



NORTHERN OCEAN LTD
RESULTS FOR THE THIRD QUARTER 2022 AND NINE MONTHS ENDED
SEPTEMBER 30, 2022

Highlights - Third Quarter

- On August 25, 2022, Northern Ocean Ltd (the “Company”) announced a contract award for the *Deepsea Bollsta* from Shell Upstream Namibia B.V., a subsidiary of Shell Plc. (“Shell”), for work in Namibia. The contract has a firm duration of twelve months plus a six month option to extend, and adds approximately USD 124 million of firm revenue backlog to the Company, excluding options. The rig has been safely and efficiently reactivated and mobilization is expected to be completed in November 2022.
- On August 26, 2022, the Company completed a private placement, providing funding for the reactivation and mobilization of the *Deepsea Bollsta*, increasing working capital, and for other general corporate purposes. The private placement issued 30,793,651 million shares at a price of NOK 12.60 per share, raising approximately USD 40 million in gross proceeds.

Subsequent Events

- There have been no subsequent events.

Results

In the third quarter, other revenue was \$0.3 million compared to \$0.4 million in the previous quarter. Other revenue was the only source of revenue in the third and previous quarter and is primarily earned from the provision of management services rendered to a related party, Northern Drilling Ltd.

Total operating expenses were \$17.6 million compared to \$22.3 million in the previous quarter. Rig operating expenses decreased to \$5.9 million compared to \$10.6 million in the previous quarter. The primary reason for the reduction is the deferral of costs related to the reactivation and mobilization activities of the *Deepsea Bollsta* for the contract with Shell. These costs will be amortized over the contract period after commencement of the contract occurs.

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

Foreign exchange losses were \$2.7 million in the third quarter compared with \$1.2 million in the previous quarter. The losses occurred due to the Company holding monetary assets denominated in NOK, which weakened against USD in the quarter. The Company holds monetary assets denominated in NOK to finance the Norwegian operations of the Company, most notably the reactivation and mobilization of the *Deepsea Bollsta*.

The net loss from operations before taxes in the third quarter was \$27.4 million, compared with a loss of \$29.1 million in the previous quarter.

The net loss in the third quarter resulted in a basic and diluted loss per share of \$0.24, compared to \$0.28 in the previous quarter.

Company Update

On August 25, 2022, the Company announced a contract award for *Deepsea Bollsta* from Shell for work in Namibia. The contract has a firm duration of twelve months plus a six month option to extend, and adds approximately USD 124 million of firm revenue backlog to the Company, excluding options. Odfjell Drilling Ltd (“Odfjell”), the operations manager, safely and efficiently reactivated the rig and mobilization is expected to be completed in November 2022. In November the rig will make a short stop in Walvis Bay to load out equipment and then commence drilling activities shortly thereafter.

The Company's other rig, *Deepsea Mira*, remains warm stacked outside of Bergen, Norway and under the day-to-day management of Odfjell. The Company is working closely with Odfjell to market the rig and secure acceptable employment terms.

On August 26, 2022, the Company completed the private placement previously announced on August 25, 2022, resulting in 30,793,651 million shares being issued at a price of NOK 12.60 per share, raising approximately USD 40 million in gross proceeds.

Outlook

The Company continues to be constructive on the offshore drilling market. Over the last several years there has been an underinvestment in natural resources due to economic slow-downs and dramatic shifts in the energy mix. The market is now coupled with geopolitical instability and rising inflation costs, which is highlighting even more the need for new exploration and production of oil and gas to meet demands for energy security and affordability. While the expectation is demand for all energy sources will continue to grow, the oil and gas industry specifically is expected to require significant investment in the near to mid-term. The reductions in the global rig fleet, balanced on rising inflationary costs, is expected to result in the offshore drilling industry continuing to strengthen and recover some of the value lost.

The recent contract award for the *Deepsea Bollsta* reflects this changing supply and demand picture of the offshore industry. The *Deepsea Bollsta* is one of the most sophisticated harsh environment drilling rigs, designed to operate in the coldest and most extreme conditions of the North Sea. However, the rig has nearly completed a transit to Namibia and will begin drilling to meet new exploration demands in a growing emerging market. The *Deepsea Bollsta* being one of the larger harsh environment semi-submersibles is well suited to withstand the wave conditions and currents in this region and we look forward to providing safe and efficient year-round activities.

The Company has been successful in securing new liquidity and continues to work closely with its operational manager, Odfjell, to ensure mobilization, reactivation and stacking activities are executed efficiently and safely for the fleet. The Company remains dependent on loans and/or equity issuances to meet its cash flow requirements over the next twelve months, and expects to be so until the *Deepsea Mira* returns fully to operations.

Forward Looking Statements

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

This Report contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates, sometimes identified by the words “believes”, “expects”, “intends”, “plans”, “estimates” and similar expressions. The forward-looking statements contained in this Report, including assumptions, opinions and views of the Company or cited from third-party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. The Company does not provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor does the Company accept any responsibility for the future accuracy of the opinions expressed in the presentation or the actual occurrence of the forecasted

developments. No obligations are assumed to update any forward-looking statements or to conform these forward-looking statements to actual results.

The Board of Directors
Northern Ocean Ltd
Hamilton, Bermuda
November 28, 2022

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

| Jul 1 to Sep 30, 2021 | Jul 1 to Sep 30, 2022 | CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS <i>(in thousands of \$)</i> | Jan 1 to Sep 30, 2022 | Jan 1 to Sep 30, 2021 | 2021 |
|------------------------------|------------------------------|--|------------------------------|------------------------------|-----------------|
| 3,329 | — | Contract revenue | 9,830 | 38,944 | 56,648 |
| 6,935 | — | Reimbursable revenue | — | 9,685 | 9,685 |
| 154 | 266 | Other income | 952 | 1,005 | 1,445 |
| 10,418 | 266 | Total operating revenues | 10,782 | 49,634 | 67,778 |
| 9,252 | 5,850 | Rig operating expenses | 22,674 | 46,340 | 51,978 |
| 2,754 | — | Reimbursable expenses | — | 7,565 | 7,565 |
| 10,774 | 10,103 | Depreciation | 29,980 | 31,883 | 42,657 |
| 5,403 | 148 | Provision for doubtful debts | 358 | 5,403 | 5,441 |
| 2,432 | 1,500 | Administrative expenses | 5,514 | 7,466 | 10,147 |
| 30,615 | 17,601 | Total operating expenses | 58,526 | 98,657 | 117,788 |
| (20,197) | (17,335) | Net operating loss | (47,744) | (49,023) | (50,010) |
| 6 | 74 | Interest income | 130 | 9 | 5 |
| (4,899) | (7,366) | Interest expense | (18,982) | (14,702) | (19,643) |
| (908) | (2,749) | Foreign exchange loss | (3,978) | (510) | (88) |
| (521) | (1) | Other financial expenses | (4) | (1,440) | (1,930) |
| (26,519) | (27,377) | Net loss from continuing operations before taxes | (70,578) | (65,666) | (71,666) |
| 380 | (32) | Tax (charge) credit | (171) | 3,019 | 3,067 |
| (26,139) | (27,409) | Net loss from continuing operations | (70,749) | (62,647) | (68,599) |
| — | — | Related party settlement gain, net of taxes | — | — | 57,574 |
| (26,139) | (27,409) | Net loss | (70,749) | (62,647) | (11,025) |
| (0.41) | (0.24) | Basic and diluted loss from continuing operations per share (\$) | (0.67) | (0.98) | (1.07) |
| 0.00 | 0.00 | Basic and diluted income from related party settlement gain, net of taxes, per share (\$) | 0.00 | 0.00 | 0.90 |
| (0.41) | (0.24) | Basic and diluted loss per share (\$) | (0.67) | (0.98) | (0.17) |

| Jul 1 to Sep 30, 2021 | Jul 1 to Sep 30, 2022 | CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS <i>(in thousands of \$)</i> | Jan 1 to Sep 30, 2022 | Jan 1 to Sep 30, 2021 | 2021 |
|------------------------------|------------------------------|--|------------------------------|------------------------------|-----------------|
| (26,139) | (27,409) | Net loss | (70,749) | (62,647) | (11,025) |
| (101) | 461 | Foreign currency translation gain | 1,308 | (100) | (418) |
| (101) | 461 | Other comprehensive (loss) income | 1,308 | (100) | (418) |
| (26,240) | (26,948) | Comprehensive loss | (69,441) | (62,747) | (11,443) |

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

NORTHERN OCEAN LTD
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| CONDENSED CONSOLIDATED BALANCE SHEET <i>(in thousands of \$)</i> | Sep 2022 | Dec 2021 |
|--|-----------------|-----------------|
| ASSETS | | |
| Short term | | |
| Cash and cash equivalents | 49,285 | 5,461 |
| Restricted cash | 129 | 10,152 |
| Related party receivables | 486 | 3,514 |
| Other current assets | 11,461 | 4,637 |
| Current portion of right-of-use assets under operating leases | 182 | — |
| Long term | | |
| Drilling units | 924,367 | 953,750 |
| Fixtures and fittings | 55 | 5 |
| Deferred tax | — | 35 |
| right-of-use assets under operating leases | 244 | — |
| Other long-term assets | 1,438 | — |
| Total assets | 987,647 | 977,554 |
| LIABILITIES AND EQUITY | | |
| Short term liabilities | | |
| Current portion of long-term debt | 29,954 | 10,000 |
| Other current liabilities | 19,021 | 7,454 |
| Current portion of deferred revenue | 110 | 1,924 |
| Related party payables | 87 | 79 |
| Current portion of obligations under operating leases | 196 | — |
| Long term liabilities | | |
| Long-term debt | 359,448 | 389,531 |
| Deferred revenue | 2,852 | 2,934 |
| Related party long-term debt | 90,221 | 70,000 |
| Obligations under operating leases | 212 | — |
| Commitments and contingencies (Note 14) | | |
| Total equity | 485,546 | 495,632 |
| Total liabilities and equity | 987,647 | 977,554 |

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

NORTHERN OCEAN LTD
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

| July 1 to Sep 30, 2021 | July 1 to Sep 30, 2022 | CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <i>(in thousands of \$)</i> | Jan 1 to Sep 30, 2022 | Jan 1 to Sep 30, 2021 | 2021 |
|---------------------------|---------------------------|--|--------------------------|--------------------------|-----------------|
| (26,139) | (27,409) | NET LOSS | (70,749) | (62,647) | (11,025) |
| | | Adjustments to reconcile net loss to net cash used in operating activities; | | | |
| 517 | 65 | Amortization of deferred charges | 651 | 1,534 | 1,979 |
| (2,097) | (27) | Amortization of deferred revenue | (1,896) | (16,160) | (19,459) |
| 5,403 | (210) | Provision for doubtful debts | — | 5,403 | 5,441 |
| 10,774 | 10,102 | Depreciation | 29,979 | 31,883 | 42,657 |
| (10) | 461 | Unrealized foreign exchange loss (gain) | 1,308 | (35) | (418) |
| (380) | (104) | Tax | 35 | (3,019) | (3,067) |
| — | — | Related party settlement gain, net of taxes | — | — | (57,574) |
| | | Change in operating assets and liabilities; | | | |
| (2,596) | 210 | Receivables | — | 1,892 | 1,855 |
| 39 | — | Unbilled receivables | — | 8,913 | 8,913 |
| 2,536 | (7,422) | Other current assets | (6,117) | 2,357 | 1,752 |
| — | (1,438) | Other long-term assets | (1,438) | — | — |
| — | (426) | Right-of-use assets under operating leases | (426) | — | — |
| (3,464) | 7,609 | Other current liabilities | 11,568 | (4,529) | (7,127) |
| 3,759 | (255) | Related party balances | 3,037 | 11,830 | 13,087 |
| — | — | Deferred revenue | — | 1,177 | 1,177 |
| — | 409 | Obligations under operating leases | 409 | — | — |
| (11,658) | (18,435) | Net cash used in operating activities | (33,639) | (21,401) | (21,809) |
| | | INVESTING ACTIVITIES | | | |
| (75) | (1,304) | Additions to drilling units | (1,304) | (206) | (206) |
| — | (38) | Additions to fixtures and fittings | (52) | — | — |
| (75) | (1,342) | Net cash used in investing activities | (1,356) | (206) | (206) |
| | | FINANCING ACTIVITIES | | | |
| — | 39,355 | Net proceeds from share issuances | 59,355 | — | — |
| — | 1,513 | Proceeds from related party long-term debt | 20,221 | — | — |
| — | — | Repayment of long-term debt | (10,000) | — | — |
| — | — | Debt fees paid | (780) | — | — |
| — | 40,868 | Net cash provided by financing activities | 68,796 | — | — |
| (11,733) | 21,091 | Net change | 33,801 | (21,607) | (22,015) |
| 27,754 | 28,323 | Cash, cash equivalents and restricted cash at start of the period | 15,613 | 37,628 | 37,628 |
| 16,021 | 49,414 | Cash, cash equivalents and restricted cash at end of the period | 49,414 | 16,021 | 15,613 |

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

NORTHERN OCEAN LTD
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY <i>(in thousands of \$ except number of shares)</i> | Jan 1 to Sep 30, 2022 | 2021 |
|---|----------------------------------|-------------------|
| Number of shares outstanding | | |
| Balance at beginning of period | 63,802,378 | 63,802,378 |
| Shares issued | 70,793,651 | — |
| Balance at end of period | 134,596,029 | 63,802,378 |
| Share capital | | |
| Balance at beginning of period | 63,803 | 63,803 |
| Shares issued | 35,397 | — |
| Reduction in nominal value of shares | (31,902) | — |
| Balance at end of period | 67,298 | 63,803 |
| Additional paid in capital | | |
| Balance at beginning of period | 488,334 | 488,334 |
| Shares issued | 23,958 | — |
| Reduction in nominal value of shares | 31,902 | — |
| Balance at end of period | 544,194 | 488,334 |
| Accumulated other comprehensive income (loss) | | |
| Balance at beginning of period | (346) | 72 |
| Other comprehensive income (loss) | 1,308 | (418) |
| Balance at end of period | 962 | (346) |
| Retained deficit | | |
| Balance at beginning of period | (56,159) | (45,134) |
| Net loss | (70,749) | (11,025) |
| Balance at end of period | (126,908) | (56,159) |
| Total equity | 485,546 | 495,632 |

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

NORTHERN OCEAN LTD
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

On January 14, 2022, the Company closed the amendment and extension process for its bank debt, in line with the announcement made on December 23, 2021. The Company paid the banks the amortization payments of \$5.0 million due on March 3, 2021 for the *Deepsea Mira* facility and the \$5.0 million due on March 13, 2021 for the *Deepsea Bollsta* facility.

On January 14, 2022, the Company closed the amendment and extension process for the Sterna Finance Ltd (“Sterna”) revolving credit facility in line with the announcement made on December 23, 2021. In the nine months ended September 30, 2022, the Company drew an additional \$20.2 million, bringing the related party balance to \$90.2 million. \$15.0 million of the drawings were in the form of a cash withdrawal, the remaining \$5.2 million was drawn to settle the interest payments on the Sterna facility as they fell due. Following the \$15.0 million withdrawal the remaining available funds of the facility are restricted for settling the future interest payment of the Sterna facility as they fall due. Sterna has the ability at its discretion to convert \$15.0 million of the loan amount into the Company's shares at a strike price of \$0.50 per share.

On August 25, 2022, the Company announced a contract award for *Deepsea Bollsta* from Shell Upstream Namibia B.V., a subsidiary of Shell Plc. (“Shell”), for work in Namibia. The contract is expected to commence in November 2022 and has a firm duration of twelve months plus a six month option to extend. The contract adds approximately USD 124 million of firm revenue backlog to the Company, excluding options. Odfjell Drilling Ltd (“Odfjell”), the operations manager, has safely and efficiently reactivated the rig and mobilization is expected to be completed in November 2022, to meet the Shell contract commencement window.

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

Deepsea Mira is kept in a warm stacked condition, whereas *Deepsea Bollsta* is currently being mobilized for commencement of operations in November 2022. Rig management and marketing services for both rigs were transferred to Odfjell during the first quarter of 2022.

The Company’s activities are subject to significant risks and uncertainties that can have an adverse effect on the Company’s business, financial condition, results of operations and cash flow. Such risks and uncertainties include, among others, decreasing market value of the rigs, developing into a fully operating business and maintaining sufficient operating liquidity. In addition, public health threats, such as the Coronavirus, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate could adversely impact our operations as well as the operations of our customers. The Company also needs to comply with certain financial covenants under the terms of its existing loan facilities and failure to do so would require the outstanding loan to be repaid. Further, the success and growth of the Company’s business is depending on the level of activity in the offshore oil and gas industry generally and the drilling industry specifically. Both such industries are highly competitive and are significantly impacted by the price of oil, which can be very volatile. Further, the Company has a limited number of rigs which makes it vulnerable in the event of a loss of revenue of any such rigs due to market developments, technical or regulatory matters, and should the Company not be able to obtain favorable contracts for its rigs.

2. BASIS OF ACCOUNTING

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

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

Going concern assumption

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

In August 2022, the Company completed a private placement of approximately 30.8 million new shares generating gross proceeds of approximately \$40.0 million.

The Company, however, remains dependent on loans and/or equity issuances to finance its loan obligations and working capital in the next twelve months, which raises substantial doubt about the Company's ability to continue as a going concern.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

(in thousands of \$)

| | |
|---|-------|
| Accounts receivable, net | — |
| Current contract liabilities (deferred revenue) | 110 |
| Non-current contract liabilities (deferred revenue) | 2,852 |

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

(in thousands of \$)

| | |
|--|---------|
| Total contract liabilities at December 31, 2021 | 4,858 |
| Deferred revenue accruing in the period | — |
| Amortization of deferred revenue | (1,896) |
| Total contract liabilities at September 30, 2022 | 2,962 |
| Current contract liabilities | 110 |
| Long term contract liabilities | 2,852 |

4. INCOME TAXES

Bermuda

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

Other Jurisdictions

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

Deferred tax

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

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

5. EARNINGS PER SHARE

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

| Jul 1 to Sep 30, 2021 | Jul 1 to Sep 30, 2022 | | Jan 1 to Sep 30, 2022 | Jan 1 to Sep 30, 2021 | 2021 |
|--------------------------|--------------------------|--|--------------------------|--------------------------|----------|
| (26,139) | (27,409) | Net loss from continuing operations (in thousands of \$) | (70,749) | (62,647) | (68,599) |
| — | — | Related party settlement gain, net of taxes (in thousands of \$) | — | — | 57,574 |
| (26,139) | (27,409) | Net loss (in thousands of \$) | (70,749) | (62,647) | (11,025) |
| 63,802 | 115,852 | Weighted average number of ordinary shares (in thousands) | 105,958 | 63,802 | 63,802 |

6. RESTRICTED CASH

The restricted cash balance consists of cash held for payroll taxes.

7. DRILLING UNITS

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

| <i>(in thousands of \$)</i> | Cost | Accumulated depreciation | Net carrying value |
|--|-----------|-----------------------------|-----------------------|
| Balance at December 31, 2021 | 1,028,975 | (75,225) | 953,750 |
| Additions | 1,304 | — | 1,304 |
| Adjustment to previously capitalized balance | (710) | — | (710) |
| Depreciation | — | (29,977) | (29,977) |
| Balance at September 30, 2022 | 1,029,569 | (105,202) | 924,367 |

8. OTHER CURRENT ASSETS

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

| | |
|---------------------------------------|--------|
| <i>(in thousands of \$)</i> | |
| Deposit held | 31 |
| Fuel | 1,043 |
| VAT receivable | 1,894 |
| Other | 1,304 |
| Short-term portion of deferred assets | 7,189 |
| | 11,461 |

Short-term portion of deferred assets

Short-term portion of deferred assets comprises of the reactivation activities and mobilization preparation costs incurred up to September 30, 2022 in order for the *Deepsea Bollsta* to meet obligations of the contract with Shell Upstream Namibia B.V.. These costs are being deferred and amortized over the contract period.

9. OTHER LONG-TERM ASSETS

The other long-term assets at September 30, 2022 may be summarized as follows:

| | |
|--------------------------------------|-------|
| <i>(in thousands of \$)</i> | |
| Long-term portion of deferred assets | 1,438 |
| | 1,438 |

Long-term portion of deferred assets

Long-term portion of deferred assets comprises of the reactivation activities and mobilization preparation costs incurred up to September 30, 2022 in order for the *Deepsea Bollsta* to meet obligations of the contract with Shell Upstream Namibia B.V.. These costs are being deferred and amortized over the contract period.

10. OTHER CURRENT LIABILITIES

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

| | |
|---------------------------------|--------|
| <i>(in thousands of \$)</i> | |
| Accounts payable | 3,989 |
| Accrued administrative expenses | 65 |
| Accrued operating expense | 7,642 |
| Other payables | 1,155 |
| Accrued interest expense | 6,170 |
| | 19,021 |

11. DEBT

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

| <i>(in thousands of \$)</i> | |
|--|---------|
| U.S. dollar denominated floating rate debt: | |
| \$200.0 million term loan facility - <i>Deepsea Mira</i> | 165,000 |
| \$200.0 million term loan facility - <i>Deepsea Bollsta</i> | 175,000 |
| \$50.0 million term loan facility - <i>Deepsea Mira</i> and <i>Deepsea Bollsta</i> | 50,000 |
| Total debt - gross of deferred charges | 390,000 |
| Short-term portion of debt issuance costs | (46) |
| Long-term portion of debt issuance costs | (552) |
| Total debt | 389,402 |
| Short-term debt | 29,954 |
| Long-term debt | 359,448 |
| Total debt | 389,402 |

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

| <i>(in thousands of \$)</i> | |
|-----------------------------|---------|
| Year 1 | 30,000 |
| Year 2 | 40,000 |
| Year 3 | 320,000 |
| Year 4 | — |
| Year 5 | — |
| Thereafter | — |
| | 390,000 |

On January 14, 2022, the Company closed the amendment and extension process for its bank debt in line with the announcement made on December 23, 2021. It was simultaneously agreed to pay to the banks the amortization payments of \$5.0 million originally due on March 3, 2021 for the *Deepsea Mira* facility and the \$5.0 million originally due on March 13, 2021 for the *Deepsea Bollsta* facility. As a result, \$10.0 million was paid to the banks on January 14, 2022. This amount had previously been set aside in a restricted account secured on behalf of the lenders.

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

Assets pledged

| <i>(in thousands of \$)</i> | |
|-----------------------------|---------|
| Drilling units | 924,367 |

Deferred charges

| <i>(in thousands of \$)</i> | |
|-----------------------------|---------|
| Debt arrangement fees | 6,690 |
| Accumulated amortization | (6,092) |
| | 598 |

12. SHARE CAPITAL

On December 29, 2021, and with reference to the Company's announcement on December 23, 2021 concerning a private placement and subsequent offering of shares, with each such share to be issued at a subscription price of \$0.50 (see Note 1), the Company, by virtue of Bye-laws 65-68 and 80 of the Company's Bye-laws, issued a Notice of Proposed Written Resolution of the Shareholders, proposing the reduction of the nominal value of each Share from \$1.00 to \$0.50 (the "Proposal"). The majority requirement for the Proposal was 50% of the issued share capital of the Company (a "Relevant Majority") and the Proposal was carried out as soon as votes supporting the Proposal was cast by a Relevant Majority.

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

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

On August 26, 2022, the Company completed a private placement, providing funding for the reactivation and mobilization of the *Deepeat Bollsta*, increasing working capital, and for other general corporate purposes. The private placement issued 30,793,651 shares at a price of NOK 12.60 per share, raising gross proceeds of approximately USD 40 million. Following the private placement and registration in the relevant register of members, the Company has 134,596,029 fully paid common shares outstanding and authorized share capital of the Company of \$968,098,811 divided into 1,936,197,622 common shares of a par value of \$0.50 each.

13. FAIR VALUES

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

| <i>(in thousands of \$)</i> | Carrying Value | Fair Value |
|------------------------------|----------------|------------|
| Assets: | | |
| Cash and cash equivalents | 49,285 | 49,285 |
| Restricted cash | 129 | 129 |
| Liabilities: | | |
| Floating rate debt | 389,402 | 389,402 |
| Related party long term debt | 90,221 | 85,492 |

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

| <i>(in thousands of \$)</i> | Fair Value | Level 1 | Level 2 | Level 3 |
|------------------------------|------------|---------|---------|---------|
| Assets: | | | | |
| Cash and cash equivalents | 49,285 | 49,285 | — | — |
| Restricted cash | 129 | 129 | — | — |
| Liabilities: | | | | |
| Floating rate debt | 389,402 | — | 389,402 | — |
| Related party long term debt | 85,492 | — | — | 85,492 |

The following methods and assumptions were used to estimate the fair value of each class of financial instrument;

Cash and cash equivalents – the carrying values in the balance sheet approximate fair value.

Restricted cash – the carrying value in the balance sheet approximates fair value.

Floating rate debt (being total debt less the carrying value of deferred charges) – the fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis.

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

14. RELATED PARTY TRANSACTIONS

Hemen Holding Ltd, or Hemen Holding, a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family, owned 39.3% of the Company’s outstanding ordinary shares at September 30, 2022. In the nine month ended September 30, 2022, the Company has transacted business with the following related parties, being companies in which Hemen Holding, or companies affiliated with Hemen Holding, has a significant interest – Seatankers Management Co. Ltd, or Seatankers, Sterna Finance Ltd, or Sterna, Frontline Management (Bermuda) Limited, or Frontline Management, Flex LNG Limited, or Flex, Front Ocean Management AS and Front Ocean Management Ltd (together “Front Ocean”) and Northern Drilling Ltd or Northern Drilling.

Related party balances

Sterna

On January 14, 2022, the Company closed the amendment and extension process for the Sterna revolving credit facility in line with the announcement made on December 23, 2021. In the nine months ended September 30, 2022, the Company drew an additional \$20.2 million, bringing the related party balance to \$90.2 million. \$15.0 million of the drawings were in the form of a cash withdrawal, the remaining \$5.2 million was drawn to settle the interest payments on the Sterna facility as they fell due. Following the \$15.0 million withdrawal the remaining available funds of the facility are restricted for settling the future interest payment of the Sterna facility as they fall due. Sterna has the ability at its discretion to convert \$15.0 million of the loan amount into the Company's shares at a strike price of \$0.50 per share. The loan from Sterna is repayable in full on April 17, 2025.

Frontline, Flex, Front Ocean and Seatankers transactions

The Company and its subsidiaries have received treasury, accounting, corporate secretarial and advisory services from these entities and was charged \$0.3 million in the nine months ended September 30, 2022. The management services agreement with Flex ended in September 2022.

Northern Drilling transactions

The Company provides management services to Northern Drilling and charged \$0.7 million in the nine months ended September 30, 2022.

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

| <i>(in thousands of \$)</i> | |
|-----------------------------|-----|
| Northern Drilling | 486 |
| | 486 |

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

| <i>(in thousands of \$)</i> | |
|-----------------------------|----|
| Flex | 29 |
| Seatankers | 27 |
| Front Ocean | 31 |
| | 87 |

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

| <i>(in thousands of \$)</i> | |
|-----------------------------|--------|
| Sterna | 90,221 |

15. COMMITMENTS AND CONTINGENCIES

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

16. SUBSEQUENT EVENTS

There have been no subsequent events.

NORTHERN OCEAN LTD
INTERIM REPORT JANUARY - SEPTEMBER 2022

Responsibility Statement

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

The Board of Directors and Chief Executive Officer
Northern Ocean Ltd
Hamilton, Bermuda
November 28, 2022

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