NORTHERN OCEAN LTD.
RESULTS FOR THE FOURTH QUARTER 2023 AND TWELVE MONTHS ENDED DECEMBER 31, 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 - FOURTH QUARTER 2023

- The *Deepsea Mira* and *Deepsea Bollsta* continued to work under their respective contracts with subsidiaries of TotalEnergies SE ("TotalEnergies") and Shell Plc. ("Shell") in Namibia.

- On December 11, 2023, Shell elected not to exercise the remaining option to extend the firm term of the current contract beyond June 2024. The Company continues ongoing dialogues with potential customers in West Africa and harsh environment markets to secure employment in direct continuation of current operations.

- On December 20, 2023, a subsidiary of TotalEnergies exercised a 180 days option on *Deepsea Mira* for work in West Africa. The firm term of the contract was extended into the fourth quarter of 2024 and provides between $68 million and $75 million of additional revenue backlog, excluding bonuses, reimbursables and mobilization.

RESULTS

In the fourth quarter, total operating revenues were $80.0 million compared to $81.0 million in the previous quarter. The reduction was primarily driven by a decrease in reimbursable revenue from $6.9 million in the previous quarter to $3.2 million in the current quarter. The reduction was partially offset by an increase in contract revenue from $73.3 million to $76.6 million in the current quarter. Contract revenue was earned from the drilling contracts of the *Deepsea Bollsta* with Shell (which achieved an economic utilization of 93.8% for the fourth quarter) and the *Deepsea Mira* with TotalEnergies (which achieved an economic utilization of 98.8% for the fourth quarter). The increase in contract revenue was primarily driven by the amended dayrate for the *Deepsea Bollsta* effective from mid-December. Contract revenue for the fourth quarter includes amortized revenues of $12.7 million which consists of deferred non-cash revenues earned while preparing the rigs for operations and mobilizing to Namibia. These deferred revenues are amortized ratably over the initial firm term of the drilling contract.

Total operating expenses were $84.4 million compared to $85.5 million in the previous quarter. The reduction was primarily driven by a decrease in reimbursable expenses from $6.8 million in the previous quarter compared to $2.5 million in the current quarter. The reduction was partially offset by an increase in rig operating expenses, which increased from $65.5 million to $68.9 million in the current quarter. Rig operating expenses includes amortized costs of $25.4 million which consist of deferred non-cash costs associated with preparing the rigs for operations and mobilizing to Namibia. These deferred costs are amortized ratably over the initial firm term of the drilling contract.

Administrative expenses were $1.9 million, consistent with the prior quarter.

Interest expense was $13.0 million compared to $12.6 million in the previous quarter. The movement was due to an increase in underlying benchmark interest rates.

Foreign exchange losses were $0.5 million compared to a loss of $0.1 million in the previous quarter.

The net loss from continuing operations before taxes in the fourth quarter was $18.4 million, compared to a loss of $17.7 million in the previous quarter. The resultant basic and diluted loss per share in the fourth quarter was $0.10, consistent with the prior quarter.

COMPANY UPDATE

Operations
Throughout the year the *Deepsea Bollsta* has continued to work under its contract with Shell in Namibia and further demonstrate the rig's capabilities. On May 25, 2023, Shell declared its option on the *Deepsea Bollsta* for continued work in Namibia extending the firm term of the contract by six months to mid-June 2024. As at the date of this report the *Deepsea Bollsta* remains available post mid-June 2024, with the Company continuing its discussions with potential customers in West Africa and harsh environment markets.

In the second quarter of 2023 the *Deepsea Mira* commenced drilling operations for TotalEnergies in Namibia. On December 20, 2023, TotalEnergies declared its option on the *Deepsea Mira* extending the firm term of the contract by 180 days into the fourth quarter of 2024. The extended term provided between $68 million and $75 million of additional revenue backlog, excluding bonuses, reimbursables, and mobilization.

At the date of this report, the Company's total revenue backlog is estimated to be $131 million, excluding options, performance bonuses, mobilization, and reimbursable revenue. The fleet average technical utilization for 2024 year-to-date is 95.0%.

Financing
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 in short-term funding originally repayable by the end of September 2023. As of the date of this report, the agreement has been amended and extended with a new maturity date of March 29, 2024.

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

This past year turned out to be a strong year for the offshore drilling industry. Increased activity in virtually all areas and segments drove dayrates and utilizations sharply upwards. Northern Ocean remains confident that these trends will continue.

With tightening rig unit supply, we believe that the market for floaters will balance in the near future. Only a limited number of stacked or stranded floaters, including the Company’s units have returned to the market. There are one hundred and thirty ultra deepwater floaters ("UDW floater") (6th and 7th generation) worldwide, of which fifteen remain cold stacked. The average age of these cold stacked units is approximately twelve years, and the average stacking period is approximately five years, so it can be considered unlikely that all of these units will be reactivated. A modern UDW floater is a very complex system of equipment and prolonged idle periods lead to rapid and costly deterioration. Five floaters are considered stranded assets (not yet delivered from yards) while nine units are owned and operated by oil companies and not in direct competition to the Company’s operating UDW floaters. This leads to a supply of hundred and eleven comparable floaters on the water. It is expected that ninety-eight units are, or will be, on contract shortly, leaving thirteen comparable floaters to compete for work in an international market where demand is expected to outpace supply in the near future.

The Company continues to operate offshore in Namibia, where high activity was experienced during the quarter with four UDW floaters in operation. The high activity is driven by the success operators have seen in exploration and appraisal. The run of success shows no signs of slowing with operators recently announcing two significant oil discoveries in new license blocks. The current activity in Namibia is mainly exploration and appraisal wells, which by nature results in drilling activity that is highly dependent on the results and analysis of each subsequent well. This makes drilling contracting activity follow the same pattern, short-term and contingent on results. However, as this phase matures and appraisals confirm expectations, oil companies will be able to determine development plans and enter the next phase where longer-term contracting would be expected.

In the harsh environment markets worldwide, fixtures have reached dayrates of $490,000 for longer term contracts, while some ultra deepwater drillships have achieved dayrates of over $500,000 for multi-year contracts. We continue to see a mix of terms and dayrates being awarded and in extensions, but the higher fixtures noted are underlining a continued tightening in the market leading to strong balance of rate and term contracts that can result in improved and sustainable economics.

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 Chief Executive Officer
Northern Ocean Ltd.
Hamilton, Bermuda
February 28, 2024

Questions should be directed to:
Scott McReaken: Chief Executive Officer
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NORTHERN OCEAN LTD.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Oct 1 to Dec 31, 2022	Oct 1 to Dec 31, 2023	**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS** *(in thousands of $)*	Note	2023	2022
10,610	76,636	Contract revenue	3	215,261	20,440
—	3,200	Reimbursable revenue		19,902	—
270	179	Other income		1,760	1,222
10,880	**80,015**	**Total operating revenues**		**236,923**	**21,662**
14,760	68,903	Rig operating expenses	4	191,119	37,434
—	2,537	Reimbursable expenses		18,966	—
10,229	11,083	Depreciation		42,889	40,209
—	—	Provision for doubtful debts		—	358
2,106	1,859	Administrative expenses		7,534	7,620
27,095	**84,382**	**Total operating expenses**		**260,508**	**85,621**
(16,215)	**(4,367)**	**Net operating loss**		**(23,585)**	**(63,959)**
233	505	Interest income		1,837	363
(8,873)	(13,023)	Interest expense		(45,992)	(27,855)
2,938	(486)	Foreign exchange (loss) gain		(389)	(1,040)
(7)	(1)	Other financial expenses		(7)	(11)
(21,924)	**(17,372)**	**Net loss from continuing operations before taxes**		**(68,136)**	**(92,502)**
(217)	(1,042)	Tax charge		(2,762)	(388)
(22,141)	**(18,414)**	**Net loss from continuing operations**		**(70,898)**	**(92,890)**
(0.15)	**(0.10)**	**Basic and diluted loss from continuing operations per share ($)**		**(0.39)**	**(0.80)**

Oct 1 to Dec 31, 2022	Oct 1 to Dec 31, 2023	**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS** *(in thousands of $)*	2023	2022
(22,141)	**(18,414)**	**Net loss**	**(70,898)**	**(92,890)**
(1,107)	6	Foreign currency translation (loss) gain	35	201
(1,107)	**6**	**Other comprehensive (loss) income**	**35**	**201**
(23,248)	**(18,408)**	**Comprehensive loss**	**(70,863)**	**(92,689)**

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

CONDENSED CONSOLIDATED BALANCE SHEET *(in thousands of $)*	**Note**	**Dec 2023**	**Dec 2022**
ASSETS			
Short-term assets			
Cash and cash equivalents		54,350	67,494
Restricted cash	8	142	5,428
Related party receivables	16	129	405
Accounts receivable, net		41,388	7,770
Unbilled receivables		6,520	11,390
Short-term portion of deferred costs	7	27,073	28,424
Other current assets	10	2,455	13,162
Accrued income		—	542
Short-term portion of right-of-use assets under operating leases		130	185
Total short-term assets		**132,187**	**134,800**
Long-term assets			
Drilling units	9	923,560	917,465
Fixtures and fittings		33	50
Right-of-use assets under operating leases		—	197
Long-term deferred costs		—	1,270
Total long-term assets		**923,593**	**918,982**
Total assets		**1,055,780**	**1,053,782**
LIABILITIES AND EQUITY			
Short-term liabilities			
Short-term portion of long-term debt	12	29,977	19,970
Other current liabilities	11	59,668	36,971
Short-term portion of deferred revenue	7	14,743	22,218
Related party payables		2	—
Short-term portion of related party debt	13, 16	53,727	—
Short-term obligations under operating leases		106	196
Total short-term liabilities		**158,223**	**79,355**
Long-term liabilities			
Long-term debt	12	359,725	369,449
Long-term deferred revenue	7	2,715	6,237
Long-term related party debt	13, 16	98,222	91,778
Obligations under operating leases		—	164
Total long-term liabilities		**460,662**	**467,628**
Commitments and contingencies	17		
Total equity		436,895	506,799
Total liabilities and equity		**1,055,780**	**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

Oct 1 to Dec 31, 2022	Oct 1 to Dec 31, 2023	**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(in thousands of $)*	2023	2022
(22,141)	**(18,414)**	**NET LOSS**	**(70,898)**	**(92,890)**
		Adjustment to reconcile net (loss) income to net cash used in operating activities;		
67	71	Amortization of deferred charges	283	718
—	25,380	Amortization of deferred costs	65,009	—
(570)	(12,729)	Amortization of deferred revenue	(30,517)	(2,466)
—	—	Provision for doubtful debts	—	—
10,230	11,083	Depreciation	42,889	40,209
(1,107)	6	Unrealized foreign exchange loss (gain)	35	201
—	—	Tax	—	35
(542)	7,274	Accrued demobilization income	543	(542)
		Change in operating assets and liabilities;		
(7,770)	5,702	Receivables	(33,617)	(7,770)
(11,390)	6,926	Unbilled receivables	4,870	(11,390)
(7,361)	6,645	Other current assets	10,706	(13,478)
3,471	—	Other long-term assets	—	2,033
44	27	Right-of-use assets under operating leases	252	(382)
—	(2,130)	Additions to deferred costs	(62,388)	—
17,948	5,501	Other current liabilities	22,697	29,516
(6)	232	Related party balances	277	3,031
—	—	Additions to deferred revenue	19,520	—
(49)	(34)	Obligations under operating leases	(255)	360
(19,176)	**35,540**	**Net cash used in operating activities**	**(30,594)**	**(52,815)**
		INVESTING ACTIVITIES		
(3,322)	(5,877)	Additions to drilling units	(48,966)	(4,626)
(1)	—	Additions to fixtures and fittings	—	(53)
(3,323)	**(5,877)**	**Net cash used in investing activities**	**(48,966)**	**(4,679)**
		FINANCING ACTIVITIES		
44,500	—	Net proceeds from share issuances	959	103,855
1,557	3,713	Related party debt: Proceeds	60,171	21,778
—	—	Long term debt: Repayments	—	(10,000)
(50)	—	Debt fees paid	—	(830)
46,007	**3,713**	**Net cash provided by financing activities**	**61,130**	**114,803**
23,508	**33,376**	**Net change**	**(18,430)**	**57,309**
49,414	**21,116**	**Cash, cash equivalents and restricted cash at start of the period**	**72,922**	**15,613**
72,922	**54,492**	**Cash, cash equivalents and restricted cash at end of the period**	**54,492**	**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)*	**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	35	201
Balance at end of period	**(110)**	**(145)**
Retained deficit		
Balance at beginning of period	(149,049)	(56,159)
Net loss	(70,898)	(92,890)
Balance at end of period	**(219,947)**	**(149,049)**
Total equity	**436,895**	**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 under a drilling contract with TotalEnergies SE ("TotalEnergies") off the coast of Namibia. The *Deepsea Bollsta* is currently operating under a drilling contract with Shell Upstream Namibia B.V., a subsidiary of Shell Plc. ("Shell") also 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 in the second quarter both rigs are operating profitably. The *Deepsea Bollsta* is currently contracted to conclude its firm contract period with Shell in June 2024. The Company continues to have a positive outlook on Northern Ocean's ability to continue obtaining profitable contracts, with the Company continuing ongoing dialogues with potential customers in West African region and harsh environment markets. Following TotalEnergies electing to declare the option to extend the *Deepsea Mira,* the firm term of the contract is extended to October 2024. Both contracts have conditions where the contract duration is extended for a short period as needed to allow the operator to finish their last ongoing well of the program.

The Company had a remaining estimated firm revenue backlog of $176 million as of December 31, 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. However, the Board remains confident that a solution will be reached.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Oct 1 to Dec 31, 2023	*(in thousands of $)*	**Jan 1 to Dec 31, 2023**
59,364	Dayrate revenue	166,538
12,701	Amortization of deferred revenue	30,408
1,726	Accrued demobilzation revenue	8,457
2,845	Other	9,858
76,636	**Contract revenue**	**215,261**

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 recognized over the initial firm contract term. See note 7 for more detail.

Accrued demobilization revenue
We may receive fees on a fixed lump-sum basis for the demobilization 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.

Other
This balance consists of add-on revenue and the sale of fuel at contract commencement. The costs associated with this revenue are included within rig operating expenses (detailed in note 4).

4. RIG OPERATING EXPENSES

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

Oct 1 to Dec 31, 2023	*(in thousands of $)*	**Jan 1 to Dec 31, 2023**
39,352	Daily operating expenses	113,879
25,379	Amortization of deferred costs	65,009
4,172	Other	12,231
68,903	**Rig operating expenses**	**191,119**

Amortization of deferred costs
Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of the 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 rig operating expenses as services are rendered over the initial term of the related drilling contract. See note 7 for more detail.

Other
Balance primarily consists of the cost of fuel sold at contract commencement and withholding taxes payable in Namibia.

Included within rig operating expenses are incremental costs associated with providing our customers with add-on services for which the commercial terms differ from those services provided on a reimbursable basis. The cost, and the associated revenue for these services are reported on a gross basis under rig operating expenses and contract revenue respectively.

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:

Oct 1 to Dec 31, 2022	**Oct 1 to Dec 31, 2023**		**Jan 1 to Dec 31, 2023**	**Jan 1 to Dec 31, 2022**
(22,141)	(18,414)	Net loss (in thousands of $)	(70,898)	(92,890)
143,796	182,677	Weighted average number of ordinary shares (in thousands)	182,500	115,495

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	(30,408)	(109)	(30,517)
Total deferred revenue at December 31, 2023	14,633	2,825	17,458
Short-term deferred revenue	14,633	110	14,743
Long-term deferred revenue	—	2,715	2,715

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 contract costs:

(in thousands of $)	**Contract costs**
Total deferred costs at December 31, 2022	29,694
Deferred costs accruing in the period	62,388
Amortization of deferred costs	(65,009)
Total deferred costs at December 31, 2023	27,073
Short-term deferred costs	27,073
Long-term deferred costs	—

Deferred contract costs

Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of contracted rigs represent costs of fulfilling a contract as they relate directly to a contract and enhance resources that will be used in satisfying performance obligations. Such costs are deferred and amortized ratably to rig operating expenses as services are rendered over the initial firm term of the related drilling contract.

8. RESTRICTED CASH

The restricted cash as of December 31, 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 year ended December 31, 2023, are summarized as follows:

(in thousands of $)	**Cost**	**Accumulated depreciation**	**Net carrying value**
Balance at December 31, 2022	1,032,890	(115,425)	917,465
Additions	48,966	—	48,966
Retirement of assets	(15,140)	15,140	—
Depreciation	—	(42,871)	(42,871)
Balance at December 31, 2023	1,066,716	(143,156)	923,560

10. OTHER CURRENT ASSETS

Other current assets as of December 31, 2023, are summarized as follows:

(in thousands of $)	
Deposit held	35
VAT receivable	493
Other	1,927
	2,455

Other

This category principally consists of prepayments for insurance and operational costs.

11. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2023, are summarized as follows:

(in thousands of $)	
Accounts payable	5,171
Accrued administrative expense	2,694
Accrued operating expense	22,503
Other payables	6,376
VAT liability	4,640
Accrued interest expense	18,284
	59,668

12. DEBT

Debt due to non-related parties as of December 31, 2023, are 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	(23)
Long-term portion of debt issuance costs	(275)
Total debt - net of deferred charges	389,702
Short-term debt	29,977
Long-term debt	359,725
Total debt - net of deferred charges	389,702

The outstanding debt to non-related parties as of December 31, 2023, is repayable as follows:

(in thousands of $)	
Year 1	30,000
Year 2	360,000
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	923,560

Deferred charges

(in thousands of $)	
Debt arrangement fees	830
Accumulated amortization	(532)
	298

13. RELATED PARTY DEBT

Debts due to related parties as of December 31, 2023, are summarized as follows:

(in thousands of $)	
$ denominated fixed rate debt:	
$100.0 million term loan facility	98,222
$50.0 million term loan facility	53,727
Total debt	151,949
Short-term debt	53,727
Long-term debt	98,222
Total debt	151,949

The outstanding debt as of December 31, 2023, is repayable as follows:

(in thousands of $)	
Year 1	53,727
Year 2	98,222
Year 3	—
Year 4	—
Year 5	—
Thereafter	—
	151,949

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

Since 2019, the Company has held a $100.0 million revolving credit facility with Sterna. As of December 31, 2023, the Company has drawn a total of $98.2 million from the facility, an increase of $1.7 million from the previous quarter, drawn to settle the payment-in-kind interest 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 to provide an additional $50.0 million of short-term funding, originally repayable by the end of September 2023. As at the date of this report, the maturity has been extended until the end of March 2024, and the interest component of the loan is being compounded with the loan principle to be settled on final maturity.

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 December 31, 2023, are as follows:

(in thousands of $)	Carrying value	Fair value
Assets:		
Cash and cash equivalents	54,350	54,350
Restricted cash	142	142
Liabilities:		
Floating rate debt	389,702	389,702
Long-term related party debt	98,222	97,479
Short-term related party debt	53,727	54,353

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	54,350	54,350	—	—
Restricted cash	142	142	—	—
Liabilities:				
Floating rate debt	389,702	—	389,702	—
Long-term related party debt	97,479	—	—	97,479
Short-term related party debt	54,353	—	—	54,353

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 Holdings Ltd. ("Hemen"), a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owned 39.0% of the Company's outstanding ordinary shares at December 31, 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 transactions
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 were charged $0.2 million in the year ended December 31, 2023 (2022: $0.5 million).

NODL transactions
In 2023, the Company continued to provide management services to NODL and charged $1.0 million in the year ended December 31, 2023 (2022: $0.9 million).

A summary of short-term balances due from related parties as of December 31, 2023, is as follows:

(in thousands of $)	
NODL	129

There were no long-term balances due from related parties as of December 31, 2023.

A summary of short-term balances due to related parties as of December 31, 2023, is as follows:

(in thousands of $)	
Sterna	53,727

A summary of long-term balances due to related parties as of December 31, 2023, is as follows:

(in thousands of $)	
Sterna	98,222

17. COMMITMENTS AND CONTINGENCIES

As of December 31, 2023, the Company had no capital commitments.

18. SUBSEQUENT EVENTS

Between the balance sheet date and the date of this report there have been no subsequent events of note.

NORTHERN OCEAN LTD.
INTERIM REPORT JANUARY - DECEMBER 2023

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to December 31, 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 financial year and their impact on the condensed consolidated financial statements, a description of the principal risks and uncertainties for the period, and major related party transactions.

The Board of Directors and Chief Executive Officer
Northern Ocean Ltd.
Hamilton, Bermuda
February 28, 2024

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