

## PRESS RELEASE

### SHELF DRILLING

#### ANNOUNCES CONTEMPLATED ACQUISITION OF TWO JACK-UP RIGS, ISSUANCE OF NEW COMMON SHARES AND BAREBOAT CHARTER AGREEMENTS FOR TWO ADDITIONAL JACK-UP RIGS

Dubai, February 21, 2019 – Shelf Drilling, Ltd. ("Shelf Drilling" or the "Company", OSE: SHLF, and together with its direct and indirect subsidiaries the "Group") has today entered into agreements with affiliates of China Merchants & Great Wall Ocean Strategy & Technology Fund ("CM" or "China Merchants") regarding:

- (i) Acquisition of two newbuild premium jack-up rigs (CJ46) for a purchase price of USD 87 million per rig,
  - (ii) Issue of new common shares ("New Common Shares") in the Company at a subscription price of USD 6.50 per share as consideration for the rig acquisitions, and
  - (iii) Bareboat charters of, and the option to buy, two additional CJ46 jack-up rigs
- (together referred to as the "Transaction").

**David Mullen, Chief Executive Officer, Shelf Drilling, said:**

*"We consider this a transformational transaction for the Company. The acquisition of two premium jack-up rigs and the option to buy two further premium jack-up rigs will significantly enhance our fleet at an attractive price and an appropriate funding structure demonstrating our focus on capital discipline. We believe that the combination of Shelf Drilling's unique operating platform, low cost structure and customer relationships, along with China Merchants' demonstrated rig construction capabilities will create compelling value for all our stakeholders. We look forward to working with China Merchants as a strategic partner."*

**Transaction Details**

The following agreements have been unanimously approved by the Company's Board of Directors and subsequently entered into:

- Two rig purchase agreements, each of which governs the Group's purchase of one premium CJ46 jack-up rig (jointly the "CM Rigs") for a purchase price of USD 87 million per rig from an affiliate<sup>i</sup> of CM (the "Seller") (the "Rig Purchase Agreements");
- Two share subscription agreements pursuant to which the Seller and another affiliate<sup>ii</sup> of CM (together referred to as the "Subscribers") shall subscribe for New Common Shares for a total subscription amount of USD 174 million, which equals the aggregate purchase price for the two CM Rigs (the "Share Subscription Agreements"); and
- Two bareboat charter agreements, each of which governs the Group's bareboat charter of and option to purchase one premium CJ46 jack-up rig from the Seller (the "Charter Agreements").

The two rig acquisitions are expected to be completed during Q2 2019, subject to successful completion of rig acceptance and certain other customary conditions. The two Rig Purchase Agreements are not conditional upon, and may therefore be completed independently of, each other.

Pursuant to the Share Subscription Agreements, the Subscribers have, upon completion of each of the two rig acquisitions, undertaken to subscribe for 13,384,615 New Common Shares for a subscription amount of USD 87 million. The subscription price per New Common Share shall be USD 6.50. Assuming completion of both rig acquisitions, the total allotment and issuance of New Common Shares will be 26,769,230, representing 19.4% of the then outstanding common shares of the Company.

The Subscribers shall, upon completion of each of the two rig acquisitions, settle the subscription amount under the relevant Share Subscription Agreement, which amount shall be used to finance the purchase price for the relevant CM Rig. Upon such settlement, the Company will issue the corresponding number of New Common Shares to the Subscribers. The Company has undertaken to list the New Common Shares on the Oslo Stock Exchange in the form of depository receipts on, or shortly after, the completion of the acquisitions of the CM Rigs and the issue of the New Common Shares.

Completion of each of the Share Subscription Agreements is conditional upon (i) completion of the relevant rig acquisition, (ii) the approval of a prospectus for the listing of the New Common Shares by the Norwegian Financial Supervisory Authority, and (iii) certain other customary conditions.

The Charter Agreements govern the Group's bareboat charter of two additional premium CJ46 jack-up rigs (the "CM Bareboat Rigs") from the Seller. The initial term of each bareboat charter is three years, which can be extended for three additional years upon mutual agreement between the parties. The Group has the option to purchase one or both of the CM Bareboat Rigs for a consideration of USD 90 million per rig during the first year of the charter period, USD 92 million per rig during the second year of the charter period and USD 95 million during the third year of the charter period. The initial three years period of the bareboat charters shall commence on 19 August 2019, and the Group expects that the CM Bareboat Rigs will be delivered to the Group around the same time. Upon commencement of the bareboat charter period, the Group shall pay the Seller an average charter rate of USD 15,000 per CM Bareboat Rig each day during the charter period. The Charter Agreements are conditional upon completion of the Rig Purchase Agreements and the Share Subscription Agreements.

The Group is responsible for costs incurred in preparing the rigs for operation. The Group estimates that the total cost will be in line with industry standards and plans to cover these with cash on hand and borrowings under its existing revolving credit facility.

Pursuant to the Share Subscription Agreements, the Company has undertaken to, after the completion of said agreements, propose an increase in the maximum number of directors of the Company permitted to be appointed to 13, and the election of two directors nominated by CM at its first annual general shareholders' meeting.

Further information about the Transaction and the above-mentioned agreements will be provided in the prospectus to be published by the Company in connection with the listing of the New Common Shares on the Oslo Stock Exchange in the form of new depository receipts. The Company notes that it is not aware of any interest, including conflicting ones, of any natural or legal persons involved in the Transaction.

The Company will host an investor conference call later today to provide further details on the Transaction. Dial-in details for the call are included in a separate press release available on the Company website. A corresponding slide presentation to address the transaction highlights is enclosed and also available on the Company website.

### **About Shelf Drilling**

Shelf Drilling is a leading international shallow water offshore drilling contractor with rig operations across Middle East, Southeast Asia, India, West Africa and the Mediterranean. Shelf Drilling was founded in 2012 and has established itself as a leader within its industry through its fit-for-purpose strategy and close working relationship with industry leading clients. The company is incorporated under the laws of the Cayman Islands with corporate headquarters in Dubai, United Arab Emirates. The company is listed on the Oslo Stock Exchange under the ticker "SHLF".

Additional information about Shelf Drilling can be found at [www.shelfdrilling.com](http://www.shelfdrilling.com).

Contact details

For questions or comments, please contact [investor.relations@shelfdrilling.com](mailto:investor.relations@shelfdrilling.com)

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.

### **Forward-Looking Statements**

This announcement includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. The forward-looking statements include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Company, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Company's future business development and financial performance, and the industry in which the Company operates, such as, but not limited to, with respect to the Group's expansion in existing and into new markets.

Prospective investors are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual financial position, operating results and liquidity, and the development of the industry in which the Company operates, may differ materially from those made in, or suggested, by the forward-looking statements. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements.

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<sup>i</sup> Wealthy Marvel Enterprises Limited (a joint venture between CM and TSC Group Holdings Limited (a company controlled by CM))

<sup>ii</sup> Wealthy Marvel International Limited (an affiliate of CM)