



Press Release

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Recommended Cash Acquisition of Northern Offshore, Ltd.

The boards of directors of Northern Offshore, Ltd. (“NOF” or the “Company”) (OSE: NOF) and Shandong Offshore International Company Limited (the “Purchaser”) are pleased to announce that they have reached agreement on the terms of a recommended cash acquisition of NOF by Shandong Offshore Company Limited (“Bidco”), a wholly owned subsidiary of the Purchaser (the “Acquisition”). The Acquisition will be implemented by way of an amalgamation (the “Amalgamation”) under Bermuda law at an acquisition price of NOK 7.59 per NOF share, payable in cash (the “Acquisition Price”). The Acquisition Price values NOF’s issued share capital at approximately NOK 1.3 billion. The consideration will be financed from the Purchaser’s existing cash resources.

The Amalgamation is, among other things subject to approval of NOF shareholders at a special general meeting (the “SGM”) expected to be held on or about July 15, 2015. The resolution must be approved by more than 50 per cent of the NOF shareholders voting at the SGM. Bidco has received undertakings on customary conditions to vote in favour of the Acquisition from NOF shareholders holding in aggregate approximately 65 per cent. of NOF’s issued share capital, including from the Company’s two largest shareholders, including Geveran Trading Co. Ltd.

The Acquisition is expected to become effective during the first half of August 2015. At the time at which the Amalgamation becomes effective, each NOF share (other than NOF shares held by the Purchaser, Bidco, any other subsidiary of the Purchaser or any subsidiary of NOF, if any) will be converted into the right to receive the Acquisition Price.

The board of directors of NOF unanimously recommends that NOF shareholders vote to approve the Acquisition at the SGM. In considering whether to recommend the Acquisition, the board has among other things taken into account that the Acquisition represents an attractive valuation for NOF shareholders today, and that the Acquisition represents an opportunity for NOF shareholders to realise their entire investment in NOF, in cash at a premium without the risks associated with public market sentiment and the current economic environment. As a basis for their considerations, the board of NOF has among other things received a fairness opinion from Fearnley Securities AS where Fearnley Securities AS concludes, subject to the qualifications and assumptions set out in their opinion, that the Acquisition Price in their opinion is fair from a financial point of view.

The directors and senior management of NOF who hold shares in NOF have irrevocably undertaken to vote in favour of the Acquisition in respect of their own beneficial shareholdings of approximately 8.3 million NOF shares (and, where applicable, of their connected persons), in aggregate representing approximately 5 per cent. of NOF’s entire existing issued share capital.

Completion of the Acquisition is subject to customary conditions, which include the approval of the Amalgamation by NOF shareholders at the SGM, there having been no material breach of the Implementation Agreement, and (subject to customary qualifications) there having occurred no change effect, development or event which is, or would, reasonably be expected to have a material adverse effect on the financial condition, business, assets or results of operations of the NOF group taken as a whole.

Commenting on the Acquisition, Yu Bing, Director of the Purchaser and Dr. Sun Yuanhui, Chairman of Blue Ocean Drilling Limited, said:

"The acquisition of Northern Offshore Ltd. is a positive step in our vision of building a high-performing offshore drilling organization to meet the current and future needs of the Global E&P sector. By retaining the NOF leadership team, when combined with our Blue Ocean Drilling leadership, we will have assembled a highly skilled and experienced team to direct and execute on our strategies as the new Northern Offshore Ltd. goes forward. NOF provides proven operating and safety systems, a respected and proven operating organization with an established presence in the North Sea and Asia Pacific, well maintained assets and the most important asset - quality people to execute our strategy. Enhancement of the new NOF fleet is already underway with the combined NOF and Blue Ocean Drilling new-builds; six (6) high specification, deepwater jackups due to be delivered in 2016 through 2018, which will make the new NOF an attractive partner to those E&P companies looking for premium, high specification assets operated by a proven organization whose focus is operations and efficiencies that can contribute to lowering their clients total well costs. We'll continue to evaluate and act upon further opportunities which meet the technical and financial criteria of the new Northern Offshore Ltd. as we examine ways to further enhance our fleet in an accretive manner."

Commenting on the Acquisition, Gary W. Casswell, President and CEO of NOF said:

"This transaction represents a major milestone in Northern Offshore's previously stated strategy to transform our company to a niche, premium jackup drilling contractor with new, state of the art assets. With the exception of the Norwegian continental shelf, NOF will be able to operate in all major petroleum resource regions around the world. Combining the four (4) under construction high spec jackups of Blue Ocean Drilling with Northern Offshore's two (2) under construction state of the art jackups with deliveries in 2016 thru early 2018, we will realize organizational synergies and have the opportunity to build additional critical mass in our current operations in the North Sea and Asia Pacific as well as position us to pursue new clients in new areas. Going forward, with the support of our new Board of Directors, we will be opportunistic while remaining fiscally responsible to continue growing the company with the selective acquisition or new construction of additional premium jackup assets. Finally, I would like to acknowledge and express our sincere appreciation for the loyalty and support of all of our past and present shareholders who have helped us reach this new beginning."

Pareto Securities Inc. is acting as financial adviser to the Purchaser.

Enquiries:**Bidco and Purchaser**

Dr. Sun Yuanhui

Tel: + 1 281 231 2790

NOF

Paul Ravesies

Tel: +1 713 739 7686

Further transaction details

NOF and the Purchaser have entered into an implementation agreement (the "**Implementation Agreement**") in relation to the implementation of the Acquisition. Pursuant to the Implementation Agreement, NOF and the Purchaser have agreed to take all steps and actions and prepare all such documents necessary for the Acquisition on a timely basis and in accordance with the terms of the Implementation Agreement and applicable law and regulations.

Under the Implementation Agreement, NOF has undertaken that it shall not solicit, encourage, initiate or otherwise seek to procure the submission of any proposal, indication of interest or offer regarding a transaction which is proposed by a third party to acquire all of the issued and to be issued share capital of NOF or the whole of its business and assets (a "**Competing Proposal**"), other than responding to a Competing Proposal where the board of directors of NOF determine in good faith that the failure to do so would be inconsistent with their fiduciary duties. Further, NOF has agreed not to withdraw the Amalgamation or permit the recommendation by the board of directors of NOF to be withdrawn or modified for a period of five days following the announcement of a Competing Proposal to enable the Purchaser to exercise a right to match any such Competing Proposal. In the event that the Purchaser makes a revised offer on terms which are no less favourable than the terms of the Competing Proposal taking into account the circumstances, NOF has further agreed to give a recommendation of the Purchaser's revised offer.

NOF has among other things agreed to pay to the Purchaser a fee equal to USD 10 million if (i) the NOF board of directors withdraws or adversely modifies its recommendation of the Acquisition or decides not to proceed with the Amalgamation and the Amalgamation subsequently does not proceed; or (ii) if the Amalgamation is withdrawn or lapses and, before this time, a Competing Proposal has been announced and is successfully completed, and a fee equal to USD 3 million if the Amalgamation does not proceed as a result of certain material breaches of the Implementation Agreement by NOF. Further, the Purchaser has agreed to pay NOF a fee equal to USD 12.5 million if the Amalgamation does not become effective because the Purchaser is in material breach of certain of its obligations under the Implementation Agreement.

NOF and the Purchaser have agreed that, if any of the conditions for completion of the Acquisition set out in the Implementation Agreement are not satisfied or, if capable of waiver, waived by the Purchaser by the 120th day following June 28, 2015 or such later date as NOF and the Purchaser agree in writing, then the Acquisition will not proceed.

The Amalgamation will only become effective upon submission to the Registrar of Companies in Bermuda of an application for registration of the Amalgamation and the issue by the Registrar of Companies in Bermuda of a certificate of amalgamation.

Any NOF shareholder who is not satisfied that he has been offered fair value for his NOF shares and who does not vote in favour of the Amalgamation may, within one month of the giving of the notice convening the SGM, apply to the Bermuda court to appraise the value of his NOF shares. If the value appraised by such court is greater than the Acquisition Price, then that NOF shareholder will receive the difference between the appraised value and the Acquisition Price within one month of the Bermuda court's appraisal.

On the date shown in the certificate of amalgamation, the Amalgamation of NOF and Bidco and their continuance as one company (the "Amalgamated Company") will become effective, the property, rights and assets of each of NOF and Bidco, in accordance with the Bermuda Companies Act, will become the property, rights and assets of the Amalgamated Company and the Amalgamated Company will become liable for the obligations and liabilities of each of NOF and Bidco.

It is currently anticipated that the Acquisition will become effective during the first half of August 2015 subject to satisfaction of the conditions to completion of the Acquisition.

Information on NOF

Northern Offshore Ltd. was created in July 2000 and reorganized into its current form on June 2, 2005 when a new Board of Directors was elected. The company was listed on the Oslo Stock Exchange in September 2007 and trades under the symbol "NOF". The company currently owns four drilling units and one floating production unit. In addition, the Company has two high spec LeTourneau Super 116E jackups under construction. With this solid roster of equipment and a thirst for opportunity, NOF's objectives are to grow the company while continually meeting or exceeding the expectations of our customers and shareholders. The company has regional offices in Aberdeen, Scotland and Singapore. The corporate office is located in Houston, Texas.

Information on Bidco and the Purchaser

Bidco is incorporated as an exempted company in Bermuda as a wholly owned subsidiary of the Purchaser. The Purchaser is a Hong Kong incorporated company.

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This announcement is not intended to, and does not constitute, or form part of, an offer to sell, purchase, exchange or subscribe for or a solicitation of an offer to sell, purchase or exchange any securities or a solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise. This announcement does not constitute a prospectus or a prospectus equivalent document. Copies of this announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory

or criminal exposure if information concerning the Amalgamation or Acquisition is sent or made available to NOF shareholders in that jurisdiction (a “**Restricted Jurisdiction**”) and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send it in or into or from any Restricted Jurisdiction.

This announcement may contain forward looking statements with respect to the financial condition, results and business of NOF and certain plans and objectives of the Purchaser with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Generally, these forward looking statements often use the words such as "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions. These statements are based on the assumptions and assessments made by NOF or the Purchaser in light of their experience and their perception of historical trends, current conditions, future developments and other factors they believe appropriate. By their nature, forward looking statements involve risks, uncertainties and changes in circumstances. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and management's plans and objectives, to differ materially from those expressed or implied in the forward looking statements. There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are the ability to combine or reorganise successfully the businesses of the Purchaser and NOF groups to the extent proposed and to realise expected synergies from that combination, future revenues may be lower than expected, costs of future acquisitions and business activities may be higher than expected, changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. None of the Purchaser, Bidco or NOF undertakes any obligation (except as may be required by any applicable laws and regulations) to revise or update any forward looking statement contained in this announcement, regardless of whether that statement is affected as a result of new information, future events or otherwise.