628**
Commitments and contingencies (Note 17)		
Total equity	472,987	506,799
Total liabilities and equity	**1,118,755**	**1,053,782**

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

NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Apr 1 to Jun 30, 2022	Apr 1 to Jun 30, 2023	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(in thousands of $)*	Jan 1 to Jun 30, 2023	Jan 1 to Jun 30, 2022	2022
(29,113)	**(18,003)**	**NET LOSS**	**(34,820)**	**(43,340)**	**(92,890)**
		Adjustment to reconcile net (loss) income to net cash used in operating activities;			
65	69	Amortization of deferred charges	138	586	718
(28)	(12,995)	Amortization of deferred revenue	(12,995)	(1,869)	(2,466)
210	—	Provision for doubtful debts	—	210	—
9,990	10,460	Depreciation	20,602	19,877	40,209
910	113	Unrealized foreign exchange loss	49	847	201
75	—	Tax	—	139	35
—	(2,244)	Accrued income	(4,463)	—	(542)
		Change in operating assets and liabilities;			
4,703	4,731	Receivables	(18,746)	(210)	(7,770)
—	(3,557)	Unbilled receivables	2,517	—	(11,390)
(1,813)	7,597	Other current assets	(27,044)	1,305	(13,478)
—	—	Long-term deferred assets	1,270	—	2,033
—	47	Right-of-use assets under operating leases	84	—	(382)
3,733	16,621	Other current liabilities	30,919	3,959	29,516
(1,825)	(304)	Related party balances	(259)	3,292	3,031
—	8,947	Deferred revenue	14,637	—	—
—	(51)	Obligations under operating leases	(76)	—	360
(13,093)	**11,431**	**Net cash used in operating activities**	**(28,187)**	**(15,204)**	**(52,815)**
		INVESTING ACTIVITIES			
—	(27,158)	Additions to drilling units	(30,160)	—	(4,626)
(12)	—	Additions to fixtures and fittings	—	(14)	(53)
(12)	**(27,158)**	**Net cash used in investing activities**	**(30,160)**	**(14)**	**(4,679)**
		FINANCING ACTIVITIES			
—	—	Net proceeds from share issuances	959	20,000	103,855
3,708	51,576	Proceeds from related party debt	53,159	18,708	21,778
—	—	Repayment of long-term debt	—	(10,000)	(10,000)
—	—	Debt fees paid	—	(780)	(830)
3,708	**51,576**	**Net cash provided by financing activities**	**54,118**	**27,928**	**114,803**
(9,397)	**35,849**	**Net change**	**(4,229)**	**12,710**	**57,309**
37,720	**32,844**	**Cash, cash equivalents and restricted cash at start of the period**	**72,922**	**15,613**	**15,613**
28,323	**68,693**	**Cash, cash equivalents and restricted cash at end of the period**	**68,693**	**28,323**	**72,922**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(in thousands of $ except number of shares)*	**Jan 1 to Jun 30, 2023**	**2022**
Number of shares outstanding		
Balance at beginning of period	181,618,186	63,802,378
Shares issued	1,058,921	117,815,808
Balance at end of period	**182,677,107**	**181,618,186**
Share capital		
Balance at beginning of period	90,809	63,803
Shares issued	530	58,908
Reduction in nominal value of shares	—	(31,902)
Balance at end of period	**91,339**	**90,809**
Additional paid in capital		
Balance at beginning of period	565,184	488,334
Shares issued	429	44,948
Reduction in nominal value of shares	—	31,902
Balance at end of period	**565,613**	**565,184**
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(145)	(346)
Other comprehensive income	49	201
Balance at end of period	**(96)**	**(145)**
Retained deficit		
Balance at beginning of period	(149,049)	(56,159)
Net loss	(34,820)	(92,890)
Balance at end of period	**(183,869)**	**(149,049)**
Total equity	**472,987**	**506,799**

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 was incorporated under the laws of Bermuda on March 3, 2017. The Company was incorporated for the primary purpose of engaging in offshore contract drilling for the oil and gas industry in harsh environments worldwide through the ownership of offshore drilling rigs.

As of the date of this report, the Company owns two semi-submersible rigs, *Deepsea Mira* and *Deepsea Bollsta*. The *Deepsea Mira* is currently operating a drilling contract with TotalEnergies SE ("TotalEnergies") off the coast of Namibia. The *Deepsea Bollsta* is currently operating a drilling contract with Shell Upstream Namibia B.V., a subsidiary of Shell Plc. ("Shell") off the coast of Namibia

2. BASIS OF ACCOUNTING

The unaudited condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States of America. 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, 2022.

Going concern assumption
These consolidated financial statements are prepared under the going concern assumption.

Following the *Deepsea Mira* commencing drilling activities under its contract with TotalEnergies both rigs are operating profitably. Following the extension of the *Deepsea Bollsta* contract with Shell in May 2023, the Company had a remaining estimated firm revenue backlog of $237 million as at June 30, 2023. The Company continues to have a positive outlook for the offshore drilling market and Northern Ocean's ability to continue obtaining profitable contracts.

On June 28, 2023, the Company amended and restated its credit facilities agreement with related party Sterna Finance Ltd. ("Sterna") to provide an additional $50.0 million of short-term funding repayable by the end of September 2023.

Due to the short-term nature of the current funding the Company will be dependent on loan amendments, obtaining new loans and/or equity issuances to finance its loan obligations and working capital in the next twelve months. This potentially raises substantial doubt about the Company's ability to continue as a going concern. The Board remains confident a solution will be reached.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about the composition of contact revenue:

Apr 1 to Jun 30, 2023	*(in thousands of $)*	**Jan 1 to Jun 30, 2023**
26,672	Dayrate revenue	52,491
2,610	Amortization of deferred revenue	4,829
2,244	Accrued demobilzation revenue	4,463
3,168	Other	3,540
34,694	**Contract revenue**	**65,323**

Dayrate revenue
Dayrate revenue earned from the *Deepsea Bollsta* and *Deepsea Mira* drilling contracts is recognized as it is earned.

Amortization of deferred revenue
Mobilization charges to customers are being recognized over the initial firm contract duration.

Accrued demobilization revenue
Fixed demobilization charges are being recognized over the initial firm contract duration.

4. RIG OPERATING EXPENSES

The following table provides information about the composition of rig operating expenses:

Apr 1 to Jun 30, 2023	*(in thousands of $)*	**Jan 1 to Jun 30, 2023**
19,206	Daily operating expenses	37,628
6,343	Amortization of deferred costs	12,995
4,579	Other	6,054
30,128	**Rig operating expenses**	**56,677**

Amortization of deferred 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 and enhance resources that will be used in satisfying performance obligations. Such costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract.

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, Ireland, Namibia and the USA are subject to income tax in their respective jurisdictions.

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.

6. EARNINGS PER SHARE

The computation of basic earnings per share is calculated by dividing the net loss attributable to the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net income attributable to the Company by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. If in the period there is a loss then any dilutive potential ordinary shares have been excluded from the calculation of diluted loss per share, as their effect would be anti-dilutive.

The components of the numerator and the denominator in the calculation are as follows:

Apr 1 to Jun 30, 2022	Apr 1 to Jun 30, 2023		Jan 1 to Jun 30, 2023	Jan 1 to Jun 30, 2022	2022
(29,113)	(18,003)	Net loss (in thousands of $)	(34,820)	(43,340)	(92,890)
103,802	182,677	Weighted average number of ordinary shares (in thousands)	182,320	100,929	115,494

7. DEFERRED REVENUE AND COSTS

The following table provides information about the composition of deferred revenue:

(in thousands of $)	Contract revenue	Other	Total
Total deferred revenue at December 31, 2022	25,521	2,934	28,455
Deferred revenue accruing in the period	19,520	—	19,520
Amortization of deferred revenue	(4,829)	(54)	(4,883)
Total deferred revenue at June 30, 2023	40,212	2,880	43,092
Short-term deferred revenue	40,212	110	40,322
Long-term deferred revenue	—	2,770	2,770

Contract revenue

We may receive fees (on either a fixed lump-sum or variable 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.

Other

The balance primarily consists of funds received from the Norwegian government as a grant due to the *Deepsea Mira* being equipped with systems which reduce NOx emissions. The grant is being amortized over the estimated useful life of the *Deepsea Mira*.

The following table provides information about the composition of deferred costs:

(in thousands of $)	**Contract costs**
Total deferred costs at December 31, 2022	29,694
Deferred costs accruing in the period	53,701
Amortization of deferred costs	(12,995)
Total deferred costs at June 30, 2023	70,400
Short-term deferred costs	70,400
Long-term deferred costs	—

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 and enhance resources that will be used in satisfying performance obligations. Such costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract.

8. RESTRICTED CASH

The restricted cash at June 30, 2023, of $0.1 million consists of cash withheld for a guarantee to NIS, and payroll taxes.

9. DRILLING UNITS

Movements in the carrying value of drilling units in the six months ended June 30, 2023 are summarized as follows:

(in thousands of $)	**Cost**	**Accumulated depreciation**	**Net carrying value**
Balance at December 31, 2022	1,032,891	(115,426)	917,465
Additions	30,160		30,160
Depreciation		(20,593)	(20,593)
Balance at June 30, 2023	1,063,051	(136,019)	927,032

10. OTHER CURRENT ASSETS

Other current assets at June 30, 2023 may be summarized as follows:

(in thousands of $)	
Deposit held	35
VAT receivable	4,620
Other	6,567
	11,222

Other
The category is principally composed of prepayments for operational costs.

11. OTHER CURRENT LIABILITIES

Other current liabilities at June 30, 2023 may be summarized as follows:

(in thousands of $)	
Accounts payable	15,551
Accrued administrative expenses	1,686
Accrued operating expense	24,675
Other payables	2,914
VAT liability	6,057
Accrued interest expense	17,006
	67,889

12. DEBT

Debt due to non-related parties at June 30, 2023 may be summarized as follows:

(in thousands of $)	
U.S. dollar denominated floating rate debt:	
$200.0 million term loan facility - *Deepsea Mira*	165,000
$200.0 million term loan facility - *Deepsea Bollsta*	175,000
$50.0 million term loan facility - *Deepsea Mira and Deepsea Bollsta*	50,000
Total debt - gross of deferred charges	390,000
Short-term portion of debt issuance costs	(12)
Long-term portion of debt issuance costs	(431)
Total debt	389,557
Short-term debt	9,988
Long-term debt	379,569
Total debt	389,557

The outstanding debt as of June 30, 2023 is repayable as follows:

(in thousands of $)	
Year 1	10,000
Year 2	380,000
Year 3	—
Year 4	—
Year 5	—
Thereafter	—
	390,000

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

Assets pledged

(in thousands of $)	
Drilling units	927,032

Deferred charges

(in thousands of $)	
Debt arrangement fees	830
Accumulated amortization	(387)
	443

13. RELATED PARTY DEBT

Debt due to related parties at June 30, 2023 may be summarized as follows:

(in thousands of $)	
$ denominated fixed rate debt:	
$100.0 million term loan facility	94,936
$50.0 million term loan facility	50,000
Total debt - gross of deferred charges	144,936
Short-term debt	50,000
Long-term debt	94,936
Total debt	144,936

The outstanding debt as of June 30, 2023 is repayable as follows:

(in thousands of $)	
Year 1	50,000
Year 2	94,936
Year 3	—
Year 4	—
Year 5	—
Thereafter	—
	144,936

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

Since 2019 the Company has held a $100.0 million revolving credit facility with Sterna. At June 30, 2023, the Company had drawn a total of $94.9 million from the facility, an increase of $1.5 million from the previous quarter drawn to settle the interest payment of the facility as it fell due. The remaining available funds of the facility are restricted for settling the future interest payments of the Sterna revolving credit 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 $100.0 million facility from Sterna is repayable in full on April 17, 2025.

On June 28, 2023, the Company amended and restated its credit facilities agreement with related party Sterna Finance Ltd. to provide an additional $50.0 million of short-term funding repayable by the end of September 2023.

14. SHARE CAPITAL

On March 2, 2023, a subsequent offering connected to the private placement in December 2022 was completed. New shares in the amount of 1,058,921 were issued as part of the subsequent offering at a subscription price of NOK 9.50 per share, resulting in gross proceeds of approximately $1.0 million.

Following the subsequent offering and registration in the relevant register of members, the Company has 182,677,107 fully paid common shares outstanding and authorized share capital of $968,098,811 divided into 1,936,197,622 common shares of a par value of $0.50 each.

15. FAIR VALUES

The carrying value and estimated fair value of the Company's financial instruments as of June 30, 2023 are as follows:

(in thousands of $)	Carrying value	Fair value
Assets:		
Cash and cash equivalents	68,585	68,585
Restricted cash	108	108
Liabilities:		
Floating rate debt	379,569	379,569
Long-term related party debt	94,936	92,906
Short-term related party debt	50,000	50,620

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

(in thousands of $)	Fair value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	68,585	68,585	—	—
Restricted cash	108	108	—	—
Liabilities:				
Floating rate debt	379,569	—	379,569	—
Long-term related party debt	92,906	—	—	92,906
Short-term related party debt	50,620			50,620

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 recalculated on a quarterly basis.

Long-term related party debt – the fair value has been determined using level 3 inputs being the discounted expected cash flows of the outstanding debt.

Short-term related party 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. ("Hemen"), 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 June 30, 2023.

The Company currently transacts, or previously has transacted, business with the following related parties, being companies in which Hemen, or companies affiliated with Hemen, has a significant interest:

- Sterna Finance Ltd. ("Sterna");
- Front Ocean Management Ltd. and Front Ocean Management AS (together "Front Ocean");
- Frontline Management (Bermuda) Ltd. ("Frontline");
- Seatankers Management Co. Ltd. and STM Cyprus Ltd. (together "Seatankers");
- Northern Drilling Ltd. ("NODL").

Sterna transations
See related party debt (Note 13).

Frontline, 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 $0.0 million in the six months ended June 30, 2023 (2022: $0.2 million).

Northern Drilling transactions
In 2023 the Company continues to provide management services to Northern Drilling Ltd. and charged $0.7 million in the six months ended June 30, 2023 (2022: $0.5 million).

A summary of balances due from related parties at June 30, 2023 is as follows:

(in thousands of $)	
NODL	674

A summary of short-term balances due to related parties at June 30, 2023 is as follows:

(in thousands of $)	
Front Ocean	10
Sterna	50,000
	50,010

A summary of long-term balances due to related parties at June 30, 2023 is as follows:

(in thousands of $)	
Sterna	94,936

17. COMMITMENTS AND CONTINGENCIES

As of June 30, 2023, the Company had no capital commitments.

18. SUBSEQUENT EVENTS

Between the balance sheet date and the date of this report there have been the following subsequent events of note:

- On July 07, 2023, the Company amended and restated its term loan facilities bank debt agreement, deferring the next three amortization payments totaling $30.0 million, and adding them to the balloon payment at maturity.

NORTHERN OCEAN LTD.
INTERIM REPORT JANUARY - JUNE 2023

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2023 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 28, 2023

Gary Casswell (Chairman)
James Ayers (Director)
Sven Børre Larsen (Director)
Mikhael Bothbol (Director)
Jan Erik Klepsland (Director)
Scott McReaken (Chief Executive Officer)