



NORTHERN OCEAN LTD.
RESULTS FOR THE SECOND QUARTER 2024 AND SIX MONTHS ENDED
JUNE 30, 2024

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 "\$" and "USD" in this report are to the lawful currency of the United States of America.

HIGHLIGHTS - SECOND QUARTER 2024

- The *Deepsea Mira* continued to operate under its contract with a subsidiary of TotalEnergies SE ("TotalEnergies"). At the start of the quarter, the rig was operating off the coast of Namibia. However, during the quarter, TotalEnergies elected to relocate the rig to the Republic of Congo ("Congo"), where it remains as at the date of this report. Post the second quarter end, the firm term of this contract was extended from October 2024 to include one additional well, with an option for another well thereafter.
- During the quarter, the *Deepsea Bollsta* completed its contract with a subsidiary of Shell Plc. ("Shell") in Namibia. As of the date of this report, the rig remains in Namibia undergoing its 5-year Special Periodic Survey ("SPS"). On June 26, 2024, the Company announced a contract award for the rig with a subsidiary of a major operator for work in Namibia. The contract is scheduled to commence in the fourth quarter this year, with a duration of one well.
- On June 19, 2024, the Company raised additional equity proceeds of approximately \$60.0 million in connection with the refinancing of the Company, as well as for general corporate purposes.
- On June 28, 2024, the Company completed a debt refinance to improve working capital, extend debt maturities and provide additional funds for general corporate purposes. The Company's bank debt facilities were reduced by \$90.0 million and the maturity extended until June 2026. The related party, Sterna Finance Ltd. ("Sterna") facilities were increased by \$65.0 million and the maturity extended until December 2026. To facilitate the refinancing, Sterna executed its right to convert \$15.0 million of its debt into 30 million shares of the Company, at a conversion price of \$0.50.

RESULTS

In the second quarter, operating revenue was \$73.3 million, down from \$85.4 million in the previous quarter. This decrease was primarily due to a reduction in contract revenue. Contract revenue was earned from the drilling contracts of the *Deepsea Bollsta* with Shell (which whilst under contract achieved an economic utilization of 96.9% for the quarter) and the *Deepsea Mira* with TotalEnergies (which achieved an economic utilization of 97.1% for the quarter). The decline in contract revenue occurred because the *Deepsea Bollsta* completed its contract with Shell in mid-June, resulting in fewer operational days during the quarter.

Total operating expenses were \$66.2 million compared to \$82.6 million in the previous quarter. This decrease was mainly due to a reduction in the amortization of deferred costs (see note 7 for details).

Administrative expenses amounted to \$2.0 million, compared with \$1.7 million in the previous quarter.

Interest expense was \$12.5 million, unchanged from the previous quarter.

Foreign exchange losses were \$0.5 million, compared to a gain of \$0.8 million in the previous quarter.

The net loss from continuing operations before taxes in the second quarter was \$6.3 million, compared to a loss of \$9.6 million in the previous quarter. The basic and diluted loss per share for the second quarter was \$0.03, compared to a loss of \$0.05 in the previous quarter.

COMPANY UPDATE

Operations

In the second quarter, the *Deepsea Bollsta* continued to work under its contract with Shell in Namibia, which was scheduled to be completed on June 10, however, on May 1 Shell terminated the drilling contract for convenience. The Company was compensated by receiving standby rate for the remainder of the firm term (until June 10, 2024). Following the termination of the drilling contract, the rig transited to Walvis Bay, Namibia, for work to be performed in relation to its SPS. The rig remains in Namibia as of the date of this report. The *Deepsea Bollsta* has a contract with a subsidiary of a major operator for work in Namibia. The contract duration for one well is estimated to be 63 days and will likely commence in the fourth quarter of 2024.

During the quarter, the *Deepsea Mira* continued to operate under its contract with TotalEnergies. At the start of the quarter, the rig was operating off the coast of Namibia, however, during the quarter, TotalEnergies elected to relocate the rig to Congo, where it remains as at the date of this report. Following the end of the second quarter, the firm term of this contract was extended from October 2024 to include one additional well, with an option for another well.

The Company is in active discussions with potential customers in the West Africa region and harsh environment markets worldwide for short and long-term contracts.

At the date of this report, the Company's total revenue backlog is estimated to be \$85 million, excluding performance bonuses, demobilization, and reimbursable revenue. The fleet average technical utilization for the first six months of 2024 was 97.6%.

Financing

On 19 June 2024, the Company announced that it reached a set of agreements which put Northern Ocean on an improved financial platform, with improved liquidity of approximately USD 75 million over the following 12 months. This puts the Company in a solid position ahead of the expected continued improvement in the harsh environment offshore drilling market.

Key elements of the agreements:

- a Firm bank commitments for amending and extending the Company's bank debt. The final debt maturity is extended by 24 months from closing, i.e. until June 2026, and amortization of USD 30 million due in 2024 and 2025 are deferred and added to the balloon. The total bank debt was reduced from USD 390 million to USD 300 million in this process.
- b Subject to certain conditions, and in order to fulfil requirements under the bank commitments, the Company raised additional equity proceeds of USD 60 million in June in connection with the refinancing of the Company, as well as for general corporate purposes.
- c Sterna provided a USD 215 million loan facility, partly to refinance the outstanding loan facilities, and which will have no amortization and where the Company has the option to convert cash interest into PIK, against a pre-agreed premium. This new facility matures in December 2026. Sterna exercised its right to convert USD 15 million into shares in the Company at a price of USD 0.50 per share which equalled 30,000,000 new shares in the Company.

OUTLOOK

In the second quarter, the offshore drilling industry showed signs of strengthening. There was increased tender activity in West Africa and other benign and harsh environment regions, including Norway. Fixtures for drillships remained strong overall, with high-rate fixtures in Brazil and the U.S. Gulf of Mexico. Utilization of floaters remained high, largely driven by the activity in Brazil and to a lesser extent the US and West Africa. However, there are still "stranded" assets available, and some are being marketed actively. Towards the end of the quarter, a merger between Noble Corporation and Diamond Offshore Drilling was

announced, which should, subject to successful completion, further strengthen pricing discipline and aid the general offshore floater market.

The Company continued to operate in Namibia and Congo, and it is expected that four floaters will soon operate in Namibia for different oil companies. Several short-to medium-term opportunities, with start-up from the second half 2025, are expected to be awarded towards the end of the year. The Company believes that plans to develop the significant finds in Namibia are underway, but it will likely take some time before these long-term opportunities materializes. Other West African countries with tender activity include Ghana and the Ivory Coast, where primarily short-term opportunities will be of interest to the Company.

In Norway, the Company continues to follow developments with operators for potential opportunities in 2025 and 2026. During the quarter, drilling also resumed in the harsh environment region of Canada, where several majors hold acreage. The Company believes that as opportunities develop here and elsewhere, rising drillship rates may make high-specification semi-submersibles an attractive alternative, even in more benign environment regions.

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 27, 2024

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

Apr 1 to Jun 30, 2023	Apr 1 to Jun 30, 2024	CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i>	Jan 1 to Jun 30, 2024	Jan 1 to Jun 30, 2023	2023
34,694	70,222	Contract revenue 3	151,968	65,323	215,261
8,338	2,950	Reimbursable revenue	6,398	9,812	19,902
351	88	Other income	270	730	1,760
43,383	73,260	Total operating revenues	158,636	75,865	236,923
30,128	49,292	Rig operating expenses 4	115,359	56,677	191,119
8,242	2,851	Reimbursable expenses	6,052	9,633	18,966
10,460	12,126	Depreciation	23,773	20,602	42,889
1,783	1,977	Administrative expenses	3,697	3,738	7,534
50,613	66,246	Total operating expenses	148,881	90,650	260,508
(7,230)	7,014	Net operating gain (loss)	9,755	(14,785)	(23,585)
390	517	Interest income	967	897	1,837
(10,583)	(12,491)	Interest expense	(25,011)	(20,346)	(45,992)
188	(541)	Foreign exchange gain (loss)	268	215	(389)
(1)	(1)	Other financial expenses	(40)	(4)	(7)
(17,236)	(5,502)	Net loss from continuing operations before taxes	(14,061)	(34,023)	(68,136)
(767)	(805)	Tax charge	(1,881)	(797)	(2,762)
(18,003)	(6,307)	Net loss from continuing operations	(15,942)	(34,820)	(70,898)
(0.10)	(0.03)	Basic and diluted loss from continuing operations per share (\$)	(0.08)	(0.19)	(0.39)

Apr 1 to Jun 30, 2023	Apr 1 to Jun 30, 2024	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i>	Jan 1 to Jun 30, 2024	Jan 1 to Jun 30, 2023	2023
(18,003)	(6,307)	Net loss	(15,942)	(34,820)	(70,898)
113	(305)	Foreign currency translation (loss) gain	55	49	35
113	(305)	Other comprehensive (loss) income	55	49	35
(17,890)	(6,612)	Comprehensive loss	(15,887)	(34,771)	(70,863)

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>	Note	Jun 2024	Dec 2023
ASSETS			
Short-term assets			
Cash and cash equivalents		75,880	54,350
Restricted cash	8	135	142
Related party receivables		61	129
Accounts receivable, net		48,196	41,388
Unbilled receivables		5,962	6,520
Short-term portion of deferred costs	7	—	27,073
Material and supplies, net		702	—
Other current assets	10	2,183	2,455
Short-term portion of right-of-use assets under operating leases		33	130
Total short-term assets		133,152	132,187
Long-term assets			
Drilling units	9	922,910	923,560
Fixtures and fittings		24	33
Total long-term assets		922,934	923,593
Total assets		1,056,086	1,055,780
LIABILITIES AND EQUITY			
Short-term liabilities			
Short-term portion of long-term debt	12	—	29,977
Other current liabilities	11	44,037	59,668
Short-term portion of deferred revenue	7	110	14,743
Related party payables		57	2
Lease dilapidations		5	—
Short-term portion of related party debt	13	—	53,727
Short-term obligations under operating leases		18	106
Total short-term liabilities		44,227	158,223
Long-term liabilities			
Long-term debt	12	298,594	359,725
Long-term deferred revenue	7	2,660	2,715
Long-term related party debt	13	215,000	98,222
Total long-term liabilities		516,254	460,662
Commitments and contingencies	17		
Total equity		495,605	436,895
Total liabilities and equity		1,056,086	1,055,780

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, 2023	Apr 1 to Jun 30, 2024	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of \$)	Jan 1 to Jun 30, 2024	Jan 1 to Jun 30, 2023	2023
(18,003)	(6,307)	NET LOSS	(15,943)	(34,820)	(70,898)
		Adjustment to reconcile net (loss) income to net cash used in operating activities;			
69	71	Amortization of deferred charges	142	138	283
—	6,768	Amortization of deferred costs	27,073	—	65,009
(12,995)	(3,686)	Amortization of deferred revenue	(14,688)	(12,995)	(30,517)
10,460	12,126	Depreciation	23,773	20,602	42,889
113	(305)	Unrealized foreign exchange loss (gain)	55	49	35
(2,244)	—	Accrued demobilization income	—	(4,463)	543
		Change in operating assets and liabilities;			
4,731	(2,684)	Receivables	(6,809)	(18,746)	(33,617)
(3,557)	(448)	Unbilled receivables	558	2,517	4,870
7,597	(1,029)	Other current assets	(431)	(27,044)	10,706
—	—	Other long-term assets	—	1,270	—
47	50	Right-of-use assets under operating leases	97	84	252
—	—	Additions to deferred costs	—	—	(62,388)
16,621	(8,344)	Other current liabilities	(15,630)	30,919	22,697
(304)	93	Related party balances	128	(259)	277
8,947	—	Additions to deferred revenue	—	14,637	19,520
(51)	(54)	Obligations under operating leases	(88)	(76)	(255)
11,431	(3,749)	Net cash provided by (used in) operating activities	(1,763)	(28,187)	(30,594)
		INVESTING ACTIVITIES			
(27,158)	(15,094)	Additions to drilling units	(23,113)	(30,160)	(48,966)
(27,158)	(15,094)	Net cash used in investing activities	(23,113)	(30,160)	(48,966)
		FINANCING ACTIVITIES			
—	59,598	Net proceeds from share issuances	59,598	959	959
51,576	75,973	Related party debt: Proceeds	78,051	53,159	60,171
—	(90,000)	Long-term debt: repayments	(90,000)	—	—
—	(1,250)	Debt fees paid	(1,250)	—	—
51,576	44,321	Net cash provided by financing activities	46,399	54,118	61,130
35,849	25,478	Net change	21,523	(4,229)	(18,430)
32,844	50,537	Cash, cash equivalents and restricted cash at start of the period	54,492	72,922	72,922
68,693	76,015	Cash, cash equivalents and restricted cash at end of the period	76,015	68,693	54,492

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>	Jan 1 to Jun 30, 2024	2023
Number of shares outstanding		
Balance at beginning of period	182,677,107	181,618,186
Shares issued	120,538,285	1,058,921
Balance at end of period	303,215,392	182,677,107
Share capital		
Balance at beginning of period	91,339	90,809
Shares issued	60,269	530
Balance at end of period	151,608	91,339
Additional paid in capital		
Balance at beginning of period	565,613	565,184
Shares issued	14,328	429
Balance at end of period	579,941	565,613
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(110)	(145)
Other comprehensive income	55	35
Balance at end of period	(55)	(110)
Retained deficit		
Balance at beginning of period	(219,947)	(149,049)
Net loss	(15,942)	(70,898)
Balance at end of period	(235,889)	(219,947)
Total equity	495,605	436,895

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's primary purpose is to engage 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 Congo. The *Deepsea Bollsta* is currently in Walvis Bay, Namibia, undergoing its 5-year special periodic survey, and will be ready to start operating on a contract with a subsidiary of a major operator in Namibia in the fourth quarter of this year.

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, 2023.

Going concern assumption

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

As at the date of this report, the Company has an estimated firm revenue backlog of \$85 million. The *Deepsea Mira* is currently drilling under a contract with a subsidiary of TotalEnergies in Africa. In August, 2024, the firm term of the contract was extended from October 2024 to include one additional well, with the option for another. The *Deepsea Bollsta* currently has a contract with a subsidiary of a major operator for work in Namibia. The contract duration is for one well estimated at 63 days and will likely commence in the fourth quarter of 2024.

Based on the current contract backlog the Company's financial standing is dependent on obtaining further drilling contracts for its rigs. If this is not achieved within the coming twelve month period, 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 and the Company continues to have a positive outlook on Northern Ocean's ability to continue obtaining profitable contracts in the near term, with the Company continuing ongoing dialogues with potential customers in the West African region and harsh environment areas.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Apr 1 to June 30, 2024	(in thousands of \$)	Jan 1 to June 30, 2024
64,310	Dayrate revenue	132,441
3,658	Amortization of deferred revenue	14,633
2,254	Other	4,894
70,222	Contract revenue	151,968

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.

Other

This balance consists of operational bonuses and add-on revenue. The costs associated with the add-on 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:

	Apr 1 to Jun 30, 2024	<i>(in thousands of \$)</i>	Jan 1 to Jun 30, 2024
	38,089	Daily operating expenses	79,129
	10	Maintenance projects	821
	6,768	Amortization of deferred costs	27,073
	4,425	Other	8,336
	49,292	Rig operating expenses	115,359

Daily operating expenses

This category includes the costs associated with the daily operations of the rigs. The notable constituents of the daily operating expenses are the expenses for offshore personnel, repairs and maintenance (excluding maintenance projects, see below), onshore support services, catering costs and management fees payable to Odfjell.

Included within daily 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.

Maintenance projects

Maintenance projects which are considered non-recurring and with an individual cost in excess of USD 100,000, are not considered to be indicative of the ordinary daily running costs of our operations and have been disaggregated from daily operating expenses. These projects are either preventive or corrective in nature.

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 withholding tax expenses payable in Namibia and Congo, as well as the cost the Company's operational department.

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 are not subject to income tax. Certain of the Company's subsidiaries and branches in Norway, Ireland, Namibia, Angola and the U.S. 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, 2023	Apr 1 to Jun 30, 2024		Jan 1 to Jun 30, 2024	Jan 1 to Jun 30, 2023	2023
(18,003)	(6,307)	Net loss (in thousands of \$)	(15,942)	(34,820)	(70,898)
182,677	193,621	Weighted average number of ordinary shares (in thousands)	188,149	182,320	182,500

7. DEFERRED REVENUE AND COSTS

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

<i>(in thousands of \$)</i>	Contract revenue	Other	Total
Total deferred revenue at December 31, 2023	14,633	2,825	17,458
Amortization of deferred revenue	(14,633)	(55)	(14,688)
Total deferred revenue at June 30, 2024	—	2,770	2,770
Short-term deferred revenue		110	110
Long-term deferred revenue	—	2,660	2,660

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.

At the commencement of the year, the outstanding balance of the deferred contract revenue related solely to the *Deepsea Mira*, with the *Deepsea Bollsta's* deferred contract revenue being fully amortized by December 2023, at the end of its initial firm contract period under its drilling contract with Shell. In the current quarter, the amortization of the *Deepsea Mira's* deferred revenue was completed.

Other

The balance primarily consists of funds received from a Norwegian government body 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:

<i>(in thousands of \$)</i>	Contract costs
Total deferred costs at December 31, 2023	27,073
Amortization of deferred costs	(27,073)
Total deferred costs at June 30, 2024	—
Short-term deferred costs	—
Long-term deferred costs	—

Deferred contract costs

Certain direct and incremental costs incurred for upfront preparation, initial mobilization and modifications of contracted rigs are considered costs of fulfilling a contract as they directly relate to the contract and enhance resources used to 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.

At the commencement of the first year, the outstanding balance of the deferred contract costs related solely to the *Deepsea Mira*, as the deferred contract costs for the *Deepsea Bollsta* were fully amortized by December 2023. In the current quarter, the amortization of the *Deepsea Mira's* deferred costs was completed.

8. RESTRICTED CASH

The restricted cash as of June 30, 2024, 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 June 30, 2024, are summarized as follows:

<i>(in thousands of \$)</i>	Cost	Accumulated depreciation	Net carrying value
Balance at December 31, 2023	1,066,717	(143,157)	923,560
Additions	23,113		23,113
Retirement of assets	(1,819)	1,819	—
Depreciation		(23,763)	(23,763)
Balance at June 30, 2024	1,088,011	(165,101)	922,910

10. OTHER CURRENT ASSETS

Other current assets as of June 30, 2024, are summarized as follows:

<i>(in thousands of \$)</i>	
Deposit held	35
VAT receivable	1,026
Other	1,122
	2,183

Other

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

11. OTHER CURRENT LIABILITIES

Other current liabilities as of June 30, 2024, are summarized as follows:

<i>(in thousands of \$)</i>	
Accounts payable	3,883
Accrued administrative expense	2,008
Accrued operating expense	18,441
Other payables	12,565
VAT liability	1,362
Accrued interest expense	5,778
	44,037

Other payables

Other payables primarily consists of withholding and corporate taxes due to the Namibian and Congolese governments.

12. DEBT

Debt due to non-related parties as of June 30, 2024, are summarized as follows:

<i>(in thousands of \$)</i>	
U.S. dollar denominated floating rate debt:	
Term loan facility - <i>Deepsea Mira</i>	126,923
Term loan facility - <i>Deepsea Bollsta</i>	134,615
Revolving loan facility - <i>Deepsea Mira and Deepsea Bollsta</i>	38,462
Total debt - gross of deferred charges	300,000
Long-term portion of debt issuance costs	(1,406)
Total debt - net of deferred charges	298,594
Short-term debt	
Long-term debt	298,594
Total debt - net of deferred charges	298,594

The outstanding debt to non-related parties as of June 30, 2024, is repayable as follows:

<i>(in thousands of \$)</i>	
Year 1	—
Year 2	300,000
Year 3	—
Year 4	—
Year 5	—
Thereafter	—
	300,000

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

At the start of the quarter, the Company had an agreement with a group of banks providing \$390.0 million in loan facilities, maturing in January 2025.

As part of the June 2024 refinancing, the loan agreement was amended and extended. \$90.0 million of the facility was repaid upon signing, reducing the total loan amount to \$300.0 million. The amortization schedule and final maturity date were also revised. Following the refinancing, the bank facilities have no amortizations the first 12 months (with \$30.0 million per annum thereafter) and a final maturity date in June 2026.

Assets pledged

<i>(in thousands of \$)</i>	
Drilling units	922,910

Deferred charges

<i>(in thousands of \$)</i>	
Debt arrangement fees	2,080
Accumulated amortization	(674)
	1,406

13. RELATED PARTY DEBT

Debts due to related parties as of June 30, 2024, are summarized as follows:

<i>(in thousands of \$)</i>	
\$ denominated floating rate debt:	
\$215.0 million credit loan facility	215,000
Total debt	215,000
Short-term debt	—
Long-term debt	215,000
Total debt	215,000

The outstanding debt as of June 30, 2024, is repayable as follows:

<i>(in thousands of \$)</i>	
Year 1	—
Year 2	—
Year 3	215,000
Year 4	—
Year 5	—
Thereafter	—
	215,000

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

At the start of the quarter, the Company held a \$100.0 million facility and a \$50.0 million facility with its related party, Sterna.

The \$100.0 million facility was nearly fully utilized, with \$99.9 million drawn, and the remaining available funds restricted for settling future interest payments as they became due. Sterna had the ability, at its discretion, to convert \$15.0 million of this loan into the Company's shares at a conversion price of \$0.50 per share (the "Conversion"). The facility was repayable in full on April 17, 2025.

The \$50.0 million facility was fully utilized and also included an additional \$4.1 million in compounded interest, which was to be settled at final maturity. This facility was repayable in full at the end of June 2024.

As part of the June 2024 refinancing Sterna elected to perform the Conversion, reducing the Company's debt by \$15.0 million. Additionally, the loan agreements with Sterna were amended and extended to provide a single \$215.0 million facility. The previously outstanding debts, including compounded and accrued interest, were considered to be already drawn from the facility, leaving approximately \$70 million available, which was drawn on June 28, 2024. The amended and extended facility has no amortization and a final maturity in December 2026. The Company also has the option to convert cash interest into Payment-In-Kind ("PIK"), at a pre-agreed premium.

14. SHARE CAPITAL

On June 19, 2024, the Company successfully completed a private placement ("Private Placement"). A total of 90,538,285 new shares were issued at a subscription price of NOK 7.00 per share, resulting in gross proceeds of approximately \$60.0 million.

Since 2019, the Company has held revolving credit facilities with its related party, Sterna. Sterna has had the ability, at its discretion, to convert \$15.0 million of this loan into the Company's shares at a conversion price of \$0.50 per share. On June 19, 2024, Sterna elected to convert the debt into shares. A total of 30,000,000 new shares were issued.

At quarter end, the Company has 303,215,392 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, 2024, are as follows:

<i>(in thousands of \$)</i>	Carrying value	Fair value
Assets:		
Cash and cash equivalents	75,880	75,880
Restricted cash	135	135
Liabilities:		
Floating rate debt	298,594	301,309
Long-term related party debt	215,000	226,135

The estimated fair values 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	75,880	75,880	—	—
Restricted cash	135	135	—	—
Liabilities:				
Floating rate debt	301,309	—	301,309	—
Long-term related party debt	226,135	—	—	226,135

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.

16. RELATED PARTY TRANSACTIONS

Hemen Holdings Ltd. ("Hemen"), a Cyprus holding company, owned 47.6% of the Company's outstanding ordinary shares at June 30, 2024. C.K. Limited is the trustee of two trusts (the "Trusts") that indirectly hold all of the ordinary shares of Hemen. Accordingly, C.K. Limited, as trustee, may be deemed to beneficially own the ordinary shares of the Issuer that are beneficially owned by Hemen. Mr. Fredriksen established the trusts for the benefit of his immediate family. He is neither a beneficiary nor a trustee of either Trust. Therefore, Mr. Fredriksen has no economic interest in such ordinary shares and disclaims any control over such ordinary shares, save for any indirect influence he may have with C.K. Limited, as the trustee of the Trusts, in his capacity as the settlor of the Trusts.

The Company currently transacts, or has previously transacted, with the following related parties, being companies in which Hemen, or companies affiliated with Hemen, have 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 \$0.4 million in the six months ended June, 2024 (2023: \$0.0 million).

NODL transactions

In 2024, the Company continued to provide management services to NODL and charged \$0.2 million in the six months ended June 30, 2024 (2023: \$0.7 million).

17. COMMITMENTS AND CONTINGENCIES

As of June 30, 2024, the Company had no capital commitments.

18. SUBSEQUENT EVENTS

On July 10, 2024, the Company announced a mandatory offer by Hemen Holding Limited. The mandatory offer was a result of the June 2024 Private Placement and the election of Sterna to convert \$15.0 million of debt into shares at a conversion price of \$0.50 per share, as part of the refinancing which took place in June 2024. These events resulted in Hemen's holding in the Company crossing the 40% ownership threshold. The final result of the offer was announced on August 8, 2024, with Hemen receiving valid acceptances for a total of 20,175,590 shares, which, together with the 144,373,315 shares already held by Hemen at the commencement of the offer period, equals 164,548,905 shares, representing approximately 54.3% of the issued and outstanding shares and voting rights of Northern Ocean.

On August 9, 2024, the Company announced an extension of its contract with a subsidiary of TotalEnergies SE for continued work in Africa using the *Deepsea Mira*. The firm term of the contract was extended from October 2024 to include one additional well, with the option for another. The extension from October provides firm revenue backlog of approximately \$24.3-34.2 million, with the option to extend for an additional well potentially adding a further backlog of approximately \$26.9-36.9 million.

On August 20, 2024, the company announced that it had appointed Arne Jacobsen as the new Chief Executive Officer ("CEO") of Northern Ocean effective as of 20 August 2024. Arne Jacobsen was previously the CEO of Orion, a joint venture between Hayfin Capital and Transocean, and has experience as a senior investment advisor for the oil and gas investment portfolio of Hayfin Capital. Beyond his background as an investment professional, Arne Jacobsen holds extensive commercial and operational experience from the oil and gas industry. Before joining Hayfin Capital, Jacobsen held leading positions in Songa Offshore and Ocean Rig, where he was positioned in Brazil, South Korea and Norway. Mr. Jacobsen has accepted a grant of 6,500,000 options, each giving the right to acquire one share in Northern Ocean when they vest. The share options are granted without consideration. The share options have a strike price of NOK 12.00.

NORTHERN OCEAN LTD.
INTERIM REPORT JANUARY - JUNE 2024

Responsibility Statement

We confirm, to the best of our knowledge, that the condensed consolidated financial statements for the period January 1 to June 30, 2024, 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 the Chief Executive Officer
Northern Ocean Ltd.
Hamilton, Bermuda,
August 27, 2024

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