



NORTHERN OFFSHORE LTD

Press Release

Northern Offshore, Ltd reports First Quarter 2008 Financial Results

HOUSTON, TEXAS -- May 28, 2008 -- Northern Offshore, Ltd reported net income for the three months ended March 31, 2008 of US\$9.5 million, or US\$0.06 per diluted share, compared to net income of US\$25.3 million, or US\$0.18 per diluted share for the first quarter of 2007. Revenues for the first quarter of 2008 were US\$49.4 million compared to US\$41.9 million for the first quarter of 2007.

Northern Offshore President and CEO, Marion Woolie, commented, "offshore drilling markets remained strong throughout the first quarter. As we continue to fill our company with talented people, and build our revenue backlog, I believe we will add significant value for our shareholders."

First Quarter Analysis

Revenues for the three months ended March 31, 2008 increased US\$7.5 million compared to the same period of 2007. Revenue in the 2008 quarter included US\$35.5 million from the three jackup rigs the company acquired in June 2007. Offsetting this growth was lower revenue on the Energy Driller, a semisubmersible that was being upgraded for a three-year contract, and lower revenue from the Northern Producer, a floating production platform which came off contract in June 2007. The Northern Producer is currently undergoing preparation for a new life-of-field contract in the U.K. North Sea.

Operating, general and administrative and DD&A expenses all showed significant year-over-year increases as a result of the three jackup rigs acquired during 2007. Similarly, the amortization of drilling contract intangibles increased US\$9.9 million and interest expense was up US\$6.4 million due to the 2007 rig acquisitions.

Operating Highlights

Several key milestones were achieved since the beginning of the year:

- The floating production platform, Northern Producer, was delivered to the client on March 1, 2008 and the company earned an early delivery bonus of US\$4.0 million. This

revenue will be amortized from the actual delivery date until September 7, 2008, the contractual delivery date.

- The Energy Driller underwent an upgrade to 1000 ft water depth capability in preparation for a three-year contract with ONGC in India. The rig has been accepted by ONGC and is expected to commence drilling in early June, 2008.
- The Energy Exerter completed its contract with Maersk Oil and Gas on April 11, 2008 and is now under contract to a subsidiary of Gazprom and preparing for its drilling program offshore northern Russia. In addition, the Energy Exerter safety case was approved by the U.K. Health and Safety Executive on May 21, 2008. This approval will position the company to operate the rig in the U.K. sector of the North Sea.
- A regional shorebased operations headquarters was established in Aberdeen Scotland and will be responsible for managing all operations in the North Sea and Russia.

Conference Call Information

Northern Offshore Ltd will conduct a teleconference with security analysts at 9 a.m. CDT, May 29, 2008 to discuss the company's quarterly financial results. Individuals wishing to participate in the teleconference should call 866-202-3109 (in the U.S.) or 617-213-8844 (outside the U.S.) about five to ten minutes prior to the scheduled start time and refer to passcode 52798356.

The conference call also will be accessible by logging on to the company's Web site at <http://www.northernoffshorelimited.com>. After logging on, go to "Investor Relations" and select the conference call webcast.

About the Company

Northern Offshore is a Bermuda holding company which operates offshore oil and gas production and drilling vessels deployed around the world. The Company's recently updated fleet consists of one floating production facility and five drilling units including a drillship, a semisubmersible and three jackup drilling rigs. The vessels operate in various markets including the North Sea, the Indian Ocean, and Southeast Asia.

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

<i>(Thousands of US Dollars, except per share amounts)</i>	Q4 2007	Q1 2008	Q1 2007	2007
Revenue	43,626	49,373	41,877	176,109
Operating expenses:				
Drilling and production expenses	(25,614)	(25,716)	(12,284)	(85,082)
Depreciation	(14,622)	(14,589)	(3,688)	(38,312)
General & administrative expenses	(7,493)	(3,135)	(839)	(15,553)
Total operating expenses	(47,729)	(43,441)	(16,811)	(138,947)
Operating income / (loss)	(4,103)	5,932	25,066	37,162
Interest income	1,179	500	653	3,614
Interest expense	(7,684)	(6,407)	-	(17,027)
Amortization of drilling contract intangibles	9,923	9,923	-	17,167
Amortization of deferred financing fees	(397)	(397)	-	(867)
Other financial items	285	(121)	10	197
Total other income/(expense), net	3,306	3,499	663	3,084
Income/(loss) before taxes	(797)	9,431	25,729	40,246
Income taxes - (expense)/benefit	(4,771)	87	(385)	(5,743)
Net income/(loss)	(5,568)	9,518	25,344	34,503
Earnings/(loss) per share (US\$)				
Basic	(0.04)	0.06	0.18	0.23
Diluted	(0.04)	0.06	0.18	0.23
Weighted average common shares (000's)				
Basic	153,100	153,100	144,000	148,313
Diluted	153,100	153,100	144,000	149,186

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Balance Sheets (Unaudited)

<i>(Thousands of US Dollars)</i>	March 31, 2008	December 31, 2007
<i>Current assets</i>		
Cash and cash equivalents	36,885	21,690
Restricted cash	21,557	42,500
Trade receivables, net	52,940	32,224
Deferred financing fees	1,586	1,586
Prepaid expenses and other current assets	14,075	19,725
Total current assets	127,043	117,725
<i>Non-current assets</i>		
Deferred tax asset	1,680	1,282
Property, plant & equipment, net	559,414	561,815
Deferred financing fees, net of current portion	1,651	2,048
Total non-current Assets	562,745	565,145
Total assets	689,787	682,870
<i>Current liabilities</i>		
Trade payables	13,919	11,717
Accrued expenses	8,143	9,525
Income tax payable	5,764	6,439
Deferred income tax payable	14	13
Current portion of debt	114,392	90,000
Deferred revenue	5,387	-
Current portion of drilling contract intangibles	14,042	21,946
Total current liabilities	161,662	139,640
<i>Non-current liabilities</i>		
Long-term debt, net of current portion	265,000	287,500
Drilling contract intangibles, net of current portion	3,868	5,887
Total non-current liabilities	268,868	293,387
Total liabilities	430,530	433,027
<i>Shareholders' equity</i>		
Share capital	38,275	38,275
Additional paid-in capital	163,545	163,174
Accumulated other comprehensive loss	(6,543)	(6,068)
Retained earnings	63,980	54,462
Total shareholders' equity	259,257	249,843
Total liabilities and shareholders' equity	689,787	682,870

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Statement of Cash Flows - (Unaudited)

<i>(Thousands of US Dollars)</i>	Three months ended	
	March 31,	March 31,
	2008	2007
Cash flows from operating activities		
Net income	9,518	25,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for doubtful receivables	400	-
Stock-based compensation	371	-
Depreciation	14,589	3,688
Amortization of drilling contract intangibles	(9,923)	-
Amortization of deferred financing fees	397	-
Difference between paid and expensed interest	(211)	-
Operating cash flow before working capital changes	15,141	29,030
Changes in operating assets and working capital:		
Trade and other receivables	(15,469)	(5,464)
Trade and other payables	1,034	1,203
Deferred income	5,387	617
Deferred tax assets	(398)	-
Currency translation adjustment	(530)	55
Income taxes	(675)	342
Net cash provided by operating activities	4,490	25,783
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,182)	(293)
Net cash used in investing activities	(12,182)	(293)
Cash flows from financing activities		
Issuance of new shares	-	-
Proceeds from Commercial Paper	24,392	-
Principal repayment of bank term loan	(22,500)	-
Release of restricted cash (net)	20,943	-
Net cash provided by financing activities	22,835	-
Net increase/(decrease) in cash and cash equivalents	15,143	25,490
Cash and cash equivalents at beginning of period	21,690	63,003
Effects of exchange rate changes on cash and cash equivalents	52	25
Cash and cash equivalents at end of period	36,885	88,518
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes	990	3
Interest	6,222	-

NORTHERN OFFSHORE, LTD. and SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)

<i>(Thousands of US Dollars)</i>	Common shares (<i>'000</i>)	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings/ (accumulated losses)	Total
Balance at January 1, 2008	153,100	38,275	163,174	(6,068)	54,462	249,843
Net income					9,518	9,518
Issuance of new shares						-
Stock-based compensation			371			371
Other comprehensive income				(475)		(475)
Total comprehensive income	-	-	371	(475)	9,518	9,414
Balance at March 31, 2008	153,100	38,275	163,545	(6,543)	63,980	259,257
Balance at January 1, 2007	144,000	36,000	117,254	(6,459)	19,959	166,754
Net income					34,503	34,503
Issuance of new shares	9,100	2,275	45,755			48,030
Stock-based compensation			165			165
Other comprehensive income				391		391
Total comprehensive income	9,100	2,275	45,920	391	34,503	83,089
Balance at December 31, 2007	153,100	38,275	163,174	(6,068)	54,462	249,843