SHELF DRILLING, LTD.

(An exempted company, limited by shares and incorporated under the laws of the Cayman Islands)

Listing of 26,769,230 new securities in Shelf Drilling, Ltd. on the Oslo Stock Exchange

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This prospectus (the "**Prospectus**") has been prepared in connection with the listing (the "**Listing**") of 26,769,230 new depository receipts, each with a par value of USD 0.01, (the "**New Securities**" and each a "**New Security**") of Shelf Drilling, Ltd. ("**Shelf Drilling**" or the "**Company**", and together with its consolidated subsidiaries, the "**Group**"), an exempted company, limited by shares and incorporated under the laws of the Cayman Islands, on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**").

The Company contemplates to issue the New Securities on or about 9 May 2019 to Wealthy Marvel Enterprises Limited (the "**Seller**") and Wealthy Marvel International Limited (together with the Seller the "**Subscribers**") as consideration for the purchase of two jack-up rigs from the Seller. The transaction with the Subscribers (the "**Transaction**") is further described in Section 6 "The Transaction" below.

This Prospectus does not constitute an offer to buy, subscribe or sell the securities described herein. The Prospectus serves as a listing prospectus as required by applicable laws and no securities are being offered or sold pursuant to this Prospectus.

The Company's existing depository receipts (the "**Existing Securities**") are, and the New Securities will be, listed on the Oslo Stock Exchange under the ticker code "SHLF". The Company's Existing Securities and the New Securities are together referred to as the "**Securities**".

The Existing Securities are, and the New Securities will be, depository receipts that represent the beneficial interests in the Company's common shares (the "**Common Shares**"), registered in the Norwegian Central Securities Depository (the "**VPS**") in book-entry form under the name of a "share". All Securities rank in parity with one another and each carries one vote.

Investing in the Securities involves a high degree of risk. Prospective investors should read the entire Prospectus and, in particular, consider Section 2 "Risk Factors" beginning on page 15.

This Prospectus has not been, and will not be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or with any securities regulatory authority of any state or other jurisdiction in the United States of America (the "United States" or the "U.S.").

The date of this Prospectus is 7 May 2019

IMPORTANT INFORMATION

This Prospectus has been prepared in connection with the Listing of the New Securities contemplated issued in the Transaction and in order to provide information about the Group and its business.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended, and as implemented in Norway (the "**EU Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*) (the "**Norwegian FSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA is dated 7 May 2019 and only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

For definitions of certain other terms used throughout this Prospectus, see Section 18 "Definitions and Glossary".

The information contained herein is current as at the date hereof and is subject to change, completion and amendment without notice. In accordance with section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors between the time of approval of this Prospectus by the Norwegian FSA and the Listing, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Listing or the New Securities, other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or by any of its affiliates, representatives or advisors.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, subscribe or sell, any of the securities described herein. No one has taken any action that would permit a public offering of the Securities. Accordingly, neither this Prospectus nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. The Company requires persons in possession of this Prospectus to inform themselves about, and to observe, any such restrictions. In addition, the Securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus and the Listing shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Listing or this Prospectus.

No Securities or other securities are being offered or sold in any jurisdiction pursuant to this Prospectus.

In making an investment decision regarding any of the Securities, prospective investors must rely on their own examination, and analysis of, and enquiry into the Group and the Securities, including the merits and risks involved. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Securities.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General Information".

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Securities have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Securities may decline and investors could lose all or part of their investment; the Securities offer no guaranteed income and no capital protection; and an investment in the Securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other advisor) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Securities is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Listing.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Securities.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the Securities and determining appropriate distribution channels.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is an exempted company, limited by shares and incorporated under the laws of the Cayman Islands and the Existing Securities are, and the New Securities will be, issued by the VPS Registrar in accordance with the Registrar Agreement (both as defined below). As a result, the rights of holders of the Company's shares will be governed by Cayman Islands law and the Articles (as defined below), and the rights of holders of the Securities will be governed by Norwegian law, as further described in Section 14 "Corporate Information and Description of the Share Capital". The rights of shareholders under Cayman Islands law and the rights of holders of Securities under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions or holders of similar instruments in other jurisdictions than Norway. With five exceptions, the members of the Company's board of directors (the "**Directors**" and the "**Board of Directors**", respectively) and the members of the Company's executive management (the "**Management**") are not residents of the United States, and a substantial portion of the Company's assets are located outside the United States. As a result, it may be difficult for investors in the United States to effect service of process on the Company or its Directors and members of Management in the United States or to enforce in the United States judgments obtained in U.S. courts against the Company or those persons, including judgments based on the civil liability provisions of the securities laws of the United States or any State or territory within the United States. Uncertainty exists as to whether courts in the Cayman Islands will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Directors or members of Management under the securities laws of those jurisdictions or entertain actions in the Cayman Islands against the Company or its Directors or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in the Cayman Islands. The United States and the Cayman Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters.

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APPENDICES

1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A–E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings

A.1	**Warning**	This summary should be read as an introduction to the Prospectus; any decision to invest in the Securities should be based on consideration of the Prospectus as a whole by the investor; where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Warning**	Not applicable. No consent is granted by the Company for the use of this Prospectus for the subsequent resale or final placement of the Securities.

Section B - Issuer

B.1	**Legal and commercial name**	Shelf Drilling, Ltd.
B.2	**Domicile and legal form, legislation and country of incorporation**	The Company is an exempted company, limited by shares and incorporated under the laws of the Cayman Islands pursuant to the Cayman Islands Companies Law. The Company was incorporated in the Cayman Islands on 14 August 2012, and has registration number 271054.
B.3	**Current operations, principal activities and markets**	The Group is a leading international shallow water offshore drilling contractor engaged in the provision of equipment and services for the drilling, completion and well maintenance of shallow water offshore oil and natural gas wells. The Group is primarily engaged in development and workover activity on producing assets, with a sole focus on shallow water operations in water depths of up to 375 feet. As of 31 December 2018, the Group owned 38 Independent-leg cantilever ("**ILC**") jack-up rigs and one swamp barge (of which 28 were under contract with various customers, five were marketable but uncontracted and six were stacked) and was the world's largest owner and operator of jack-up rigs by number of shallow water rigs. The Group's corporate headquarters are in Dubai, United Arab Emirates, geographically central to its operations in the Middle East (including Egypt and the Mediterranean), South East Asia, India and West Africa. The Group's fleet operates in a single, global market for the provision of contract drilling services and its "fit for purpose" strategy enables the Group to offer a broad range of services in the shallow water drilling markets in which they operate. The Group believes that the long-term prospects for shallow water drilling are positive given the expected growth in oil and gas consumption from developing nations, limited growth in crude oil supplies, high depletion rates of mature oil and gas fields and low break even costs compared to other segments within the oil and gas drilling industry. The diversified geographical focus of the

		Group's jack-ups and the allocation of resources to build or upgrade rigs will be determined by the activities and needs of its customers. Currently, the Group's main customers are national oil companies (NOCs), international oil companies (IOCs), and independent oil and gas companies, including Saudi Arabian Oil Company (Saudi Aramco), Oil and Natural Gas Corporation (ONGC), Abu Dhabi National Oil Company (ADNOC), Chevron Corporation (Chevron), ExxonMobil Corporation (ExxonMobil), Dubai Petroleum Establishment (DPE), Total S.A. (Total) and Eni S.p.A (ENI) (or their affiliates), who contract the Group's rigs for varying durations.
B.4a	**Significant recent trends**	The Company has not experienced any changes or trends that are significant to the Company since 31 December 2018.
B.5	**Description of the Group**	The Company, the parent company of the Group, is a holding company. The operations of the Group are entirely carried out by the Group's operating subsidiaries. See Section 14.2 "Legal structure" for an overview of the Company's significant subsidiaries.
B.6	**Interests in the Company and voting rights**	Shareholders owning 5% or more of the Securities will, following the Listing, have an interest in the Company's share capital, which is notifiable under the Norwegian Securities Trading Act. There are no differences in voting rights between the Securities. The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company. As of 23 April 2019, the Company had 702 shareholders holding Common Shares or Existing Securities, in which the top 20 largest shareholders are listed in the table below, and no shareholder other than Euroclear Bank S.A./N.V. (15.7%), Castle Harlan (15.5%), CHAMP Private Equity (15.5%) and Lime Rock Partners (15.5%) holds 5% or more of the issued Common Shares. After completion of the Transaction, CM (as defined below) (through its control of the Subscribers) will be the largest shareholder with an ownership of 19.4% in the Company.

#	Shareholder Name	No. of shares	Percentage (%)
1	Euroclear Bank S.A./ 25% CLIENTS	17,454,704	15.7%
2	Castle Harlan	17,195,797	15.5%
3	CHAMP Private Equity	17,195,797	15.5%
4	Lime Rock Partners	17,195,797	15.5%
5	Goldman Sachs & Co. LLC	4,566,700	4.1%
6	CLEARSTREAM BANKING S.A.	3,896,175	3.5%
7	Santander Securities Services	3,676,881	3.3%
8	UBS AG	2,522,152	2.3%
9	Pictet & Cie (Europe) S.A.	2,474,529	2.2%
10	Goldman Sachs International	1,578,526	1.4%
11	FSP - NATURAL GAS	1,541,650	1.4%
12	FIDELITY SELECT PORTFOLIOS: ENERGY	1,536,773	1.4%
13	Bank of America	1,382,524	1.2%
14	J.P. Morgan Bank Luxembourg S.A.	1,165,040	1.0%
15	The Bank of New York Mellon SA/NV	847,417	0.8%
16	ODIN ENERGI	750,000	0.7%
17	Morgan Stanley & Co. International	683,334	0.6%
18	EIKA NORGE	648,721	0.6%
19	KLP AKSJENORGE	637,000	0.6%
20	KLP ALFA GLOBAL ENERGI	591,587	0.5%
Top 20		**97,541,104**	**87.7%**
Other		**13,699,290**	**12.3%**
Total		**111,240,394**	**100%**

B.7	**Selected historical key financial information**	The following selected financial information has been extracted from the Group's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016 (the Financial Statements). The Financial Statements have been prepared in accordance with US GAAP. The selected financial information included in the Prospectus should be read in connection with, and is qualified in its entirety by reference to, the Financial Statements incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference". Other than the Transaction described under Section 6 "The Transaction", there have been no material or significant changes in the financial or trading position of the Group since 31 December 2018.

Consolidated statements of operations

In USD thousand	Year ended 31 December		
	2018	**2017**	**2016**
	US GAAP	*US GAAP*	*US GAAP*
	(audited)	*(audited)*	*(audited)*
Revenues			
Operating revenues	599,043	556,047	668,649
Other revenue	14,276	15,917	15,668
Total revenues	**613,319**	**571,964**	**684,317**
Operating costs and expenses			
Operating and maintenance	358,030	320,084	353,802
Depreciation	86,796	80,573	71,780
Amortization of deferred costs	82,953	64,664	91,763
General and administrative	61,030	43,726	46,889
Loss on impairment of assets	40,071	34,802	47,094
Loss / (gain) on disposal of assets	1,682	(839)	4,826
Total operating costs and expenses	**630,562**	**543,010**	**616,154**
Operating (loss) / income	**(17,243)**	**28,954**	**68,163**
Other (expense) / income, net			
Interest income	1,454	1,062	356
Interest expense and financing charges	(106,772)	(83,995)	(80,120)
Other, net	354	(2,969)	1,522
Total other (expense) / income, net	**(104,964)**	**(85,902)**	**(78,242)**
(Loss) before income taxes	**(122,207)**	**(56,948)**	**(10,079)**
Income tax expense	14,036	14,262	19,757
Net loss	**(136,243)**	**(71,210)**	**(29,836)**
Less: Preferred shares dividend	9,550	17,041	**-**
Net loss attributable to common and ordinary shares[1]	**(145,793)**	**(88,251)**	**(29,836)**
Loss per share:[1]			
Basic and Diluted – Common shares	(1.50)	(1.02)	-
Basic and Diluted – Class A shares	-	(10.79)	(66.99)
Basic and Diluted – Class B shares	-	-	-
Basic and Diluted – Class C shares	-	-	-
Basic and Diluted – Class D shares	-	-	-
Weighted average shares outstanding:			
Basic and Diluted – Common Shares	97,083,905	81,572,999	-
Basic and Diluted – Class A shares	-	444,594	445,386
Basic and Diluted – Class B shares	-	18,555	17,500
Basic and Diluted – Class C shares	-	5,110	5,119
Basic and Diluted – Class D shares	-	-	-

1 For the year ended 31 December 2018, the loss per share is calculated based on information for four months ended 30 April 2017 for the ordinary Class A, B, C and D shares and based on information for eight months ended December 31, 2017 for the common shares. See Note 22 – Loss Per Share.

Consolidated statements of comprehensive income

	Year ended 31 December		
In USD thousand	**2018** *US GAAP (audited)*	**2017** *US GAAP (audited)*	**2016** *US GAAP (audited)*
Net loss	**(136,243)**	**(71,210)**	**(29,836)**
Other comprehensive income, net of tax	-	-	-
Change in unrealized (losses) / gains on derivative financial instruments	-	-	-
Changes in unrealized (losses) / gains	(786)	238	427
Reclassification of net loss / (gain) from other comprehensive income to net loss	1,029	(238)	(427)
	243	-	-
Total comprehensive loss	**(136,000)**	**(71,210)**	**(29,836)**

Consolidated balance sheets

	As at 31 December		
In USD thousand	**2018** *US GAAP (audited)*	**2017** *US GAAP (audited)*	**2016** *US GAAP (audited)*
Assets			
Cash and cash equivalents	91,203	84,563	213,139
Accounts and other receivables, net	143,439	137,785	125,312
Assets held for sale	5,154	-	-
Other current assets	81,532	96,960	95,235
Total current assets	**321,328**	**319,308**	**433,686**
Property and equipment	1,637,489	1,620,830	1,326,361
Less accumulated depreciation	422,609	370,840	295,685
Property and equipment, net	**1,214,880**	**1,249,990**	**1,030,676**
Deferred tax assets	2,526	1,321	3,137
Other assets	107,162	112,331	118,441
Total assets	**1,645,896**	**1,682,950**	**1,585,940**
Liabilities and equity			
Accounts payable	83,930	95,098	70,605
Interest payable	28,050	8,399	15,773
Obligations under Sale and Leaseback Financing	-	35,115	15,977
Current maturities of debt	-	30,167	-
Accrued income taxes	4,771	4,822	-
Other current liabilities	20,143	36,681	32,665
Total current liabilities	**136,894**	**210,282**	**135,020**
Long-term debt	887,764	496,503	809,016
Obligations under Sale and Leaseback Financing	-	278,815	228,728
Deferred tax liabilities	3,939	4,407	8,525
Other long-term liabilities	26,042	17,719	25,197
Total long-term liabilities	**917,745**	**797,444**	**1,071,466**
Mezzanine equity, net of issuance costs	**-**	**165,978**	**-**
Commitments and contingencies			
Common Shares of USD 0.01 par value; 144,063,473, 200,000,000 and 5,000,000 shares authorized at 31 December 2018, 2017 and 2016, respectively: 111,240,394, 83,125,000 and nil issued and outstanding at 31 December 2018, 2017 and 2016, respectively	1,112	831	-

Ordinary shares of USD 0.01 par value; 5,000,000 shares authorized at 31 December 2016; issued and outstanding as follows:			
Class A shares: 444,594 at 31 December 2016	-	-	5
Class B shares: 25,099 at 31 December 2016	-	-	-
Class C shares: 6,075 at 31 December 2016	-	-	-
Additional paid-in capital	880,820	663,090	462,914
Accumulated other comprehensive income	243	-	-
Accumulated losses	(290,918)	(154,675)	(83,465)
Total equity	**591,257**	**509,246**	**379,454**
Total liabilities and equity	**1,645,896**	**1,682,950**	**1,585,940**

Consolidated statements of cash flow

	Year ended 31 December		
	2018	**2017**	**2016**
In USD thousand	*US GAAP (audited)*	*US GAAP (audited)*	*US GAAP (audited)*
Cash flows from operating activities			
Net loss	**(136,243)**	**(71,210)**	**(29,836)**
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	86,796	80,573	71,780
Loss on impairment of assets	40,071	34,802	47,094
Loss / (gain) on derivative financial instruments, net	1,029	(238)	(427)
Amortization of deferred revenue	(12,660)	(15,254)	(23,511)
Provision for / (reversal of) doubtful accounts, net	19	(5,444)	(401)
Share based compensation expense, net of forfeitures	11,334	842	179
Non-cash portion of loss on debt extinguishment	7,368	4,371	-
Debt extinguishment and retirement costs[1]	18,783	9,785	-
Amortization of debt issue costs and discounts	2,941	3,705	7,663
(Gain) / loss on disposal of assets	1,682	(839)	4,826
Deferred tax (benefit) / expense, net	(1,673)	(2,302)	297
(Payments for) / proceeds from settlement of derivative financial instruments, net	(1,349)	238	427
Changes in deferred costs, net	10,511	2,232	37,218
Changes in operating assets and liabilities	9,096	20,775	21,223
Net cash provided by operating activities	**37,705**	**62,036**	**136,532**
Cash flows from investing activities			
Additions to property and equipment	(98,969)	(253,834)	(53,541)
Proceeds from disposal of property and equipment	3,206	5,557	1,490
Proceeds from Sale and Leaseback Financing	-	16,880	16,880
Payments of transaction costs for Sale and Leaseback Financing	-	-	-
Net cash used in investing activities	**(95,763)**	**(231,397)**	**(35,171)**
Cash flow from financing activities			
Proceeds from issuance of common shares	226,908	225,000	-
Payments for common and preferred shares issuance costs	(10,681)	(8,487)	-
Proceeds from issuance of debt	928,000	-	-
Payments for redemption of ordinary shares	-	-	(1,668)
Payments for redemption of preferred shares	(166,667)	-	-
Payments for obligations under Sale and Leaseback Financing	(313,930)	(24,829)	(1,818)
Payments to retire long-term debt	(558,250)	(114,250)	-
Payments of debt extinguishment and retirement costs	(18,783)	(9,785)	-
Payments of debt financing costs	(19,581)	(11,223)	-
Preferred shares dividend paid	(16,268)	(9,635)	-
Proceeds from termination of interest rate swaps	320	-	-
Net cash provided by / (used in) financing activities	**51,068**	**46,791**	**(3,486)**
Net (decrease) / increase in cash, cash equivalents and restricted cash	**(6,990)**	**(122,570)**	**97,875**
Cash, cash equivalents and restricted cash at beginning of year	**99,825**	**222,395**	**124,520**
Cash, cash equivalents and restricted cash at end of the year	**92,835**	**99,825**	**222,395**

B.9	**Profit forecast or estimate**	Not applicable. No profit forecasts or estimates are made.
B.10	**Audit report qualifications**	Not applicable. There are no qualifications in the audit reports.
B.31	**Information about the issuer of the underlying shares**	Information about the Company as the issuer of the underlying shares is included in B.1, B.2, B.3, B.4, B.5, B.6, B.7, B.9, B.10 and D.4.
B.32	**Information about the issuer of the depository receipts**	The VPS Registrar has issued the Existing Securities and will issue the New Securities shortly after completion of the Transaction. The VPS Registrar is DNB Bank ASA, Verdipapirservice with registered office at Dronning Eufemias Gate 30, N-0021 Oslo, Norway. DNB Bank ASA is a Norwegian public limited liability company, established and incorporated under the laws of Norway on 10 September 2002 and registered in the Norwegian Business Register under registration number 984 851 006.

Section C - Securities

C.1	**Type and class of securities admitted to trading and identification number**	The Company has one class of shares in issue: Common Shares. Each of the Common Shares carries one vote at any general meeting of the Company. The Common Shares have been issued pursuant to the Cayman Islands Companies Law and the Articles and the beneficial interests pertaining to the Common Shares (i.e. the Existing Securities) are, and the New Securities will be, registered in book-entry form in the VPS under ISIN KYG236271055. The underlying Common Shares of the Company are recorded in the Company's shareholders' register in the Cayman Islands, maintained by Centralis Cayman Limited, under ISIN KYG236271055.
C.2	**Currency of issue**	The underlying Common Shares are issued in USD (as defined below). The Existing Securities are, and the New Securities will be, issued in NOK (as defined below).
C.3	**Number of shares in issue and par value**	As of the date of this Prospectus, the Company has an authorised share capital of USD 1,440,634.73, divided into 144,063,473 shares, each with a par value of USD 0.01. The Company's issued share capital is USD 1,112,403.94, consisting of 111,240,394 issued Common Shares, each with a par value of USD 0.01. After the issue of the New Securities, the share capital will be 1,380,096.24 consisting of 138,009,624 issued Common Shares.
C.4	**Rights attaching to the securities**	The Company has one class of shares in issue: Common Shares. All Existing Securities carry, and the New Securities will carry, the same rights as the underlying Common Shares, exercisable though the VPS Registrar, and each of the Existing Securities carries, and each of the New Securities will carry, one vote. The rights attached to the Common Shares are further described in Section 14.11 "The Articles and certain aspects of Cayman Islands law".
C.5	**Restrictions on transfer**	The Existing Securities are, and the New Securities will be, freely transferable. The Articles of the Company do not provide for any restrictions on the transfer of Securities or a right of first refusal for the Securities. Security transfers are not subject to approval by the Board of Directors. See Section 6.10 "Lock-up" and 14.13 "Lock-up" for a description of lock-up agreements entered into by certain shareholders of the Company.
C.6	**Admission to trading**	The Company's existing depository receipts are and the New Securities will be, admitted to trading on the Oslo Stock Exchange. The Company expects commencement of trading in the New Securities on or about 9 May 2019. The Company has not applied for admission to trading of the Securities on any other stock exchange or regulated market.

C.7	**Dividend policy**	The Company does not intend to declare or pay any dividends to holders of Common Shares, including Securities, in the near future. The Company currently intends to retain future earnings, if any, to fund its operations and to develop and grow its business. The Company's future dividend policy is within the discretion of the Board of Directors, but should the market recover as expected, the Company will balance dividends to holders of Common Shares, including Securities, with other various factors that the Board of Directors deems relevant, including the Company's results of operations, financial condition, capital requirements and investment opportunities.
C.13	**Information about the underlying shares**	Information concerning the underlying shares is reflected in C.1, C.2, C.3, C.4, C.5, C.6 and C.7 above.
C.14	**Information about the depository receipts**	Information concerning the Securities is reflected in C.1, C.2, C.4 and C.5 above. Security holders have equal voting rights as shareholders of the Company's underlying Common Shares. The Security holders may instruct the VPS Registrar (as defined below) to vote the underlying shares, subject to any applicable provisions of Cayman Islands law. The Company will furnish voting materials to the VPS Registrar and the VPS Registrar will notify the Security holders of the upcoming vote and arrange to deliver the Company's voting materials to the Security holder. Otherwise, Security holders will not be able to exercise their voting rights unless the steps outlined in Section 15.4 "The VPS and transfer of Securities" are followed. The VPS Registrar's notice will describe the information in the voting materials and explain how Security holders may instruct the VPS Registrar to vote the underlying shares. The VPS Registrar will only vote or attempt to vote as Security holders instruct. The VPS Registrar itself will not exercise any voting discretion. The VPS Registrar will not hold any right to share in profits and any liquidations surplus which are not passed on to the Security holders.

Section D - Risks

D.2	**Key risks specific to the issuer**	The following is a summary of key risks that relate to the Group. Investors should read, understand and consider all risk factors in this Prospectus, which should be read in their entirety, before making a decision to invest in the Securities: **Risks related to the business of the Company and the industry in which it operates** • The current lower levels of activity in the shallow water offshore oil drilling industry has had and is likely to continue to have an adverse impact on the Group's business and results of operations. • The Group's business depends on the level of activity in the shallow water offshore drilling industry which is significantly affected by the volatile nature of the oil exploration, development and production industry and would be adversely affected if there is a decline in oil prices. • The industry is competitive and cyclical, and the Group might be unable to compete successfully with its competitors. • The Group's future contracted revenue, or contract backlog, for the Group's fleet of drilling rigs may not be ultimately realised. • The Group will continue to experience reduced profitability if the Group's customers reduce activity levels, terminate or continue to seek to renegotiate contracts or if the Group experiences downtime, operational difficulties or safety-related issues.

		• The Group relies on a relatively small number of customers for a substantial portion of future contracted revenue. • The Group's rigs are on average 33 years old and some customers may prefer newer and/or higher specification rigs. • The Group may be unable to secure new contracts, including contracts on dayrate basis and/or long-term contracts, for its fleet of rigs and/or on the renewal of existing contracts by the Group's customers. • The Group's long-term (greater than one year) contracts are subject to the risk of cost increases and termination. • The Group's drilling contracts with NOCs may expose it to greater risks than the Group normally assumes in drilling contracts with non-governmental customers. • Changes to the supply of oil may change the demand for shallow water offshore drilling services and impact the Group's profitability. • The Group's purchases of existing jack-up rigs carry risks associated with the quality of those rigs. • The Group could be unable to successfully acquire and integrate additional rigs on economically acceptable terms. • The Group depends upon the security and reliability of its technology, including data processing, systems and those of its service providers, and such systems are subject to malfunction, cybersecurity risks and threats. • Supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases could increase the Group's operating costs and decrease revenues. • An over-supply of jack-up rigs or mobilisation of rigs into the regions where the Group operates may lead to a reduction in dayrates. • Upgrade, refurbishment and repair projects are subject to risks, including delays and cost overruns. • There may be further asset impairments as a result of future declines in dayrates and utilisation for shallow water drilling rigs. • The Group is exposed to the credit risks of key customers and certain other third parties. • There may be limits to the Group's ability to mobilise drilling rigs between geographic areas, and the duration, risks and costs of such mobilisations may be material to the Group's business. • The Group's business involves operating hazards and the Group's insurance and contractual indemnity rights may not be adequate to cover any losses resulting from accidents and other events. • The Group may not be able to keep pace with technological developments and to make adequate capital expenditures in response to higher specification rigs being deployed within the industry. • Newbuild rig projects are subject to various risks which could cause delays or cost overruns. • The market value of the Group's drilling rigs and of any rigs the Group acquires in the future may decrease. • The Group's labour costs could increase. • The Group is dependent on key employees, including the Company's executive and senior management team, and the

		Group's business could be negatively impacted if it is unable to attract and retain personnel necessary for its success. • The Company's interests in certain of its subsidiaries are subject to arrangements with local partners and the loss of their support could have a material adverse effect on the Group's business. • The Company is a holding company and is dependent upon cash flows from subsidiaries to meet its obligations. If the Company's operating subsidiaries experience sufficiently adverse changes in their financial condition or results of operations, or the Company otherwise becomes unable to pay its debts as they become due and obtain further credit, the Company may become subject to insolvency proceedings. • The Company is exposed to market risks, which could create the inability to secure financing on acceptable terms. • Despite the Company's current level of indebtedness, it may still be able to incur substantially more debt, which could exacerbate the risks associated with its current leverage. • The Company's existing indebtedness imposes significant operating and/or financial restrictions on the Company that may prevent it from pursuing certain business opportunities and restrict its ability to operate its business. • To service and refinance its indebtedness, fund its capital and liquidity needs or pay dividends, the Company will require a significant amount of cash, and the Company may not generate sufficient cash, or have access to sufficient funding, for such purposes. • The Group's international operations in the shallow water offshore drilling sector involve additional risks. • The Group's operations are capital intensive and requires the Group to have sufficient access to funding and working capital on a continuous basis. **Risks related to laws and regulations** • The Group is subject to complex laws and regulations, including environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business. • If the Group or its customers are unable to acquire or renew permits and approvals required for drilling operations, the Group may be forced to suspend or cease its operations. • Failure to comply with applicable anti-corruption laws, sanctions or embargoes, could result in fines, civil and/or criminal penalties, and drilling contract terminations. • The Group may be subject to litigation and disputes. • The Company is exposed to regulatory and enforcement risks regarding taxes. U.S. tax authorities may treat the Company as a passive foreign investment company, causing potential adverse U.S. federal tax consequences to U.S. holders. • The movement of any part of the Group's operations to another jurisdiction and/or any relevant change in tax laws, regulations, or treaties, or relevant interpretations thereof, for any country in which the Group operates or earns income or is considered to be a tax resident, may result in a higher effective tax rate on the Group's worldwide earnings. • The loss of any major tax dispute, or a successful challenge to the Company's intercompany pricing policies or operating structures, or a taxable presence of the Company's key subsidiaries in certain

		countries could result in a higher effective tax rate on the Company's worldwide earnings. • The Group is subject to laws and regulations in several jurisdictions, whereas failure to properly comply with such may adversely affect its operations.
D.3	**Key risks specific to the securities**	The following is a summary of key risks that relate to the Listing and the Securities. Investors should read, understand and consider all risk factors in this Prospectus, which should be read in their entirety, before making a decision to invest in the Securities: **Risks related to the Securities** • The Sponsors own, and the Subscribers will after the issue of the New Securities also own, a significant portion of the Securities, and their interests may conflict with those of the Group or other shareholders. • The Company does not expect to pay any dividends to the holders of the Securities in the foreseeable future and the availability and timing of future dividends, if any, is uncertain. • Shareholder rights and responsibilities will be governed by Cayman Islands law and will differ in some respects from the rights and responsibilities of shareholders under other jurisdictions, including Norway and the United States. • Pre-emptive rights with respect to the Common Shares are not available to holders of Securities. • Limited free float of the Securities may have a negative impact on the liquidity of and market price for the Securities. • The price of the Securities could fluctuate significantly. • Future sales, or the possibility for future sales, including by the Sponsors or the Subscribers, of substantial numbers of Securities could affect the market price of the Securities. • Exchange rate fluctuations could adversely affect the value of the Securities and any dividends paid on the Securities for an investor whose principal currency is not USD. • The transfer of Securities and their underlying assets is subject to restrictions under the securities laws of the United States and other jurisdictions. • Investors could be unable to recover losses in civil proceedings in jurisdictions other than the Cayman Islands and Norway. • Cayman Islands law could limit Security holders' ability to bring an action against the Company. • Risks related to the registration of the Securities in the VPS and the Registrar Agreement.
D.4	**Information on the issuer of the underlying shares**	The key risks that are specific to the Company as the issuer of the underlying shares are included in D.2 above.
D.5	**Information about the depository receipts**	The key risks about the Securities are included in D.3 above.

Section E – Offer

E.1	**Net proceeds and estimated expenses**	Not applicable. No offering of Securities will be made.
E.2a	**Reasons for the Offering and use of proceeds**	Not applicable. No offering of Securities will be made.

E.3	**Terms and conditions of the Offering**	Not applicable. No offering of Securities will be made.
E.4	**Material and conflicting interests**	Not applicable. No offering of Securities will be made.
E.5	**Selling shareholder and lock-up agreements**	Not applicable. No offering of Securities will be made.
E.6	**Dilution resulting from the Offering**	Not applicable. No offering of Securities will be made.
E.7	**Estimated expenses charged to investor**	Not applicable. No offering of Securities will be made.

2 RISK FACTORS

An investment in the Securities involves inherent risk. Before making an investment decision with respect to the Securities, investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes. The risks and uncertainties described in this Section 2 are the principal known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Securities. An investment in the Securities is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision in respect of the Securities. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, results of operations, cash flows, financial condition and/or prospects, which may cause a decline in the value of the Company's shares and thus the value and trading price of the Securities, resulting in the loss of all or part of an investment in the same.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialise individually, simultaneously or cumulatively. The information in this Section 2 is as of the date of this Prospectus.

2.1 Risks related to the business of the Group and the industry in which it operates

2.1.1 The current lower levels of activity in the shallow water offshore oil drilling industry has had and is likely to continue to have an adverse impact on the Group's business and results of operations

The shallow water offshore oil drilling industry has recently experienced a severe and prolonged commodity price down-cycle, and even though, the price of Brent crude oil has increased from a low of USD 27.88 on 20 January 2016 to USD 65.03 per barrel on 28 February 2019, the current industry activity level is still low compared to before the commodity price down-cycle. The Company expects this reduced activity level, if it persists or if there are further demand declines, to continue to reduce many of the Group's customers' demand for the Group's services. Declines in capital spending levels, coupled with additional newbuild rig supply, have and are likely to continue to put significant pressure on dayrates and utilisation. The decline and the perceived risk of a decline in oil prices could cause oil companies to further reduce their overall level of activity or spending, in which case demand for the Group's services may further decline and revenues may continue to be adversely affected through lower drilling rig utilisation and/or lower dayrates.

Historically, when drilling activity and spending decline, an oversupply of drilling rigs depresses utilisation and dayrates. The recent oversupply of drilling rigs is exacerbated by the entry of a large number of newbuild rigs into the market and by customers terminating drilling contracts early or not renewing a rig when a contract expires. The supply of available uncontracted rigs has intensified and is likely to further intensify price competition as scheduled delivery dates occur and additional contracts terminate without renewal and lead to a reduction in dayrates as the active fleet grows, which would adversely affect the Group's revenues and profitability.

In general, drilling rig owners are bidding for available work with a focus on utilisation over returns, which has driven dayrates down and will likely continue to drive dayrates down to or below cash breakeven operating levels. In an effort to maintain its utilisation rate, the Group may also accept contracts at lower dayrates or on less favourable terms due to market conditions. Lower utilisation and dayrates have adversely affected and will continue to adversely affect the Group's revenues and profitability.

In the current environment, the Group's customers may seek to cancel or renegotiate its contracts with the Group for various reasons, including adverse conditions, resulting in lower dayrates. In an over-supplied market, the Group may have limited bargaining power to renegotiate on more favourable terms or to maintain existing terms. The effects of the recent commodity price down-cycle and continued lower levels of activity may have other impacts on the Group's business as well. As the market value of the Group's drilling rigs decreases, and if the Group sells any drilling rig at a time when prices for drilling rigs have fallen, such a sale may result in a loss, which could negatively affect the Group's results of operations.

Future levels of demand for the Group's services and future conditions in the oil industry are inherently uncertain. Any decrease in exploration, development or production expenditures by oil companies could reduce the Group's revenues and materially harm the Group's business and results of operations. The current demand for drilling rigs may further decline in future periods. The continued or future decline in demand for drilling rigs would adversely affect the Group's financial condition, results of operations and cash flows.

2.1.2 The Group's business depends on the level of activity in the shallow water offshore drilling industry which, as seen in recent years, is significantly affected by the volatile nature of the oil exploration, development and production industry and would be adversely affected if there is a further decline in oil prices

The level of activity of the shallow water offshore drilling industry is cyclical, volatile and impacted by oil prices. Sustained periods of low oil prices typically result in reduced exploration, development and production activities because oil companies' capital expenditure budgets are dependent on cash flows from such activities and are therefore sensitive to changes in energy prices. The significant decline in global oil prices that began in the fourth quarter of 2014 has caused a reduction in the exploration, development and production activities of most of the Group's customers and their spending on the Group's services. These cuts in spending have curtailed drilling programs, reducing the demand for the Group's services, the rates the Group can charge and the utilisation of the Group's drilling rigs. Because almost all of the Group's revenue is driven by the development and workover activities of the Group's customers, the Company expects that a further decline in the activity levels of the shallow water offshore oil industry would have a material adverse effect on the Group's business, financial condition and results of operations.

Oil prices are unpredictable and are affected by numerous factors beyond the Group's control, including but not limited to the following:

- worldwide supply and demand for oil, which are impacted, among other factors, by changes in the rate of growth in the global economy;
- technical advances affecting energy sources and consumption, and the development and exploitation of alternative fuels;
- worldwide financial instability or recessions;
- the cost of exploring for, developing, producing and delivering oil;
- expectations regarding future energy prices;
- advances in exploration, development and production technologies;
- the discovery rate of new oil and gas reserves;
- increased supply of oil and gas resulting from growing onshore hydraulic fracturing activity and shale development;
- available pipeline and other oil and gas transportation capacity;
- the ability of the Organization of the Petroleum Exporting Countries ("**OPEC**"), to set and maintain production levels and pricing, including whether it meets or extends the reduced output targets it has previously announced or may announce in future;
- the level of production in non-OPEC countries;
- local and international political, economic and weather conditions, including natural disasters;
- domestic and foreign tax laws, regulations and policies;
- merger and divestiture activity among oil and gas producers;
- the availability of, and access to, suitable locations from which the Group's customers can explore and produce hydrocarbons;
- activities by non-governmental organisations to restrict the exploration, development and production of oil and gas so as to reduce the potential for harm to the environment from such activities, including emissions of carbon dioxide, a greenhouse gas;
- the policies and regulations of various governments regarding exploration and development of their oil reserves or speculation regarding future laws or regulations; and

- the worldwide political and military environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or other geographic areas or further acts of terrorism in the regions in which the Group operates, or elsewhere.

2.1.3 The industry is competitive and has historically been cyclical and subject to price competition. If the Group is unable to compete successfully with its competitors, its revenues and profitability may be reduced

The shallow water offshore drilling industry is extremely competitive with numerous industry participants, none of which has a dominant market share globally, and contracts have traditionally been awarded on a competitive bid basis. The Company believes that pricing is often the primary factor in determining a contract award. Customers may also consider rig availability and location, operational and safety performance records, and condition and suitability of equipment. In addition, one of the Group's competitors has entered into a joint venture with one of the Group's largest customers, which could make it more difficult for the Group to obtain additional contracts from that customer. Competition for jack-up rigs is frequent on a global basis, as jack-up rigs are mobile and may be moved from areas of low utilisation and dayrates to areas of greater activity and corresponding higher dayrates, which could result in an excess supply of rigs in the markets in which the Group operates. Costs connected with relocating jack-up rigs for these purposes are sometimes substantial and are generally borne by the contractor. In addition, the Group may enter into lower dayrate drilling contracts in response to market conditions which reduces the revenue it earns from such contracts. If the Group not able to compete successfully with its competitors, its revenues and profitability may suffer.

The shallow water offshore contract drilling industry has historically been cyclical with periods of high demand, limited supply and high dayrates alternating with periods of low demand, excess supply and low dayrates, as seen in recent years. Periods of low demand and excess supply intensify competition in the industry and may result in some drilling rigs being stacked or earning substantially lower dayrates for long periods of time. Such periods may persist for extended periods of time. The Group has idled and stacked rigs in response to market conditions and may idle and stack additional rigs in the future, and such rigs may not return to service in the near term or at all. In addition, the shallow water offshore drilling industry is influenced by additional factors, including but not limited to the following:

- the level of costs for associated shallow water offshore oil and natural gas and construction services;
- oil and natural gas transportation costs;
- the discovery of new oil and natural gas reserves;
- the economics of non-conventional hydrocarbons;
- the political and military environment of oil and natural gas reserve jurisdictions; and
- regulatory restrictions on shallow water offshore drilling.

Any of these factors, together with prolonged periods of low utilisation and dayrates, as well as extended periods when rigs are idle or stacked, could reduce demand for the Group's services and materially adversely affect the Group's business, financial condition, results of operations and cash flows.

2.1.4 The Group's future contracted revenue, or contract backlog, for the Group's fleet of drilling rigs may not be ultimately realised

As of 31 December 2018, the Group had a total contract backlog of USD 0.9 billion. The amount of contract backlog does not necessarily indicate future earnings, and the Group's contract backlog may be adjusted up or down depending on award of new contracts or extensions or the exercise by the customer of extension options, early cancellation of existing contracts (for which the Group may not be entitled to compensation in many cases), renegotiation of contract dayrates, failure by customers to complete existing contracts or to pay amounts owed or the unavailability of equipment to fulfil a contract due to repairs, maintenance or inspections. In addition, certain of the Group's existing contracts provide for, and the Group may enter into contracts in the future that provide for, yearly renegotiation of contract dayrates. Such yearly renegotiations may result in downward adjustments to the Group's contract backlog each year.

Other factors can affect the Group's contract backlog. The contract drilling dayrate used in the calculation of contract backlog may be higher than the actual dayrate the Group ultimately receives and, under certain circumstances, may be replaced temporarily by alternative dayrates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or mobilisation rate. The contract drilling dayrate used in the calculation of contract backlog may also be higher than the actual dayrate the Group ultimately receives because of a number of factors resulting in lost dayrate revenue, including rig downtime or suspension of operations. In certain contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time. The Group's contracts also typically include a provision that allows the customer to extend the term of the contract to finish drilling a well-in-progress. In a limited number of contracts, the customer may cancel the contract without cause or payment of an early termination fee by serving a certain period of notice. The period of time beyond the term of the contract to finish drilling a well-in-progress and the associated dayrate revenue is not included in the calculation of the contract backlog.

2.1.5 The Group will continue to experience reduced profitability if the Group's customers reduce activity levels, terminate or continue to seek to renegotiate contracts or if the Group experiences downtime, operational difficulties or safety-related issues

During periods of depressed market conditions, including the current market, the Group is subject to an increased risk of its customers seeking to renegotiate or terminate their contracts, including through claims of non-performance. The Group could be required to make termination payments if contracts are terminated due to downtime, operational problems, safety related issues, failure to deliver or sustained periods of downtime due to force majeure events. The Group's customers' ability to perform their obligations under their drilling contracts with the Group may also be negatively impacted by continuing global economic uncertainty. If the Group's customers terminate some of its contracts with the Group, and the Group is unable to secure new contracts on a timely basis and on substantially similar terms, or if payments due under the Group's contracts are suspended for an extended period of time or if a number of the Group's contracts are renegotiated, the Group's financial condition, results of operations or cash flows, could be materially adversely affected. In the past, some of the Group's customers have renegotiated the terms of their existing drilling contracts during periods of depressed market conditions, which has resulted in reduced profitability.

2.1.6 The Group relies on a relatively small number of customers for a substantial portion of future contracted revenue

The Group's customer base includes national oil companies ("**NOCs**") and international oil companies ("**IOCs**"), together with a small number of independent oil and gas companies. The contract drilling business is subject to the usual risks associated with having a limited number of customers. As at 31 December 2018, 11 of the Group's 28 contracted drilling units were with its top three customers. The Group's top three customers accounted for 74% of contract backlog as of 31 December 2018, and for 66% of revenue for the year ended 31 December 2018. The Group's business, financial condition, results of operations and cash flows could be materially and adversely affected if any of these customers were to reduce its contractual commitments to the Group, or suspend or withdraw its approval for the Group to provide services for them.

The Group's growth is also closely connected to the growth of its customers and the Group's results may be impacted if certain key customers were to significantly reduce their growth strategy. Furthermore, if any of the Group's major customers fails to compensate the Group for its services, terminates contracts, fails to renew existing contracts or refuses to enter into new contracts with the Group, or if a customer fails to perform due to liquidity, solvency or other reasons, and similar contracts with new customers are not forthcoming, the Group's business, financial condition, results of operations and cash flows would be materially and adversely affected.

2.1.7 The Group's rigs (including the Group's swamp barge) are on average 33 years old and some customers may prefer newer and/or higher specification rigs

A number of the Group's competitors have jack-up rigs that are newer and/or have higher specifications and capabilities than some of those in the Group's fleet. Certain customers may prefer newer or other classes of rigs with different capabilities or higher specifications to those in the Group's fleet. There is an increasing amount of exploration, development and production expenditures being concentrated in deepwater drilling programs and deeper formations, including deep natural gas prospects, requiring higher specification jack-up rigs, semi-submersible drillings rigs or drillships. This trend is expected to continue and could result in a decline in demand for jack-up rigs in general and for older jack-up rigs like many of the Group's, which could have a material adverse effect on the Group's business, financial condition and results of operations.

2.1.8 The Group's future business performance depends on its ability to secure new contracts for its fleet of rigs and/or on the renewal of existing contracts by the Group's customers

The Group's ability to win bids and tenders for new contracts, as well as contract renewals where the Group is the incumbent rig provider, is affected by a number of factors beyond the Group's control, such as market conditions, rig specifications, safety record requirements, competition and governmental approvals required by customers. Further, any increased customer interest and inquiries may not continue in future periods and may not result in an increase in drilling activity, the same level of prospect capture by the Group or drilling contracts for the Group's rigs. If the Group is not selected or if the contracts the Group enters into are delayed, work flow may be interrupted and the Group's business, financial condition, results of operations and cash flows may be materially adversely affected.

If an existing customer decides not to renew its contract, the Group must then secure a new contract for that rig. Of 28 customer contracts in place as of 31 December 2018, 16 are scheduled to expire during 2019, four are scheduled to expire during 2020, with a further eight contracts scheduled to expire at times subsequent to 31 December 2020. While the Group actively markets its rigs' availability prior to the expiry of a contract, the Group may not be able to renew or extend existing contracts or secure new arrangements before the original contract lapses. Re-contracting a rig may involve participation in either a direct renegotiation with the customer or in a new tender process, the length and complexity of which could lead to a rig being stacked and/or having to enter into a new contract at lower dayrates, shorter terms or in geographical areas requiring transport of the rig and could materially adversely affect the Group's business, financial condition, results of operations and cash flows.

2.1.9 The Group may enter into short-term (one year or less) drilling contracts, which may reduce the Group's profitability

Many drilling contracts are short-term, and oil and natural gas companies tend to reduce activity levels quickly in response to declining oil and natural gas prices and may be unwilling to commit to long-term contracts. As a result, during commodity price down-cycles, the Group may enter into short-term drilling contracts. Such drilling contracts may not provide the stability of revenue that the Group would otherwise receive with long-term drilling contracts and may result in significant additional costs, which would reduce the Group's profitability and may adversely affect the Group's financial condition, results of operations and cash flows.

2.1.10 If customers terminate or seek to renegotiate drilling contracts, or if market conditions dictate that the Group enters into contracts that provide for payment based on a footage or turnkey basis, rather than on a dayrate basis, the Group may experience reduced profitability

During depressed market conditions, a customer may no longer need a rig that is currently under contract or may be able to obtain a comparable rig at a lower dayrate. As a result, customers may seek to renegotiate the terms of their existing drilling contracts or repudiate, suspend or otherwise avoid their obligations under those contracts. In addition, the Group's customers may have the right to terminate, or may seek to renegotiate, existing contracts if the Group experiences downtime, operational problems above the contractual limit or safety-related issues, if the drilling rig is a total loss, if the drilling rig is not delivered to the customer within the period specified in the contract or in other specified circumstances, which include events beyond the Group's control.

Currently, the Group's drilling contracts are dayrate contracts, where the Group charges a fixed rate per day regardless of the number of days needed to drill the well. While the Group plans to continue to perform services on a dayrate basis, market conditions may dictate that the Group enters into contracts that provide for payment based on a footage basis, where the Group is paid a fixed amount for each foot drilled regardless of the time required or the problems encountered in drilling the well, or enter into turnkey contracts, whereby the Group agrees to drill a well to a specific depth for a fixed price and bear some of the well equipment costs. These types of contracts would expose the Group to greater risk than a dayrate contract as the Group would be subject to downhole geologic conditions in the well that cannot always be accurately determined and subject the Group to greater risks associated with equipment and downhole tool failures. Unfavourable downhole geologic conditions and equipment and downhole tool failures may result in significant cost increases or may result in a decision to abandon a well project, which would result in the Group not being able to invoice revenues for providing services. Any such termination or renegotiation of contracts and unfavourable cost increases or loss of revenue could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

2.1.11 The Group's long-term (greater than one year) contracts are subject to the risk of cost increases and termination, which could adversely impact the Group's profitability

In periods of rising demand for shallow water offshore rigs, a drilling contractor generally would prefer to enter into well-to-well or other short-term contracts less than one year in duration that would allow the contractor to profit from increasing dayrates, while customers with reasonably definite drilling programs would typically prefer long-term contracts in order to maintain dayrates at a consistent level. Conversely, in periods of decreasing demand for shallow water offshore rigs, a drilling contractor generally may prefer to enter long-term contracts to preserve dayrates and utilisation, while customers generally would prefer well-to-well or other short-term contracts that would allow the customer to benefit from the decreasing dayrates. In the current commodity price down-cycle, the Group may not be able to renew long-term contracts that preserve dayrates and utilisation, or the Group's customers may seek to renegotiate dayrates under their existing long-term contracts with the Group.

In general, the Group's costs increase as the business environment for drilling services improves and demand for oilfield equipment and skilled labour increases. The timing and amount of payments earned from contracted dayrates may differ from the Group's actual increase in costs. Additionally, if the Group's rigs incur idle time between contracts, the Group typically does not remove personnel from those rigs because it utilises the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare the Group's rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. Moreover, as the Group's rigs are mobilised from one geographic location to another, the labour and other operating and maintenance costs can vary significantly. In general, labour costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the rig is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortised. Any such increases in costs associated with the Group's long-term contracts could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

The Group has entered, and may in the future enter, into long-term contracts that allow customers to terminate those contracts without cause, with little or no prior notice and without penalty or early termination payments. The Group has experienced termination without cause under some of its long-term contracts in the past. In addition, under the Group's existing long-term contracts and those that the Group may enter into in the future, the Group could be required to pay penalties, which could be material, if such contracts are terminated due to downtime, operational problems or failure to deliver. In addition, certain of the Group's existing contracts provide for, and the Group may enter into contracts in the future that provide for, cancellation at the option of the customer upon payment of a penalty, which may not fully compensate the Group for the loss of the contract. Early termination of a contract may result in a drilling rig being idle for an extended period of time. The likelihood that a customer may seek to terminate a contract is increased during periods of market weakness. Any such termination of the Group's long-term contracts could have a material adverse effect on the Group's business, results of operations or cash flows.

2.1.12 The Group's drilling contracts with NOCs may expose it to greater risks than the Group normally assumes in drilling contracts with non-governmental customers

As of 31 December 2018, 19 of the Group's rigs were contracted with NOCs or NOC joint ventures. The terms of these contracts are often non-negotiable and may expose the Group to greater commercial, political and operational risks than the Group assumes in other contracts, such as exposure to materially greater environmental liability and other claims for damages (including consequential damages) and personal injury related to the Group's operations, or the risk that the contract may be terminated by the Group's customer without cause on short-term notice, contractually or by governmental action, for which the Group may not be entitled to compensation. The Group may increase the number of rigs contracted to NOCs with commensurate additional contractual risks. The increased risk exposure from NOC contracts may have an adverse impact on the Group's future operations.

2.1.13 Changes to the supply of oil may change the demand for shallow water offshore drilling services and impact the Group's profitability

The supply of oil is unpredictable and fluctuates based on events outside the Group's control, including geo-political developments, demand for oil, actions by members of OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. A prolonged commodity price down-cycle may cause oil companies to cut down production or OPEC to initiate a freeze or reduction in production, which could negatively impact market demand for jack-up rigs in the Middle East, one of the Group's core operating regions.

2.1.14 The Group's purchases of existing jack-up rigs carry risks associated with the quality of those rigs

The Group has acquired, and may in the future acquire, existing jack-up rigs as a way of renewing and expanding the capability of the Group's fleet. Unlike newbuild rigs, existing rigs typically do not carry warranties with respect to their condition. While the Group generally inspects any existing rig prior to purchase, such an inspection would normally not provide the Group with as much knowledge of its condition as it would possess if the rig had been built for the Group and operated by the Group during its life. Repairs and maintenance costs for existing rigs are difficult to predict and may be more substantial than for rigs that the Group has operated since they were built. These costs could decrease the Group's profits and reduce the Group's liquidity. In addition, the Group may not be able to obtain indemnification and warranties from the sellers of any rigs that the Group acquires.

2.1.15 If the Group is unable to successfully acquire and integrate additional rigs on economically acceptable terms, or at all, future growth will be limited, and any such acquisitions the Group may make could have an adverse effect on results of operations

Part of the Group's strategy to grow its business is dependent on its ability to successfully acquire and integrate additional rigs to generate further revenues. The consummation, timing and success of any future acquisitions will depend upon, among other things, the availability of attractive targets in the marketplace, the Group's ability to negotiate acceptable purchase agreements, the Group's ability to obtain financing on acceptable terms and the Group's ability to integrate any assets and operations into its fleet. The Group may not be able to consummate any future acquisition, which may limit its future growth, and the Group may not achieve the benefits it seeks in any future acquisition.

Further, any acquisitions of rigs could expose the Group to a number of risks, including:

- the risk of incorrect assumptions regarding the future results of acquired rigs or expected cost reductions or other synergies expected to be realised as a result of acquiring rigs;
- the risk of failing to integrate any acquired assets and operations successfully and timely;
- the risk of undetected defects;
- the risk of diversion of Management's attention from existing operations or other priorities; and
- the risk of unforeseen consequences or other external events beyond the Group's control.

2.1.16 Compared to companies with greater resources, the Group may be at a competitive disadvantage

Certain of the Group's competitors in the shallow water offshore contract drilling industry have more diverse fleets and greater financial and other resources and assets than the Group does. Similarly, some of these competitors may be significantly better capitalised than the Group is, which may make them preferable to the Group to the extent they are more able to keep pace with technological developments in the drilling services market and make more substantial improvements in the functions and performance of equipment used in shallow water offshore drilling services than the Group is. In addition, competitors that are significantly better capitalised than the Group is, may be preferable to the Group to the extent the customer is concerned about counterparty credit risk or the Group's ability to cover potentially significant liabilities. In addition, competitors with more diversified fleets or who have successfully acquired or upgraded their existing rigs or equipment in a more timely and cost effective manner than the Group, may be better positioned to withstand unfavourable market conditions. As a result, the Group's competitors may have competitive advantages that may adversely affect the Group's efforts to contract its drilling rigs on favourable terms, if at all, and correspondingly negatively impact the Group's financial condition, results of operations and cash flows. Additionally, the Group may be at a competitive disadvantage to those competitors that are better capitalised because they are in a better position to withstand the effects of a commodity price down-cycle.

2.1.17 The Group depends heavily upon the security and reliability of its technology systems and those of its service providers, and such systems are subject to cybersecurity risks and threats

The Group depends heavily on technologies, systems and networks that the Group manages, and others that are managed by the Group's third-party service and equipment providers, to conduct its business and operations. Cybersecurity risks and threats to such systems continue to grow in sophisticated ways that avoid detection and may be difficult to anticipate, prevent or mitigate. If any of the Group's service or equipment providers' security systems for protecting against cybersecurity breaches or failures proves to be insufficient, the Group could be adversely affected by having its business and financial systems compromised, its companies', employees', vendors' or customers' confidential or proprietary information altered, lost or stolen, or its business operations or safety procedures disrupted, degraded or damaged. A breach or failure could also result in injury (financial or otherwise) to people, loss of control of, or damage to, the Group's assets, harm to the environment, reputational damage, breaches of laws or regulations, litigation and other legal liabilities. In addition, the Group may incur significant costs to prevent, respond to or mitigate cybersecurity risks or events and to defend against any investigations, litigation or other proceedings that may follow such events. Such a failure or breach of the Group's systems could adversely and materially impact the Group's business, financial condition, results of operations and cash flows.

2.1.18 Supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases could increase the Group's operating costs, decrease revenues and adversely impact the Group's operations

The Group's reliance on third-party suppliers, manufacturers and service providers to secure equipment used in its drilling operations exposes the Group to volatility in the quality, price and availability of such items. Certain specialised parts and equipment the Group uses in its operations may be available only from a single or small number of suppliers. A disruption in the deliveries from such third-party suppliers, capacity constraints, production disruptions, price increases, defects or quality-control issues, recalls or other decreased availability or servicing of parts and equipment could adversely affect the Group's ability to meet its commitments towards its customers, adversely impact operations and revenues by resulting in uncompensated downtime, reduce dayrates or the cancellation or termination of contracts, or increase the Group's operating costs.

2.1.19 An over-supply of jack-up rigs or mobilisation of rigs into the regions where the Group operates may lead to a reduction in dayrates and therefore may materially impact the Group's profitability

Prior to the recent commodity price down-cycle, industry participants had increased the supply of marketed jack-up rigs by ordering construction of new jack-up rigs or increasing reactivation and upgrade projects. There are jack-up rigs currently under construction or involved in reactivation and upgrade projects that have not been contracted for future work, and these may add to an over-supply of drilling rigs, leading to a further decline in utilisation and dayrates when new, reactivated or upgraded drilling rigs enter the market. If industry conditions improve, jack-up rigs and other mobile offshore drilling rigs may be moved into the regions where the Group operates, and there may be increased rig construction, reactivation and upgrade projects to meet an increase in demand for jack-up rigs. An over-supply of jack-up rigs may also result in certain customers preferring newer, higher specification rigs over older rigs which could also lead to a further reduction of the Group's utilisation and dayrates. As a result, the Group's business, financial condition and results of operations would be materially adversely affected.

2.1.20 Upgrade, refurbishment and repair projects are subject to risks, including delays and cost overruns, which could have an adverse impact on available cash resources or results of operations

The Group incurs upgrade, refurbishment and repair expenditures for its fleet from time to time, including when upgrades are required by industry standards and/or by law. Such expenditures are also necessary in response to requests by customers, inspections, regulatory or certifying authorities or when a rig is damaged. The Group also regularly makes certain upgrades or modifications to its drilling rigs to meet customer or contract specific requirements. Upgrade, refurbishment and repair projects are subject to project management execution risks of delay or cost overruns, including costs or delays resulting from the following:

- unexpected long delivery times for, or shortages of, key equipment, parts and materials;
- shortages of skilled labour and other shipyard personnel necessary to perform the work;
- scope creep, unforeseen increases in the cost of equipment, labour and raw materials, particularly steel;
- unforeseen design and engineering problems;
- latent damages to or deterioration of hull, equipment and machinery in excess of engineering estimates and assumptions;
- unanticipated actual or purported change orders;
- health, safety and environmental, or health, safety and the environment ("**HSE**"), incidents;
- failure or delay of third-party service providers;
- disputes with shipyards and suppliers;
- delays and unexpected costs of incorporating parts and materials needed for the completion of projects;
- changes to the customers' specifications;
- failure or delay in obtaining acceptance of the rig from a customer;
- financial or other difficulties at shipyards;
- adverse weather conditions; and
- inability or delay in obtaining flag-state, classification society, certificate of inspection, or regulatory approvals.

Significant cost overruns or delays would adversely affect the Group's business, financial condition and results of operations. Additionally, capital expenditures and deferred costs for rig upgrades and refurbishment projects, including any planned refurbishment and upgrade of the Group's rigs, could exceed the Group's planned capital expenditures. Failure to complete an upgrade, refurbishment or repair project on time may, in some circumstances, result in the delay, renegotiation or cancellation of a drilling contract and could put at risk planned arrangements to commence operations on schedule. The Group could also be exposed to contractual penalties for failure to complete an upgrade, refurbishment or repair project and commence operations in a timely manner. When undergoing upgrade, refurbishment or repair, the Group's rigs generally do not earn a dayrate during the period they are out of service. Failure by the Group to minimise lost dayrates resulting from the immobilisation of its rigs may adversely impact the Group's business, financial condition and results of operations.

2.1.21 There may be further asset impairments as a result of future declines in dayrates and utilisation for shallow water drilling rigs

The Group evaluates its property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss on property and equipment exists when the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. During the year ended 31 December 2018, the Group recorded a non-cash impairment loss of USD 40.1 million. Despite the Company's belief that there are indications of an improving market for jack-up rig services, the Company observed continued pressure on market dayrates in the markets in which the Group operates and experienced an increase in the number of idle rigs. If there is a reduction in the number of new contract opportunities, dayrates, or utilisation rates, or an increase in global supply of jack-up rigs, the Group may be required to recognise additional impairment losses in future periods.

The shallow water offshore drilling industry historically has been highly cyclical, and it is not unusual for rigs to be unutilised or underutilised for significant periods of time and subsequently resume full or near full utilisation when business cycles change. Likewise, during periods of supply and demand imbalance, rigs are frequently contracted at or near cash breakeven operating rates for extended periods of time until dayrates increase when the supply/demand balance is restored. The significant decline in global oil and gas prices that began in the fourth quarter of 2014 has impacted the overall industry activity level and rig supply and demand. The reduction in spending by the Group's customers together with the over-supply of drilling rigs in markets in which the Group operates may continue to adversely impact the Group's ability to acquire contracts at current dayrates in those areas. During periods of weak demand and reduced dayrates, the Group has historically entered into contracts at lower dayrates in order to keep its rigs working. Prolonged periods of low utilisation and dayrates may result in the recognition of impairment charges on certain of the Group's drilling rigs if estimates of future cash flows, based upon information available to Management at the time, indicate that the carrying value of these rigs may not be recoverable.

2.1.22 The Group is exposed to the credit risks of key customers and certain other third parties, including if the Group acquires new rigs, which could adversely affect the Group's financial condition, results of operations and cash flows

The Group is subject to risks of loss resulting from non-payment or non-performance by third parties. Although the Group monitors and manages credit risks, some of its customers and other parties may be highly leveraged and subject to their own operating and regulatory risks. During more challenging market environments, the Group is subject to an increased risk of customers seeking to repudiate contracts. The Group's customers' ability to perform their contractual obligations may also be adversely affected by restricted credit markets and economic downturns. If one or several key customers or other parties were to default on their obligations to the Group, the Group's business, financial condition and results of operations could be adversely affected. As of 31 December 2018, the Group's allowance for doubtful accounts was USD 2.7 million.

If the Group was to speculatively reactivate any of the rigs which are currently stacked or any other rigs which may be stacked in the future, purchase used rigs from third parties or speculatively enter into construction contracts for newbuild rigs, the Group could be exposed to a number of risks that could adversely affect its financial position, results of operations and cash flows. For example, reactivation and newbuild rig construction projects are subject to various risks, including but not limited to: (i) unexpectedly long delivery times for, or shortages of, key equipment, parts and materials, (ii) unforeseen design and engineering problems leading to delays, (iii) labour disputes and work stoppages at the shipyard, (iv) HSE accidents/incidents or other safety hazards or (v) project management and execution risks. In addition, if the Group was to reactivate a stacked rig, purchase a used rig or order construction of a newbuild rig absent a firm customer contract, the Group may not be able to secure arrangements for these rigs on economically acceptable terms, or at all. Failure to complete a reactivation project on time and on budget, and a failure to contract reactivated, newly purchased, used or newbuild rigs on economically acceptable terms or in a timely manner could adversely affect the Group's financial position, results of operations and cash flows.

2.1.23 There may be limits to the Group's ability to mobilise drilling rigs between geographic areas, and the duration, risks and associated costs of such mobilisations may be material to the Group's business

The shallow water offshore contract drilling market is generally a global market as drilling rigs may be moved from one area to another. However, the ability to mobilise drilling rigs can be impacted by several factors including, but not limited to, governmental regulation and customs practices, the significant costs and risks of damage related to moving a drilling rig, availability of tugs and dry tow vessels to move the rigs, weather, political instability, civil unrest, military actions and the technical capability of the drilling rigs to relocate and operate in various environments. Additionally, while a jack-up rig is being mobilised from one geographic market to another, the Group may not be paid for the time that the jack-up rig is out of service or be reimbursed for costs attributable to such relocation. Further, despite the ability to move rigs, not all of the Group's rigs are designed to work in all regions, in all water depths or over all types of seafloor conditions. The Group may mobilise rigs in, or relocate rigs to, another geographic market without a customer contract, which could result in costs not reimbursable by future customers and may have a material adverse effect on the Group's business, financial condition and results of operations.

2.1.24 The Group's business involves numerous operating hazards and the Group's insurance and contractual indemnity rights may not be adequate to cover any losses resulting from accidents and other events

The Group's operations are subject to the usual hazards inherent in the drilling, completion and maintenance of shallow water offshore oil and natural gas wells. Hazards include, but are not limited to, blowouts, punch through (i.e., where one leg of a jack-up rig breaks through the hard crust of the ocean floor, placing stress on the other legs), loss of control of the well, abnormal drilling conditions, mechanical or technological failures, seabed cratering, fires, pollution and failure of employees to comply with internal HSE guidelines. The Group also operates in regions impacted by monsoon seasons, an so is subject to hazards associated with severe weather conditions. The occurrence of these events may result in the suspension of drilling or production operations, fines or penalties, claims or investigations by the operator, regulatory bodies and others affected by such events, severe damage or destruction of property and equipment involved, injury or death to rig personnel, environmental damage, lower utilisation rates, loss of dayrate revenue and increased insurance costs.

The Group may also be subject to personal injury and other claims of drilling rig personnel as a result of its drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal operating conditions, failure of subcontractors to perform and personnel shortages.

In addition, the Group's operations are subject to perils peculiar to marine operations including capsizing, grounding, collision, sinking and loss or damage from severe weather. Severe weather could have a material adverse effect on the Group's operations, damaging rigs from high winds, turbulent seas, or unstable sea bottom conditions. Such occurrences could potentially cause the Group to curtail its operations for significant periods of time while repairs are effected.

Damage to the environment could result from operations, particularly through blowouts, oil spillage or extensive uncontrolled fires. The Group may also be subject to fines and penalties (for which indemnification may not be available from the Group's customers) resulting from property, environmental, natural resource and other damage claims by governments, environmental organisations, oil and natural gas companies and other businesses operating in shallow water offshore and in coastal areas, including claims by individuals living in or around coastal areas.

As is customary in the shallow water offshore drilling industry, the risks of the Group's operations are covered partially by insurance and partially by contractual indemnities from the Group's customers. However, the Group's insurance policies have limits and exclusions and may not provide full coverage for, and, most of the Group's customer contracts do not fully indemnify the Group from, all losses or liabilities resulting from its operations. If a significant accident or other event resulting in damage to the drilling rigs, including severe weather, terrorist acts, war, civil disturbances, pollution or environmental damage, occurs and is not fully covered by insurance or a recoverable indemnity from a customer, it could adversely affect the Group's business, financial condition and results of operations. Furthermore, the Group may experience increased costs for available insurance coverage, which may impose higher deductibles and limit maximum aggregated recoveries, including for hurricane, monsoon, or cyclone-related damage or loss. Insurance costs may increase in the event of ongoing patterns of adverse changes in weather or climate. Moreover, the Group may not be able to maintain adequate insurance or obtain insurance coverage for certain risks in the future at rates the Group considers reasonable, the Group's customers may not be financially able to indemnify the Group against all these risks, or the Group may be unable to enforce its contractual indemnities due to legal or judicial factors. Although the Company believes that the Group's insurance covers many risks common to the industry in which the Group operates, the Group does not have insurance coverage or indemnification for all risks, and the Group may not be adequately covered for certain losses. These insurance and indemnity related risks could adversely affect the Group's business, financial condition, results of operations and cash flows.

2.1.25 The Group may not be able to keep pace with technological developments and to make adequate capital expenditures in response to higher specification rigs being deployed within the industry

The market for the Group's services is characterised by technological developments which result in improvements in the functionality and performance of rigs and equipment. Customers may demand the services of newer, higher specification drilling rigs, and may in the future impose restrictions on the maximum age of contracted drilling rigs. To the extent that the Group is unable to negotiate agreements for customer reimbursement for the cost of increasing the specification of the Group's drilling rigs, the Group could be incurring higher capital expenditures than planned. Customer demand for newer, higher specification rigs might also result in a bifurcation of the drilling fleet for jack-up rigs, with newer rigs operating at higher overall utilisation rates and dayrates. As the average age of the Group's rigs is 33 years, the Group may be required to increase capital expenditure to maintain and improve existing rigs and equipment and/or purchase and construct newer, higher specification drilling rigs to meet the increasingly sophisticated needs of customers. The Group's future success and profitability will depend, in part, upon its ability to keep pace with technological developments. If, in response to technological developments or changes in standards in the industry, the Group is not successful in acquiring new equipment or upgrading existing equipment in a timely and cost-effective manner, the Group could lose business and profits. In addition, current competitors or new market entrants may develop new technologies, services or standards that could render some of the Group's services or equipment obsolete, which could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

2.1.26 Developing and expanding data security and privacy requirements could increase the Company's operating costs, and any failure of the Company to maintain the security of certain customer, employee, and business-related information could result in damage to the Company's reputation, be costly to remediate and result in regulatory action

The Company is required to manage and process information related to its employees, customers and vendors in the ordinary course of business, and the Company's operations depend upon secure retention and the secure transmission of information over public networks. This information is subject to the continually evolving risk of intrusion, tampering, and theft. Although the Company maintains systems to prevent or defend against these risks, these systems require ongoing monitoring and updating as technologies change, and security could be compromised, personal or confidential information could be misappropriated, or system disruptions could occur.

A compromise of the Company's security systems could adversely affect the Company's reputation and disrupt its operations and could also result in litigation against the Company or the imposition of penalties. In addition, it could be costly to remediate.

The Company has a dedicated cyber-security team and program that focuses on current and emerging data security and data privacy matters. The Company continues to assess and invest in the growing needs of the cyber-security team through the allocation of skilled personnel, ongoing training, and support of the adoption and implementation of technologies coupled with cyber-security risk management frameworks.

The Company may, from time to time, provide certain confidential, proprietary, and personal information to third parties. While the Company seeks to obtain assurances and safeguards from these third parties to protect this information, there is a risk the security of data held by third parties could be breached, resulting in liability for the Company.

Heightened legislative and regulatory focus on data privacy and security in the EU, United States and elsewhere presents a growing and fast-evolving set of legal requirements in this area. The increasing legal and regulatory burden presents material obligations and risks to the Company's business, including significantly expanded compliance burdens, costs, and enforcement risks. In particular, where the EU General Data Protection Regulation (GDPR) applies, the penalties for breach are significant. In cases of personal information security breaches, the costs of investigation, dealing with regulators and taking steps to mitigate or remediate its effects may also be high. The majority of the personal information the Company processes is that of its employees.

2.1.27 Technology disputes could negatively impact the Group's operations or increase its costs

Drilling rigs use proprietary technology and equipment which can involve potential infringement of a third party's rights, including patent rights. In the event that the Group or one of its suppliers or sub-suppliers becomes involved in a dispute over infringement rights relating to equipment owned or used by the Group, the Group may lose access to repair services or replace parts, or the Group could be required to cease use of some equipment or forced to modify its jack-ups. The Group could also be required to pay license fees or royalties for the use of equipment. Technology disputes involving the Group or its suppliers or sub-suppliers could adversely affect the Group's financial condition, results of operations and cash flows.

2.1.28 Newbuild rig projects are subject to various risks which could cause delays or cost overruns and have an adverse impact on the Group's results of operations

The Group could decide to increase the size of its fleet through the construction of newbuild rigs. Newbuild rig construction projects are subject to risks of delay and cost overruns inherent in any large construction project from numerous factors, including:

- unexpectedly long delivery times for, or shortages of, key equipment, parts and materials;
- unforeseen design and engineering problems leading to delays;
- labour disputes and work stoppages at the shipyard;
- HSE accidents/incidents or other safety hazards;
- disputes with the constructing shipyard or other suppliers;
- last minute changes to the customer's specifications;
- failure or delay in obtaining acceptance of the rig by customers;
- financial or other difficulties at shipyards;
- adverse weather conditions or any other force majeure events;
- inability or delay in obtaining flag-state, classification society or regulatory approvals or permits; and
- mobilisation from shipyard to contract operating site.

Failure to complete a newbuild rig project on time may result in the delay, renegotiation or cancellation of an existing drilling contract and could put at risk the planned arrangements to commence operations on schedule. Further, significant delays could have a negative impact on the Group's reputation and customer relationships. The Group could also be exposed to contractual penalties for failure to complete the project and commence operations in a timely manner, all of which would adversely affect the Group's business, financial condition and results of operations.

2.1.29 The market value of the Group's drilling rigs and of any rigs the Group acquires in the future may decrease, which could result in impairments or changes or cause the Group to incur losses if it decides to sell them following a decline in the market values of the rigs

The fair market value of any drilling rigs that the Group owns may increase or decrease depending on a number of factors, including:

- general economic and market conditions affecting the shallow water offshore contract drilling industry, including competition from other shallow water offshore contract drilling companies;
- types, sizes and ages of drilling rigs, including specifications and condition;
- liquidity of the market for drilling rigs;
- supply and demand for drilling rigs;
- costs of newly built rigs;
- prevailing level of drilling services contract dayrates;
- governmental or other regulations; and
- technological advances.

If the Group sells any drilling rig at a time when prices for drilling rigs have fallen, such a sale may result in a loss. Such a loss could materially and adversely affect the Group's business, financial condition and results of operations.

2.1.30 The Group's labour costs and the operating restrictions that apply to the Group could increase as a result of collective bargaining negotiations and changes in labour laws and regulations

Some of the employees in Egypt and Nigeria are represented by unions and may, from time to time, work under collective bargaining agreements. In addition, some of the Group's contracted labour may work under collective bargaining agreements. Efforts may be made from time to time to unionise additional portions of the Group's workforce. As part of the legal obligations in some of these agreements, the Group is required to contribute certain amounts to retirement funds and is restricted in its ability to dismiss employees. In addition, where the employees are represented by unions, the Group may be required to negotiate wages. Negotiations with unions relating to collective bargaining agreements and other labour related matters could result in higher personnel costs, other increased costs or increased operating restrictions, or even labour stoppages, strikes or slowdowns that could adversely affect the Group's business, financial condition and results of operations. The Group may be required to make significant capital expenditures to comply with laws and the applicable regulations and standards of labour laws and regulations. Moreover, the cost of compliance could be higher than anticipated.

2.1.31 The Group is dependent on key employees, including the Company's executive and senior management team and board members, and the Group's business could be negatively impacted if it is unable to attract and retain personnel necessary for its success

The Group is highly dependent on the Company's executive and senior management, board members and other key personnel. Executive and senior management, board members and other key personnel possess marketing, engineering, project management, financial and administrative skills that are important to the operation of the business and in the development and execution of the Group's key strategies. The loss or an extended interruption in the services of any executive or senior personnel or board members, or the inability to attract or develop a new generation of executive or senior management or board members, could have an adverse effect on the Group's business, financial condition and results of operations. The Group does not maintain key man life insurance.

2.1.32 The Group is dependent on the availability and retention of skilled personnel and may be adversely affected by increases in labour costs

The Group requires highly skilled personnel to operate and provide technical services and support in its operations. Many of the Group's customers require specific minimum levels of experience and technical qualification for certain positions on rigs which they contract. The Group is also subject to nationalisation programs in various countries, whereby the Group must hire a certain percentage of local personnel within a specified time period. In periods of high utilisation and demand for drilling services, it is more difficult and costly to recruit and retain qualified employees, especially in countries that require a certain percentage of national employees. This limited availability of qualified personnel coupled with local regulations focusing on crew composition could impact the Group's ability to fully staff and operate its rigs and could also increase the Group's future operating expenses, with a resulting reduction in net income.

2.1.33 The Company's interests in certain of its subsidiaries are subject to arrangements with local partners and the loss of their support could have a material adverse effect on the Group's business

Several countries in which the Group operates require local entities to comply with certain laws and regulations concerning minimum national content requirements. As a result, the Group may be required to enter into legally binding arrangements with local entities in those jurisdictions in order to conduct operations. For example, Saudi Aramco's recent In-Kingdom Total Value Add program requires suppliers to have, among other things, a minimum threshold of national content by the year 2021. In Indonesia, Malaysia, India, Nigeria and the United Arab Emirates ("**UAE**"), the Group maintains a series of contractual and legal agreements with local partners and/or agents, whom the Company's Management believes are an integral part of the successful operation of the Group's business in these markets. If the Group was to lose the support of these local participants and unable to find suitable replacements, local regulators may curtail or terminate the Group's operations. In addition, the success of these local relationships depends on the reputation, creditworthiness, stability and continuity of the local businesses with which the Group is required to operate. If any of these local partners were to become subject to bankruptcy/insolvency proceeding or adverse regulatory or judicial proceedings, or lose the ability to carry out the operations for any other reason, then the Group's business, financial condition and results of operations could be adversely affected.

2.1.34 The Company is a holding company and is dependent upon cash flows from subsidiaries to meet its obligations. If the Company's operating subsidiaries experience sufficiently adverse changes in their financial condition or results of operations, or the Company otherwise becomes unable to pay its debts as they become due and obtain further credit, the Company may become subject to insolvency proceedings

The Company's only material asset is its interest in its subsidiaries. The Company conducts its operations through, and most of its assets are owned by, its subsidiaries, and its operating income and cash flows are generated by its subsidiaries. As a result, cash the Company obtains from its subsidiaries is the principal source of funds necessary to meet its obligations. Contractual provisions or laws, as well as the Company's subsidiaries' financial condition, operating requirements and debt requirements, may limit the Company's ability to obtain cash from subsidiaries that its requires to pay its expenses or to meet its current or future debt service obligations. Applicable tax laws may also subject such payments to the Company by subsidiaries to further taxation.

The inability to transfer cash from the Company's subsidiaries may mean that, even though the Company may have sufficient resources on a consolidated basis to meet its obligations, it may not be permitted to make the necessary transfers from its subsidiaries to meet its debt and other obligations. The terms of certain of the agreements governing the Company's existing indebtedness described under Section 11.8.5 "Financing arrangements" also place restrictions on its cash balance and require it to maintain reserves of cash which could inhibit its ability to meet its obligations.

If the Company's operating subsidiaries experience sufficiently adverse changes in their financial position or results of operations, or the Company otherwise becomes unable to pay its debts as they become due and obtain further credit, this could result in the commencement of insolvency proceedings. Any such proceedings would have a material adverse effect on the Company's financial condition, results of operations and cash flows and could have a significant negative impact on the market price of its Common Shares and Securities.

2.1.35 The Company is exposed to market risks, which could create the inability to secure financing on terms which are acceptable to the Company's Management

The Company is exposed to market risks from changes in interest rates under its obligations under the SDHL Revolver. Interest rate under this financing arrangement is determined with reference to a specified margin above LIBOR. If market interest rate increases, this could have an adverse impact on the Company's results of operations and cash flows. The Company has not entered into any hedging arrangements with respect to its interest rate exposure.

The Company's overall debt level and/or market conditions or any failure to make payments of interest on its outstanding indebtedness on a timely basis may result in a reduction of long-term corporate credit ratings. These downgrades in the Company's corporate credit ratings could impact its ability to issue additional debt by raising the cost of issuing new debt. Consequently, the Company may not be able to issue additional debt in reasonable amounts and terms. These could potentially limit the Company's ability to pursue business opportunities.

2.1.36 Despite the Company's current level of indebtedness, it may still be able to incur substantially more debt, which could exacerbate the risks associated with its current leverage

The Company may be able to incur substantial additional indebtedness in the future. Although its current indebtedness limits its ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and do not apply uniformly to the Company's subsidiaries, and under certain circumstances, debt incurred in compliance with these restrictions could be substantial. To the extent that the Company incurs additional indebtedness, the risks described below associated with the Company's substantial leverage, including the possible inability to service its debt, would increase. As of 31 December 2018, the Group had availability of USD 216.4 million under the SDHL Revolver.

2.1.37 The Company's existing indebtedness imposes significant operating and/or financial restrictions on the Company that may prevent it from pursuing certain business opportunities and restrict its ability to operate its business

As of 31 December 2018, the Company had a total indebtedness of USD 887.8 million of 8.25% Notes. As of 31 December 2018, the SDHL Revolver had no cash borrowings outstanding and USD 8.6 million of surety bonds and guarantees issued, resulting in availability of USD 216.4 million. The level of the Company's indebtedness and the terms of the agreements governing the Company's existing indebtedness, may have important consequences for investors' investment and contain covenants that restrict the ability of the Company to take various actions, such as to:

- incur or guarantee additional indebtedness or issue certain preferred shares;
- pay dividends or make other distributions on, or redeem or repurchase, any equity interests or make other restricted payments;
- make certain acquisitions or investments;
- create or incur liens;
- transfer or sell assets;
- incur restrictions on the payments of dividends or other distributions from certain subsidiaries within the Group;
- enter into transactions with affiliates; and
- consummate a merger or consolidation or sell, assign, transfer, lease or otherwise dispose of all or substantially all of the Company's assets or certain of its subsidiaries' assets.

The Company's ability to comply with these covenants may be affected by many factors, including future performance, prolonged periods of low dayrates, the possible termination or loss of contracts, reduced values of the Group's drilling rigs and events beyond the Company's control, and the Company may not satisfy these or other covenants in its existing indebtedness. The Company's failure to comply with the obligations under the agreements governing its existing indebtedness could result in an event of default under such agreements, which could result in the acceleration of its indebtedness, in whole or in part. In addition, the Company's existing debt agreements contain cross-default provisions that would be triggered upon acceleration under other debt instruments. In the event of an acceleration or payment default by the Company under one of its debt agreements, the creditors under its other existing debt agreements could determine that the Company is in default under its other financing agreements. This could lead to an acceleration and enforcement of such agreements by the Company's creditors.

These restrictions will also limit the Company's ability to plan for, or react to, market conditions, meet capital needs or otherwise restrict the Company's activities or business plans and adversely affect its ability to finance its operations, enter into acquisitions or to engage in other business activities that would be in the Company's interest.

2.1.38 To service and refinance its indebtedness, fund its capital and liquidity needs or pay dividends (if any), the Company will require a significant amount of cash, and the Company may not generate sufficient cash, or have access to sufficient funding, for such purposes, and such failure would have a material adverse effect on the Company

To service and refinance its indebtedness, fund its capital and liquidity needs or pay dividends (if any), the Company will require a significant amount of cash. The Company's ability to raise capital is, to a certain extent, subject to economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company's control. In addition, the Group's business may not generate sufficient cash flows from operations, and future borrowings or alternative financing may not be available to the Company on favourable terms, or at all, in an amount sufficient to enable the Company to service and refinance, at or before maturity, its indebtedness, fund its capital and liquidity needs or pay dividends (if any), which would have a material adverse effect on the Company. As of 31 December 2018, the Company's cash and cash equivalents was USD 91.2 million. As of 31 December 2018, the Company had USD 8.6 million of surety bonds and guarantees issued and no cash borrowings under its revolver.

2.1.39 The Group's international operations in the shallow water offshore drilling sector involve additional risks, which could adversely affect the Group's business

The Group operates in various regions throughout the world and as a result may be exposed to political and other uncertainties, including risks of:

- terrorist acts, armed hostilities, geopolitical events, military action, war and civil disturbances, including in the Middle East;
- acts of piracy, which have historically affected ocean-going rigs, trading in regions of the world such as West Africa and the Strait of Malacca, which have increased significantly in frequency since 2008;
- significant governmental influence over many aspects of local economies;
- repudiation, nullification, modification or renegotiation of contracts;
- limitations on insurance coverage, such as war risk coverage, in certain areas;
- political unrest or revolutions;
- foreign and United States monetary policy and foreign currency fluctuations and devaluations;
- the inability to repatriate income or capital;
- complications associated with repairing and replacing equipment in remote locations;
- import-export quotas, wage and price controls and imposition of trade barriers;
- regulatory or financial requirements to comply with foreign bureaucratic actions;
- changing taxation policies, including confiscatory taxation;
- other forms of government regulation and economic conditions that are beyond the Group's control;
- corruption;
- natural disasters;

- public health threats; and
- claims by employees, third parties or customers.

In addition, international contract drilling operations are subject to various laws and regulations of the countries in which the Group operates, including laws and regulations relating to:

- the equipping and operation of drilling rigs;
- repatriation of foreign earnings;
- oil and natural gas exploration and development;
- taxation of offshore earnings and the earnings of expatriate personnel; and
- use and compensation of local employees and suppliers by foreign contractors.

Some foreign governments favour or effectively require (i) the awarding of drilling contracts to local contractors or to drilling rig owners that are majority-owned by their own citizens, (ii) the use of a local agent or (iii) foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Furthermore, business operations require authorisations from various national and local government agencies. Obtaining these authorisations can be a complex, time-consuming process, and the Company cannot guarantee that the Group will be able to obtain or renew the authorisations required to operate its business in a timely manner or at all. This could result in the suspension or termination of operations or the imposition of material fines, penalties or other liabilities.

The factors mentioned above may adversely affect the Group's ability to compete in those regions. The Company is unable to predict future governmental regulations which could adversely affect the international drilling industry. The actions of foreign governments may adversely affect the Group's ability to compete effectively. As such, the Group may be unable to effectively comply with applicable laws and regulations, including those relating to sanctions and import/export restrictions, which may result in a material adverse effect on the Group's business.

2.1.40 Fluctuations in exchange rates and non-convertibility of currencies could result in losses to the Group.

The Group may experience currency exchange losses when revenues are received or expenses are paid in non-convertible currencies, when the Group does not hedge an exposure to a foreign currency or when the result of a hedge is a loss. The Group may also incur losses as a result of an inability to collect revenues due to a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital.

2.1.41 The Group's senior management team and key employees are important to the Group's continued success and the loss of one or more members of the Group's senior management team or one or more of the Group's key employees could have a material adverse effect on the Group's business

The Group's performance is to a large extent dependent on highly qualified personnel and management, and the Group's continued ability to compete effectively, implement its strategy and further develop it business depends on its ability to attract new and well qualified employees and retain and motivate existing employees, making it important that the Group is able to implement actions and offer a business model that continues to motivate existing and valuable employees, as well as attract new talents. The importance of having qualified personnel has proven especially important as the industry has developed and become more advanced. One of the key factors contributing to the Group's leading position and its global footprint has been its ability to retain qualified employees through the entire organisational structure. The loss of any member of the Group's senior management or other key personnel, with the failure of attracting a suitable replacement, may have a material adverse effect on the Group's business, results of operations and prospects.

Further, the competition for key employees within the oil and gas industry, including domestic and international competitors as well as businesses outside the ordinary oil and gas industry, is intense, as is competition for highly skilled senior management. The Group may not be able to retain its key employees or senior management personnel or attract and retain new employees and senior management personnel in the future. The Group's competitors may actively seek to recruit its senior management personnel or other key employees and may succeed in such efforts. Further, financial difficulties and other factors might have negative impacts on the Group's ability to retain key employees or recruit new talents. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel could have a material adverse effect on the Group's business, results of operation, financial condition and/or prospects.

2.1.42 The Group relies on the proper functioning of its computer and data processing systems that must be regularly upgraded or replaced, and a larger-scale malfunction could result in material and adverse disruptions to its business

The Group relies primarily on globally and locally functioning information technology systems across its value chain, including for Management and financial information and various other processes and transactions. The Company's ability to effectively manage its business depends on the security, reliability and capacity of these systems. An attack on or other problems with the Group's systems could also result in the disclosure of proprietary information about its business or confidential information concerning its customers or employees, which could result in significant damage to its business and its reputation.

The Group has put in place security measures designed to protect against the misappropriation or corruption of its systems, intentional or unintentional disclosure of confidential information, or disruption of its operations. However, these security measures may prove ineffective. Current employees have, and former employees may have, access to a significant amount of information regarding the Group's operations, which could be disclosed to its competitors or otherwise used to harm the business. Any breach of the Group's security measures could result in unauthorised access to and misappropriation of its information, corruption of data or disruption of operations or transactions, any of which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Group has and will continue to expend resources, and dedicate personnel, to upgrade and maintain its information technology systems to protect against threatened or actual security breaches. In addition, the Group could be required to expend significant amounts to respond to unanticipated information technology issues. Failure to implement these measures that could protect against all significant risks could materially adversely affect the Group's business, financial condition, results of operations, and cash flows.

2.1.43 Liquidity risk

The Group's business faces liquidity risks, meaning that the Group may be in a situation where it does not have sufficient liquidity to cover its financial obligations. Liquidity risk is the risk that the Group has trouble with meeting financial obligations that must be settled in cash or with other financial assets Liquidity risk arises from possible mismatches between the needs of funds, for investments in assets, operating expenses, financial expenses, payments of maturity debts and dividends committed against sources of funds, such as revenue from sales of products, collection of customer accounts, rescue of financial loans and access to financing. If the Group does not have sufficient liquidity to cover its obligations as they come due, its business, results of operations, financial position and/or future prospects may be materially and adversely affected.

2.1.44 The Transaction involves a number of risks

Completion of the Transaction is subject to certain conditions that are beyond the control of the Company. No assurance can be given that the conditions will be satisfied at the Completion Date (as defined in Section 6.2 "Rig Purchase Agreements"). Accordingly, the Transaction may be consummated later than currently expected or may not be consummated at all.

If the Transaction is consummated later than expected, the operational and financial effects of the Transaction will be delayed. If the Transaction is not completed, the Group will have incurred costs and management resources may be diverted in an effort to complete the Transaction for which the Group will have received little or no benefit. Furthermore, if the Transaction is not completed, the Group may experience negative reactions from the financial markets, the media and its shareholders, potential investors, customers, employees and other stakeholders. Each of these factors may materially and adversely affect the trading price of the Securities and could have a material adverse effect on the business, results of operations, cash flows, financial condition and/or prospects of the Group.

Further, when resolving to carry out the Transaction, the Company made certain assumptions. There is a risk that some or all of the assumptions made will not be fulfilled, which may have a material adverse effect on the business, results of operations, cash flows, financial conditions and/or prospects of the Group. Also, subject to the agreements entered into by the Company in connection with the Transaction (as described in Section 6 "The Transaction" below), the Company has undertaken certain warranties and undertakings that are not limited in time and amount. Consequently, a potential claim in connection with these agreements may have a material adverse effect on the financial condition of the Group.

2.2 Risks related to laws and regulations

2.2.1 The Group is subject to complex laws and regulations, including environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business

The Group's operations are subject to numerous stringent HSE laws and regulations in the form of international conventions and treaties, national, state and local laws and regulations in force in the jurisdictions in which the Group's drilling rigs operate or are registered, which can, directly or indirectly, significantly affect the ownership and operation of the rigs. These requirements include, but are not limited to, the International Convention for the Prevention of Pollution from Ships, as amended ("**MARPOL**"), the International Convention on Civil Liability for Oil Pollution Damage, as amended ("**CLC**"), the International Convention on Civil Liability for Bunker Oil Pollution Damage, as amended ("**Bunker Convention**"), and various international, national and local laws and regulations that impose compliance obligations and liability related to the use, storage, treatment, disposal and release of petroleum products, asbestos, polychlorinated biphenyls and other hazardous substances that may be present at, or released or emitted from, the Group's operations. Furthermore, the United Nations' International Maritime Organization (the "**IMO**"), at the international level, or national or regional legislatures in the jurisdictions in which the Group operates, including the European Union, may pass or promulgate new environmental laws or regulations. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lifetime of the drilling rigs. The Group is required to obtain HSE permits from governmental authorities for its operations, and the Group may have difficulty in obtaining or maintaining such permits.

The Group may also incur additional costs in order to comply with other existing and future laws or regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases, management of ballast waters, rig maintenance and inspection, management of solid and hazardous materials and washes, and development and implementation of emergency procedures for, and liability and compensation schemes related to, accidents, pollution and other catastrophic events.

Laws and regulations protecting the environment have generally become more stringent over time. In the event the Group was to incur additional costs in order to comply with existing or future laws or regulatory obligations, these costs could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows. In addition, existing or future laws could increase costs for the Group's customers, the Group's vendors or the Group's service providers, and thereby have a material adverse effect on the Group's business, results of operations, cash flows and financial condition.

A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of operations. Environmental laws often impose strict liability, which could expose the Group to liability without regard to whether it was negligent or at fault. For example, in certain jurisdictions, owners, operators and bareboat-charterers may be jointly and severally strictly liable for the discharge of oil in territorial waters, including the 200 nautical mile exclusive economic zone. The Group is required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents and the insurance may not be sufficient to cover all such risks. In addition, laws and regulations may impose liability on generators of hazardous substances, and as a result the Group could face liability for clean-up costs at third-party disposal locations. Environmental claims against the Group could result in a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Although some of the Group's drilling rigs are separately owned by subsidiaries, under certain circumstances a parent company and all of the rig-owning affiliates in a company under common control could be held liable for damages or debts owed by one of the affiliates, including liabilities for oil spills under environmental laws. Therefore, it is possible that the Company could be subject to liability upon a judgment against it or any one of its subsidiaries.

The Group's drilling operations could cause the accidental release of oil or hazardous substances. Any releases may be large in quantity, above the permitted limits or occur in protected or sensitive areas where public interest groups or governmental authorities have special interests. Any releases of oil or hazardous substances could result in substantial fines and other costs and liabilities, such as costs to upgrade drilling rigs, clean up the releases and comply with more stringent requirements in the Group's discharge permits, claims for natural resource, personal injury or other damages, and material adverse publicity, any of which could have a material adverse effect on the Group's financial condition, results of operations and cash flows. Although the Group's contracts generally provide for indemnification from its customers for some of these costs, the inability or other failure of the Group's customers to fulfil any indemnification obligations they have, or the unenforceability of the Group's contractual protections could have a material adverse effect on the Group's financial condition, results of operation and cash flows. Moreover, these releases may result in customers or governmental authorities suspending or terminating the Group's operations in the affected area, which could have a material adverse effect on the Group's business, financial condition and results of operations.

If a major incident were to occur in the industry in which the Group operates, such as a catastrophic oil spill or other accident subject to international media attention, this could lead to an industry-wide regulatory response which may result in increased operating costs. For example, after the Macondo incident in 2010, various initiatives were proposed in multiple jurisdictions to change the legal liability structure for, and environmental and safety regulations applicable to, businesses in the industry in which the Group operates. Any changes to existing laws in the jurisdictions in which the Group operates prompted by such a future event could increase the Group's operating costs and future risk of liability. In addition, the Group may be required to post additional surety bonds to secure performance, tax, customs and other obligations relating to the Group's rigs in jurisdictions where bonding requirements are already in effect and in other jurisdictions where the Group may operate in the future. These requirements would increase the cost of operating in these countries, which could materially adversely affect the Group's business, financial condition, results of operations and cash flows.

2.2.2 Regulation of greenhouse gases and climate change could have a negative impact on the Group's business

Some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could have a materially adverse effect on the Group's operations, especially given that the Group's rigs may need to curtail operations or suffer damage during significant weather events.

Current and future regulations relating to greenhouse gases and climate change also may result in increased compliance costs or additional operating restrictions on the Group's business.

In addition, because the Group's business depends on the level of activity in the offshore oil and gas industry, existing or future regulations or other agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources that decrease the demand for oil and gas, could materially adversely affect the Group's business, financial condition, results of operations and cash flows.

2.2.3 If the Group or its customers are unable to acquire or renew permits and approvals required for drilling operations, the Group may be forced to suspend or cease its operations, which may adversely affect the Group's profitability

Crude oil and natural gas exploration and production operations require numerous permits and approvals for the Group and its customers from governmental agencies in the areas in which the Group operates. In addition, many governmental agencies have increased regulatory oversight and permit requirements in recent years. If the Group or its customers are not able to obtain necessary permits and approvals in a timely manner, the Group's operations will be adversely affected. Obtaining and maintaining compliance with all necessary permits and approvals may require substantial expenditure. In addition, future changes to, or an adverse change in the interpretation of, existing permits and approvals may delay or curtail the Group's operations, require the Group to make substantial expenditures to meet compliance requirements, and could have a significant impact on the Group's financial condition and results of operations which may create a risk of expensive delays or loss of value if a project is unable to function as planned.

2.2.4 Failure to comply with applicable anti-corruption laws, sanctions or embargoes, could result in fines, civil and/or criminal penalties, and drilling contract terminations and have an adverse effect on the Group's business

The Group operates drilling rigs in a number of countries, including in some developing economies, which can involve inherent risks associated with fraud, bribery and corruption and where strict compliance with anti-corruption laws may conflict with local customs and practices. As a result, the Group may be subject to risks under the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and similar laws in other jurisdictions that generally prohibit companies and their intermediaries from making, offering or authorising improper payments to government officials for the purpose of obtaining or retaining business. The Group is required to do business in accordance with applicable anti-corruption laws as well as sanctions and embargo laws and regulations (including U.S. Department of the Treasury-Office of Foreign Assets Control requirements) and the Group has adopted policies and procedures, including a code of business conduct and ethics, which are designed to promote legal and regulatory compliance with such laws and regulations. However, either due to the Group's acts or omissions or due to the acts or omissions of others, including the Group's employees, agents joint venture partners, local sponsors or others, the Group may be determined to be in violation of such applicable laws and regulations or such policies and procedures. Any such violation could result in substantial fines, sanctions, deferred settlement agreements, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and the seizure of the Group's rigs and other assets, and might as a result materially adversely affect the Group's business, financial condition and results of operations. The Group's customers in relevant jurisdictions could seek to impose penalties or take other actions adverse to the Group's interests. In addition, actual or alleged violations could damage the Group's reputation and ability to do business and could cause investors to view the Group negatively and adversely affect the market for the Securities. Furthermore, detecting, investigating and resolving actual or alleged violations are expensive and can consume significant time and attention of executive and senior management regardless of the merit of any allegation. The Group may also be subject to competitive disadvantages to the extent that its competitors are able to secure business, licenses or other preferential treatment by making payments to government officials and others in positions of influence or using other methods that U.S. and foreign laws and regulations and the Group's own policies prohibit it from using.

2.2.5 Any failure to comply with the complex laws and regulations governing international trade, including import, export, economic sanctions and embargoes, could adversely affect the Group's operations

The shipment of equipment and materials required for shallow water offshore drilling operations across international borders subjects the Group to extensive import and export laws and regulations governing the Group's assets, equipment and materials, including those enacted by the United States and/or other countries in which the Group operates. Moreover, many countries control the export/import and re-export of certain goods, services and technology and may impose related export/import recordkeeping and reporting obligations. Governments also may impose economic sanctions and/or embargoes against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities.

These various jurisdictional laws and regulations regarding export/import controls and economic sanctions are complex, constantly changing, may be unclear in some cases and may be subject to changing interpretations. They may be enacted, amended, enforced or interpreted in a manner that could materially impact the Group's operations. Materials shipments and rig import/export may be delayed and denied for a variety of reasons, some of which are outside the Group's control, and including the Group's failure to comply with existing legal and regulatory regimes. Delays or denials could cause unscheduled operational downtime or termination of customer contracts. Any failure to comply with applicable legal and regulatory international trade obligations could also result in criminal and civil penalties and sanctions, such as fines, imprisonment, debarment from government contracts, seizure of shipments and loss of import/export privileges.

2.2.6 The Group may be subject to litigation and disputes that could have a material adverse effect on the Group's business, financial condition, prospects, results of operations and cash flows

The Group is, from time to time, involved in litigation and disputes. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment and tax matters and other litigation that arises in the ordinary course of the Group's business. Although the Group intends to defend these matters vigorously, it cannot predict with certainty the outcome or effect of any dispute, claim or other litigation matter. The Group may not have insurance for litigation or claims that may arise, or if it has insurance coverage, it may not be sufficient, insurers may not remain solvent, other claims may exhaust some or all of the insurance available to the Group or insurers may interpret the Group's insurance policies such that they do not cover losses for which the Group makes claims or may otherwise dispute claims made. Litigation may have a material adverse effect on the Group because of potential adverse outcomes, defence costs, the diversion of Management's resources and other risk factors inherent in litigation or relating to the claims that may arise.

*2.2.7 The Company is exposed to regulatory and enforcement risks regarding taxes. U.S. tax authorities may treat the Company as a passive foreign investment company ("**PFIC**"), causing potential adverse U.S. federal tax consequences to U.S. holders*

A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is categorised as a passive asset and the company's unbooked intangibles associated with active business activity are taken into account as a non-passive asset. The Company will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock.

The Company will not be treated as a PFIC for any relevant period as any income it receives from offshore drilling service contracts should be treated as "services income" rather than as passive income under PFIC rules. In addition, the assets the Group owns and utilise to generate this "services income" should not be considered to be passive assets.

Although there is significant legal authority supporting the Company's position, including relevant statutory provisions, legislative history, case law and various pronouncements from the United States Internal Revenue Service (the "**IRS**"), there is a possibility that the Company's income from offshore drilling service contracts may be characterised as "passive" income in light of a recent case characterising income from the time chartering of vessels as rental income as opposed to services income for other tax purposes. The IRS has formally announced that it does not agree with the decision in that case. Despite this IRS announcement, the IRS or a relevant court may not accept that the Company is not a PFIC.

If the Company was to be treated as a PFIC for any relevant period, its U.S. holders of Common Shares or Securities may face significant adverse U.S. tax consequences. Under the PFIC rules, a U.S. holder would be liable to pay U.S. federal income tax at the highest applicable rates on ordinary income upon the receipt of certain "excess" distributions and upon any gain from the disposition of the Securities, plus certain interest and penalties. Although Security holders can make certain elections to mitigate the application of the PFIC rules, these elections may not be available to a U.S. holder and, even if available, can themselves cause other adverse tax consequences.

2.2.8 Any relevant change in tax laws, regulations, or treaties, or relevant interpretations thereof, for any country in which the Group operates or earns income or is considered to be a tax resident, may result in a higher effective tax rate on the Group's worldwide earnings, which could have a material impact on the Group's earnings and cash flows from operations

The Company operates in many countries worldwide through various subsidiaries. As such, the Company is subject to changes in applicable tax laws, regulations or tax treaties, and the interpretation thereof in the various countries in which the Group operates or earns income or is deemed to be a tax resident. Any such change may result in a materially higher effective tax rate on the Group's earnings and could have a material impact on the Group's financial results.

For example, if Norwegian shareholders control a company (i.e. directly or indirectly own or control at least 50% of the shares or the capital of a company) that is resident in a low tax jurisdiction, such Norwegian shareholders may be subject to Norwegian taxation according to the Norwegian Controlled Foreign Corporations regulations (Norwegian CFC regulations). Such taxation could apply with respect to the Company and certain subsidiaries of the Group, if the Group becomes subject to the control of Norwegian shareholders. If the Norwegian shareholders of the Company are subject to Norwegian CFC taxation, such Norwegian shareholders are taxed in Norway on their proportionate share of the net profits generated by the relevant foreign company, calculated according to Norwegian tax regulations. The income will be subject to Norwegian taxation, currently at a rate of 22%.

2.2.9 The loss of any major tax dispute, or a successful challenge to the Company's intercompany pricing policies or operating structures, or a taxable presence of the Company's key subsidiaries in certain countries could result in a higher effective tax rate on the Company's worldwide earnings, which could have a material impact on the Company's earnings and cash flows from operations

The Company is an exempted company, limited by shares and incorporated under the laws of the Cayman Islands that operates through many subsidiaries in various countries throughout the world. Income taxes are based upon the relevant tax laws, regulations, and treaties that apply to the various countries in which the Company operates or earns income or is deemed to be a tax resident.

The Company's income tax returns are subject to examination and review. If any tax authority successfully challenges the Company's intercompany pricing policies or operating structures, or if any tax authority interprets a treaty in a manner that is adverse to the Group's structure, or if any tax authority successfully challenges the taxable presence of any of the key subsidiaries in a relevant jurisdiction, or if the Company loses a key tax dispute in a jurisdiction, the Company's effective tax rate on worldwide earnings may increase substantially, which could have a material impact on the Company's earnings and cash flows from operations.

Transactions taking place between the companies in the Group and related companies must be carried out in accordance with arm's length principles in order to avoid adverse tax consequences. There can be no assurance that the tax authorities will conclude that the Group's transfer pricing policies calculate correct arm's length prices for intercompany transactions, which could lead to an adjustment of the agreed price, which would in turn lead to increased tax cost for the Group.

2.2.10 If any part of the Group's business is moved outside of its current operative jurisdictions its overall tax exposure may change, which may affect its alleged compliance with applicable tax law, hence its profitability

The Company and most of its subsidiaries are incorporated in the Cayman Islands. The Company also has subsidiaries in various other jurisdictions. The overall tax charge is dependent on where profits are accumulated and taxed, whereas different countries have different tax systems and tax rates. Different jurisdictions have different legal systems with different laws for tax residency, tax credits and tax exemption rules. If the Group moves some of its operations into a new jurisdiction or acquires companies in jurisdictions in which it does not already operate, the overall tax charge of the Group may be affected. Further, the Group may also become exposed to changes of tax policies and amendments of tax legislations, proactively and/or retroactively, in all these jurisdictions.

Tax authorities are not bound by the Group's judgement and there can be no assurance that they will agree with it. If the relevant tax authority is of a different opinion and challenges the Group's perception, losses and increasing tax charges may materialise. This is not only topical for the Group's current situation, but also in the future if the Group expands its operations and establishes entities outside of its current operative jurisdictions. Any changes in the Group's tax exposure may affect its alleged compliance with applicable tax law, and any non-compliance may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

2.2.11 The Group is subject to laws and regulations in several jurisdictions, whereas failure to properly comply with such may adversely affect its operations

The Company is an exempted company, limited by shares with a certain number of Securities traded on the Oslo Stock Exchange. In addition, the Group has established operations in various other jurisdictions. Having international business activities means that the Company, and the Group as such, is subject to laws and regulations in multiple jurisdictions. Laws and regulations are subject to continual changes, whereas some legislative changes may be either directly disadvantageous to the Group's business or could oblige the Group to change its course of business or amend its business strategy to a less profitable strategy. Any failure to comply with applicable national and/or international laws could lead to costly litigations, penalties and other sanctions, and thus adversely affect the overall performance of the Group.

2.3 Risks related to the Securities

2.3.1 The Sponsors own, and the Subscribers will after the issue of the New Securities also own, a significant portion of the Securities, and their interests may conflict with those of the Group or other shareholders

After the issue of the New Securities, Castle Harlan, CHAMP Private Equity and Lime Rock Partners (jointly the "**Sponsors**") will each own 12.5% of the Securities and the Subscribers will collectively own 19.4% of the Securities. Accordingly, the Sponsors and the Subscribers will be able to exercise significant influence over the Group's affairs. In addition, the Sponsors' appointees and the contemplated Subscribers' appointees, will continue to constitute a majority of the Directors on the Board of Directors as a result of contractual provisions and the Company's Articles. See Section 14 "Corporate Information and Description of the Share Capital".

If circumstances arise where the interests of Sponsors and/or the Subscribers conflict with the interests of other shareholders, the other shareholders could be disadvantaged by the Sponsors' and/or the Subscribers' ability to influence actions contrary to the other shareholders' interests. This level of voting influence of the Sponsors and/or Subscribers may impact other shareholders' ability as minority shareholders to have an influence on the result of special resolutions which shall be required for certain types of transactions, such as the reduction of the Group's share capital, the repurchase of shares or the approval of a merger, or that involve an actual or potential change of control of the Group, including transactions in which shareholders might receive a premium for their shares over prevailing market prices.

2.3.2 The Company does not expect to pay any dividends to the holders of the Common Shares, including Securities, in the near future and the availability and timing of future dividends, if any, is uncertain

The Group currently intends to retain future earnings, if any, to finance expansion of its business, acquisitions, repay its debt, and does not expect to declare or pay any dividends on the Securities (by way of dividend on the Common Shares) in the near future. Agreements governing the Group's existing indebtedness place certain restrictions on the ability of the Company and of the restricted subsidiaries within the Group to pay dividends. Consequently, the only opportunity to achieve a return on the investment in the Company will be to sell the Security at a price greater than paid for it. In addition, the Group may amend the agreements governing the Group's existing indebtedness or enter into new debt arrangements that also prohibit or restrict the Company's and/or the Group's ability to pay dividends on Common Shares or even further restrict the Company's ability to pay dividends.

Subject to such prohibitions and restrictions, the Board of Directors will determine the amount and timing of shareholder dividends, if any, that the Company may pay in future periods. In making this determination, the Board of Directors will consider all relevant factors, including the amount of cash available for dividends, capital expenditures, covenants, prohibitions or limitations with respect to dividends, applicable law, general operational requirements and other variables. The Company cannot predict the amount or timing of any future dividends, and if the Company does commence the payment of dividends, the Company may be unable to pay, maintain or increase dividends over time. Therefore, investors may not be able to realise any return on their investment in the Securities for an extended period of time, if at all.

2.3.3 Shareholder rights and responsibilities will be governed by Cayman Islands law and will differ in some respects from the rights and responsibilities of shareholders under other jurisdictions, including Norway and the United States, and the Company's shareholder rights under Cayman Islands law may not be as clearly established as shareholder rights are established under the laws of other jurisdictions

The Company's corporate affairs are governed by the Company's Articles and by the laws governing companies incorporated in the Cayman Islands. The rights of the Company's shareholders and the responsibilities of members of the Board of Directors under Cayman Islands law may not be as clearly established as under the laws of other jurisdictions. In addition, the rights of shareholders as they relate to, for example, the exercise of shareholder rights, are governed by Cayman Islands law and the Company's Articles and differ from the rights of shareholders under other jurisdictions, including Norway and the United States. The holders of the Securities may have more difficulty in protecting their interests in the face of actions by the Board of Directors than if it were incorporated in the United States or Norway.

More specifically, under the Articles, Common Shares held by the Sponsors entitle them to elect a number of the Directors, as described in Section 12.1.1 "Overview of the Board of Directors".

2.3.4 Pre-emptive rights with respect to the Common Shares are not available to holders of Securities

Under Cayman Islands law and the Company's Articles, holders of Securities do not have pre-emptive rights that maintain their relative ownership percentages prior to the issuance of any new Common Shares. Without pre-emptive rights, future issuances of Common Shares or other securities may result in substantial dilution in the percentage of, and may have the effect of diluting the value of, the Securities, and might have an adverse effect on any trading market for the Securities.

2.3.5 Limited free float of the Securities may have a negative impact on the liquidity of and market price for the Securities

After the issuance of the New Securities, 56.8% of the Company's Common Share capital will be held by the Sponsors (37.4%) and the Subscribers (19.4%). Limited free float may have a negative impact on the liquidity of the Securities and result in a low trading volume of the Securities, which could have an adverse effect on then prevailing market price for the Securities and could result in increased volatility of the market price for the Securities.

2.3.6 The price of the Securities could fluctuate significantly

The trading volume and price of the Securities could fluctuate significantly. The securities markets in general have been volatile in recent years. Some of the factors that could negatively affect the price of the Securities or result in fluctuations in the price or trading volume of the Securities include, for example, changes in the Company's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions, changes in shareholders and other factors. Volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Securities may therefore fluctuate based upon factors that are not specific to the Company, and these fluctuations may materially affect the price of the Securities.

2.3.7 Future sales, or the possibility for future sales, including by the Sponsors or the Subscribers, of substantial numbers of Securities could affect the market price of the Securities

The Company cannot predict what effect, if any, future sales of the Securities, or the availability of Securities for future sales, will have on the market price of the Securities. Sales of substantial amounts of the Securities in the public market, including by the Sponsors and/or the Subscribers, or the perception that such sales could occur, could adversely affect the market price of the Securities, making it more difficult for Security holders to sell their Securities or the Company to sell equity securities in the future at a time and price that they deem appropriate.

2.3.8 Future issuances of Securities or other securities could dilute the holdings of Security holders and could materially affect the price of the Securities

The Company may in the future decide to offer additional Securities or other securities in order to finance, among other needs, new capital-intensive projects, in connection with unanticipated liabilities, as currency in M&A transactions, regulatory requirements, or expenses or for any other purposes.

There can be no assurance that the Company will not decide to conduct further offerings of securities in the future. Depending on the structure of any future offering, certain Security holders may not have the ability to purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, holdings and voting interests of Security holders could be diluted and the market price of the Securities could be affected in a material adverse manner.

2.3.9 Exchange rate fluctuations could adversely affect the value of the Securities and any dividends paid on the Securities for an investor whose principal currency is not USD

The Securities are priced and traded in NOK on the Oslo Stock Exchange and any future payments of dividends on the Securities will be denominated in the currency of the bank account of the relevant Security holder, and will be paid to the Security holders through DNB Bank ASA ("**DNB**"), being the Company's VPS registrar (the "**VPS Registrar**"). Security holders registered in the VPS who have not supplied their VPS account operator with details of their bank account, will not receive payment of dividend unless they register their bank account details of their VPS account, and thereafter inform the VPS Registrar about said account. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant Security holder's currency will be the VPS Registrar's exchange rate on the payment date. Exchange rate movements of USD will therefore affect the value of these dividends and distributions for investors whose principal currency is not USD. Further, the market value of the Securities as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Securities and of any dividends paid on the Securities for an investor whose principal currency is not USD.

2.3.10 Market yield rates could influence the price of the Securities

One of the factors that could influence the price of the Securities is its annual dividend yield as compared to yields on other financial instruments. As such, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Securities.

2.3.11 The transfer of Securities and their underlying assets is subject to restrictions under the securities laws of the United States and other jurisdictions

The Securities or underlying assets have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside Norway and the Cayman Islands, respectively, and are not expected to be registered in the future. As such, the Securities or underlying assets may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable securities laws. In addition, Security holders residing or domiciled in the United States and/or other jurisdictions may be able to participate in future capital increases.

2.3.12 Investors could be unable to recover losses in civil proceedings in jurisdictions other than the Cayman Islands and Norway

The Company is an exempted company, limited by shares and incorporated under the laws of the Cayman Islands. The Directors and the members of the Management reside in the United States of America, Saudi Arabia, Australia and United Arab Emirates. As a result, it may not be possible for investors to effect service of process in other jurisdictions upon such persons or the Company, it may be difficult to enforce against such persons or the Company judgments obtained in non-Cayman Islands or non-Norwegian courts, or to enforce judgments on such persons or the Company in other jurisdictions.

2.3.13 Cayman Islands law could limit Security holders' ability to bring an action against the Company

The rights of Security holders are governed by Cayman Islands law and by the Articles. These rights may differ from the rights of shareholders in other jurisdictions, including Norway. In addition, it could be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

2.3.14 Risks related to the registration of the Securities in the VPS and the Registrar Agreement

The Company has established a facility for the registration of the Securities in the VPS. The Company has appointed DNB as its VPS Registrar in the VPS in accordance with the Registrar Agreement (as defined below). The VPS Registrar will be recorded as the shareholder in the Company's shareholders' register. The VPS Registrar has registered the Securities in the VPS which following such registration reflects the beneficial shareholders, personally or through nominee registrations. Security holders must exercise their organisational and economic rights through the VPS Registrar. In order to exercise full shareholder rights, the Security holders must transfer their holding in the VPS to a registered holding of shares in the Company's shareholders' register. The Company cannot guarantee that the VPS Registrar will be able to execute its obligations under the Registrar Agreement. Any such failure may, inter alia, limit the access for, or prevent, investors from exercising their organisational or economic rights attached to the underlying shares. The VPS Registrar may terminate the Registrar Agreement pursuant to a prior written notice of termination. Furthermore, the VPS Registrar may terminate the Registrar Agreement with immediate effect if the Company does not fulfil its payment obligations to the VPS Registrar or commits any other material breach of the Registrar Agreement. In the event of a termination of the Registrar Agreement, there can be no assurance that it would be possible for the Company to enter into a new registrar agreement on substantially the same terms or at all. A termination of the Registrar Agreement could, therefore, materially and adversely affect the Company and the Security holders. The VPS Registrar disclaims any liability for any loss attributable to circumstances beyond the VPS Registrar's control, including, but not limited to, errors committed by others. The VPS Registrar is liable for direct losses incurred as a result of the VPS Registrar's breach of contract. Accordingly, the Company and the Security holders may not be able to recover its entire loss if the VPS Registrar does not perform its obligations under the Registrar Agreement.

Holders of the Securities are not able to exercise direct shareholder rights. As nominee for the Security holders, the VPS Registrar will be the registered shareholder in the Company's shareholders' register and the Security holders may only exercise their rights with respect to the shares in accordance with the terms and conditions set out in this Prospectus. There are no provisions under Cayman Islands law or under the Company's Articles that limit the Security holders' in exercising their rights in respect of the Securities through the VPS Registrar. In order to exercise their rights, Security holders must instruct the VPS Registrar as to the voting in the shares represented by their Securities.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Listing of the New Securities on the Oslo Stock Exchange.

The Board of Directors of Shelf Drilling, Ltd. accepts responsibility for the information contained in this Prospectus. The members of the Board of Directors confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

7 May 2019

The Board of Directors of Shelf Drilling, Ltd.

Ernie Danner *Chairman*	Graham Brooke *Director*
John K. Castle *Director*	David Mullen *Director*
J. William Franklin, Jr. *Director*	David Pittaway *Director*
John Reynolds *Director*	Benjamin Sebel *Director*
Tyson Smith *Director*	Usama Trabulsi *Director*

David Williams
Director

4 GENERAL INFORMATION

4.1 Other important investor information

The Company has furnished the information in this Prospectus. The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new circumstances, material errors or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Securities between the time of approval of this Prospectus by the Norwegian Financial Supervisory Authority of Norway and the Listing, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstance imply that there has not been any change in the Group's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Listing, other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or by any of its affiliates, representatives, advisors or selling agents.

Neither the Company nor its affiliates, representatives or advisors, are making any representation, express or implied, to any offeree or purchaser of the Securities regarding the legality of an investment in the Securities. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Securities.

Investing in the Securities involves a high degree of risk. See Section 2 "Risk Factors" beginning on page 15.

4.2 Presentation of financial and other information, including currencies

4.2.1 Financial information

The Group's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016 (hereinafter jointly referred to as the "**Financial Statements**"), incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference", have been prepared in accordance with US GAAP.

The Financial Statements have been audited by PricewaterhouseCoopers Dubai branch ("**PwC**"), as set forth in their auditor's report incorporated by reference into this Prospectus, see Section 17.5 "Incorporated by reference".

The Company presents the Financial Statements in USD, as its functional currency.

4.2.2 Non-US GAAP measures

This Prospectus contains financial measures and ratios, including Adjusted EBITDA, that are not required by, or presented in accordance with US GAAP. The Company refers to these measures as "non-GAAP financial measures".

"**Adjusted EBITDA**" is defined as net income / (loss) excluding interest expense and financing charges, net of interest income, income tax expense, depreciation, amortisation of deferred costs, loss on impairment of assets, loss / (gain) on disposals of assets, sponsors' fee, share-based compensation expense, net of forfeitures, acquired rig reactivation costs, one-time corporate transaction costs and other specific expenses. For a reconciliation of net income / (loss) to Adjusted EBITDA and more information about how these financial measures are calculated, see Section 11.2 "Operations and reporting segments".

The Company presents non-GAAP financial measures because it believes that they, and other similar measures, are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The Company believes Adjusted EBITDA provides meaningful information about the performance of its business and therefore uses it to supplement its US GAAP reporting. The Company believes that Adjusted EBITDA improves the comparability of year-to-year results and is representative of the Company's underlying performance. The non-GAAP financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's operating results as prepared under US GAAP. Non-GAAP financial measures and ratios are not measurements of the Company's performance, financial condition or liquidity under US GAAP and should not be considered as alternatives to operating profit or profit or as alternatives to cash flow from operating, investing or financing activities, or any other performance measures, derived in accordance with US GAAP or any other generally accepted accounting principles.

4.2.3 Industry and market data

In this Prospectus, the Company has used industry and market data obtained from independent industry publications, market research, and other publicly available information, including information from DNB Markets Equity[1] Research and Rystad Energy[2].

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified, however, source references to websites shall not be deemed as incorporated by reference to this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that has been extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

The Company cautions prospective investors not to place undue reliance on the above-mentioned data. Unless otherwise indicated in the Prospectus, any statements regarding the Group's competitive position are based on the Group's own assessment and knowledge of the market in which it operates. While the Company has compiled, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk Factors" and elsewhere in this Prospectus.

4.2.4 Other information

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway and "**USD**" or "**U.S. dollar**" are to the lawful currency of the United States.

4.2.5 Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

4.3 Cautionary note regarding Forward-looking Statements

This Prospectus 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. They appear in the following Sections in this Prospectus, Section 7 "Industry and Market Overview", Section 8 "Business of the Group" and Section 11 "Operating and Financial Review", and 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

[1] Information from this source in the Prospectus is available at https://www.dnb.no/bedrift/markets.

[2] Information from this source in the Prospectus is available at https://www.rystadenergy.com/Products.

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 contained in this Prospectus. 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. Important factors that could cause those differences include, but are not limited to:

- the Group's ability to renew or extend contracts, enter into new contracts when such contracts expire, and negotiate the dayrates and other terms of such contracts;
- the demand for the Group's drilling rigs, including the preferences of some of its customers for newer and/or higher specification rigs;
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild rigs;
- the expectations of the Group's customers relating to future energy prices and ability to obtain drilling permits;
- the impact of variations in oil and gas production and prices and demand in hydrocarbons;
- the impact of variations in demand for the Group's products and services;
- sufficiency and availability of funds and adequate liquidity for required capital expenditures and deferred costs, working capital and debt service;
- the Group's levels of indebtedness, covenant compliance and access to future capital;
- the level of reserves for accounts receivables;
- the disproportionate changes in operating and maintenance costs compared to changes in operating revenues;
- downtime and other risks associated with offshore rig operations or rig relocations, including rig or equipment failure, damage and other unplanned repairs;
- the expected completion of shipyard projects including the timing of construction and delivery of newbuild rigs and the return of idle rigs to operations;
- the cost and timing of acquisitions and integration of additional rigs;
- future capital expenditures and deferred costs, refurbishment, reactivation, transportation, repair and upgrade costs;
- the Group's strategies and their effects and results;
- the Group's ability to reactivate rigs;
- complex laws and regulations, including environmental, anti-corruption and tax laws and regulations, that can adversely affect the cost, manner or feasibility of doing business;
- litigation, investigations, claims and disputes and their effects on the Group's financial condition and results of operations;
- effects of accounting changes and adoption of accounting policies;
- expectations, trends, and outlook regarding offshore drilling activity and dayrates, industry and market conditions, operating revenues, operating and maintenance expense, insurance coverage, insurance expense and deductibles, interest expense and other matters with regard to outlook and future earnings;
- potential asset impairment as a result of future decline in demand for shallow water drilling rigs;
- the market value of the Group's drilling rigs and of any rigs it acquires in the future may decrease;
- effects of customer interest or inquiries;
- the global number of contracted rigs, and the Group's ability to benefit from any increased activity;

- the Group's ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labour regulations, unionisation or otherwise;
- the security and reliability of the Group's technology systems and service providers;
- adverse changes in foreign currency exchange rates;
- changes in general economic, fiscal and business conditions in jurisdictions in which the Group operates and elsewhere;
- the Group's ability to obtain financing and pursue other business opportunities may be limited by the Group's debt levels, debt agreement restrictions and the credit ratings assigned to the Group's debt by independent credit rating agencies;
- a significant reduction by the Sponsors of their respective ownership interests in the Company;
- the costs associated with being a public company, including compliance with the Norwegian securities laws;
- incorporation under the laws of the Cayman Islands and the limited rights to relief that may be available compared to Norwegian laws;
- the competitive nature of the business the Group operates in and the pressure and changes to the competitive environment in general;
- earnings, cash flow, dividends and other expected financial results and conditions;
- technological changes and new products and services introduced into the Group's market and industry;
- changes in general economic and industry conditions;
- political, governmental, social, legal and regulatory changes;
- dependence on and changes in Management and failure to retain and attract a sufficient number of skilled personnel;
- access to funding; and
- legal proceedings.

The information contained in this Prospectus, including the information set out under Section 2 "Risk Factors", identifies additional factors that could affect the Group's business, financial condition, results of operations, cash flows, liquidity and performance. Prospective investors in the Securities are urged to read all Sections of this Prospectus and, in particular, Section 2 "Risk Factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which it operates when considering an investment in the Group.

These Forward-looking Statements speak only as at the date on which they are made. The Group undertakes no obligation to publicly update or publicly revise any Forward-looking Statement, whether as a result of new information, future events or otherwise. All subsequent written and oral Forward-looking Statements attributable to the Group or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

4.4 Exchange rates

The following table sets forth, for the previous five years as indicated, information regarding the average, high and low reference rates for the Norwegian kroner, expressed in NOK per USD, in each case rounded to the nearest four decimal places, based on the daily exchange rate announced by the Central Bank of Norway:

Fiscal year	Average	High	Low	Period end[1]
2014	6.3011	7.2718	5.9350	7.2718
2015	8.0637	8.7008	7.5484	8.7008
2016	8.4014	8.8309	8.1642	8.5620
2017	8.2712	8.5804	7.8290	8.3147
2018	8.1338	8.7982	7.7039	7.7039

1 31 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2014, 2015 and 2018. 30 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2016. 29 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2017.

5 DIVIDENDS AND DIVIDEND POLICY

5.1 Dividend policy

The Company does not intend to declare or pay any dividends to holders of Common Shares, including Securities, in the near future. The Company currently intends to retain future earnings, if any, to fund its operations and to develop and grow its business. The Company's future dividend policy is within the discretion of the Board of Directors, but should the market recover as expected, the Company will balance dividends to holders of Common Shares, including Securities, with other various factors that the Board of Directors deems relevant, including the Company's results of operations, financial condition, capital requirements and investment opportunities.

In addition, the Group's existing indebtedness places restrictions on the Company's ability to pay dividends. Furthermore, since the Company is a holding company with no material assets other than the shares of its subsidiaries through which it conducts its operations, the Company's ability to pay dividends will depend on distributions from its subsidiaries based on their earnings and cash flows.

See Section 2.3.2 of the risk factors "The Company does not expect to pay any dividends to the holders of the Common Shares, including Securities, in the near future and the availability and timing of future dividends, if any, is uncertain".

The Company has not distributed any dividends on the Common Shares for the financial years ended 31 December 2018, 2017 and 2016.

5.2 Legal constraints on the distribution of dividends

The holders of Securities are entitled to such dividends, as may be declared by the Board of Directors on the Common Shares in accordance with the Articles. In addition, subject to the Cayman Islands Companies Law and the Articles, and except as otherwise provided by the rights and restrictions attached to any shares, the Company's shareholders may by ordinary resolution declare a dividend (including interim dividends), provided that no dividend shall exceed the amount recommended by the Board of Directors.

Under Cayman Islands law, a Cayman Islands exempted company may pay dividends on its shares provided there are no restrictions (either express or implied) in its articles of association, and such dividends must be paid only out of funds legally available, namely out of either profit, share premium account or distributable reserves, provided that in no circumstances may a dividend be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Board of Directors may declare that any dividend should be paid wholly or partly by the distribution of the Company's shares or other specific assets.

5.3 Manner of dividend payments

Any future payments of dividends on the Securities will be denominated in the currency of the bank account of the relevant Security holder, and will be paid to the Security holders through the VPS Registrar. Security holders registered in the VPS who have not supplied their VPS account operator with details of their bank account, will not receive payment of dividends unless they register their bank account details on their VPS account, and thereafter inform the VPS Registrar about said account, or request their VPS account operator to register bank details in the VPS system. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant Security holder's currency will be the VPS Registrar's exchange rate on the payment date. Dividends will be credited automatically to the VPS registered Security holders' accounts, or in lieu of such registered account, at the time when the Security holder has provided the VPS Registrar with their bank account details, without the need for Security holders to present documentation proving their ownership of the Securities.

The Board of Directors may fix in advance or arrears a date as the record date for the determination of shareholders entitled to receive payment of any dividend. If no record date is fixed for the determination of shareholders entitled to receive payment of a dividend, the date on which the resolution of the Directors declaring such dividend is adopted shall be the record date for such determination of shareholders. There is no fixed date or time limit on which entitlement to dividends (if any) arises.

6 THE TRANSACTION

6.1 General

The Transaction is regulated by the following agreements entered into on 21 February 2019 between the Company (or relevant subsidiaries of the Company) and affiliates of China Merchants & Great Wall Ocean Strategy & Technology Fund ("**CM**"):

- Two rig purchase agreements, each of which regulates the Group's purchase of one premium CJ46 jack-up rig (the two rigs to be purchased under the agreements are referred to as the "**CM Rigs**") from Wealthy Marvel Enterprises Limited (a joint venture between CM and TSC Group Holdings Limited (a company controlled by CM)) (the "**Seller**") (the "**Rig Purchase Agreements**");

- Two share subscription agreements pursuant to which Wealthy Marvel International Limited (an affiliate of CM) and the Seller (together referred to as the "**Subscribers**") shall subscribe for 26,769,230 Common Shares against a total subscription payment of USD 174 million (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 "**CM Charter Agreements**").

Furthermore, on 25 March 2019 the Sponsors, the Subscribers and the Company entered into a voting agreement (the "**Voting Agreement**") regarding the Sponsors' and Subscribers' exercise of certain voting rights at the next general meeting of the Company held after the Completion Date.

The above mentioned agreements are further described in Section 6.2 to Section 6.4 below.

6.2 Rig Purchase Agreements

Pursuant to the Rig Purchase Agreements, the ownership of the CM Rigs will be transferred from the Seller to the Group against the Group's payment of the Rig Purchase Price (as defined below) on the completion date (the "**Completion Date**").

The purchase price for each CM Rig is USD 87 million, i.e. USD 174 million in total for both the CM Rigs (the "**Rig Purchase Price**"). The Rig Purchase Price will be paid by the Subscribers, on behalf of the Company, pursuant to the Share Subscription Agreements (see Section 6.3 "Share Subscription Agreements" below).

The Completion Date is expected to be on or about 9 May 2019, subject to successful completion of the rig acceptance and certain other customary closing conditions. The two Rig Purchase Agreements are not conditional upon, and may therefore be completed independently of, each other.

The Group is responsible for costs incurred in preparing the CM 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 SDHL Revolver.

The Group has received customary warranties for the CM Rigs from the Seller under the Rig Purchase Agreements.

6.3 Share Subscription Agreements

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, comprised of 3,692,308 new Common Shares held by the Seller and 23,076,922 new Common Shares held by Wealthy Marvel International Limited, 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 the New Securities on, or immediately after, the Completion Date and the issue of the new Common Shares. Upon completion of the Listing, the Subscribers will be the holders of the New Securities.

Completion of each of the Share Subscription Agreements is conditional upon (i) completion of the relevant rig acquisition, (ii) the approval of this prospectus for the listing of the New Securities by the Norwegian FSA, and (iii) certain other customary conditions.

In the Share Subscription Agreements, the Company has provided the Subscribers with certain warranties regarding the Group and its business. Furthermore, the Company has undertaken to ensure that the following is included on the agenda for its next general shareholders' meeting after the Completion Date:

A. that the maximum number of directors permitted to be appointed from time to time is amended to 13 in order to permit the appointment of two Directors nominated by CM and the appointment of two Directors nominated by each of the Sponsors; and

B. that (i) two persons to be nominated by CM and (ii) three persons to be nominated by the Sponsors are appointed as directors of the Company with effect from the date of the annual general meeting.

See Section 12.1.1 "Overview of the Board of Directors" for further information about the Board of Directors.

Pursuant to the Voting Agreement, the Sponsors and the Subscribers have agreed that they shall vote in favour of the above matters at the next general meeting of the Company held after completion of the Transaction.

Furthermore, the Company has undertaken to grant CM, effective on and from the Completion Date, the right to appoint a representative to attend all meetings of the Board of Directors in a non-voting, observer capacity, until the Directors nominated by CM are appointed to the Board of Directors.

6.4 CM Charter Agreements

The CM Charter Agreements govern the Group's bareboat charter of two additional premium CJ46 jack-up rigs (the two bareboat charter rigs are together referred to as 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 rigs for a consideration of USD 90 million per rig during the first year of the charter period, USD 92 million 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 a charter rate of USD 10,000, USD 15,000 and USD 20,000 per CM Bareboat Rig each day during the first, second and third year, respectively, of the charter period.

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 SDHL Revolver.

The CM Charter Agreements are conditional upon completion of the Rig Purchase Agreements and the Share Purchase Agreements.

6.5 Agreements entered into for the benefit of management or directors

No agreements have been entered into by the Company in connection with the Transaction for the benefit of any Directors or senior employees of the Company, or for the benefit of any senior employees of CM.

6.6 Resolutions relating to the Transaction

At the date of this Prospectus the Company's share capital is USD 1,112,403.94 consisting of 111,240,394 Common Shares, each with a par value of USD 0.01. The Board of Directors is, pursuant to the Articles, authorised to issue the remaining authorised share capital of USD 328,230.79 representing 32,823,079 Common Shares, each of a par value of USD 0.01. On 6 May 2019, the Board of Directors resolved to (i) approve the completion of the Transaction and (ii) use its authorisation to issue 26,769,230 Common Shares to the Subscribers, in the form of the New Securities. The underlying Common Shares for the New Securities are expected to be issued on or about 9 May 2019, subject to completion of the Transaction.

6.7 The rights conferred by the New Securities

The New Securities will, when issued, in all respects carry the same rights, with the same shareholders' rights, including the right to dividends, in the Company as the underlying Common Shares, exercisable through the VPS Registrar as set out in Section 14.6 "VPS registration of the Securities".

For a description of rights attached to the Securities, see Section 14 "Corporate Information and Description of the Share Capital".

6.8 VPS registration

The New Securities will be registered in the VPS under ISIN KYG236271055. The New Securities will be registered in book-entry form with the VPS, while the Common Shares will be registered in the name of the VPS Registrar in the Company's shareholder register in the Cayman Islands. The Company's security register with the VPS is administered by DNB Bank ASA, Dronning Eufemias gate 30, N-0191 Oslo, Norway.

6.9 Dilution

The New Securities to be issued in connection with the Transaction will result in a dilution of 19.4% for existing shareholders.

6.10 Lock-up

The Subscribers have agreed that, for a period of nine months after the New Securities are issued, the Subscribers will not, without the prior written consent of the Board of Directors of the Company, (i) offer, pledge, sell, contract or agree to sell, grant any option or other right to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any of the New Securities or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the New Securities; or (iii) publicly announce an intention to effect any transaction described in (i) or (ii) above.

The lock-up undertaking does not apply to: (i) an acceptance or pre-acceptance by the Subscribers of any takeover offer pursuant to chapter 6 of the Norwegian Securities Trading Act; (ii) a transfer to any of the Subscribers' affiliates, provided that any such affiliate shall have been specifically identified prior to the Completion Date; or (iii) any pledge pursuant to a bona fide transaction between a Subscriber and any arm's length lender that is in effect as of the date of the Subscription Agreements, as disclosed in writing to the Company provided, that in each transfer pursuant to sub-clauses (ii) and (iii), the transferee agrees to be bound in writing by the same lock-up undertaking as stated above prior to such transfer.

The lock-up undertakings related to the Existing Securities are described in Section 14.13 "Lock-up".

6.11 Interest of natural and legal persons involved in the Transaction

The Company is not aware of any interest, including conflicting ones, of any natural or legal persons involved in the Transaction.

7 INDUSTRY AND MARKET OVERVIEW

The Company has used industry and market data obtained from independent industry publications, market research, and other publicly available information, including information from DNB Markets Equity Research[3] and Rystad Energy[4] in order to prepare the following overview of the offshore drilling industry. While the Company has compiled, extracted and reproduced data from external sources, the Company has not independently verified the correctness of such data. The Company therefore cautions investors not to place undue reliance on the above mentioned data. Unless otherwise indicated, the basis for any statements regarding the Group's competitive position is based on the Company's own assessment and knowledge of the market in which it operates.

The Company confirms that, where information has been sourced from a third party, such information has been accurately reproduced. As far as the Company is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties is presented, the source of such information is identified.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and can thus not give any assurances as to the accuracy of market data, which has been extracted from such publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and do not, necessarily, reflect actual market conditions. Such statistics are based on market research, which, itself, is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, investors should be aware that statistics, statements and other information relating to markets, market sizes, market shares, market positions and other industry data set forth in the following (and projections, assumptions and estimates based on such data) may not be reliable indicators of the Group's future performance and the future performance of the offshore drilling industry.

The following discussion contains Forward-looking Statements, see Section 4.3 "Cautionary note regarding Forward-looking ". The Forward-looking Statements in this section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, and such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 2 "Risk Factors" and elsewhere in this Prospectus.

7.1 Introduction

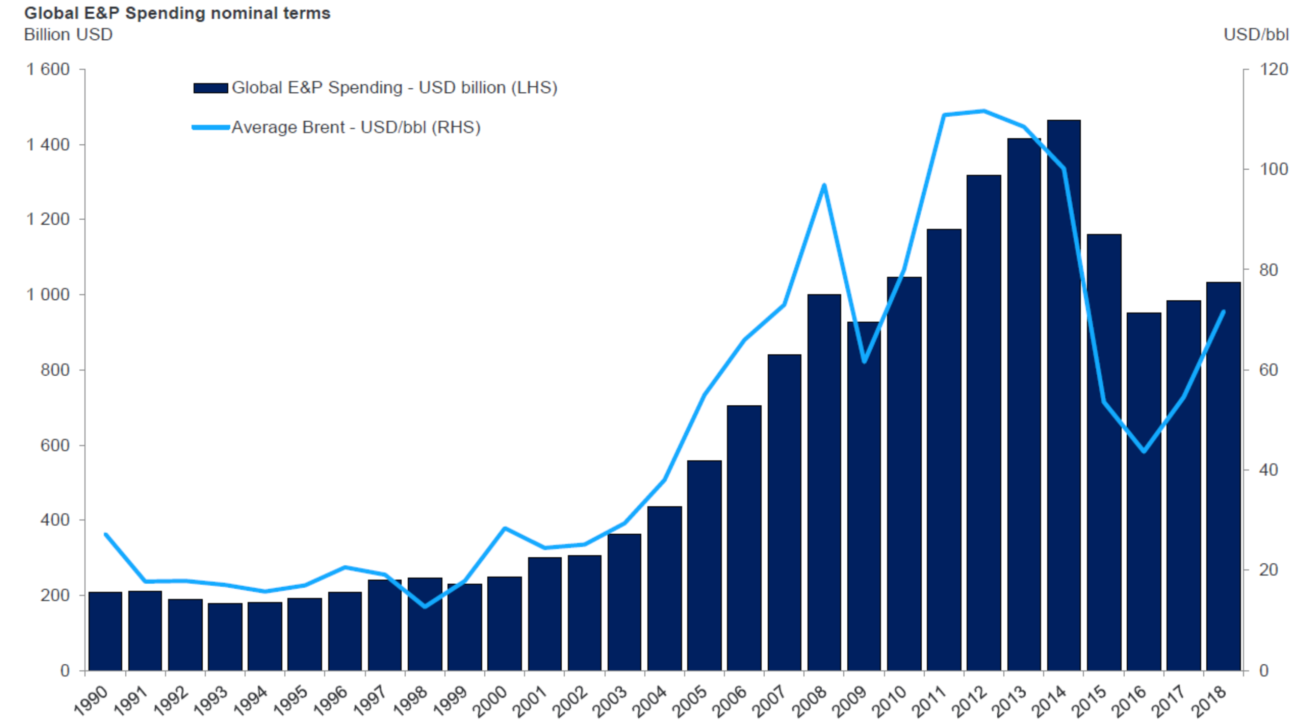
The Company operates in the offshore drilling market which is a part of the international oil service industry. The fundamental driver of oilfield services and offshore drilling activity is the level of investment and the E&P companies' exploration, development and production of crude oil and natural gas. Historically, the level of upstream capital expenditure has been driven by future oil and natural gas price expectations. This correlation has recently been observed following the decline in crude oil prices in 2014, which had a negative impact on the demand for services across the oil service industry in general. As oil prices fell from an average of USD 109/barrel (Unit of Brent oil – "Bbl") in H1 2014 to an average of USD 44/Bbl in 2016, the lower price along with uncertainty of future price development caused a material reduction in exploration and development spending, both in 2015 and in 2016. However, as the oil price has increased from the 2016 trough, exploration and development spending increased by 4.2% from 2016 to 2017. The figure below shows the correlations between global E&P spending on exploration and production and the oil price from 1990 to 2018.[5]

[3] Information from this source in the Prospectus is available at https://www.dnb.no/bedrift/markets.

[4] Information from this source in the Prospectus is available at https://www.rystadenergy.com/Products.

[5] Rystad Energy UCube, 31 December 2018.

Figure 7.1 Global E&P spending (USD billion 1990 – 2018)



Source: Rystad Energy UCube, 31 December 2018

7.1.1 Offshore developments and value chain

The offshore oil and gas industry comprises extraction and production of oil and gas. However, offshore developments are highly complex — they are highly technical with many risk factors. Unlike onshore developments, where drilling and processing equipment can more easily be constructed onsite, often with access to existing infrastructure, offshore developments have additional engineering and logistical requirements in designing, transporting, installing and operating facilities in the remote offshore environment. Due to this, each production unit is often uniquely and specifically designed for the field's geological and environmental characteristics including hydrocarbon specifications, reservoir requirements (water/gas/chemical injection), well/subsea configuration, water depth, and weather conditions (above and below the water). Below is a brief overview of the key elements in offshore development.

Exploration

This phase can take from several months to a few years after the oil company wins the block, depending on the amount of information already provided by the government or other related parties. It typically involves seismic surveys (2D or 3D) of the block and then analysis to determine the hydrocarbon characteristics of the field. If the prospect is promising, this analysis would determine the location for an exploration (wildcat) well.

Drilling

To gain more information about the size and characteristics of the reservoir's hydrocarbons, exploratory and appraisal, drilling is conducted. During this appraisal phase, wells may be drilled in different areas to determine the limits of the reservoir, where the oil, gas and water are located within the reservoir and how well the hydrocarbons flow within the reservoir. This could be conducted in a single drilling campaign, but is often conducted in multiple campaigns, in order to allow time to analyse the results and provide additional information for the development phase. The drilling phase and general market dynamics are described in greater detail in Sections 7.1.2 "Overview", 7.1.3 "Types of rigs" and 7.1.4 "Industry fragmentation".

Field Development

This phase is complex and involves multiple parties. During this period, the field operator and its partners evaluate various options for economic development of the field. The planning stage typically involves making commercial and strategic decisions (based on the information gathered on the field's characteristics during the previous two phases). Technical assessments and commercial estimates are made and reviewed in an iterative process until an optimum solution is selected. This may be done in the planning stage, or in the final design stage, depending on the complexity of the development and level of detail. Based on several criteria, such as expected product volume, necessary investments, economic feasibility, and operating costs, the most suitable concept for development is chosen. There are several possibilities for developing a crude oil or natural gas field, for instance a stand-alone platform, subsea tie-back with an FPSO or linked to an already existing platform facility.

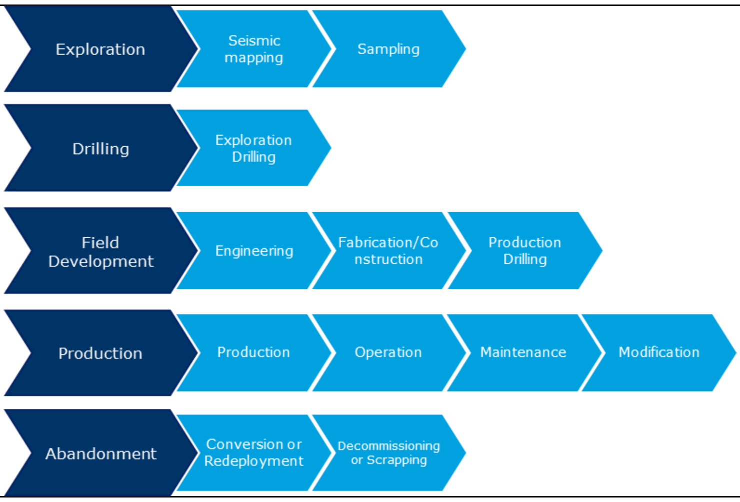
Production

Once the production facilities and surrounding infrastructure are built, the field is set for production. The service life of the fields varies, and depending on the field characteristics, a field can normally remain productive for between 10 and 40 years.

Abandonment

Once the field production declines to a point where it is no longer economic, the field is shut-in. The license holders are typically required to deliver an abandonment plan between two and five years before production ceases. Decommissioning requires a large capital commitment which is important to consider when determining the profitability of a petroleum field.

7.1.1 Offshore developments life cycle schematic



Source: Shelf Drilling, 1 April 2017

7.1.2 Overview

The offshore contract drilling industry provides drilling, workover and well construction services to oil and gas exploration and production, or E&P, companies primarily using jack-up rigs, semi-submersible rigs and drillships. The type of drilling unit, or rig, utilised typically depends primarily on the water depth and the depth of the well to be drilled. Generally, jack-up rigs operate in shallow waters of 400 feet or less, while semi-submersibles and drillships, or floaters, operate in mid to deepwaters. In addition, mobile barges can be used in very shallow water environments of 25 feet or less. Water depths range between 400 and 3,000 feet for midwater rigs and greater than 3,000 feet for deepwater rigs, respectively. According to Rystad Energy, as of 31 December 2018, the global jack-up and floater fleet totalled 604 units, excluding rigs under construction, 383 of which are jack-up rigs and 221 of which are floaters.[6]

Offshore contract drilling services are marketed globally, as drilling rigs can move on a self-propelled basis or be towed from one region to another. In some cases, the cost of relocating a rig may result in significant short-term variations in regional supply and demand, but these variations are typically short-lived in comparison to contract duration and are generally less significant for jack-up rigs. The global shallow water drilling market is characterised by diverse fleet requirements, customer needs and established hydrocarbon-producing regions. Drilling rigs must be suited to the environment in which they operate, limiting the utility of transporting rigs between certain markets, effectively creating

[6] Rystad Energy RigCube, 31 December 2018.

regional markets within the global shallow water drilling market. For example, rigs in the North Sea may require harsh environment modifications, whereas rigs in the Middle East do not.

Offshore drilling contractors typically operate their rigs under term contracts entered into following either a competitive tender process along with other contractors or direct negotiations with E&P companies. These contracts typically range in duration from a few months or weeks to several years. The rate of compensation specified in each contract depends on the number of available rigs capable of performing the work, the nature of the operations to be performed, the duration of the work, the amount and type of equipment and services provided, the geographic areas involved, market conditions and other variables. Generally, contracts specify dayrates, which are determined based on operational and other factors.

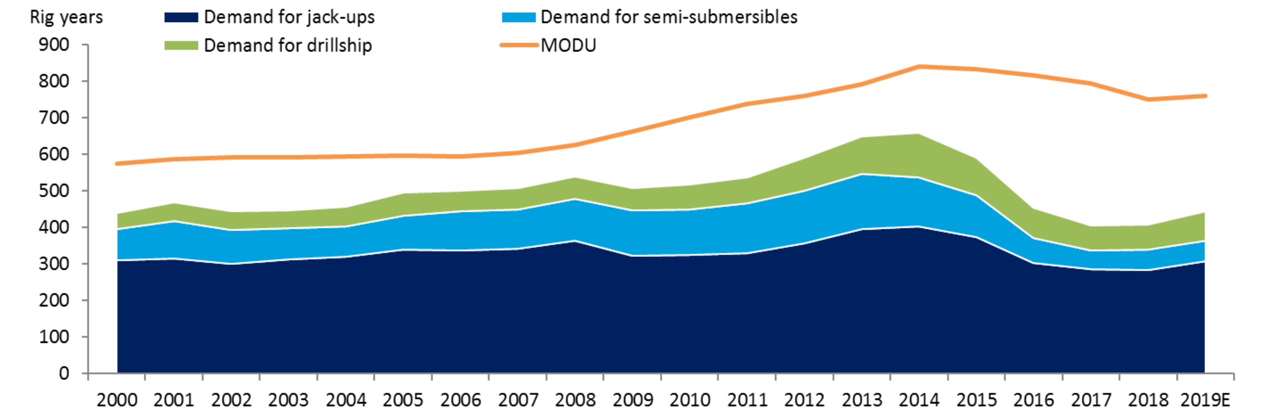
The profitability of the offshore drilling industry is largely determined by the balance between supply and demand for rigs. Offshore drilling contractors can mobilise rigs from one region of the world to another, or reactivate cold stacked rigs in order to meet demand in various markets.

The shallow water segment of the drilling industry is particularly competitive with no single contractor having a dominant market share. Competitive factors include price, rig availability, rig operating features, workforce experience, operating efficiency, condition of equipment, safety record, contractor experience in a specific area, reputation and customer relationships.

Offshore drilling contractors typically operate their rigs under contracts received either by submitting proposals in competition with other contractors or following direct negotiations. The rate of compensation specified in each contract depends on the number of available rigs capable of performing the work, the nature of the operations to be performed, the duration of work, the amount and type of equipment and services provided, the geographic areas involved and other variables. Generally, contracts for drilling services specify a daily rate of compensation and can vary significantly in duration, from weeks to several years.

Global offshore drilling expenditure increased significantly in the period from 2004 to 2013. Approximately USD 480 billion was spent on offshore drilling services from 2000 to 2014 according to Rystad Energy's estimates. North America and North West Europe represented the major share of this. The significant decline in oil and gas prices during the latter part of 2014, and throughout 2015 and 2016, led to an abrupt reduction in demand for rigs in 2015 and onwards. The graphic below illustrates the development in supply and demand in the offshore drilling market. The category "Demand" reflects the number of rigs actually working at any given time.

7.1.2 Supply and demand of offshore drilling rigs



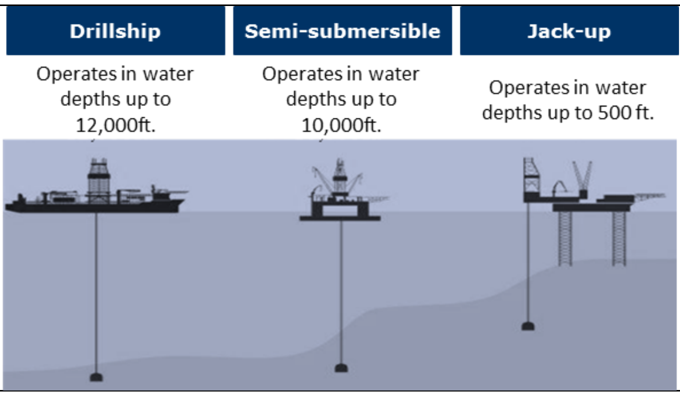
Source: Rystad Energy RigCube, 23 April 2019
Excluding state-owned jack-ups not marketed for hire

Periods of high demand are typically followed by a shortage of rigs and consequently higher dayrates which, in turn, make it profitable for industry participants to place orders for new rigs. This was the case prior to the oil price decline in 2014, where several industry participants ordered new rigs in response to the high demand in the market. However, despite the deteriorating market conditions between 2015 and 2016, the number of rigs available in the market continued to increase due to rigs coming off contract with no follow on work and due to the inflow of new rigs (albeit at a slower rate than originally planned), turning an excess rig demand into an excess supply of rigs and, consequently reducing dayrates.

7.1.3 Types of rigs

Most rigs can be classified as one of two types: jack-up rigs or floaters. As illustrated in Figure 7.1.3, the floater category is comprised of drillships and semi-submersibles.

7.1.3 Main rig categories by water depth



Source: Shelf Drilling, 1 April 2017

Jack-up rigs are bottom-supported and self-elevating units with three or four movable legs that can be extended, or "jacked", above or below the drilling deck, or hull. Jack-up rigs are mobile and their legs can be lowered to the ocean floor until a foundation is established for support. Jack-up rigs are towed to the offshore drill site with the hull, which is a water-tight barge that floats on the water's surface, lowered to the water level, and the legs extended above the hull. When the rig reaches the drill site, the crew jacks the legs downward through the water and into the sea floor. This anchors the rig and allows the hull and the drilling deck to be elevated to a height well above the waves. When the transit distances are long, the jack-up rig is placed on heavy-lift vessels for transport. Jack-up rigs are generally suited to working in shallow water environments.

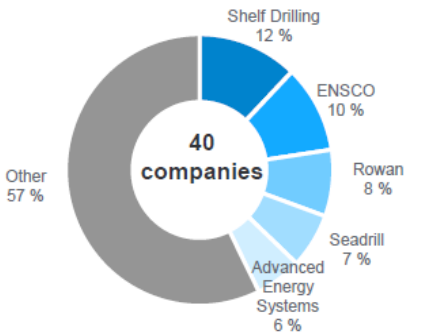
Floaters include semi-submersibles and drillships. A semi-submersible rig is a floating platform supported on pontoons and columns submerged below sea level while the operating deck is above sea level. The rig features a ballasting system that can vary the draft of the partially submerged hull from a shallow transit draft, to the required, deeper, operational draft. Semi-submersibles move on location by tugs or, if self-propelled, can relocate independent of such vessels. The rig stays in position either by a conventional mooring system, or by a computer-controlled system known as a dynamic positioning, or DP, system. A drillship is a self-propelled ship-shaped vessel including a drilling package and station-keeping equipment. Drillships are kept on location by either a conventional mooring system or dynamic positioning. Typically, drillships operate in deeper waters, and are suitable for operations in remote locations because of their mobility and large deck load capacity. Once on location the drillship utilises either anchors or DP system to stay on location.

7.1.4 Industry fragmentation

The jack-up offshore contract drilling market is characterised by a highly-fragmented supplier landscape. According to Rystad Energy, there are 220 currently contracted jack-up rigs and 40 contract drilling companies that operate them, or 5.5 rigs per company on average.[7] Most large international offshore contract drilling companies have a mix of floaters and jack-up rigs. Figure 7.1.4 a) sets out the percentage of total contracted jack-up rig supply provided by each of the various offshore drilling contractors as of 31 December 2018 and Figure 7.1.4 b) shows the largest jack-up rig owners by number of rigs. As at 31 December 2018, Shelf Drilling was the largest owner of jack-up rigs globally. The graphics below set out the competitive jack-up operator landscape, and the companies in the below graphics are regarded as the Group's competitors.

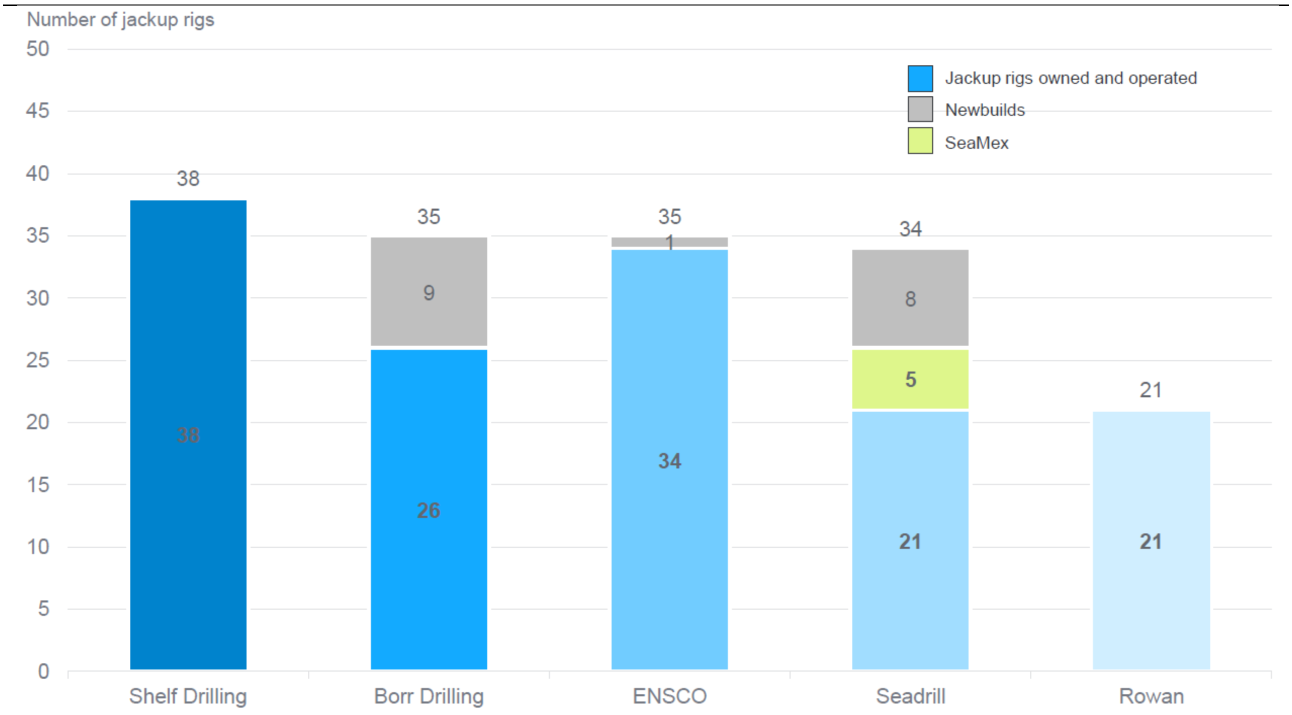
[7] Rystad Energy RigCube, 31 December 2018.

7.1.4 a) December 2018 contracted jack-up supply by offshore drilling contractor

Rig category	Contracted rig supply December 2018[1] [%]
Jackup	
Comment	• The rig market is characterized by a fragmented supplier landscape for both jackups and floaters • 2018 the total number of contracted jack-ups is 220 (5.5 rigs per company on average)

Source: Rystad Energy RigCube, 31 December 2018
Excluding state-owned jack-ups not marketed for hire

7.1.4 b) Largest jack-up rig owners by number of rigs



Top 5 jackup rig owners in 2018 total jackup rig supply[1,2,3,4,5,6]

Source: Rystad Energy and Company filings, 31 December 2018
** Does not include swamp barge*
*** 9 rigs managed by ARO Drilling, owned by Rowan*
**** Includes 6 rigs owned by Sea-Mex, excludes rigs owned by North Atlantic Drilling*
***** Before Ensco/Rowan merger*
1 Excluding non-competitive rigs
2 Including rigs under construction and cold stacked
3 Shelf Drilling fleet size as of December 2018 (excludes sale of Key Gibraltar and purchase/BBC of four CJ-46 jack-ups from CM)
4 Rowan fleet size includes rigs on BB/Lease to ARO Drilling.
5 Seadrill fleet size includes rigs managed on behalf of SeaMex JV
6 Jack-up fleet as of 31 December 2018 (prior to finalisation of Ensco/Rowan merger)

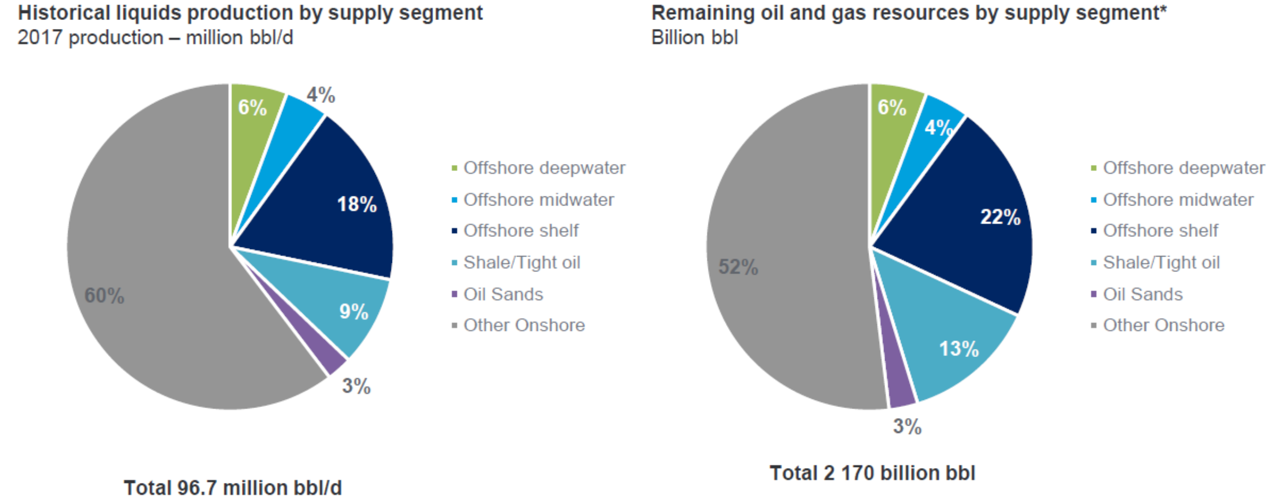
7.2 Industry trends

7.2.1 Shallow water is a key source of global liquids production

Shallow water production is a key source of global liquids production, representing 18% of total liquids production globally and 70.0% of total offshore production in 2017. While shale oil, also referred to as tight oil, has been increasing its share of global liquids production in recent years, in 2017, shallow water production was close to two times that of shale liquids production and four times that of deepwater liquids production. With 22% of the remaining discovered oil and gas resources globally, shallow water supply sources contain 70% more discovered resource than shale and tight oil supply sources and more than three times as much as offshore deepwater sources.[8]

The graphics below set out the percentage of global liquids production and remaining discovered oil and gas resources represented by each of the various supply sources. The term "Bbl" means barrels and "Bbl/d" means barrels per day.

7.2.1 Historical liquids production by supply source and remaining discovered oil and gas resources per supply segment



Source: Rystad Energy Ucube, 31 December 2018

7.2.2 Shallow water basins offer attractive economics and are dominated by lower-risk brownfield projects

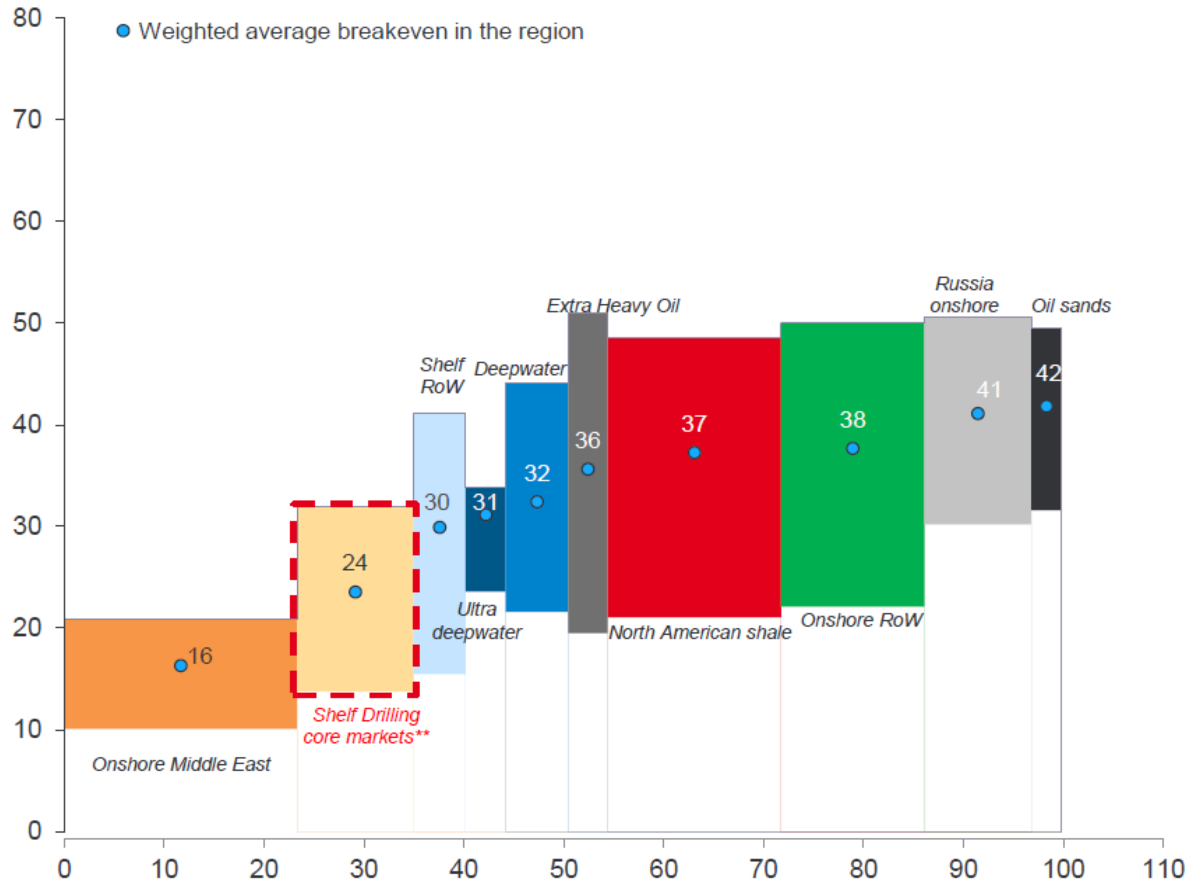
Shallow water projects offer relatively low breakeven prices and short cycle times. According to Rystad Energy, breakeven prices for shallow water projects in the Middle East and India are generally lower than those of North American shale and deepwater projects. Moreover, the Brent crude oil equivalent forward-looking breakeven prices for commercial shallow water projects in the Middle East and India are USD 20/Bbl and USD 30/Bbl, respectively, which are below the Brent crude oil price of USD 57.36/Bbl as of 31 December 2018 and, according to Rystad Energy, indicate an inventory of economically attractive shallow water projects in these regions for E&P companies.

The chart below illustrates the estimated breakeven prices in Brent crude oil equivalent for all projects from different sectors of potential global liquids production, and the cumulative liquids production in 2022 deliverable from these sectors. The breakeven prices in Brent crude oil equivalent are calculated based on Rystad Energy estimates on a project-by-project basis within each sector, and represent the Brent crude oil price required to generate a 10% rate of return for the project on a forward-looking basis (i.e., any activity before 2018 is disregarded). The projects are then aggregated by sector, and plotted below to illustrate the range of breakeven and weighted average breakeven price by sector. As shown below, the Company's core markets have a weighted average breakeven price of approximately USD 24/Bbl, USD 8/Bbl lower than deepwater and USD 17/Bbl lower than North American shale. These lower breakeven prices indicate that projects within these regions may be more likely than many projects from other sectors to be developed in the current commodity price environment, as their weighted average breakeven price is below the current Brent crude oil price.[9]

[8] Rystad Energy UCube, 31 December 2018.

[9] Rystad Energy UCube, 31 December 2018.

7.2.2 Global liquids cost curve



Source: Rystad Energy Ucube, 31 December 2018
** Break-evens calculated as of the current year. All historical cash flows are sunk, 10% discount rate*
*** Shelf Middle East, West Africa, Southeast Asia and India*

The comparatively low cost of drilling, proximate access to existing facilities or infrastructure and lower cost and complexity of production infrastructure have resulted in shallow water hydrocarbon basins being significantly more developed than deepwater basins. The generally mature nature of shallow water basins also implies that the majority of brownfield and short-cycle projects are located there, as these projects are more dependent on existing infrastructure. Conversely, the new standalone greenfield developments are more frequently located in deepwater, as are the majority of exploration projects. As a result, jack-up rigs are generally used more often in lower-risk, short-cycle brownfield projects that include infill drilling and workovers on currently producing projects, with existing production infrastructure in place. According to Rystad Energy, these brownfield projects comprise 70% of the work for the global jack-up market. Brownfield infill drilling and workover opportunities in shallow water represent very attractive breakeven economics, typically in the range USD 5-20/Bbl and USD 10-30/Bbl, respectively, and are expected to have stronger rig demand growth compared to greenfield exploration and development projects.

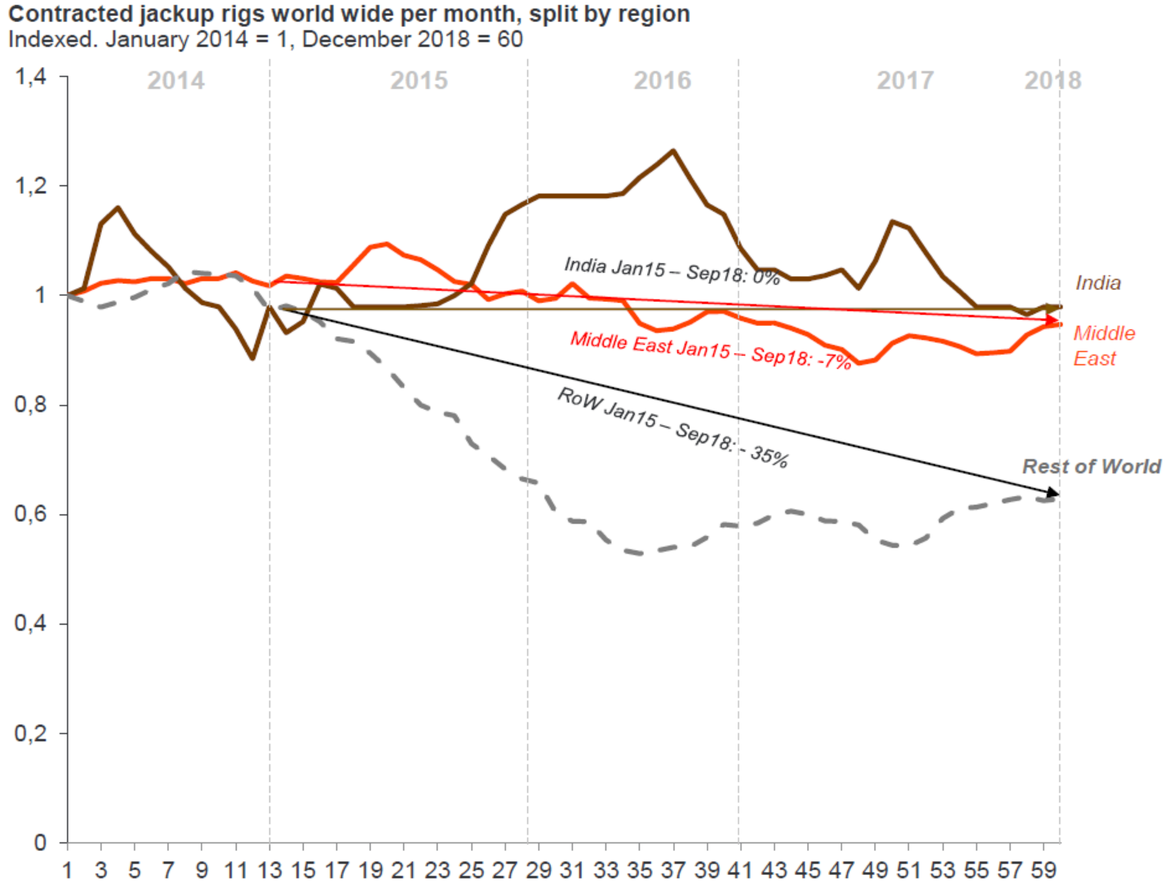
7.2.3 Resilience of Middle East and India through current commodity price down-cycle

According to Rystad Energy, and as shown in the chart below, while the contracted jack-up rig count in the rest of the world has fallen 35.5% from January 2015 to December 2018, Middle Eastern and Indian rig counts have remained relatively steady, with the Middle East experiencing a 7.0% decrease and India steady at 0%. Both of these regions represent an increasing share of the contracted jack-up rig market, increasing from a combined 35.0% in 2014 to 45.1% as of December 2018.[10]

The chart below presents the change in contracted jack-up rigs in the Middle East, India and the rest of the world from January 2014 through December 2018.

[10] Rystad Energy RigCube, 31 December 2018.

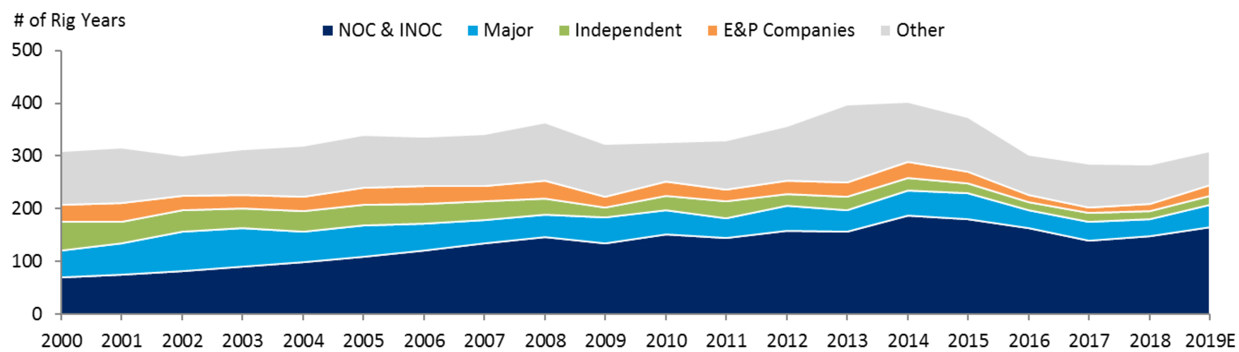
7.2.3 a) Contracted jack-up rigs worldwide per month (January 2014 – December 2018), reflected by region



Source: Rystad Energy RigCube, 31 December 2018
Indexed: January 2014=1, December 2018 = 60

NOCs comprise the vast majority of offshore spending in the Middle East and India. NOC spending tends to be more stable than that of other operator types. The graphic below illustrates the development in jack-up drilling rig demand by type of contractor.

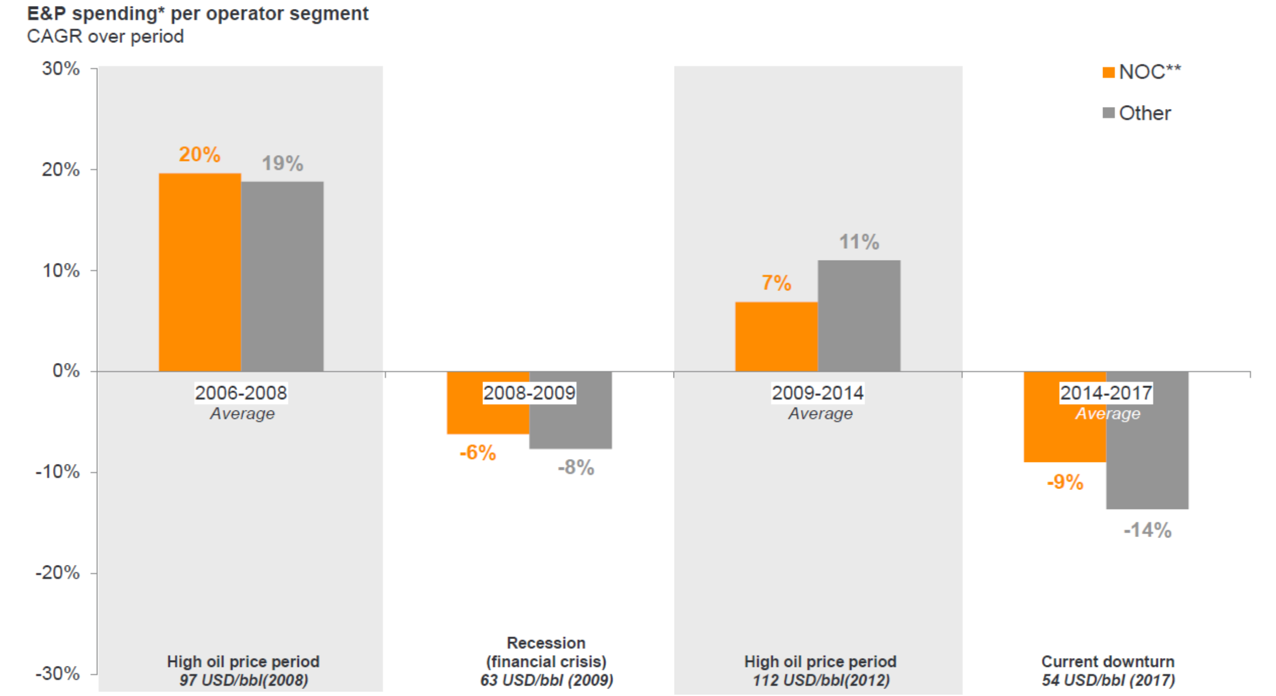
7.2.3 b) Jack-up drilling rig demand by operator



Source: Rystad Energy RigCube, 23 April 2019

The graphic below further illustrates spending by NOCs and other E&P companies for four different commodity price down-cycles shown as the average year-over-year percentage change in E&P spending, indicating that NOC spending tends to be less volatile and more stable than that of other operator types.

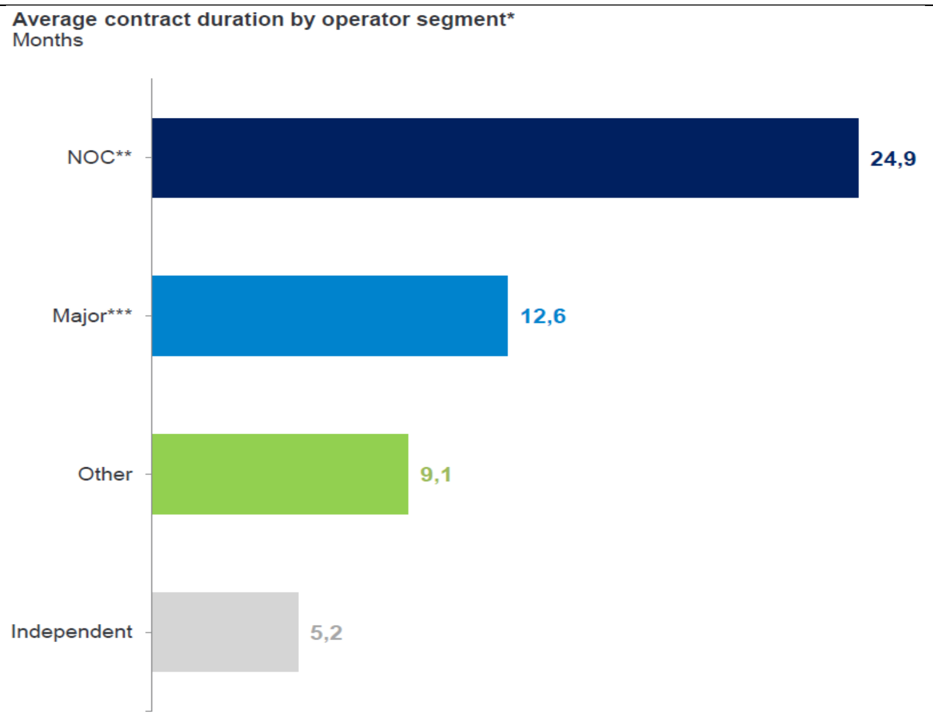
7.2.3 c) Change in E&P spending per operator*



Source: Rystad Energy Ucube, 31 December 2018
** CAGR over period, includes capex opex and exploration capex*

Additionally, as illustrated in the graphic below, NOCs generally take longer-term views of jack-up rig contracting, as evidenced by their average contract duration of 24.9 months, more than double that of the major oil companies (12.6 months) and nearly four times that of independent oil & gas companies (5.2 months).[11]

7.2.3 d) Average contract duration by operator segment



Source: Rystad Energy RigCube, 31 December 2018
** Based on competitive new mutual contracts, 2005-2018*
** National oil *companies*
*** Includes Equinor and Petrobras

[11] Rystad Energy RigCube, 31 December 2018.

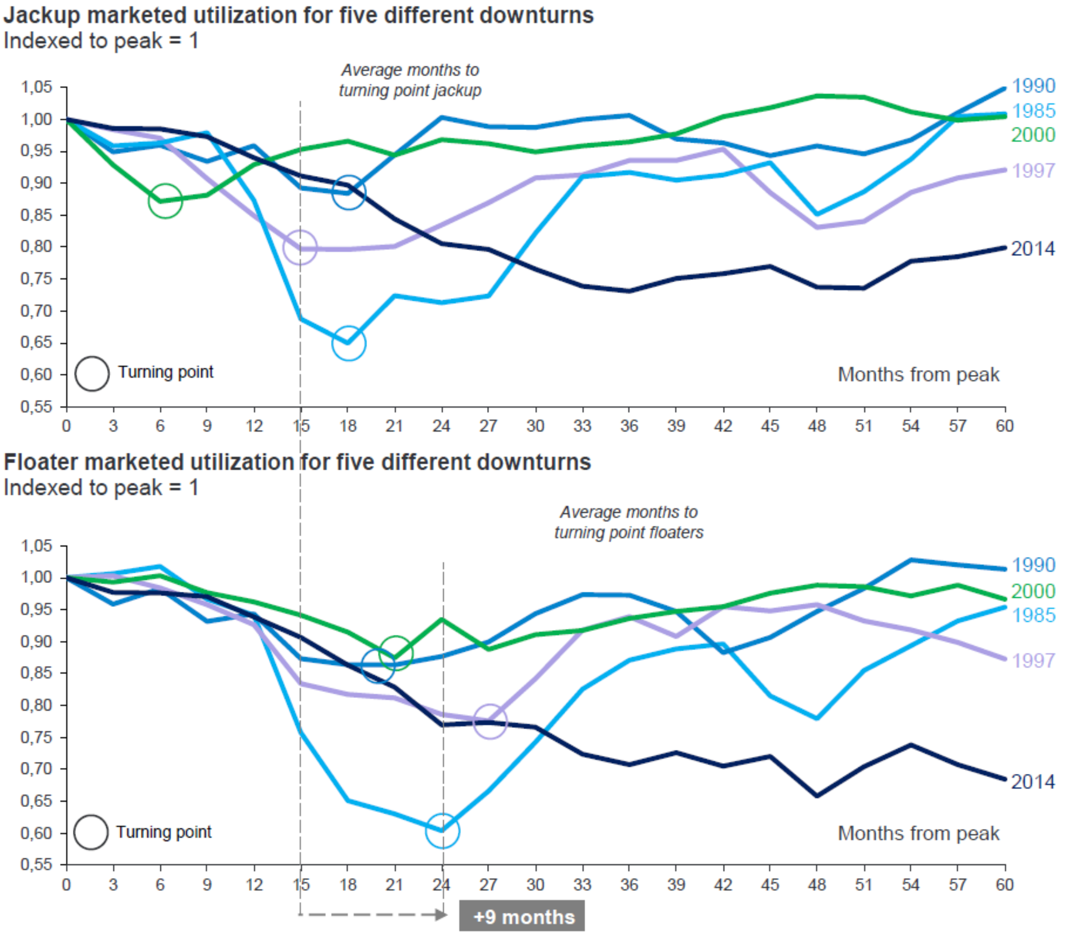
7.2.4 *Offshore brownfield spending and jack-up markets are less volatile and typically recover faster than offshore greenfield spending and floater markets*

Given the short cycle times and relatively low breakeven prices for brownfield projects, spending on these projects has historically been less volatile and has recovered faster following commodity price down-cycles than greenfield projects.

The short-cycle nature and attractive economics of shallow water development have resulted in the jack-up market recovering on average nine months faster than the floater market in previous commodity price down-cycle.

The graphic below sets out the marketed utilisation for jack-up rigs and floaters for five different commodity price down-cycles as a percentage change from the peak utilisation (which is set as 100% at the start of the periods presented).

7.2.4 a) Marketed utilisation for five different commodity price down-cycles



Source: Rystad Energy RigCube, 31 December 2018

Since 2010, the geographical location of the working jack-up drilling rig fleet has been the highest and most stable in the Middle East, the North Sea and South East Asia (representing more than 50% of the contracted fleet). These markets are still the most active and promising markets for premium rigs, with visible requirements developing in 2018 and beyond. The Middle East and South East Asian markets are also characterised by high NOC activity from E&P companies that are owned wholly or with a majority share owned by national governments, and low breakeven costs relative to other regions. The development in activity in Mexico has been moderate, while the U.S. Gulf of Mexico has collapsed and is no longer considered a relevant market for jack-up rigs. The jack-up drilling rig demand in the Indian Ocean is covered mainly by standard rigs.

The figure below shows the jack-up drilling rig market by region today compared to 2010.

7.2.4 b) Jack-up market current activity by region compared to 2010

Region	2010	2018	Change
Middle East*	94	112	19 %
Indian Ocean	29	30	3 %
South East Asia	38	31	-17 %
North Sea	30	27	-10 %
Mexico	25	16	-35 %
US GoM	33	11	-67 %
West Africa	20	11	-44 %

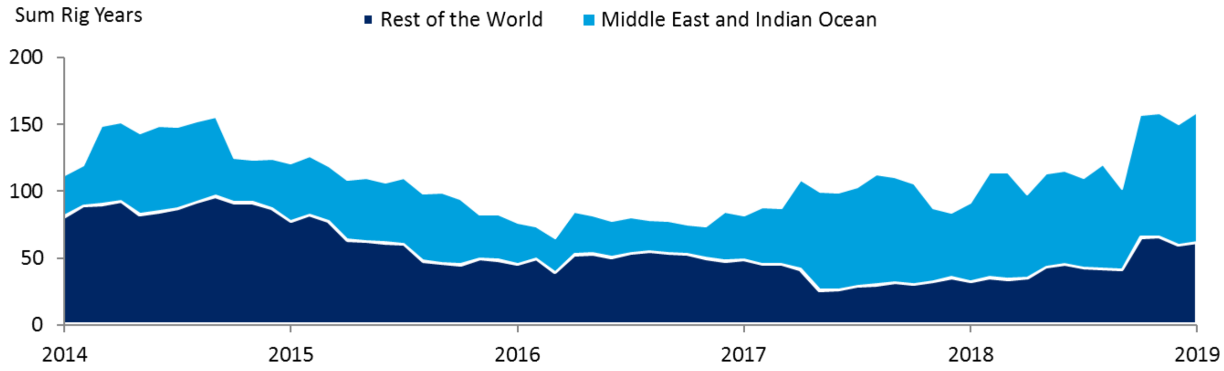
Source: Rystad Energy RigCube, 31 December 2018

7.2.5 Recovery in jack-up rig demand

In the current industry down-cycle, the global number of contracted jack-up rigs fell by 145 rigs from the peak of 457 rigs in April 2014 to a low of 312 rigs in January 2017. During that period, the drilling markets in India increased by seven rigs while the Middle East decreased by 11 rigs, substantially less than overall jack-up markets. However, the global number of contracted rigs increased by 22 rigs from January 2017 to May 2018. According to Rystad Energy, there has been a rise in tendering activity in 2018, which has the potential to continue the trend of increasing the global number of contracted rigs. The majority of the identified jack-up tender volumes are for work offshore India and the Middle East, but tendering in other markets has also seen increases.

The graphic below illustrates pre-tendering and tendering activity since 2014 measured in rig years. As the graph illustrates, while tendering activity has had a relatively modest uptick for the rest of the world in 2018, India and Middle East have seen a more significant increase in activity.

7.2.5 Jack-up pre-tender and tender activity, 2014 – 2019 YTD



Source: IHS Petrodata, 23 April 2019

8 BUSINESS OF THE GROUP

8.1 Introduction

The Group is a leading international shallow water offshore drilling contractor engaged in the provision of equipment and services for the drilling, completion and well maintenance of shallow water offshore oil and natural gas wells. The Group is primarily engaged in development and workover activity on producing assets, with a sole focus on shallow water operations in water depths of up to 375 feet. As of 31 December 2018, the Group owned 38 Independent-leg cantilever ("**ILC**") jack-up rigs and one swamp barge (of which 28 were under contract with various customers, five were marketable but uncontracted and six were stacked) and was the world's largest owner and operator of jack-up rigs by number of shallow water rigs[12].

The Group's corporate headquarters are in Dubai, United Arab Emirates, geographically central to its operations in the Middle East (including Egypt and the Mediterranean), South East Asia, India and West Africa. The Group's fleet operates in a single, global market for the provision of contract drilling services and its "fit for purpose" strategy enables the Group to offer a broad range of services in the shallow water drilling markets in which they operate. The Group believes that the long-term prospects for shallow water drilling are positive given the expected growth in oil and gas consumption from developing nations, limited growth in crude oil supplies, high depletion rates of mature oil and gas fields and low break even costs compared to other segments within the oil and gas drilling industry. The diversified geographical focus of the Group's jack-ups and the allocation of resources to build or upgrade rigs will be determined by the activities and needs of its customers. Currently, the Group's main customers are national oil companies (NOCs), international oil companies (IOCs), and independent oil and gas companies, including Saudi Arabian Oil Company (Saudi Aramco), Oil and Natural Gas Corporation (ONGC), Abu Dhabi National Oil Company (ADNOC), Chevron Corporation (Chevron), ExxonMobil Corporation (ExxonMobil), Dubai Petroleum Establishment (DPE), Total S.A. (Total) and Eni S.p.A (ENI) (or their affiliates), who contract the Group's rigs for varying durations.

The fundamental driver of the demand for the Company's services is the level of investment and the E&P companies' exploration, development and production of crude oil and natural gas. Historically, the level of upstream capital expenditure has been driven by future oil and natural gas price expectations. The profitability of the offshore drilling industry is largely determined by the balance between supply and demand for rigs, hence also important for the Company's profitability. In addition, rig and company specific factors such as price, rig operating features, workforce experience, operational efficiency, condition of equipment, customer relationships and contractor experience in specifics areas play an important role in determining the demand for the Company's services. Furthermore, the Group relies on certain suppliers for providing equipment, spare parts and after sales service to support their operations. The Group reviews the performance of their key suppliers and provides regular feedback to ensure that service and cost objectives are being met. Among the Company's competitors are jack-up owners operating in the same geographical regions as the Company. For more information about the demand for the Company's services, competitive landscape and market conditions, see Section 7 "Industry and Market Overview".

The Company's largest shareholders are the Sponsors who each hold 15.5% of the total outstanding Common Shares. Provided that the New Securities are issued to the Subscribers, the Subscribers will be the largest shareholders of the Company with an ownership of 19.4% and each of the Sponsors will hold 12.5%.

8.2 Competitive strengths

The Company believes that its competitive strengths include the following:

Largest pure-play jack-up rig contractor globally, with a leading market position in its core operating regions in the Middle East, India and West Africa

As at 31 December 2018, the Group was the largest jack-up rig operator in the world by number of active rigs with a leading market position in the Middle East, India and West Africa.[13] The Company believes that its sole focus on shallow water drilling allows the Group to optimise its size and scale in its core operating regions. In addition, the Company believes this focus allows it to concentrate its rigs in growing geographic markets, promoting operational efficiency and contributing to the Group's low cost structure.

[12] Measured by numbers of jack-up rigs owned as of 31 December 2018, pursuant to Rystad Energy.

[13] Measured by numbers of jack-up rigs owned as of 31 December 2018, pursuant to Rystad Energy.

Since the commodity price down-cycle that began in late 2014, the Middle East and India have been the most resilient shallow water drilling regions. According to Rystad Energy, while the contracted jack-up rig count in the rest of the world declined by 35% from January 2015 to December 2018, Middle Eastern and Indian rig counts have remained comparatively steady, with the Middle East experiencing only a 7% decrease and India 0%.

The Middle East and India are characterised by what the Company believes to be comparatively low breakeven points for its customers and are dominated by NOCs which tend to take a longer-term approach to project development through commodity price cycles. The Company believes focusing its operations and scale on these key markets and customers mitigated its exposure to the curtailment of development activities by other oil and gas companies in the lower commodity price environment in recent years. The Middle East and India comprised USD 440.3 million, or approximately 47.1%, and USD 67.0 million, or approximately 7.2%, of the Group's contract backlog, respectively, as of 31 December 2018, and comprised USD 305.6 million, or approximately 49.8%, and USD 100.2 million, or approximately 16.3%, of the Group's revenues, respectively, for the year ended 31 December 2018.

In addition, as at 31 December 2018, the Group was the largest jack-up rig operator in Nigeria and Thailand, where the Group believes development activities are expected to increase in the coming years. Nigeria and Thailand represented USD 71.7 million, or 7.7%, and USD 355.7 million, or 38.1%, of the Group's contract backlog, respectively, as of 31 December 2018, and represented USD 90.1 million, or 14.7%, and USD 117.5 million, or 19.2%, of the Group's revenues, respectively, for the year ended 31 December 2018.

Industry leading low cost structure, with high national content

The Group operates with a significantly lower cost structure compared to many of its peers. This lower cost structure promotes financial resilience through industry cycles and has supported operations and provided cash flow stability in excess of Rowan, Noble, Seadrill and Ensco (the "**US Public Company Competitors**") since the commodity price decline in 2014. According to Rystad Energy, the Group's daily operating and maintenance expenses per jack-up rig and daily cost per active jack-up rig is 56.0%[14] lower than comparable costs of the Company's US Public Company Competitors in the shallow water drilling services market. Since the Company's inception, it has focused on building high national content through hiring and developing nationals from the countries in which the Group operates, including across the Company's leadership teams, building local supply chain networks across geographies, standardising equipment across the Group's fleet and centralising management of the Group's supply chain and key maintenance activities, all of which are key drivers of the Company's industry leading low cost structure. The Company's strategically-positioned headquarters in Dubai is in close proximity to the Group's core operating regions and eliminates the need for numerous regional offices. The Company's focus on building high national content has resulted in national employees and contractors representing 65% of the Group's workforce as of 31 December 2018 across all of the Group's operating regions. In certain key markets, the percentage of the Group's national workforce exceeds this average, with India employing near 100%, and Egypt and Nigeria employing 99% and 90%, respectively, of local employees and contractors as of 31 December 2018. The Group's high national content further strengthens customer and governmental relationships, particularly with NOCs, and produces relatively lower employee turnover as well as a lower cost base.

High-quality, well-maintained fleet

The Group's fleet is comprised of well-maintained jack-up rigs with proven technologies and operating capabilities. Since the Company's inception, it has implemented a strategic fleet upgrade and renewal program. The Group has completed the reactivation and upgrade of five jack-up rigs and invested USD 606.0 million across 32 major projects related to the Group's original fleet, including the upgrade of nine rigs. In addition, the Group has constructed two newbuild rigs, whereas one of the newbuilds (Shelf Drilling Chaophraya) was delivered in September 2016 and the other (Shelf Drilling Krathong) was delivered in June 2017 (the two delivered newbuild rigs are referred to as the "**Delivered Newbuild Rigs**"), in 2017, the Group acquired three premium jack-up rigs (Shelf Drilling Mentor, Shelf Drilling Tenacious and Shelf Drilling Resourceful) (the three acquired rigs are referred to as the "**2017 Acquired Rigs**") and in 2018 the Group acquired the Shelf Drilling Scepter premium jack-up drilling rig (the "**IPO Acquired Rig**"). The Company believes that these rigs are highly competitive in obtaining contracts, and, since these acquisitions, the Group has secured contracts for all 2017 Acquired Rigs, making a positive impact on future cash flow and backlog. The Group has continuously evaluated and enhanced its fleet with "smart upgrades" where appropriate to meet specifications for the markets in which the Group intends them to operate, in accordance with its "fit-for-purpose" strategy. For example, the Group has standardised equipment across a significant number of its rigs, which facilitates the delivery of consistent and predictable

[14] Rystad Energy RigCube, 31 December 2018.

performance in the environments in which the Group operates. According to Rystad Energy, the Group's average marketed utilisation rate since 2015 is 8% above the shallow water drilling industry average. The Company believes this validates the suitability of its fleet and the operating performance that its rigs and crews have delivered.

Well-established customer relationships with large national and international oil and gas companies

The Company believes it has well-established relationships with its customers, which are primarily NOCs and IOCs, including Saudi Aramco, ONGC, ADNOC, Chevron, TOTAL, ExxonMobil, ENI, DPE, Bahrain Petroleum Company and Royal Dutch Shell plc. The Company believes that its customers prefer to work with drilling contractors who are well-established and have a strong track record of safety and operating uptime, such as the Company. Since its inception, the Company's operating uptime has been at least 98.5% per year and its safety performance has consistently exceeded the industry average (as measured by the Total Recordable Incident Rate ("**TRIR**") of the International Association of Drilling Contractors ("**IADC**")). The Company works with its customers to improve drilling efficiencies, which frequently results in rig operations being completed ahead of plan and ultimately lowering the cost per well for the Company's customers. The Company is responsive and flexible in addressing its customers' specific needs and seeks collaborative solutions to achieve customer objectives. The Company believes that its strong operational performance and close alignment with its customers' interests provide the Company a competitive advantage and contributes to its contracting success and high fleet utilisation. The Company has secured contracts and extensions with an aggregate value of more than USD 5.5 billion since its inception and USD 3.7 billion since 2014, which is more than any other contract drilling company added for jack-up rigs, according to Rystad Energy.

Experienced management team with successful track record of executing operational strategy

The members of the Company's executive management team are knowledgeable operating and financial executives with extensive experience in the global oil and gas industry. The Company's five executive officers have over 120 years of collective industry and financial experience and have held leadership positions at highly regarded offshore drilling and oilfield services companies, including Schlumberger Ltd., Transocean Ltd., Noble Corporation plc and Wellstream Holdings plc. All five members of the Company's executive management team have been involved with the Company since its inception and have been responsible for the design and implementation of its "fit-for-purpose" strategy.

8.3 Strategy

The Company's strategy is focused on delivering returns on invested capital achieved through serving the Group's customers' needs in attractive markets and driving cost efficiencies through the Group's "fit-for-purpose" strategy. The Company expects to continue to achieve its objectives through the following strategies:

Capitalise on a potential increase in shallow water drilling activity in core operating regions

Given the Group's strong market positions, industry leading low-cost structure and long-standing customer relationships in its core operating regions, the Group believes that it is well-positioned to benefit from a potential increase in shallow water drilling activity. In 2018, the Group experienced an increase in market and tender inquiries from its customers, particularly in the Middle East and West Africa. The growth in jack-up rig demand in the Group's core operating regions is primarily driven by infill drilling and workover activities, which tend to provide upstream operators with lower-risk, short-cycle returns relative to exploration and development drilling, as well as an increase in plugging and abandonment activities for mature fields.

Apply "fit-for-purpose" strategy to maximise profitability

The Company plans to continue to apply its "fit-for-purpose" strategy to maximise profitability, including strategically deploying rigs well-suited for specific markets, leveraging its lean and effective organisation, systems and processes streamlined to the specific needs of its business and fleet, and reinforcing strong long-term customer relationships through outstanding service and high national content. The Company expects this strategy will allow it to continue to leverage its strong operational track record and leading market position to maintain its comparatively high utilisation rates and low cost structure. The Company believes this strategy has been critical in enabling it to consistently maintain its Adjusted EBITDA margin in the range of 35% to 40% for the years ended 31 December 2013 to 2018.

Selectively pursue acquisitions that suit the Group's operational model

The Company is focused on the disciplined investment in and growth of its active drilling fleet to maximise its profitability. The Company believes the most attractive returns on invested capital are in opportunistic acquisitions of premium jack-up rigs that are complementary to its fleet and such rigs are currently available at historically low acquisition prices due to the current industry downturn. For example, the Group acquired the IPO Acquired Rig and the 2017 Acquired Rigs at a price of at least 50.0% below the cost of construction for comparable newbuild rigs. The Company believes it is well-positioned to successfully deploy acquired premium jack-up rigs due to its strong market positions, long-standing customer relationships and proven track record of integrating jack-up rigs to its active fleet as demonstrated by the contracting of all three of the 2017 Acquired Rigs. The Group expects to further pursue acquisitions that meet the operational requirements of its customers and core markets to the extent they are available on attractive terms.

Continue to deliver safe, efficient and reliable operations

The Company intends to continue its focus on minimising safety incidents, while also continually increasing its operational efficiency. This dual focus is intended to enable the Company to develop and maintain long-term customer relationships and maximise the utilisation of its fleet while ensuring the safety of the Company's and its customers' employees and contractors.

As a newly formed company in 2012, the Company was not burdened with legacy systems, structures or management personnel. As a result, the Company believes that it was able to build efficient systems and operating procedures from the ground up, with a high degree of centralisation and a dedicated focus on shallow water jack-up operations. The Company believes that this has significantly contributed to the safety, efficiency and reliability of its operations. The Company had a TRIR of 0.23 for the year ended 31 December 2018, 66% below the IADC average of 0.68, and the Company's safety track record has consistently exceeded the industry benchmark since inception. In addition, the Company has consistently maintained an average fleet uptime of at least 98.5% since its inception in 2012. Through ongoing training, appropriate incentive structures at all levels and management oversight, the Company intends to continue improving its safety and operational performance as it strives to continue to reduce workplace incidents.

Maintain financial discipline to generate favourable returns on invested capital

The Company regularly explores opportunities to reduce its total cost of debt and ensure adequate liquidity to operate its business. The Company believes its balance sheet strength positions it well to compete in the current market and gives a competitive advantage, providing the flexibility to pursue different growth avenues, including attractive acquisition opportunities, such as its purchase of the four premium jack-up rigs in 2018 and 2017. The Group intends to continue pursuing contracts for its rigs that offer an attractive combination of duration and dayrates, with an emphasis on duration to drive higher backlog and greater cash flow visibility.

The Company focuses on financial returns when evaluating its growth initiatives and capital investment strategy. In the period from 2013 to 2015, the Company was able to achieve attractive returns on the reactivations and upgrades of its existing jack-up rigs. In 2014, the Company began building two new rigs, which were delivered in September 2016 and April 2017, respectively, and had a USD 562.0 million contract backlog prior to commencing the construction of these rigs. The Company believes that its approach has delivered greater returns on invested capital relative to its U.S. public company competitors and that its recent focus on acquisitions of premium jack-up rigs at historically low prices will create significant long-term value for its stakeholders as the shallow water drilling market improves in the coming years.

8.4 History and important events

8.4.1 Introduction

The Company was formed on 14 August 2012 to effectuate the 2012 Acquisition (as defined below). On 30 November 2012, the Group acquired, both directly and indirectly for a price of USD 1.1 billion from Transocean and certain of Transocean's affiliates, a total of 37 ILC jack-up drilling rigs and one swamp barge (the "**2012 Acquisition**"). The 2012 Acquisition was funded with equity contributions from the Sponsors totalling USD 450 million, debt financing, as well as a USD 195 million preferred share investment in Shelf Drilling Intermediate, Ltd. from Transocean. Said preferred shares were subsequently fully redeemed.

Since the inception in 2012, the Group has focused on developing long-term customer relationships by leveraging its strategy on being solely focused on the shallow water segment, with fit-for-purpose organisation, processes and systems to deliver outstanding service to its customers. As a result of this highly focused strategy, the Group has generated significant contract backlog through several significant long-term contracts with core customers. The demonstration of customer endorsement of the Group's pure play, fit-for-purpose strategy was most clearly displayed in April 2014, when the Group signed five-year contracts for multiple rigs in the Arabian Gulf with Saudi Aramco, totalling 20 rig years across four jack-up rigs, and in May 2014, when the Group signed five-year contracts with Chevron for two new build jack-up rigs.

On 10 October 2015, two indirect wholly-owned subsidiaries of the Company, Shelf Drilling TBN I, Ltd. and Shelf Drilling TBN II, Ltd. (collectively, the "**Lessee**"), whose assets consisted solely of the two fit-for-purpose newbuild jack-up rigs under construction (the Delivered Newbuild Rigs) entered into a combined minimum of USD 296.2 million and maximum of USD 330.0 million (the "**Purchase Price**") sale and leaseback financing transactions (the "**Sale and Leaseback Financing**") with Hai Jiao 1502 Limited and Hai Jiao 1503 Limited (collectively, the "**Lessor**"), wholly owned subsidiaries of Industrial and Commercial Bank of China Limited. In connection with these transactions, the Lessee executed bareboat charter agreements (the "**Bareboat Charter Agreements**") with the Lessor to operate the newbuild rigs (the Delivered Newbuild Rigs) and to execute two drilling service contracts with Chevron for a period of five years.

On 12 January 2017, the Group completed a comprehensive refinancing of outstanding long-term debt facilities, reducing principal outstanding amounts from USD 825 million to USD 533 million, reducing near-term debt maturities from USD 825 million to USD 30 million and generated annual cash savings of approximately USD 10 million. The refinancing enhanced the Group's competitive position and created significant value for the Group while retaining a strong liquidity position.

On 28 April 2017 the Group successfully completed an offering of 28,125,000 new Common Shares at a price of USD 8.00 per share for total gross proceeds of USD 225.0 million (the "**Private Placement**"). On 5 May 2017, the new Common Shares issued in the Private Placement began trading on the N-OTC market under the ticker "SHLF". In connection with the Private Placement, the previously existing classes of A, B, C and D ordinary shares were reclassified as a single class of common shares (the Common Shares). The proceeds were used to acquire the 2017 Acquired Rigs in line with Shelf Drilling's strategy to selectively pursue acquisitions that suit the Group's operational model.

In February 2018, the Group completed the issuance of USD 600.0 million of new 8.25% senior unsecured notes due 2025. The proceeds were used to purchase and cancel the USD 502.8 million of 9.5% senior secured notes due 2020 and USD 30.4 million of 8.625% senior secured notes due 2018.

On 25 June 2018, the Company announced the successfully completed initial public offering and listing on the Oslo Stock Exchange of the Company's Common Shares in the form of depository receipts registered in the VPS (the Existing Securities) (the "**IPO**"). The Company issued 28,125,000 new Common Shares to the VPS Registrar in connection with the IPO and the VPS Registrar issued 28,125,000 new Securities in VPS for delivery to the investors in the IPO, raising gross proceeds of approximately NOK 1,838 million (equivalent to ~USD 225 million).

The Company used the net proceeds from the IPO to redeem all of the Preferred Shares (see Section 13.2.3 "Preferred shares"), plus accrued but unpaid dividend, in addition to use a portion of the net proceeds to acquire the IPO Acquired Rig.

Trading in the Existing Securities on the Oslo Stock Exchange commenced on 25 June 2018.

On 4 June 2018, Shelf Drilling Holdings, Ltd. successfully increased the SDHL Revolver to USD 225 million and extended the maturity date to April 2023, as further described in Section 11.8.5.4 "SDHL Revolver".

On 5 June 2018, SDHL launched and priced the USD 300 million Tap Issue. The net proceeds from the Tap Issue were used to repay the SDA Facility (as defined in Section 11.8.5.2 "8.25% Notes") on 25 June 2018 and the Sale and Leaseback Financing on 9 July 2018. See Section 11.8.5.2 "8.25% Notes" for further information about the Tap Issue.

On 26 July 2018, the Company acquired the Ocean Scepter jack-up drilling rig (the 'IPO Acquired Rig', renamed "Shelf Drilling Scepter") from subsidiaries of Diamond Offshore at a purchase price of USD 68.5 million.

On 21 February 2019 the Company entered into the Rig Purchase Agreements for two jack-up rigs from the Seller, the Share Subscription Agreements and the CM Charter Agreements as further described in Section 6 "The Transaction" above.

The principal milestones in the Company's history and the development of the Group since the 2012 Acquisition are set out in Section 8.4.2 "History and important events" below.

8.4.2 History and important events

The table below provides an overview of important events in the history of the Group:

Date	Event
August 2012	Incorporation of the Company.
November 2012	Completion of the 2012 Acquisition.
April 2014	The Group signs five-year contracts for multiple rigs in the Arabian Gulf with Saudi Aramco.
May 2014	The Group enters into two five-year drilling contracts with Chevron.
October 2015	The Group enters into a Sale and Leaseback Financing with ICBC.
September 2016	The Group takes delivery of its first newbuild rig (one of the two Delivered Newbuild Rigs).
January 2017	The Group completes a comprehensive refinancing of outstanding long-term debt facilities.
April/May 2017	The Group completes the Private Placement with subsequent trading on the Norwegian OTC and acquires three premium jack-up rigs (the 2017 Acquired Rigs) with the proceeds.
June 2017	The Group takes delivery of its second newbuild rig (the second of the two Delivered Newbuild Rigs).
September 2017	The Group secures contracts for all three recently acquired premium jack-up rigs.
February 2018	The Group completes a refinancing of outstanding long-term debt facilities by the issuance of USD 600.0 million of new 8.25% senior unsecured notes due 2025.
June 2018	Shelf Drilling Holdings, Ltd. amended the SDHL Revolver to USD 225 million.
June 2018	The Group launched and priced the USD 300 million Tap Issue (under the 8.25% senior unsecured notes due 2025).
June 2018	The proceeds from the Tap Issue are used to repay the SDA Facility.
June 2018	The Company's Securities are listed on the Oslo Stock Exchange.
June 2018	All of the Preferred Shares issued by the Company and held by two of the Sponsors are fully redeemed by use of net proceeds from the IPO.
July 2018	The proceeds from the Tap Issue are used to repay the Sale and Leaseback Financing.
July 2018	The Company took delivery of the IPO Acquired Rig, partly financed by the net proceeds from the IPO.
February 2019	The Group entered into the Rig Purchase Agreements, Subscription Agreements and the CM Charter Agreements.

8.5 Property, plant and equipment

8.5.1 Property

The Group has operating leases for its headquarters in Dubai, United Arab Emirates, and owns or leases office space and shore based facilities to support drilling operations in Indonesia, Malaysia, Vietnam, Singapore, Thailand, India, Egypt, Nigeria, Qatar, Bahrain, Italy and Saudi Arabia. Other than this, the Company does not lease or own any real property. The lease cost for the headquarters in Dubai was USD 714 thousand, USD 692 thousand and USD 656 thousand in the years ended 31 December 2018, 2017 and 2016 respectively. The lease cost for office space and shore based facilities in the Company's remaining operations were USD 2.1 million, USD 2.3 million and USD 2.8 million in the years ended 31 December 2018, 2017 and 2016, respectively. In addition, as of 31 December 2017 and 2016, the Company owned land and building in Nigeria with a net book value of USD 1.3 million and USD 1.2 million, respectively.

It is the Company's opinion that its premises and properties are sufficient both for its current business and for the foreseeable future.

8.5.2 The fleet

The Company's drilling fleet currently consists of 36 ILC jack-up rigs and one swamp barge.

The jack-up fleet includes ILC jack-up rigs only. The ILC design allows each leg to be independently raised or lowered, and permits the drilling platform to be extended out from the hull to perform operations over certain types of pre-existing platforms or structures. The Company believes these design features provide greater operational flexibility, safety and efficiency than alternative designs. The Group's jack-up rigs further feature proven, reliable technology and processes, utilising mechanical features with generally lower operating costs compared to newer, higher-specification rigs. Within their given water depth capabilities, the Company believes its jack-up rigs are well-suited for its customers' typical shallow water offshore drilling operations.

Since the Company's inception in 2012 through 31 December 2018, the Company has successfully reactivated five rigs and invested a total of USD 606.0 million in 32 major projects related to enhancing its original fleet, including "smart upgrades" to the Company's fleet based on long-term market trends and customer needs. This investment has enabled the Company to grow its business and increase the capabilities of its rigs. In addition, the Company constructed two newbuild premium jack-up rigs (the Delivered Newbuild Rigs), acquired three premium jack-up rigs in 2017 (the "2017 Acquired Rigs") and acquired one premium jack-up rig in 2018 after the IPO (the IPO Acquired Rig). In addition to these six premium jack-up rigs (the Delivered Newbuild Rigs, the 2017 Acquired Rigs and the IPO Acquired Rig), three of the Group's jack-up rigs were significantly upgraded between 2013 and 2015 to substantially mirror the specifications and capabilities of modern jack-ups. In connection with the Transaction, the Company will acquire two premium jack-up rigs (the CM Rigs) and take delivery of two premium jack-up rigs on a bareboat charter (the CM Bareboat Rigs), expanding the Group's fleet of premium jack-ups to a total of 13 rigs. Six of the Group's remaining rigs have a unique feature that allow the units to operate and transit in ultra-shallow waters ("shallow draft") and have experienced an above average level of utilisation since the Group's inception. The Group's remaining 18 rigs are "standard" (excluding six stacked rigs). During February 2019, the Company sold one stacked jack-up rig for USD 3.4 million. During March 2019, the Group sold an additional stacked jack-up rig for USD 2.3 million.

The Company defines "premium", "shallow draft" and "standard" jack-up rigs as set out in the table below.

Specifications	Description
Premium	Typically built after 2000 with enhanced rig design. The latest most advanced conventional or cyber drilling equipment with some levels of automation. 10,000 or 15,000 psi blow out preventer with a derrick hoisting capacity of up to 2.0 million pounds. Cantilever envelope enhanced, greater high pressure pumping capacity with increased drilling mud storage, accommodations for a minimum of 120 people. Fit for purpose in benign geographies for more complex drilling applications. Some newbuilds are designed with enhanced off-line capability for reduced well construction time. Operating region and environment dependent on technical specifications.
Shallow Draft	Built before 2000 with existing rig design. Conventional but proven drilling equipment with non-cyber specifications. 10,000 psi blow out preventer with a derrick hoisting capacity of 1.0 million pounds. Unique marine characteristics that allow the rigs to transit in ultra-shallow waters (approximately 12 feet compared to 16 to 24 feet for premium jack-ups). Proven track record operating in Middle East and West Africa, well-suited for workover and brownfield development activities.
Standard	Built before 2000 with existing rig design. Conventional but proven drilling equipment with non-cyber specifications. 10,000 psi blow out preventer with a derrick hoisting capacity less than 1.3 million pounds. Operating region and environment dependent on technical specifications. Well-suited for workover and brownfield development activities.

The Company's fleet is certified by the International Safety Management Code and the American Bureau of Shipping classification society, enabling universal recognition of the Company's equipment as qualified for international operations.

Each of the Group's rigs is subject to the maintenance and inspection regime governed by the IMO's Code for the Construction and Equipment of Mobile Offshore Drilling Units. The Group's rigs are subject to periodic testing with a major inspection every five years under the International Association of Classification Societies Special Periodic Survey, or SPS, requirements. This inspection typically takes six to 12 weeks and is scheduled between customer contracts to minimise downtime. The Group's fleet is also subject to underwater inspections in lieu of drydocking, intermediate surveys and annual inspections between each SPS. While the marine equipment of the Group's entire fleet is certified according to international safety standards under the International Safety Management Code and is certified by the American Bureau of Shipping classification society, enabling universal recognition of the Group's equipment as being qualified for international operations, the Group's equipment maintenance standards are governed by the guidelines, recommendations and standards provided by the American Petroleum Institute.

The total carrying value of the Group's 39 drilling units as at 31 December 2018 amounted to USD 1,360 million. The following table sets forth the drilling units that the Group owned as at 31 December 2018. Drilling units that are "Available" drilling units have their class certification maintained (i.e. not in "Laid-Up" status) and typically have a limited crew assigned to perform essential maintenance activities. Available rigs can either be dockside or in sheltered locations. "Stacked" drilling units have no personnel assigned, will not maintain its class certification and may be in "Laid-Up" status.

Unit	Rig make	Year built/latest upgrade	Water depth (feet)	Drilling depth (feet)	Area of location	Month of contract expiry	Options to extend[1]
Compact Driller	MLT 116-C	1992/2013	300	25,000	Bahrain	Apr 2022	2 x 1 year
Key Hawaii	Mitsui 300 C	1983/2004	300	25,000	Bahrain	Available	
Key Manhattan	MLT 116-C	1980/2010	350	25,000	Italy	Jul 2021	3 x 6 month
Comet[2]	Sonat Cantilever	1980	250	20,000	Egypt	Stacked	
Rig 141	MLT 82-SD-C	1982	250	20,000	Egypt	Feb 2019	
Rig 124[2]	Modec 200-C45	1980	250	20,000	Egypt	Stacked	
Trident 16	Modec 300-C38	1982/2012	300	25,000	Egypt	Mar 2019	

Main Pass I	F&G L-780 Mod II	1982/2013	300	25,000	Saudi Arabia	Oct 2019	
High Island II	MLT 82-SD-C	1979/2011	270	20,000	Saudi Arabia	Nov 2019	
High Island IV	MLT 82-SD-C	1980/2011	270	20,000	Saudi Arabia	Oct 2019	
High Island V	MLT 82-SD-C	1981/2013	270	20,000	Saudi Arabia	Mar 2019	
High Island IX	MLT 82-SD-C	1983/2012	250	20,000	Saudi Arabia	Jun 2021	1 x 2 year
Main Pass IV	F&G L-780 Mod II	1982/2012	300	25,000	Saudi Arabia	Nov 2019	
High Island VII	MLT 82-SD-C	1982/2016	250	20,000	UAE	Jun 2019	
Key Singapore	MLT 116-C	1982/2015	350	25,000	UAE	Jul 2021	1 x 2 year
Shelf Drilling Tenacious	Baker Marine Pacific Class 375	2007	375	30,000	UAE	Jan 2020	2 x 1 year
Shelf Drilling Mentor	LeTourneau Super 116E	2010	350	30,000	UAE	Jan 2020	2 x 1 year
Adriatic X[3]	MLT 116-C	1982/2006	350	30,000	UAE	-	
C.E. Thornton	MLT 53-SC	1974/1984	300	21,000	India	Feb 2019	
F.G. McClintock	MLT 53-SC	1975/2002	300	21,000	India	Feb 2019	
Galveston Key	MLT 116-SC Mod	1978/2002	300	25,000	UAE	Available	
Harvey H. Ward	F&G L-780 Mod II	1981/2011	300	25,000	India	Feb 2021	
J.T. Angel	F&G L-780 Mod II	1982	300	25,000	India	Mar 2021	
Parameswara	Baker Marine BMC 300-IC	1983/2001	300	25,000	India	Apr 2019	
Ron Tappmeyer	MLT 116-C	1978	300	25,000	India	Available	
Trident II	MLT 84-SC Mod	1977/1985	300	21,000	India	Feb 2019	
Trident XII	Baker Marine BMC 300-IC	1982/1992	300	21,000	India	Jan 2021	
Adriatic I	MLT 116-C	1981/2014	350	25,000	Nigeria	Jul 2019	135 days
Trident XIV	Baker Marine BMC 300-IC	1982/2007	300	25,000	Nigeria	Feb 2020	1 x 1 year
Baltic	MLT Super 300	1983/2015	375	25,000	Nigeria	Apr 2019	Up to 120 days
Trident VIII	Modec 300-C35	1981	300	21,000	Nigeria	Available	
Shelf Drilling Resourceful	LeTourneau Super 116C	2008	350	30,000	Nigeria	Oct 2018	1 x 6 month
Trident 15	Modec 300-C38	1982/2014	300	25,000	Malaysia	Stacked	
Shelf Drilling Chaophraya	LeTourneau Super 116E	2016	350	30,000	Thailand	Nov 2021	
Shelf Drilling Krathong	LeTourneau Super 116E	2017	350	30,000	Thailand	May 2022	
Randolph Yost	MLT 116-C	1979	300	25,000	USA	Available	
Hibiscus	Heavy Swamp Barge	1979/1993	21	20,000	Indonesia	Stacked	
Key Gibraltar[4]	MLT 84-C Mod	1976/2004	300	25,000	Bahrain	-	
Shelf Drilling Scepter	Keppel Fels Super B	2008	350	35,000	Bahrain	Available	

1 Option for the customer to extend the contract.
2 Reported as assets held for sale.
3 Adriatic X was sold in Q1 2019.
4 Key Gibraltar was sold in Q1 2019.

The Group's jack-up rigs are generally suitable for water depths of 375 feet or less and have living quarters for up to 160 personnel. All of the Group's jack-up rigs are of the ILC design, which have greater operational flexibility and are generally considered safer, more efficient and more capable than alternative designs such as the mat-slot, mat-cantilever and independent-slot designs. ILC is the jack-up design preferred by customers in each of the markets in which the Group operates and when tendering for contracts, the Group generally competes against other operators of ILC rigs, rather than operators of other types of jack-up rig. The Group also owns a heavy swamp barge which is capable of operating in very shallow waters of up to 21 feet in depth.

The average age of the Group's rigs is approximately 33 years as of 31 December 2018. The average dayrate for the most recent year ended 31 December 2018 was USD 67,400. The Group updates its fleet status report on a regular basis and publishes it on the Company's website at www.shelfdrilling.com/investor-relations/.

The costs associated with reactivating a stacked rig include recertifying major equipment by the original equipment manufacturer, closing out any issues identified by the flag state or certifying authority, purchasing or modifying equipment to meet the specific requirements of the customer as defined in the contract, completing any outstanding maintenance defined in the Company's maintenance program, performing the necessary acceptance testing procedures as specified by the Group's operations integrity procedure and the customer to ensure that the rig is ready to go back into operation.

8.6 Material contracts

8.6.1 Key Contracts

Drilling contracts

The Group's drilling rigs are contracted to customers either through competitive bidding or direct negotiation. The Group's drilling contracts and other arrangements provide services that are individually negotiated and vary in their terms and provisions. No single contract accounted for more than 10.0% of the Group's revenue for the 12 months ended 31 December 2018, provided however, that the Group has contract parties who accounted for more than 10.0% of the Group's revenue for the 12 months ended 31 December 2018. Further, as at 31 December 2018, 11 of the Group's 28 contracted drilling units were with its top three customers. The Group's top three customers accounted for 74% of contract backlog as of 31 December 2018, and for 66% of revenue for the year ended 31 December 2018.

The Group typically provides its drilling and related services on a dayrate contract basis, meaning that the Group provides a drilling rig and rig crew at a fixed amount per day. Dayrate contracts may provide for a lower dayrate or no dayrate for mobilising the rig to the well location and a reduced dayrate, or no compensation, when drilling operations are interrupted or restricted by equipment breakdowns, adverse weather conditions or other conditions beyond the contractor's control. The customer bears substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. In addition to dayrates, the Group may receive upfront lump-sum fees for the mobilisation of equipment, contract preparation and capital upgrades prior to the commencement of drilling services.

The Group's drilling contracts generally either cover the drilling of one or multiple wells, or have a stated term. Some contracts may be extended by exercising options for the drilling of additional wells, additional time or by exercising a right of first refusal, at mutually agreed, indexed or fixed rates.

The Group's drilling contracts may generally be terminated for cause by the customer (at their sole discretion), typically without any other payment than accrued and outstanding rate at the date of termination, under the following circumstances:

- the rig is damaged, destroyed or lost;
- the drilling operations are suspended for an extended period of time as a result of a breakdown of major equipment;
- unsatisfactory performance;
- force majeure events beyond the control of either party that continue for a defined period of time; or
- the occurrence of other specified conditions.

Similar termination provisions apply as a result of non-performance or material breach by the Group.

In addition, drilling contracts with certain customers may be cancellable without cause, with prior notice and without penalty or early termination payments and rights. Termination fees, if applicable, typically vary from 50.0% to 100.0% of the dayrate multiplied by the number of contract days remaining. During periods of depressed market conditions, the Group's customers may seek to renegotiate firm drilling contracts to reduce the term of their obligations or the average dayrate through term extensions, or may seek to repudiate their contracts. Suspension of drilling contracts will result in the reduction in or loss of dayrate for the period of the suspension. If the Group's customers cancel some of the contracts and the Group is unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of contracts are renegotiated, it could adversely affect the Group's consolidated results of operations or cash flows. See Section 2.1.4 "The Group's future contracted revenue, or contract backlog, for the Group's fleet of drilling rigs may not be ultimately realised".

The Group's drilling contracts typically contain, among others, the following commercial terms:

- payment by the Group for rig operating expenses, including labour and incidental rig supply costs, or capped replacement rig costs when terminated for cause;
- reimbursement of certain labour and operating costs from the Group's customers; and
- performance guarantees.

The Company considers the drilling contracts associated with the Delivered Newbuild Rigs described below as material for its business. The firm order backlog from these rig contracts amounted to USD 356 million as of 31 December 2018.

Newbuild Jack-up Rig Contracts with Chevron in Thailand (Delivered Newbuild Rigs)

In May 2014, the Company entered into drilling contracts for two newbuild jack-up rigs with Chevron for five years per rig. In connection with the contracts, the Company commissioned two fit-for-purpose newbuild jack-up rigs, named the Shelf Drilling Chaophraya and Shelf Drilling Krathong, based on the Marathon LeTourneau Super 116 E design with Lamprell plc ("**Lamprell**") in Sharjah, United Arab Emirates. Both newbuild jack-up rigs have been delivered by Lamprell (the Delivered Newbuild Rigs). The Shelf Drilling Chaophraya commenced operations in Thailand in December 2016 with the contract ending in November 2021, and the Shelf Drilling Krathong commenced operations in June 2017 with the contract ending in May 2022.

The Company estimates the total contracts value remaining as of 31 December 2018 to be approximately USD 356 million for the two rigs which is calculated based on the contractual dayrate per day per rig for the firm contract duration committed under the contracts. The contracts also contain an annual rate adjustment provision to cover potential change in the costs of insurance, catering, maintenance and labour.

Suppliers

The Group maintains long-term relationships with core suppliers and service providers through its collaborative approach. The Group believes that its depth of relationships with key suppliers and service providers is critical as it allows it to benefit from economies of scale in the procurement of goods and services and sub-contracting work, as well as to operate a fit for purpose organisation. Relationships with suppliers and sub-contractors also provide market intelligence on technologies which are sought after by the Group's customers as well as the opportunity to develop new fit-for-purpose technologies.

To date, the Group has been able to obtain the services, equipment, materials and supplies necessary to support its operations on a timely basis. The Group believes that it will be able to make satisfactory alternative arrangements in the event of any interruption in the supply of these services, equipment and/or materials by any suppliers, as it has established alternative vendors for all critical products for the business. In addition, in several of the countries in which the Group operates, it has assisted suppliers in developing manufacturing capability and obtaining original equipment manufacturer certification.

8.6.2 Material contracts outside the ordinary course of business

Neither the Group nor any member of the Group has entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus. Further, the Group has not entered into any other contract outside the ordinary course of business which contains any provision under which any member of the Group has any obligation or entitlement.

8.7 Employees

As of 31 December 2018, the Group had 1,889 employees with 1,566 working offshore and 323 working onshore. In addition, the Group engaged 1,148 qualified contractors, of which 1,063 work offshore and 85 work onshore. These employees and contractors have extensive technical, operational and management experience in the jack-up segment of the shallow water offshore drilling industry.

Approximately 87% of the Group's employees and contractors comprise shallow water offshore rig crew members who carry out day-to-day drilling operations. The Group's shallow water offshore crews include supervisors as well as trained and competent technical specialists in the areas of drilling operations, safety, maintenance and marine support. The remaining 13% are shore-based, with the largest concentration employed at the Company's headquarters in Dubai. The other shore-based employees and contractors work in the offices and yards that support the Group's activities in the various countries in which the Group operates. They provide support in operations, commercial and marketing, technical, finance, human resources, procurement, HSE and information technology to the Group's customers and shallow water offshore rigs and crews.

The table below presents the Group's employees (including contractors) for the years ended 31 December 2018, 2017 and 2016:

Total employees (including contracted-in staff)	**Years ended 31 December**		
	2018	**2017**	**2016**
Rig-Based	2,629	2,588	2,444
Shore based	241	236	236
Corporate	167	138	138
Total employees	**3,037**	**2,962**	**2,818**
Geographical location			
India	754	752	896
Saudi Arabia	639	634	635
UAE (incl. corporate)	592	530	340
Nigeria	407	331	245
Thailand	263	267	218
Egypt	206	219	299
Other	176	229	185
Total employees	**3,037**	**2,962**	**2,818**

The table below shows the employee mix in certain key markets as at 31 December 2018:

Nationalisation (incl. contractors)	**National Employees**
India	99.6%
Nigeria	89.9%
Egypt	99.0%
Thailand	87.2%
Company wide	**84.1%**

Employees in some of the countries in which the Group operates are represented by trade unions and arrangements may be made through collective bargaining agreements.

The Company's strategy is to employ national employees and contractors wherever possible in the markets in which its rigs operate. This enables the Group to strengthen customer and governmental relationships, particularly with NOCs, and results in a lower cost base as well as relatively lower employee turnover.

8.8 Legal proceedings

From time to time, the Company and other companies in the Group, as a party, plaintiff or defendant, are involved in litigation, disputes and other legal proceedings arising in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the construction or operation of its drilling units, in the normal course of its business or in connection with acquisition activities. The Company believes that the resolution of ongoing claims will not have a material adverse effect on the Group's operations or financial condition, either individually or in the aggregate. Accordingly, the Group has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering the previous 12 months which may have, or have had in the recent past significant effects on the Company and/or the Group's financial position or profitability.

8.9 Insurance

The Group maintains an amount of insurance coverage which the Company believes is common in the industry and is sufficient to adequately mitigate the principal risks to the Group's business, assets and employees. This coverage includes, but is not limited to: general business liability, hull and machinery, cargo, and casualty and liability (including excess liability). The drilling rig fleet is insured for its estimated fair market value and the Group periodically evaluates risk exposures, insurance limits and self-insured retentions. As of 31 December 2018, the insured value of the Group's drilling rig fleet was USD 2 billion.

As a condition of doing business with some of the Group's customers, they may require minimum levels of insurance. The Group has had sufficient levels of insurance in place to satisfy such requirements and expects to maintain such required levels in the future. In common with most other companies in the industry, the Group do not carry business interruption insurance to compensate for loss of revenue in the event of loss or damage to the Group's rigs.

The above description of the Group's insurance program is only a summary as of the date of this Prospectus. The Group's insurance policies typically consist of 12-month policy periods, and the next renewal date for a substantial portion of the Group's insurance program is scheduled for November 2019.

Hull and machinery coverage:

As of 31 December 2018, under the Company's hull and machinery insurance policies, the Company maintained a USD 5 million deductible per occurrence, with no deductible in the event of loss greater than 75% of the insured value of the rig. The Company also has insurance coverage for costs incurred for wreck removal for the greater of 25% of the rig's insured value or USD 20 million (plus an additional USD 25 million per occurrence). The hull and machinery policy also covers war risk, which is cancellable either immediately or with seven days' notice by the underwriters in certain circumstances. To protect against this cancellation risk, the Company also insures, through commercial market policies, a Political Risks Policy covering acts of war and terrorism with a USD 250,000 deductible per occurrence (an additional USD 2.75 million in certain countries) and a limit of USD 175 million.

Excess liability coverage:

As of 31 December 2018, the Company carried USD 400 million of commercial market excess liability coverage, exclusive of the deductibles, which generally covered onshore and offshore risks such as personal injury, third-party property claims, and third-party non-crew claims, including pollution from the rig and non-owner aviation liability. The Company's excess liability coverage generally has a USD 1 million deductible per occurrence.

As of 31 December 2018, the Company also carried USD 100 million of additional insurance per occurrence that generally covered expenses that would otherwise be assumed by the well owner, such as costs to control the well, re-drill expenses and pollution from the well. This additional insurance provides coverage for such expenses in circumstances in which the Company has a legal or contractual liability arising from gross negligence or wilful misconduct. The deductible is USD 1 million per occurrence.

Self-Insured Medical Plan:

The Company provides self-insured medical plans to certain employees subject to exclusions and limitations.

The Company offers a self-insured medical plan for certain U.S. resident rig based expatriate employees and their eligible dependents to provide medical, vision, dental within the U.S. The maximum potential liability as of 31 December 2018 related to the plan was USD 2.3 million, as the Company is reinsured for the claims in excess of that amount by a third-party insurance provider.

The Company also offers a self-insured medical plan to provide medical coverage for certain employees represented by labour unions and work under collective bargaining agreements, and their eligible dependents. The Company is fully responsible for eligible claims.

Directors' and officers' liability insurance:

The Company has purchased and maintain a directors' and officers' liability policy for the benefit of any director or officer in respect of any loss or liability attaching to him or her in respect of negligence, default, breach of duty or breach of trust.

8.10 Health, safety and environmental matters

The Company believes the Group to be an industry leader in HSE due to a commitment to develop, promote and sustain a culture which operates in a manner true to the Group's slogan "protect yourself, protect your team, protect your asset". Senior management strives to provide strong, demonstrable leadership and commitment to HSE. Participation in specific meetings with staff and contractors, joint management inspection visits and regular HSE audits all encourage a strong focus on HSE in Company workplaces. Information on the Group's focus areas in this regard is set out below.

The Group has implemented comprehensive HSE processes, including Medical Evacuation Response Plans, Emergency Response Plans, a Corporate Operational Support Plan and a major emergency management and safety leadership training program (based on a focused training matrix). The Group believes it has put in place HSE policies, processes and systems which are in line with industry best practice. The Group tracks health, safety and environment performance and issues on a monthly basis by way of a monthly HSE report, tracking, trending and investigations which are stored in a safety data base designed by Shelf Drilling named "HSE Dashboard".

The Group believes the Group's HSE programs are reflective of best practices in the industry. During the year ended 31 December 2018, the Group had a TRIR of 0.23.

The Company, on behalf of all the entities in the Group, is a member of the International Association of Drilling Contractors and participates in its Incident Statistics Program.

The Group's operations are subject to numerous comprehensive environmental laws and regulations in the form of international conventions and treaties, national, state and local laws and various multi-jurisdictional regulations in force where the Group's rigs operate or are registered.

These requirements include, but are not limited to, MARPOL, the CLC, the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "**Bunker Convention**") and various international, national and local laws and regulations that impose compliance obligations and liability related to the use, storage, treatment, disposal and release of petroleum products and hazardous substances. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering the Group liable for environmental and natural resource damages without regard to negligence or fault on its part. For example, the United Nations' IMO has adopted MARPOL, Annex VI which regulates harmful air emissions from ships, and which is applicable to offshore drilling rigs as well. Amendments to the Annex VI regulations, which entered into force on 1 July 2010, require a progressive reduction of sulphur oxide levels in heavy bunker fuels and create more stringent nitrogen oxide emissions standards for marine engines in the future. The Group may incur costs to comply with these revised standards. Drilling rigs must comply with MARPOL limits on sulphur oxide and nitrogen oxide emissions, chlorofluorocarbons, and the discharge of other air pollutants, except that the MARPOL limits do not apply to emissions that are directly related to drilling, production, or processing activities. The Group's drilling rigs are subject not only to MARPOL regulation of air emissions, but also to the Bunker Convention's strict liability for pollution damage caused by discharges of bunker fuel in jurisdictional waters of ratifying states. Management believes that all of the Group's drilling rigs are compliant in all material respects with all environmental, health and safety regulations to which they are subject.

There is increasing attention worldwide concerning the issue of climate change and the effect of greenhouse gas emissions. In 2005, the Kyoto Protocol to the 1992 United Nations Framework Convention on Climate Change, which establishes a binding set of emission targets for greenhouse gases, became binding on all countries that had ratified it. In 2015, the United Nations Climate Change Conference in Paris resulted in the creation of the Paris Agreement. The Paris Agreement, entered into force on 4 November 2016, requires countries to review and "represent a progression" in their nationally determined contributions, which set emissions reduction goals, every five years beginning in 2020. While it is not possible at this time to predict how the Paris Agreement and other new treaties and legislation that may be enacted to address greenhouse gas emissions would impact the Group's business, the modification of existing laws or regulations or the adoption of new laws or regulations curtailing exploratory or developmental drilling for oil and gas could materially and adversely affect the Group's operations by limiting drilling opportunities or imposing materially increased costs. Moreover, incentives to conserve energy or use alternative energy sources could have a negative impact on the Group's business if such incentives reduce the worldwide demand for oil and gas.

The Group's operations are subject to various other international conventions, laws and regulations in various countries, including laws and regulations relating to the importation and operation of drilling rigs and equipment, currency conversions and repatriation, oil and natural gas exploration and development, environmental protection, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling rigs and other equipment.

While customers use the Group's drilling rigs to support activities that are inherently hazardous, the Group's liability for environmental damage resulting from an incident involving its rigs is limited. Customer contracts typically contain "knock-for-knock" provisions which restrict liability to damage to rigs and personnel.

The Group's rigs, employees and Management have substantial experience operating in all of its core markets. With demonstrated strong operational metrics and a history of successful execution in major projects, the Management believes the Group is well positioned as a provider of choice for shallow water offshore drilling services and is well positioned to compete effectively in the Group's core markets.

Management believes the Group's fleet is particularly well suited to meet customer specific demands in its target markets. This is evidenced by fleet operational uptime consistently above 98.5% from 2012 to 2018.

Management intends to continue to devote significant resources to HSE programs, reliability and operational excellence and to promote a performance-based culture which focuses on minimisation of organisational risk. Management believes that a continued focus in these areas will strengthen relationships with stakeholders and with government agencies in local communities in which the Group operates.

8.11 Regulation

The Group's operations are subject to numerous laws and regulations in the form of international treaties and maritime regimes, flag state requirements, national and international environmental laws and regulations, navigation and operating permits requirements, local content requirements, and other national, state and local laws and regulations in force in the jurisdictions in which the Group's drilling units operate or are registered, which can significantly affect the ownership and operation of the Group's drilling units. Reference is made to Section 2.2 "Risks related to laws and regulations" for information on key risk factors related to laws and regulations, including environmental laws and regulations, which may add costs to the Group, expose the Group's liability or limit its drilling activity.

Flag state requirements

All of the Group's drilling units are subject to regulatory requirements of the flag state where the drilling unit is registered. The flag state requirements are international maritime requirements and in some cases further interpolated by the flag state itself. These include engineering, safety and other requirements related to the maritime industry. In addition, each of the Group's drilling units must be "classed" by a classification society. The classification society certifies that the drilling rig is "in-class", signifying that such drilling rig has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the flag state and the international conventions of which that country is a member. Maintenance of class certification requires expenditure of substantial sums, and can require taking a drilling unit out of service from time to time for repairs or modifications to meet class requirements. The Group's drilling units must generally undergo a class survey once every five years and an intermediate survey every two and a half years. In addition, for some of the internationally-required class certifications, such as the Code for the Construction and Equipment of Mobile Offshore Drilling Units (the "**MODU Code**") certificate, the classification society will act on a flag state's behalf.

International maritime regimes

Applicable international maritime regime requirements include, but are not limited to, the International Convention for the Prevention of Pollution from Ships ("**MARPOL**"), the International Convention on Civil Liability for Oil Pollution Damage of 1969 (the "**CLC**"), the International Convention on Civil Liability for Bunker Oil Pollution Damage of 2001 (ratified in 2008), or the Bunker Convention, the International Convention for the Safety of Life at Sea of 1974 ("**SOLAS**"), the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, MODU Code, and the International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004 (the "**BWM Convention**"). These various conventions regulate air emissions and other discharges to the environment from the Group's drilling units worldwide, and the Group may incur costs to comply with these regimes and continue to comply with these regimes as they may be amended in the future. In addition, these conventions impose liability for certain discharges, including strict liability in some cases.

Annex VI to MARPOL sets limits on sulfur dioxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances. Annex VI applies to all ships and, among other things, imposes a global cap on the sulfur content of fuel oil and allows for specialised areas to be established internationally with even more stringent controls on sulfur emissions. For vessels 400 gross tons and greater, platforms and drilling rigs, Annex VI imposes various survey and certification requirements. Moreover, recent amendments to Annex VI require the imposition of progressively stricter limitations on sulfur emissions from ships. Since 1 January 2015, these limitations have required that fuels of vessels in covered Emission Control Areas ("**ECAs**") contain no more than 0.1% sulfur, including the Baltic Sea, North Sea, North America and United States Sea ECAs. For non-ECA areas, the sulfur limit in marine fuel is currently capped at 3.5%, which will then decrease to 0.5% on 1 January 2020 subject to a feasibility review. The amendments also establish new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. All of the Group's rigs are in compliance with these requirements.

The BWM Convention calls for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with a requirement for mandatory ballast water treatment. The BWM Convention entered into force on 8 September 2017. Under its requirements, for units with ballast water capacity more than 5,000 cubic meters that were constructed in 2011 or before, only ballast water treatment will be accepted by the BWM Convention. All of the Group's units considered in operational status are in full compliance with the staged implementation of the BWM Convention by International Maritime Organization guidelines.

Environmental laws and regulations

Applicable environmental laws and regulations include the U.S. Oil Pollution Act of 1990, ("**OPA**"), the Comprehensive Environmental Response, Compensation and Liability Act, ("**CERCLA**"), the U.S. Clean Water Act, ("**CWA**"), the U.S. Clean Air Act, ("**CAA**"), the U.S. Outer Continental Shelf Lands Act ("**OCSLA**"), the U.S. Maritime Transportation Security Act of 2002, ("**MTSA**"), European Union regulations, including the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations, and Brazil's National Environmental Policy Law (6938/81), Environmental Crimes Law (9605/98) and Federal Law (9966/2000) relating to pollution in Brazilian waters. These laws govern the discharge of materials into the environment or otherwise relate to environmental protection. In certain circumstances, these laws may impose strict liability, rendering the Group liable for environmental and natural resource damages without regard to negligence or fault on the Group's part. Implementation of new environmental laws or regulations that may apply to ultra-deepwater drilling units may subject the Group to increased costs or limit the operational capabilities of its drilling units and could materially and adversely affect its operations and financial condition. See information provided in Section 2.2.1 "The Group is subject to complex laws and regulations, including environmental laws and regulations that can adversely affect the cost, manner or feasibility of doing business" for more information on risks inherent to environmental laws and regulations.

Safety requirements

The Group's operations are subject to special safety regulations relating to drilling and to the oil and gas industry in many of the countries where it operates. The United States undertook substantial revision of the safety regulations applicable to the Group's industry following the 2010 Deepwater Horizon incident, in which the Group was not involved, that led to the Macondo well blow-out situation. Other countries are also undertaking a review of their safety regulations related to the industry in which the Group operates. These safety regulations may impact the Group's operations and financial results by adding to the costs of exploring for, developing and producing oil and gas in offshore settings. For instance, in April 2016, the U.S. Department of the Interior's Bureau of Safety and Environmental Enforcement ("**BSEE**") published a final rule that sets more stringent design requirements and operational procedures for critical well control equipment used in offshore oil and gas drilling. The rule adds new requirements and amends existing ones to, among other things, set new baseline standards for the design, manufacture, inspection, repair and maintenance of blow-out preventers and the use of double shear rams. The rule contains a number of other requirements, including third-party verification and certifications, real-time monitoring of deepwater and certain other activities, and sets criteria for safe drilling margins. In December 2017, BSEE proposed to revise or eliminate certain of the requirements under the rule. To the extent these requirements remain in effect, they are likely to increase the costs of the Group's operations and may lead its customers to not pursue certain offshore opportunities because of the increased costs, delays and regulatory risks. In July 2016, U.S. Department of the Interior's Bureau of Ocean Energy Management ("**BOEM**") issued a final notice to lessees and operators substantially revising and making more stringent supplemental bonding procedures for the decommissioning of offshore wells, platforms, pipelines, and other facilities. In June 2017, BOEM announced that the implementation timeline would be extended, except in circumstances where there is a substantial risk of non-performance of such obligations. In addition, in December 2015, BSEE announced that it is launching a pilot risk-based inspection program for offshore facilities. New requirements resulting from the program may cause the Group to incur costs and may result in additional downtime should these regulations be adopted by countries where the Group operates. Also, if material spill events similar to the Deepwater Horizon incident were to occur in the future, the United States or other countries could elect to again issue directives to temporarily cease drilling activities and, in any event, may from time to time issue additional safety and environmental laws and regulations regarding offshore oil and gas exploration and development. The EU has also undertaken a significant revision of its safety requirements for offshore oil and gas activity through the issuance of the EU Directive 2013/30 on the Safety of Offshore Oil and Gas Operations.

Navigation and operating permit requirements

Numerous governmental agencies issue regulations to implement and enforce the laws of the applicable jurisdiction, which often involve lengthy permitting procedures, impose difficult and costly compliance measures, particularly in ecologically sensitive areas, and subject operators to substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. Some of these laws contain criminal sanctions in addition to civil penalties.

Local content requirements

Governments in some countries have become increasingly active in local content requirements on the ownership of drilling companies, local content requirements for equipment utilised in the Group's operations, and other aspects of the oil and gas industries in their countries. These regulations include requirements for participation of local investors in the Company's local operating subsidiaries in countries such as Nigeria. Although these requirements have not had a material impact on the Group's operations in the past, they could have a material impact on the Group's earnings, operations and financial condition in the future.

Other laws and regulations

In addition to the requirements described above, the Group's international operations in the offshore drilling segment are subject to various other international conventions and laws and regulations in countries in which the Group operates, including laws and regulations relating to anti-corruption, the importation of, and operation of, drilling units and equipment, currency conversions and repatriation, oil and gas exploration and development, taxation of offshore earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of drilling units and other equipment. There is no assurance that compliance with current laws and regulations or amended or newly adopted laws and regulations can be maintained in the future or that future expenditures required to comply with all such laws and regulations in the future will not be material.

8.12 Information technology and intellectual property rights

The "Shelf Drilling" brand name, logo and domain are the Group's intellectual property.

As of the date of this Prospectus, the Group is not dependent on any owned or third-party intellectual property rights and is not involved in any disputes regarding intellectual property rights.

8.13 Dependency on contracts, patents, licenses etc.

It is the Company's opinion that the Group's existing business or profitability is not dependent upon any contracts other than the rig contracts, as further described in Section 8.6.1 "Key Contracts" and the financing agreements, as further described in Section 11.8.5 "Financing arrangements". It is further the opinion of the Company that the Group's existing business or profitability is not dependent on any patents.

The Group is required to hold certain permits and approvals. For example, in most of the jurisdictions it operates certain governmental approvals are required to set up and maintain the entity or branch through which the Group contracts/operates, and work permits are also required for employees. In addition, there are various licenses applicable to the rigs that are required by customs authorities or the maritime registries of the flag states, e.g. minimum safe manning certificate, radio license, as well certain HSE licenses, permits, etc. The Group has all permits and approvals necessary to run the business in place.

9 CAPITALISATION AND INDEBTEDNESS

The information presented below should be read in conjunction with the other parts of this Prospectus, in particular Section 10 "Selected Financial and Other Information" and Section 11 "Operating and Financial Review", and the Financial Statements and notes related thereto, incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference".

This Section provides information about the Group's audited consolidated capitalisation and net financial indebtedness on an actual basis as at 31 December 2018.

There has been no material change to the Group's audited capitalisation and net financial indebtedness since 31 December 2018 until the date of the Prospectus.

9.1 Capitalisation

The following table sets forth information about the Group's capitalisation as at 31 December 2018, derived from the Financial Statements:

In USD thousand	**As at 31 December 2018**
	(audited)
Indebtedness	
Total current debt:	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total non-current debt:	
Guaranteed[1]	900,000
Secured	0
Unguaranteed/unsecured	0
Total indebtedness	**900,000**
Shareholders' equity	
Share capital	881,932
Other contributed	0
Other reserves	0
Retained earnings	(290,675)
Total shareholders' equity	**591,257**
Total capitalisation	**1,491,257**

1 Represents 8.25% senior unsecured notes (this does not include USD 15.1 million and USD 2.8 million of unamortised debt issue costs and unmortised premium, respectively, at 31 December 2018). Information about the guarantees are provided in Section 11.8.5.2 "8.25% Notes".

9.2 Indebtedness

The following table sets forth information about the Group's net financial indebtedness as at 31 December 2018, derived from the Financial Statements:

	In USD thousand	**As at 31 December 2018**
		(audited)
(A)	Cash	91,203
(B)	Cash equivalents	0
(C)	Trading securities	0
(D)	**Liquidity (A)+(B)+(C)**	**91,203**
(E)	**Current financial receivables**	**0**
(F)	Current bank debt	0
(G)	Current portion of non-current debt	0
(H)	Other current financial debt	0
(I)	**Current financial debt (F)+(G)+(H)**	**0**
(J)	**Net current financial indebtedness (I)-(D)**	**(91,203)**
(K)	Non-current bank loans	0

In USD thousand		As at 31 December 2018
		(audited)
(L)	Bonds issued[1]	900,000
(M)	Other non-current loans	0
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**900,000**
(O)	**Net financial indebtedness (J)+(N)**	**808,797**

1 Represents 8.25% senior unsecured notes (this does not include USD 15.1 million and USD 2.8 million of unamortised debt issue costs and unmortised premium, respectively, at 31 December 2018). Information about the guarantees are provided in Section 11.8.5.2 "8.25% Notes".

9.3 Working capital statement

The Company is of the opinion that the working capital available to the Company is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

9.4 Contingent and indirect indebtedness

As at 31 December 2018 and as at the date of the Prospectus, the Company did not have any contingent or indirect indebtedness.

10 SELECTED FINANCIAL AND OTHER INFORMATION

10.1 Introduction and basis for preparation

The following selected financial information has been extracted from the Group's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016 (the Financial Statements).

The Group's audited consolidated financial statements as at and for the years ended 31 December 2018, 2017 and 2016, incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference", have been prepared in accordance with US GAAP.

The selected financial information included herein should be read in connection with, and is qualified in its entirety by reference to, the Financial Statements incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference", and should be read together with Section 11 "Operating and Financial Review".

The Financial Statements have been audited by PwC.

10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgments, please refer to Note 2 of the Financial Statements, incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference".

10.3 Consolidated statements of operations

The table below sets out selected data from the Group's audited consolidated statements of operations for the years ended 31 December 2018, 2017 and 2016.

In USD thousand		**Year ended 31 December**	
	2018	**2017**	**2016**
	US GAAP	*US GAAP*	*US GAAP*
	(audited)	*(audited)*	*(audited)*
Revenues			
Operating revenues	599,043	556,047	668,649
Other revenue	14,276	15,917	15,668
Total revenues	**613,319**	**571,964**	**684,317**
Operating costs and expenses			
Operating and maintenance	358,030	320,084	353,802
Depreciation	86,796	80,573	71,780
Amortization of deferred costs	82,953	64,664	91,763
General and administrative	61,030	43,726	46,889
Loss on impairment of assets	40,071	34,802	47,094
Loss / (gain) on disposal of assets	1,682	(839)	4,826
Total operating costs and expenses	**630,562**	**543,010**	**616,154**
Operating (loss) / income	**(17,243)**	**28,954**	**68,163**
Other (expense) / income, net			
Interest income	1,454	1,062	356
Interest expense and financing charges	(106,772)	(83,995)	(80,120)
Other, net	354	(2,969)	1,522
Total other (expense) / income, net	**(104,964)**	**(85,902)**	**(78,242)**
(Loss) before income taxes	**(122,207)**	**(56,948)**	**(10,079)**
Income tax expense	14,036	14,262	19,757
Net loss	**(136,243)**	**(71,210)**	**(29,836)**
Less: Preferred shares dividend	9,550	17,041	**-**
Net loss attributable to common and ordinary shares[1]	**(145,793)**	**(88,251)**	**(29,836)**
Loss per share:[1]			
Basic and Diluted – Common shares	(1.50)	(1.02)	-
Basic and Diluted – Class A shares	-	(10.79)	(66.99)
Basic and Diluted – Class B shares	-	-	-

In USD thousand	Year ended 31 December		
	2018 *US GAAP (audited)*	**2017** *US GAAP (audited)*	**2016** *US GAAP (audited)*
Basic and Diluted – Class C shares	-	-	-
Basic and Diluted – Class D shares	-	-	-
Weighted average shares outstanding:			
Basic and Diluted – Common Shares	97,083,905	81,572,999	-
Basic and Diluted – Class A shares	-	444,594	445,386
Basic and Diluted – Class B shares	-	18,555	17,500
Basic and Diluted – Class C shares	-	5,110	5,119
Basic and Diluted – Class D shares	-	-	-

1 For the year ended 31 December 2018, the loss per share is calculated based on information for four months ended 30 April 2017 for the ordinary Class A, B, C and D shares and based on information for eight months ended December 31, 2017 for the common shares. See Note 22 – Loss Per Share.

10.4 Consolidated statements of comprehensive income

The table below sets out selected data from the Group's audited consolidated statements of comprehensive income for the years ended 31 December 2018, 2017 and 2016.

In USD thousand	Year ended 31 December		
	2018 *US GAAP (audited)*	**2017** *US GAAP (audited)*	**2016** *US GAAP (audited)*
Net loss	**(136,243)**	**(71,210)**	**(29,836)**
Other comprehensive income, net of tax	-	-	-
Change in unrealized (losses) / gains on derivative financial instruments	-	-	-
Changes in unrealized (losses) / gains	(786)	238	427
Reclassification of net loss / (gain) from other comprehensive income to net loss	1,029	(238)	(427)
	243	-	-
Total comprehensive loss	**(136,000)**	**(71,210)**	**(29,836)**

10.5 Consolidated balance sheets

The table below sets out selected data from the Group's audited consolidated balance sheets as at 31 December 2018, 2017 and 2016.

In USD thousand	As at 31 December		
	2018 *US GAAP (audited)*	**2017** *US GAAP (audited)*	**2016** *US GAAP (audited)*
Assets			
Cash and cash equivalents	91,203	84,563	213,139
Accounts and other receivables, net	143,439	137,785	125,312
Assets held for sale	5,154	-	-
Other current assets	81,532	96,960	95,235
Total current assets	**321,328**	**319,308**	**433,686**
Property and equipment	1,637,489	1,620,830	1,326,361
Less accumulated depreciation	422,609	370,840	295,685
Property and equipment, net	**1,214,880**	**1,249,990**	**1,030,676**
Deferred tax assets	2,526	1,321	3,137
Other assets	107,162	112,331	118,441

In USD thousand	As at 31 December 2018 US GAAP (audited)	2017 US GAAP (audited)	2016 US GAAP (audited)
Total assets	**1,645,896**	**1,682,950**	**1,585,940**
Liabilities and equity			
Accounts payable	83,930	95,098	70,605
Interest payable	28,050	8,399	15,773
Obligations under Sale and Leaseback Financing	-	35,115	15,977
Current maturities of debt	-	30,167	-
Accrued income taxes	4,771	4,822	-
Other current liabilities	20,143	36,681	32,665
Total current liabilities	**136,894**	**210,282**	**135,020**
Long-term debt	887,764	496,503	809,016
Obligations under Sale and Leaseback Financing	-	278,815	228,728
Deferred tax liabilities	3,939	4,407	8,525
Other long-term liabilities	26,042	17,719	25,197
Total long-term liabilities	**917,745**	**797,444**	**1,071,466**
Mezzanine equity, net of issuance costs	**-**	**165,978**	**-**
Commitments and contingencies			
Common Shares of USD 0.01 par value; 144,063,473, 200,000,000 and 5,000,000 shares authorized at 31 December 2018, 2017 and 2016, respectively: 111,240,394, 83,125,000 and nil issued and outstanding at 31 December 2018, 2017 and 2016, respectively	1,112	831	-
Ordinary shares of USD 0.01 par value; 5,000,000 shares authorized at 31 December 2016; issued and outstanding as follows:			
Class A shares: 444,594 at 31 December 2016	-	-	5
Class B shares: 25,099 at 31 December 2016	-	-	-
Class C shares: 6,075 at 31 December 2016	-	-	-
Additional paid-in capital	880,820	663,090	462,914
Accumulated other comprehensive income	243	-	-
Accumulated losses	(290,918)	(154,675)	(83,465)
Total equity	**591,257**	**509,246**	**379,454**
Total liabilities and equity	**1,645,896**	**1,682,950**	**1,585,940**

10.6 Consolidated statements of cash flows

The table below sets out selected data from the Group's audited consolidated statement of cash flows for the years ended 31 December 2018, 2017 and 2016.

In USD thousand	Year ended 31 December 2018 US GAAP (audited)	2017 US GAAP (audited)	2016 US GAAP (audited)
Cash flows from operating activities			
Net loss	**(136,243)**	**(71,210)**	**(29,836)**
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	86,796	80,573	71,780
Loss on impairment of assets	40,071	34,802	47,094
Loss / (gain) on derivative financial instruments, net	1,029	(238)	(427)
Amortization of deferred revenue	(12,660)	(15,254)	(23,511)
Provision for / (reversal of) doubtful accounts, net	19	(5,444)	(401)
Share based compensation expense, net of forfeitures	11,334	842	179
Non-cash portion of loss on debt extinguishment	7,368	4,371	-
Debt extinguishment and retirement costs[1]	18,783	9,785	-
Amortization of debt issue costs and discounts	2,941	3,705	7,663

In USD thousand	Year ended 31 December 2018 US GAAP (audited)	2017 US GAAP (audited)	2016 US GAAP (audited)
(Gain) / loss on disposal of assets	1,682	(839)	4,826
Deferred tax (benefit) / expense, net	(1,673)	(2,302)	297
(Payments for) / proceeds from settlement of derivative financial instruments, net	(1,349)	238	427
Changes in deferred costs, net	10,511	2,232	37,218
Changes in operating assets and liabilities	9,096	20,775	21,223
Net cash provided by operating activities	**37,705**	**62,036**	**136,532**
Cash flows from investing activities			
Additions to property and equipment	(98,969)	(253,834)	(53,541)
Proceeds from disposal of property and equipment	3,206	5,557	1,490
Proceeds from Sale and Leaseback Financing	-	16,880	16,880
Payments of transaction costs for Sale and Leaseback Financing	-	-	-
Net cash used in investing activities	**(95,763)**	**(231,397)**	**(35,171)**
Cash flow from financing activities			
Proceeds from issuance of common shares	226,908	225,000	-
Payments for common and preferred shares issuance costs	(10,681)	(8,487)	-
Proceeds from issuance of debt	928,000	-	-
Payments for redemption of ordinary shares	-	-	(1,668)
Payments for redemption of preferred shares	(166,667)	-	-
Payments for obligations under Sale and Leaseback Financing	(313,930)	(24,829)	(1,818)
Payments to retire long-term debt	(558,250)	(114,250)	-
Payments of debt extinguishment and retirement costs	(18,783)	(9,785)	-
Payments of debt financing costs	(19,581)	(11,223)	-
Preferred shares dividend paid	(16,268)	(9,635)	-
Proceeds from termination of interest rate swaps	320	-	-
Net cash provided by / (used in) financing activities	**51,068**	**46,791**	**(3,486)**
Net (decrease) / increase in cash, cash equivalents and restricted cash	**(6,990)**	**(122,570)**	**97,875**
Cash, cash equivalents and restricted cash at beginning of year	**99,825**	**222,395**	**124,520**
Cash, cash equivalents and restricted cash at end of the year	**92,835**	**99,825**	**222,395**

10.7 Consolidated statements of equity

The table below sets out selected data from the Group's audited consolidated statements of changes in equity for the years ended 31 December 2018, 2017 and 2016. The numbers are in USD thousands, except share data.

	Year ended 31 December			Year ended 31 December		
	2018 US GAAP	2017 US GAAP	2016 US GAAP	2018 US GAAP (audited)	2017 US GAAP (audited)	2016 US GAAP (audited)
	Shares			Amount		
Common and ordinary shares						
Balance, beginning of year	83,125,000	475,768	477,326	831	5	5
Shares issued to trust	-	1,629	2,835	-	-	-
Repurchase and retirement of shares	(29,618)	(477,397)	(4,393)	-	(5)	-
Recapitalization	-	55,000,000	-	-	550	-
Issuance of common shares	28,145,012	28,125,000	-	281	281	-
Balance, end of year	111,240,394	83,125,000	475,768	1,112	831	5
Additional paid-in capital						
Balance, beginning of year				663,090	462,914	464,403
Issuance of common shares				215,946	216,920	-
Recapitalization adjustment				-	(545)	-
Preferred shares dividend				(9,550)	(17,041)	-
Share-based compensation expense, net of forfeitures				11,334	842	179
Repurchase and retirement of shares				-	-	(1,668)

	Year ended 31 December			Year ended 31 December		
	2018 US GAAP	2017 US GAAP	2016 US GAAP	2018 US GAAP (audited)	2017 US GAAP (audited)	2016 US GAAP (audited)
Balance, end of year				880,820	663,090	462,914
Accumulated other comprehensive income						
Balance, beginning of year				-	-	-
Net unrealized gain on derivative financial instruments				243	-	-
Balance, end of year				243	-	-
Accumulated losses						
Balance, beginning of year				(154,675)	(83,465)	(53,629)
Net loss				(136,243)	(71,210)	(29,836)
Balance, end of year				(290,918)	(154,675)	(83,465)
Total equity						
Balance, beginning of year				509,246	379,454	410,779
Issuance of common shares				216,227	217,201	-
Preferred shares dividend				(9,550)	(17,041)	-
Share-based compensation expense, net of forfeitures				11,334	842	179
Repurchase and retirement of shares				-	-	(1,668)
Total comprehensive loss				(136,000)	(71,210)	(29,836)
Balance, end of year				591,257	509,246	379,454

10.8 Segment information

10.8.1 Income by segment

The Group analyses and reports its results of operations in one single reportable segment, contract drilling services. See Section 11.2 "Operations and reporting segments" for further discussion on operational and financial measures the Group believes are useful in assessing its historical and future performance.

10.8.2 Operating revenue by geographical area

The table below sets out selected data from the Group's operating revenue by geographic area based on the location of the service provided, for the years ended 31 December 2018, 2017 and 2016, as extracted from the Financial Statements.

In USD thousand	Years ended 31 December		
	2018	2017	2016
Saudi Arabia	167,343	170,822	165,280
Thailand	117,476	92,038	57,578
India	100,194	114,080	193,202
Nigeria	90,097	77,857	76,473
United Arab Emirates	84,971	50,743	78,279
Other countries	53,238	66,424	113,505
Total revenue	**613,319**	**571,964**	**684,317**

10.9 Independent auditor

The Company's independent auditor is PricewaterhouseCoopers (Dubai branch) (PwC), with license number 102451, and business address at Emaar Square Building 4, Level 8, Dubai, United Arab Emirates. PwC has been auditor of the Company since its inception in 2012. PwC has been registered with the Norwegian FSA.

The Group's Financial Statements as of 31 December 2018, 2017 and 2016 and for the years ended 31 December 2018, 2017 and 2016, which have been prepared in accordance with US GAAP and are incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference", have been audited by PwC, independent auditors, as stated in their reports.

11 OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together with Section 10 "Selected Financial and Other Information" and the Financial Statements and related notes incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference". The following discussion contains Forward-looking Statements. These Forward-looking Statements are not historical facts, but are rather based on the Group's current expectations, estimates, assumptions and projections about the Group's industry, business and future financial results. Actual results could differ materially from the results contemplated by these Forward-looking Statements because of a number of factors, including those discussed in Section 2 "Risk Factors" of this Prospectus and Section 4.3 "Cautionary note regarding Forward-looking " as well as other sections of this Prospectus.

11.1 Introduction

The Group is an international shallow water offshore drilling contractor engaged in the provision of equipment and services for the drilling, completion and well maintenance of shallow water offshore oil and natural gas wells.

The Group analyses and reports its results of operations in one single reportable segment, contract drilling services. This segment reflects how the Group manages its business and its drilling fleet's dependence on the worldwide oil industry. The drilling rigs operate in a single market for contract drilling services and are deployed globally due to the changing needs of the customers, which largely consist of exploration, development and production oil and gas companies.

11.2 Operations and reporting segments

The mobile offshore drilling units comprising the offshore rig fleet operate in a single global market for contract drilling services and are often redeployed globally due to changing demands of the customers, which consist largely of integrated oil and gas companies, independent E&P companies and government owned or controlled oil and gas companies in the Middle East, South East Asia, India, West Africa and the Mediterranean.

The Group evaluates its business based on a number of operational and financial measures it believes are useful in assessing its historical and future performance throughout the commodity price cycles that have characterised the industry since the Group's inception. These operational and financial measures include the following:

Operational measures

Contract backlog: Contract backlog is the maximum contract drilling dayrate revenue that can be earned from a drilling contract based on the contracted operating dayrate less any planned out-of-service periods during the firm contract period for regulatory inspections and surveys or other work. Contract backlog excludes revenue resulting from mobilisation and demobilisation fees, capital or upgrade reimbursement, recharges, bonuses and other revenue sources. The Group's contract backlog includes only firm commitments for contract drilling services represented by definitive agreements. Contract backlog also includes revenues under non-drilling contracts for the use of the Group's rigs such as bareboat charters and contracts for accommodation units. For these contracts, contract backlog includes the maximum contract amount of revenue. The contract period excludes additional periods resulting from the future exercise of extension options under the contracts, and such extension periods are included only when such options are exercised. The contract operating dayrate may temporarily change due to mobilisation, weather and repairs, among other factors. Contract backlog is a key indicator of potential future revenue generation.

Uptime: Uptime is the period during which the Group performs well operations without stoppage due to mechanical, procedural or other operational events that result in non-productive well operations time. Uptime is expressed as a percentage measured daily, monthly or yearly. Uptime performance is a key customer contracting criterion, an indication of operational efficiency, and is directly related to the Group's current and future revenue and profit generation.

Total recordable incident rate: Total recordable incident rate, or TRIR, is a measure of the rate of recordable workplace injuries. See Section 8.2 "Competitive strengths" for more information on TRIR and the purposes for which TRIR is used.

Marketable rigs: The Group defines marketable rigs as all of its rigs that are operating or are available to operate, which excludes stacked rigs, rigs undergoing reactivation projects, rigs under non-drilling contracts and newbuild rigs under construction.

Average dayrate: Average dayrate is the average contract dayrate earned by marketable rigs over the reporting period excluding amortisation of lump sum mobilisation fees, contract preparation and capital expenditure reimbursements, recharges, bonuses and other revenue.

Effective utilisation: Effective utilisation measures the dayrate revenue efficiency of the marketable rigs. This is the number of calendar days during which marketable rigs generate dayrate revenue divided by the maximum number of calendar days during which those rigs could have generated dayrate revenue. Effective utilisation varies due to changes in operational uptime, planned downtime for periodic surveys, timing of underwater inspections, contract preparation and upgrades, time between contracts and the use of alternative dayrates for waiting-on-weather periods, repairs, standby, force majeure, mobilisation or other rates that apply under certain circumstances. The Group excludes all other types of revenue from marketed utilisation.

The Group's contract backlog at 31 December 2018, 2017 and 2016 were as follows:

	Years ended 31 December		
	2018	**2017**	**2016**
Total contract backlog[1] (in USD millions)	935	1,374	1,743
Weighted average backlog dayrate[2] (in USD thousands)	79.1	83.2	96.7
Average contract days per contracted rig	422	590	721
Number of contracted rigs[3]	28	28	25

1 Amounts include contract backlog related to Newbuild rig(s) under construction for 31 December 2016.

2 Calculated by dividing total backlog by total number of backlog days for all rigs.

3 Includes Newbuild rig(s) under construction and rig under non-drilling contracts

The following table sets out the future years that the Group's contract backlog relates to, as of 31 December 2018, and assumes no exercise of extension options or renegotiations under the current contracts:

In USD million	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Contract backlog	490	245	170	30	935

The Group's uptime, TRIR, number of marketable rigs, average dayrate and marketed utilisation for the years ended 31 December 2018, 2017 and 2016 were as follows:

	Years ended 31 December		
	2018	**2017**	**2016**
Uptime	98.7%	98.8%	98.7%
TRIR	0.23	0.25	0.25
IADC average TRIR[1]	0.68	0.54	0.46
Average marketable rigs	35.3	33.2	31.2
Average dayrate (in USD thousands)	67.4	70.4	75.2
Effective utilization	67%	62%	74%

1 TRIR, as defined by the IADC, is derived by multiplying the number of recordable injuries in a calendar year by 200,000 and dividing this value by the total hours worked in that year by the total number of employees. An incident is considered "recordable" if it results in medical treatment over certain defined thresholds (such as receipt of prescription medication or stitches to close a wound) as well as incidents requiring the injured person to spend time away from work.

Financial measures

In addition to the operational measures discussed above, the Group also uses certain GAAP and non-GAAP financial measures to evaluate the performance of the business. The Group believes the non-GAAP financial measures used are useful in assessing its historical and future performance throughout the commodity price cycles that have characterised the industry since the Group's inception.

Adjusted EBITDA and Adjusted EBITDA margin: Adjusted EBITDA excludes certain items included in net income / (loss), the most directly comparable GAAP financial measure. The Company believes that Adjusted EBITDA and Adjusted EBITDA margin are useful non-GAAP financial measures because they are widely used in the industry to measure a company's operating performance without regard to items such as interest expense, income tax expense, depreciation and amortisation and other specific expenses, which can vary substantially from company to company, and are also useful to an investor in evaluating the performance of the business over time. In addition, the Group's Management uses Adjusted EBITDA and Adjusted EBITDA margin in presentations to its Board of Directors to provide a consistent basis to measure operating performance of the business, as a measure for planning and forecasting overall expectations, for evaluation of actual results against such expectations and in communications with shareholders, lenders, noteholders, rating agencies and others concerning the Group's financial performance. Adjusted EBITDA reflects adjustments for certain items and expenses set forth below that the Group believes affect the comparability of financial results from period to period. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Revenue. Adjusted EBITDA and Adjusted EBITDA margin may not be comparable to similarly titled measures employed by other companies. This financial measure should not be considered in isolation or as a substitute for net income, operating income, other income or cash flow statements data prepared in accordance with GAAP. Adjusted EBITDA has significant limitations, including not reflecting the Group's cash requirements for capital or deferred costs, acquired rig reactivation costs, contractual commitments, taxes, working capital or debt service.

The Group's financial measures for the years ended 31 December 2018, 2017 and 2016 were as follows:

In USD thousand	**Years ended 31 December**		
	2018	**2017**	**2016**
Net loss	(136,243)	(71,210)	(29,836)
Add back:			
Interest expense and financing charges, net of interest income[1]	105,318	82,933	79,764
Income tax expense	14,036	14,262	19,757
Depreciation	86,796	80,573	71,780
Amortization of deferred costs	82,953	64,664	91,763
Loss on impairment of assets	40,071	34,802	47,094
Loss / (gain) on disposal of assets	1,682	(839)	4,826
EBITDA	**194,613**	**205,185**	**285,148**
Sponsor's fee[2]	2,250	4,500	4,500
Share-based compensation expense, net of forfeitures	11,334	842	179
Acquired rig reactivation costs[3]	5,080	17,828	-
One-time corporate transaction costs[4]	3,995	-	-
Other	400	-	-
Adjusted EBITDA	**217,672**	**228,355**	**289,827**
Adjusted EBITDA margin	**35.5%**	**39.9%**	**42.4%**

1 Represents interest expenses incurred and accrued on debt and the amortisation of debt issuance fees and costs over the term of the debt net of capitalised interest and interest income. This also includes the losses on debt extinguishments in relation to debt refinancing.
2 Represents the fee to the Sponsors in respect of their role as advisors to the Company until the IPO.
3 Represent the expenditures accounted for as operating expenses in accordance with GAAP, which were incurred in connection with the reactivation of stacked or idle rigs acquired with the specific intention to reactivate and deploy.
4 Represent certain one-time third party professional services.

11.3 Factors affecting the Group's results of operations

The Group's future results of operations may not be comparable to its historical results of operations for the periods presented, and the following facts should be considered when evaluating the historical results of operations and assessing the Group's prospects.

11.3.1 Changes in the fleet

The Group's future revenue is expected to be impacted by the delivery and operation of the IPO Acquired Rig, the CM Rigs and the CM Bareboat Rigs. Any other similar or significant transactions, acquisitions, disposals or expenditures involving the Group's fleet would also impact revenue as well as operating and maintenance expenses.

11.3.2 Dayrates and market cycles

The dayrates the Group is able to charge its customers can vary from time to time. To a significant extent, the dayrates depend on where in the market cycle the industry is at a given point in time. Historically, when oil prices decrease, capital spending and drilling activity decline, which leads to an oversupply of drilling rigs and reduced dayrates. Conversely, higher oil prices, increased capital spending and drilling activity and limited supply of drilling rigs have historically led to higher dayrates.

11.3.3 Decreased financing costs

Due to (i) the refinancing in January 2017, (ii) the Private Placement, (iii) the refinancing in February 2018 (the issuance of USD 600.0 million of new 8.25% senior unsecured notes due 2025 and purchase and cancel of the USD 502.8 million of 9.5% senior secured notes due 2020 and USD 30.4 million of 8.625% senior secured notes due 2018) and (iv) issuance of an additional USD 300.0 million of 8.25% senior unsecured notes due 2025 in June 2018, required financing costs are expected to be significantly reduced compared to those in prior periods.

11.4 Recently adopted issued accounting standards

Reference is made to Note 3 of the Financial Statements for a list of recently issued and adopted accounting standards, which may impact the Financial Statements and related disclosures when adopted.

11.5 Recent developments and trends

The business environment for offshore drilling contractors remains challenging with continued pressure on market dayrates, but there are indications in some markets of gradual improvement for jack-up rig services. Brent crude oil prices, a key driver of exploration, development and production, significantly increased from a low of USD 27.88 per barrel on 20 January 2016 to USD 86.07 per barrel on 4 October 2018, but fell later in the fourth quarter of 2018 to as low as USD 50.57 per barrel. However, in early 2019 the Brent crude oil prices have stabilised in the USD 60 to USD 65 per barrel range. According to Rystad Energy, the contracted jack-up rig count in the rest of the world (excluding the Middle East and India) correspondingly declined by 35.0% from January 2015 to December 2018. During the same time period, however, the Middle East and India, two of the Group's core operating regions, have remained relatively steady, with the Middle East experiencing only a 7.0% decrease and India 0%. These two regions represent a growing share of the contracted jack-up rig market, increasing from a combined 39.0% in 2014 to 45.1% in December 2018. With a leading market position in these two regions, the Group believes this is one of a number of reasons that its average marketed utilisation rate has been 8.0% above the shallow water drilling industry average since 2015, according to Rystad Energy.[15]

The relatively low breakeven prices and short cycles of shallow water projects promoted their resiliency in recent years as compared to other oil and gas resources, such as North American shale and deepwater projects. Moreover, as the market for offshore drilling services improves, Rystad expects that "brownfield projects," or projects related to infill drilling and workovers, will benefit earlier as compared to "greenfield" exploration and development projects, due to their comparatively attractive breakeven points. The lower-risk and short-cycle of these brownfield projects, and their general location in mature shallow water basins, means that jack-ups are frequently contracted for these projects, and Rystad expects brownfield projects to have a stronger rig demand growth compared to greenfield exploration and development projects. As the Group's core operating regions feature a large proportion of potential brownfield projects, it believes it may benefit earlier in any recovery for contract drilling services than many of its competitors that focus on greenfield exploration and development activities involving resources with higher breakeven points, such as deepwater projects.

While price competition among offshore drilling contractors remains intense, the global number of contracted jack-up rigs has begun to increase, growing by 6.8% from December 2016 to December 2018. According to Rystad Energy, there has been a rise in tendering activity in 2018 compared to 2017, which has the potential to result in a further continued increase in the global number of contracted rigs. The Group experienced an increase in market and tender inquiries from its customers in 2018, particularly in the Middle East and other key markets.[16]

See Section 7.2 "Industry trends" for more information.

11.6 The Group's results of operations for the year ended 31 December 2018 compared with year ended 31 December 2017

The table below sets out selected data from the Group's results of operations for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2018	**2017**
In USD thousand	*US GAAP (audited)*	*US GAAP (audited)*
Revenues		
Operating revenues	599,043	556,047
Other revenue	14,276	15,917
	613,319	**571,964**
Operating costs and expenses		
Operating and maintenance	358,030	320,084

[15] Rystad Energy RigCube, 31 December 2018.
[16] Rystad Energy RigCube, 31 December 2018.

In USD thousand	Years ended 31 December 2018 US GAAP (audited)	2017 US GAAP (audited)
Depreciation	86,796	80,573
Amortization of deferred costs	82,953	64,664
General and administrative	61,030	43,726
Loss on impairment of assets	40,071	34,802
Loss / (gain) on disposal of assets	1,682	(839)
	630,562	**543,010**
Operating (loss) / income	**(17,243)**	**28,954**
Other (expense) / income, net		
Interest income	1,454	1,062
Interest expense and financing charges	(106,772)	(83,995)
Other, net	354	(2,969)
	(104,964)	**(85,902)**
Loss before income taxes	**(122,207)**	**(56,948)**
Income tax expense	14,036	14,262
Net loss	**(136,243)**	**(71,210)**
Adjusted EBITDA	**217,672**	**228,355**

The Group's results of operations for the year ended 31 December 2018 compared with the year ended 31 December 2017 are discussed below. The discussion is based on the Financial Statements.

11.6.1 Revenues

Total revenue for 2018 was USD 613.3 million compared to USD 572.0 million for 2017. Revenue for 2018 consisted of USD 599.0 million (97.7%) of operating revenue and USD 14.3 million (2.3%) of other revenue. In 2017, these same revenues were USD 556.1 million (97.2%) and USD 15.9 million (2.8%), respectively.

Revenue for 2018 increased by USD 41.3 million compared to the same period in 2017, primarily due to USD 80.0 million higher revenue related to the operations of the two newbuilds and the three premium jack-up rigs acquired in 2017. This was partly offset by USD 25.4 million lower revenue due to lower average earned dayrates excluding the two newbuilds and the three premium jack-up rigs acquired in 2017 (USD 59.8 thousand in 2018 compared to USD 63.7 thousand in 2017), USD 5.1 million due to lower effective utilisation excluding newbuilds and acquired rigs, USD 4.7 million lower revenue related to non-drilling activities in 2018, USD 2.4 million lower revenue related to contract termination fees and USD 1.1 million lower other revenue in 2018.

11.6.2 Operating and maintenance expenses

Total operating and maintenance expenses for 2018 were USD 358.0 million, or 58.4% of total revenue, compared to USD 320.1 million, or 56.0% of total revenue, in 2017. Operating and maintenance expenses in 2018 consisted of USD 323.6 million rig-related expenses and USD 34.4 million shore-based expenses. In 2017, these expenses were USD 286.9 million and USD 33.2 million, respectively.

During 2018, rig-related expenses included USD 182.7 million for personnel expenses, USD 98.6 million for rig maintenance expenses and USD 42.3 million for other rig-related expenses. This compares to USD 162.5 million, USD 99.0 million and USD 25.4 million for those respective categories during 2017. Compared to 2017, the increase in rig-related expenses of USD 36.7 million was primarily due to USD 22.6 million higher expenses for the one and three premium jack-up rigs acquired in 2018 and 2017, respectively, USD 15.9 in 2018 million additional contract preparation and operating expenses for rigs that were idle in 2017 but operating or preparing for new contracts in 2018, USD 8.8 million higher maintenance and shipyard expenses, USD 5.0 million higher rig mobilisation costs and USD 4.5 million of increased costs related to the second newbuild rig that started its contract in June 2017. This was partly offset by USD 14.9 million lower expenses for stacked and idle rigs awaiting marketing opportunities and USD 4.9 million of cost savings across rigs, primarily due to lower personnel expenditure and insurance.

There were USD 1.2 million of higher shore-based expenses (a 3.6% increase from 2017), primarily attributable to the new shore-based office supporting the operations of the two acquired premium jack-up rigs in the United Arab Emirates.

11.6.3 Depreciation expense

Depreciation expense in 2018 was USD 86.8 million compared to USD 80.6 million in 2017. The increase of USD 6.2 million primarily related to USD 6.3 million higher depreciation for the three premium jack-up rigs acquired in 2017 and USD 2.9 million higher depreciation for the second newbuild which was placed into service in June 2017, partly offset by USD 2.0 million lower depreciation on rigs and equipment which were impaired in June 2017.

11.6.4 Amortisation of deferred costs

The amortisation of deferred costs in 2018 was USD 83.0 million compared to USD 64.7 million in 2017. The USD 18.3 million increase primarily related to the amortisation of contract preparation costs for the three premium jack-up rigs acquired in 2017 which all started their respective contracts in 2018 and rigs that were previously in shipyard. This was partly offset by lower amortisation of contracts preparation costs for the rigs that completed their contracts.

11.6.5 General and administrative expenses

General and administrative expenses in 2018 were USD 61.0 million compared to USD 43.7 million in 2017. The USD 17.3 million increase in general and administrative expenses resulted from USD 10.9 million of higher share-based compensation, due to the accelerated vesting of all unvested shares as a result of the IPO in June 2018, USD 5.1 million lower net releases of provision for doubtful accounts in 2018, USD 2.9 million higher costs related to a one-time corporate transaction and USD 0.7 million higher other costs. This was partly offset by USD 2.3 million of lower sponsor fees in 2018 as a result of the IPO.

11.6.6 Loss on impairment of assets

Loss on impairment of assets was USD 40.1 million in 2018 compared to USD 34.8 million in 2017, on six and four of the rigs, respectively, out of which three rigs in 2018 and one rig in 2017 were impaired to salvage value. The non-cash impairment loss represented an impairment loss on one of the Company's rigs that was classified as asset held for sale as of 30 June 2018. The impairment loss was based on the carrying value of the rig being higher than the fair value less costs to sell, which led to the rig being impaired down to the fair value, less costs to sell. In Q4 2018, five of the Company's rigs were impaired, out of which one was impaired to salvage value. In Q2 2017, four of the Company's rigs were impaired, out of which three were impaired to salvage value. The impairment loss in the fourth quarter of 2018 was recorded as a result of the significant reduction of crude oil price and sustained pressure on dayrates.

11.6.7 Loss / (gain) on disposal of assets

Loss / (gain) on disposal of assets was USD 1.7 million and USD (0.8) million in 2018 and 2017, respectively. The USD 2.5 million increase in loss on disposal of assets primarily resulted from the USD 2.7 million gain on disposal of one stacked rig in 2017.

11.6.8 Other (expense) / income, net

Other (expense) / income, net was an expense of USD 105.0 million in 2018 and USD 85.9 million in 2017. Other expense consisted primarily of interest expense and financing charges of USD 106.8 million and USD 84.0 million during 2018 and 2017, respectively. Interest expense and financing charges in 2018 were USD 22.8 million higher compared to 2017 due to the USD 12.4 million higher interest on the higher overall debt balance, USD 6.0 million call premium related to the full repayment of the obligations under the Sale and Leaseback Financing facility, USD 5.7 million higher amortisation of debt issuance costs due to the refinancing and debt restructuring in 2018 and USD 4.7 million capitalised interest on the Sale and Leaseback Financing facility in 2017. This was partly offset by USD 6.2 million lower interest on the sale and leaseback financing facility due to early termination.

Also included in the Other (expense) / income, net is Other, net which was an income of USD 0.4 million in 2018 compared to USD 3.0 million of expense in 2017. The difference of USD 3.3 million was mainly due to foreign currency exchange gains in 2018. The interest income of USD 1.5 million in 2018 also increased by USD 0.4 million compared to 2017, primarily due to an increase in interest rates.

11.6.9 Income tax expense

Income tax expense in 2018 was USD 14.0 million compared to USD 14.3 million in 2017. While the Company is exempt from all income taxation in the Cayman Islands, a provision for income taxes is recorded based on the tax laws and rates applicable in the jurisdictions in which the Company operates and earns income or is considered a resident for income tax purposes. The relationship between the provision for or benefit from income taxes and the income or loss before income taxes can vary significantly from period to period considering, among other factors, (i) the overall level of income before income taxes, (ii) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (iii) rig movements between taxing jurisdictions and (iv) changes in the Company's rig operating structures which may alter the basis on which the Company is taxed in a particular jurisdiction.

Income tax expense in 2018 is lower than in 2017 primarily due to (i) larger tax benefits in 2018 related to an increase in the amount of income tax refunds the Company believes will be received in certain jurisdictions largely due to favourable audit developments, (ii) tax benefits in 2018 related to an election to file certain tax returns on an actual profits basis rather than based on a deemed profits basis, partially offset by (iii) an increase in liabilities for uncertain tax positions in 2018, and (iv) higher revenue in 2018 versus 2017 as the Company is taxed in various jurisdictions based on a percentage of gross revenue.

11.6.10 Net loss

Net loss in 2018 was USD 136.2 million compared to USD 71.2 million in 2017, primarily driven by overall lower margins in the Group's drilling business activity and increased costs associated with the 2018 refinancing transactions, IPO and one-time corporate transaction costs. See Sections 11.6.1 "Revenues", 11.6.2 "Operating and maintenance expenses" and 11.6.5 "General and administrative expenses" above for more information.

11.7 The Group's results of operations for the year ended 31 December 2017 compared with year ended 31 December 2016

The table below sets out selected data from the Group's results of operations for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
	2017	**2016**
In USD thousand	*US GAAP (audited)*	*US GAAP (audited)*
Revenues		
Operating revenues	556,047	668,649
Other revenue	15,917	15,668
	571,964	**684,317**
Operating costs and expenses		
Operating and maintenance	320,084	353,802
Depreciation	80,573	71,780
Amortization of deferred costs	64,664	91,763
General and administrative	43,726	46,889
Loss on impairment of assets	34,802	47,094
(Gain) / Loss on disposal of assets	(839)	4,826
	543,010	**616,154**
Operating income	**28,954**	**68,163**
Other (expense) / income, net		
Interest income	1,062	356
Interest expense and financing charges	(83,995)	(80,120)
Other, net	(2,969)	1,522
	(85,902)	**(78,242)**
Loss before income taxes	**(56,948)**	**(10,079)**
Income tax expense	14,262	19,757
Net loss	**(71,210)**	**(29,836)**
Adjusted EBITDA	**228,355**	**289,827**

The Group's results of operations for the year ended 31 December 2017 compared with the year ended 31 December 2016 are discussed below. The discussion is based on the Financial Statements.

11.7.1 Revenues

Total revenue for 2017 was USD 572.0 million compared to USD 684.3 million for 2016. Revenue for 2017 consisted of USD 556.1 million (97.2%) of operating revenue and USD 15.9 million (2.8%) of other revenue. In 2016, these same revenues were USD 668.6 million (97.7%) and USD 15.7 million (2.3%), respectively.

Revenue for 2017 decreased by USD 112.3 million compared to the same period in 2016, primarily due to USD 95.4 million lower average earned dayrates (USD 70.4 thousand in 2017 compared to USD 75.2 thousand in 2016), USD 86.8 million lower effective utilisation (62% in 2017 compared to 74% in 2016), USD 6.8 million lower revenue related to contract termination fees and USD 5.8 million lower other revenue in 2017. This was partly offset by USD 82.5 million higher operating revenue due to the operations of the two Delivered Newbuild Rigs.

Marketed utilisation for 2017 of 62% was lower than the marketed utilisation for 2016 of 74%, mainly due to the higher number of rigs in shipyards and undergoing contract preparation during 2017. There were 12 rigs for 848 days in shipyard undergoing contract preparation during the year ended 31 December 2017, compared with 10 rigs for 555 days during the year ended 31 December 2016.

11.7.2 Operating and maintenance expenses

Total operating and maintenance expenses for 2017 were USD 320.1 million, or 56.0% of total revenue, compared to USD 353.8 million, or 51.7% of total revenue, in 2016. Operating and maintenance expenses in 2017 consisted of USD 286.9 million rig-related expenses and USD 33.2 million shore-based expenses. In 2016, these expenses were USD 317.3 million and USD 36.5 million, respectively.

During 2017, rig-related expenses included USD 162.5 million for personnel expenses, USD 99.0 million for rig maintenance expenses and USD 25.4 million for other rig-related expenses. This compares to USD 188.7 million, USD 95.0 million and USD 33.6 million for those respective categories during 2016. Compared to 2016, the decrease in rig-related expenses of USD 30.4 million was due to USD 36.8 million lower expenses for stacked and idle rigs awaiting marketing opportunities, USD 22.0 million of cost savings across rigs, primarily due to lower personnel related expenditures and insurance expenses, USD 5.2 million lower maintenance and shipyard expenses and USD 3.4 million lower other costs. This was partly offset by USD 18.4 million of increased costs related to the two Delivered Newbuild Rigs which started their contracts in December 2016 and June 2017, respectively, and USD 18.6 million of costs for the 2017 Acquired Rigs.

There were USD 3.3 million of cost savings across local shore-based offices (an 9.0% decrease from 2016), primarily attributable to headcount reductions and cost restructuring throughout 2016 due to the reduction in rig activity.

11.7.3 Depreciation expense

Depreciation expense in 2017 was USD 80.6 million compared to USD 71.8 million in 2016. The increase of USD 8.8 million mainly related to USD 10.7 million of higher depreciation of the two Delivered Newbuild Rigs which were placed into service in December 2016 and June 2017, respectively, and USD 5.2 million of higher depreciation on the three acquired premium jack-up rigs, partly offset by USD 7.0 million of lower depreciation on drilling rigs and equipment which were impaired in December 2016 and June 2017.

11.7.4 Amortisation of deferred costs

The amortisation of deferred costs in 2017 was USD 64.7 million compared to USD 91.8 million in 2016. The USD 27.1 million decrease primarily related to fully amortised contract preparation costs on three rigs and four rigs that were terminated or ended their contract in 2017 and 2016, respectively, and one rig that was fully impaired in each period in June 2017 and December 2016.

11.7.5 General and administrative expenses

General and administrative expenses in 2017 were USD 43.7 million compared to USD 46.9 million in 2016. The USD 3.2 million decrease in general and administrative expenses resulted from USD 5.0 million of lower net releases of provision for doubtful accounts in 2017, partly offset by USD 1.8 million of higher other costs.

11.7.6 Loss on impairment of assets

Loss on impairment of assets was USD 34.8 million in 2017 compared to USD 47.1 million in 2016, on four and three of the Group's rigs, respectively, out of which one rig in each year in 2017 and 2016 was impaired to salvage value. The impairment loss in 2017 was recorded in the second quarter in 2017 as a result of crude oil prices further declining, continued pressure on market dayrates and an increase in the number of idle rigs.

11.7.7 (Gain) / Loss on disposal of assets

(Gain) / loss on disposal of assets was (USD 0.8) million and USD 4.8 million in 2017 and 2016, respectively. The USD 5.6 million decrease in loss on disposal of assets primarily resulted from the USD 2.7 million gain on disposal of one stacked rig in 2017 and USD 2.9 million lower losses on disposal and sale of other capital equipment in 2017 as compared to 2016.

11.7.8 Other (expense) / income, net

Other (expense) / income, net was an expense of USD 85.9 million in 2017 and USD 78.2 million in 2016. Other expense consisted primarily of interest expense and financing charges of USD 84.0 million and USD 80.1 million during 2017 and 2016, respectively. Interest expense and financing charges in 2017 were USD 3.9 million higher compared to 2016 due to the USD 14.2 million loss on debt extinguishment associated with the refinancing of the Group's debt, USD 12.3 million lower capitalised interest and USD 7.3 million higher interest expense on the Sale and Leaseback Financing facility. This was mostly offset by the USD 29.9 million of lower interest on debt, primarily resulting from the full settlement in January 2017 of the USD 350.0 million Midco term loan.

The loss on debt extinguishment in 2017 of USD 14.2 million included the USD 15.2 million write-off of unamortised debt issuance costs, USD 5.7 million of incentive fees paid to bondholders and USD 4.1 million legal fees, partly offset by the USD 10.8 million gross settlement gain on the term loan.

Also included in the Other (expense) / income, net is Other, net which was an expense of USD 3.0 million in 2017 compared to USD 1.5 million of income in 2016. The difference of USD 4.5 million was mainly due to increased foreign currency exchange losses in 2017. The interest income of USD 1.1 million during 2017 also increased by USD 0.7 million compared to 2016 primarily due to higher interest rates in 2017.

11.7.9 Income tax expense

Income tax expense in 2017 was USD 14.3 million compared to USD 19.8 million in 2016. While the Group is exempt from all income taxation in the Cayman Islands, a provision for income taxes is recorded based on the tax laws and rates applicable in the jurisdictions in which it operates and earns income or is considered a resident for income tax purposes. The relationship between the provision for or benefit from income taxes and the income or loss before income taxes can vary significantly from period to period considering, among other factors, (i) the overall level of income before income taxes, (ii) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (iii) rig movements between taxing jurisdictions and (iv) changes in rig operating structures which may alter the basis on which the Group is taxed in a particular jurisdiction.

Income tax expense in 2017 is lower than in 2016 primarily due to (i) a reduction in deferred tax liabilities related to the future income tax cost of repatriating the unremitted earnings of certain subsidiaries due to a decrease in the amount of unremitted earnings which the Group believes will be repatriated in the foreseeable future, (ii) tax benefits related to an increase in the amount of income tax refunds the Group believes are recoverable in certain jurisdictions, primarily due to a favourable court order received during 2017, and (iii) lower revenue for the 2017 period as the Group is taxed in various jurisdictions based on a percentage of gross revenue.

11.7.10 Net loss

Net loss in 2017 was USD 71.2 million compared to USD 29.8 million in 2016, primarily due to the overall decline in the Group's drilling business activity with lower average earned dayrates and effective utilisation. See Sections 11.7.1 "Revenues" and 11.7.2 "Operating and maintenance expenses" above for more information.

11.8 Liquidity and capital resources

11.8.1 General

Historically, the Group has met its liquidity needs principally from cash balances in banks, cash generated from operations, cash generated from issuance of long-term debt and equity and availability under the SDHL Revolver. The Group's primary uses of cash were capital expenditures and deferred costs payments, repayment of long term debt, debt issuance costs payments, and interest and income tax payments.

The Group had USD 91.2 million and USD 84.6 million in cash and cash equivalents as of 31 December 2018 and 31 December 2017, respectively. As the majority of the Group's contracts are in USD, the Group holds a major part of its cash in this currency. Under the SDHL Revolver, the Group had USD 8.6 million of surety bonds issued as of 31 December 2018 and cash borrowings of nil at the same date. There are certain limitations which restrict the Company's ability to draw down the available balance of the SDHL Revolver. At the time of borrowing and immediately after giving effect to that borrowing, the aggregate amount of unrestricted cash and cash equivalents cannot exceed USD 35 million, after including the impact of the application of the cash and cash equivalents to be used for a permitted purpose within 30 days.

The Group seeks to maintain adequate liquidity at all times with sufficient availability under the SDHL Revolver, cash on hand and by continuously monitoring its cash forecasts versus actuals. The Group actively manages its total quantum of debt relative to the level of earnings and cash flow, as well as the value of the Group's assets and enterprise as a whole. There is regular exchange of communication with the Group's principal banks and other capital providers for its working capital and other requirements. The 8.25% Notes, the Group's only existing indebtedness, mature in 2025, as such, the Group does not have any near-term maturities or material funding obligations.

The Group may consider establishing additional financing arrangements with banks or other capital providers. Subject in each case to then existing market conditions and then-expected liquidity needs, among other factors, the Group may use a portion of its internally generated cash flows to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions or through debt redemptions or tender offers.

At any given time, the Group may require a significant portion of cash on hand and amounts available under the SDHL Revolver for working capital and other needs related to the operation of the Group's business.

The Board of Directors believes that the Group will have adequate liquidity to fund its operations over the next twelve months from the Listing.

11.8.2 Cash flows for the year ended 31 December 2018 compared to 31 December 2017

The table below sets out the primary components of the Group's statement of cash flows for the years ended 31 December 2018 and 2017.

	Years ended 31 December	
In USD thousand	**2018**	**2017**
Net cash provided by operating activities	37,705	62,036
Net cash used in investing activities	(95,763)	(231,397)
Net cash provided by financing activities	51,068	46,791
Net (decrease) / increase in cash and cash equivalents	**(6,990)**	**(122,570)**

Net cash provided by operating activities

Net cash provided by operating activities totalled USD 37.7 million in 2018 compared to USD 62.0 million in 2017. The decrease of USD 24.3 million was primarily due to overall lower margins in the Group's drilling business activity. See Section 11.6 "The Group's results of operations for the year ended 31 December 2018 compared with year ended 31 December 2017" for more information about operation costs.

During the years ended 31 December 2018 and 2017, the Group made cash payments of USD 57.1 million and USD 77.4 million in interest and financing charges, respectively, net of interest amounts capitalised of nil and USD 2.5 million in relation to the Group's newbuild rigs construction, respectively. The amounts for capitalised interest are included in cash used in investing activities as capital expenditures.

The Group also made cash payments of USD 20.2 million and USD 18.2 million in income taxes included under "Other operating assets and liabilities, net" during the years ended 31 December 2018 and 2017, respectively. The increase of USD 2.0 million in 2018 compared to 2017 is primarily due to increased revenue in 2018 as compared to 2017.

Net cash used in investing activities

Net cash used in investing activities for 2018 totalled USD 95.8 million compared to USD 231.4 million in 2017.

Cash used for capital expenditures, including capitalised interest, amounted to USD 99.0 million in 2018 and USD 253.8 million in 2017. The decrease of USD 154.8 million is primarily attributable to the USD 234.0 million paid for the purchase and preparation for deployment of the 2017 Acquired Rigs, compared to the USD 75.9 million paid for the acquisition and associated transaction and mobilisation costs of one premium jack-up drilling rig in 2018.

As part of the Sale and Leaseback Financing, contractual commitment payments totalling USD 74.1 million were paid by the third party financial institutions directly to the shipyard constructing the rigs and USD 3.1 million of interest in kind was recorded as capitalised interest and obligations under sale and leaseback in 2017. These non-cash transactions were not reflected in the consolidated statements of cash flows for the year ended 31 December 2017.

Net cash provided by financing activities

Net cash provided by financing activities totalled USD 51.1 million in 2018 compared to USD 46.8 million in 2017.

The increase of USD 4.3 million is primarily due to the issuance of debt of USD 928.0 million (resulting from the issuance of a total of USD 900 million of 8.25% senior unsecured notes and USD 25.0 million of draws on the SDA Facility (as defined in Section 11.8.5.2 "8.25% Notes")), partly offset by the increase in retirement of long-term debt of USD 444.0 million, the increase in repayment of the Sale and Leaseback Financing of USD 289.1 million, the redemption of the Preferred Shares of USD 166.7 million, the increased payments for debt financing and extinguishment costs of USD 17.4 million and the increased payment for Preferred Shares dividends of USD 6.6 million in 2018. The increase in retirement of long-term debt of USD 444.0 million is primarily due to the retirement in 2018 of USD 502.8 million of 9.5% senior secured notes, USD 30.4 million of 8.625% senior secured notes and USD 25.0 million for the SDA Facility (as defined in Section 11.8.5.2 "8.25% Notes"), partly offset by USD 86.8 million of partial settlement of the USD 350 million Midco term loan in 2017.

11.8.3 Cash flows for the year ended 31 December 2017 compared to 31 December 2016

The table below sets out the primary components of the Group's statement of cash flows for the years ended 31 December 2017 and 2016.

	Years ended 31 December	
In USD thousand	**2017**	**2016**
Net cash provided by operating activities	62,036	136,532
Net cash used in investing activities	(231,397)	(35,171)
Net cash provided by / (used in) financing activities	46,791	(3,486)
Net (decrease) / increase in cash and cash equivalents	**(128,576)**	**97,875**

Net cash provided by operating activities

Net cash provided by operating activities totalled USD 62.0 million in 2017 compared to USD 136.5 million in 2016. The decrease of USD 74.5 million was primarily due to the cash payments associated with the Group's debt refinancing and the overall decline in its drilling business activity. See discussion of revenue in Section 11.7.1 "The Group's results of operations for the year ended 31 December 2017 compared with year ended 31 December 2016 - Revenues" for more information about operating costs.

During the years ended 31 December 2017 and 2016, the Group made cash payments of USD 77.4 million and USD 73.0 million in interest and financing charges, respectively, net of interest amounts capitalised of USD 2.5 million and USD 10.7 million in relation to the new build high specification jack-up rig constructions, respectively, included under "Other operating assets and liabilities, net". The amounts for capitalised interest are included in cash used in investing activities as capital expenditures.

The Group also made cash payments of USD 18.2 million and USD 26.1 million in income taxes included under "Other operating assets and liabilities, net" during the years ended 31 December 2017 and 2016, respectively. The decrease of USD 7.9 million in 2017 compared to 2016 was primarily due to reduced revenue in 2017 as compared to 2016.

Net cash used in investing activities

Net cash used in investing activities for 2017 totalled USD 231.4 million compared to USD 35.2 million in 2016. The Group's primary use of cash for investing activities in 2017 included USD 253.8 million of additions to property and equipment, partially offset by the USD 16.9 million paid to the Group by the lessor under the Sale and Leaseback Financing for costs incurred on one of the Delivered Newbuild Rigs.

Cash used for capital expenditures, including capitalised interest, amounted to USD 253.8 million in 2017 and USD 53.5 million in 2016. The increase of USD 200.3 million in 2017 compared to 2016 was primarily attributable to the USD 234.0 million for the purchase and preparation for deployment of the three-premium jack-up drilling rigs acquired in 2017, partly offset by the lower expenditures on the new build high specification jack-up rig constructions and reduced capital spending initiatives across the fleet during 2017.

As part of the Sale and Leaseback Financing, contractual commitment payments totalling USD 74.1 million and USD 148.1 million were paid by the third party financial institutions directly to the shipyard constructing the rigs and USD 3.1 million and USD 6.8 million of interest in kind was recorded as capitalised interest and obligations under the Sale and Leaseback Financing in 2017 and 2016, respectively. These non-cash transactions were not reflected on the consolidated statements of cash flows for the years ended 31 December 2017 and 2016.

Net cash provided by / (used in) financing activities

Net cash provided by financing activities totalled USD 46.8 million in 2017 compared to net cash used in financing activities of USD 3.5 million in 2016. In April 2017, the Group completed the Private Placement of 28,125,000 new Common Shares at a price of USD 8.00 per share for total gross proceeds of USD 225.0 million. These proceeds were used to acquire the 2017 Acquired Rigs from Seadrill for USD 75.4 million each. Two of the rigs were delivered in May 2017 and the third rig was delivered in September 2017.

In connection with the refinancing of certain of the Group's debt in January 2017, the Group used USD 28.5 million of cash to partially pay for the exchange and cancellation of the USD 444.6 million 8.625% senior secured notes due November 2018 and USD 85.8 million in cash for the partial settlement of the USD 350 million term loan, which was fully settled and cancelled. This resulted in total payments of long-term debt of USD 114.3 million, partially offset by the original discount of USD 10.5 million of cash provided by operating activities.

In addition to the refinancing of certain of the Group's debt, USD 166.7 million of the Preferred Shares (as defined in Section 13.2.3 "Preferred shares") were issued to certain of the Sponsors and USD 86.8 million 9.5% senior secured notes were issued for the full settlement of the USD 350 million term loan, and USD 416.1 million 8.625% senior secured notes were cancelled in exchange for 9.5% senior secured notes. As a result, the Group issued a total of USD 502.8 million 9.5% senior secured notes during 2017. These non-cash transactions were not reflected on the consolidated statement of cash flows for 2017.

During the year ended 31 December 2017, the Group incurred USD 10.9 million of legal and other related fees for the refinancing transaction, of which USD 10.4 million were capitalised as debt issuance costs and USD 0.5 million were recorded as loss on debt extinguishment and included in "Interest expense and financing charges" in the Group's consolidated statement of operations.

During the year ended 31 December 2017, the Group paid a total of USD 8.5 million related to shares issuance costs, of which USD 7.8 million related to the issuance cost of the new Common Shares and USD 0.7 million was for the issuance of the Preferred Shares (as defined in Section 13.2.3 "Preferred shares"). There were no such transactions for the same period in 2016.

The Group made rental payments to the Lessor of USD 37.2 million and USD 2.7 million, of which USD 24.8 million and USD 1.8 million was related to principal payments during the years ended 31 December 2017 and 31 December 2016, respectively, for the new build high specification jack-up rig constructions which entered into capital leases in December 2016 and June 2017, respectively.

11.8.4 Assets and liabilities

The table below sets forth the total assets and total liabilities for the Group as of 31 December 2018, 2017 and 2016 and is extracted from the Financial Information, for each of the financial periods presented.

In USD thousands	**As of 31 December**		
	2018 *(audited)*	**2017** *(audited)*	**2016** *(audited)*
Total current assets	321,328	319,308	433,686
Property and equipment, net	1,214,880	1,249,990	1,030,676
Total assets	**1,645,896**	**1,682,950**	**1,585,940**
Total current liabilities	**136,894**	**210,282**	**135,020**
Total long-term liabilities	**917,745**	**797,444**	**1,071,466**

As of 31 December 2018 compared to as of 31 December 2017

The Group's total assets decreased by USD 37,054 thousand from USD 1,682,950 thousand as of 31 December 2017, to USD 1,645,896 thousand as of 31 December 2018, primarily as a result of an increase in cash and cash equivalents and in accounts and other receivables, net (primarily due to timing of collections) and offset by a decrease in property and equipment, net (primarily due to reduced capital expenditures) and a decrease in other current assets.

The Group's total current liabilities decreased by USD 73,388 thousand from USD 210,282 thousand as of 31 December 2017, to USD 136,894 thousand as of 31 December 2018, primarily as a result of full payment of the USD 30.4 million 8.625% senior secured notes, full repayment of the Sale and Leaseback Financing (current) and the decrease in accounts payable (primarily due to timing of payments).

The Group's total long-term liabilities increased by USD 120,301 thousand from USD 797,444 thousand as of 31 December 2017, to USD 917,745 thousand as of 31 December 2018, primarily as a result of issuance of the 8.25% senior unsecured notes partially offset by the full repayment of the Sale and Leaseback Financing (non-current).

As of 31 December 2017 compared to as of 31 December 2016

The Group's total assets increased by USD 97,010 thousand from USD 1,585,940 thousand as of 31 December 2016, to USD 1,682,950 thousand as of 31 December 2017, primarily as a result of the increase in property and equipment, net (primarily due to the purchase of the 2017 Acquired Rigs), partially offset by a decrease in cash (primarily due to the costs related to the January 2017 refinancing).

The Group's total current liabilities increased by USD 75,262 thousand from USD 135,020 thousand as of 31 December 2016, to USD 210,282 thousand as of 31 December 2017, primarily as a result of increase in current maturities of long-term debt and the increase in accounts payable (primarily due to timing of payments).

The Group's total long-term liabilities decreased by USD 274,022 thousand from USD 1,071,466 thousand as of 31 December 2016, to USD 797,444 thousand as of 31 December 2017, primarily as a result of the January 2017 refinancing.

11.8.5 Financing arrangements

11.8.5.1 General

The Group's financing arrangements as of 31 December 2018 were (i) USD 900 million 8.25% senior unsecured notes due 2025 (the "**8.25% Notes**"), (ii) a USD 225 million revolving credit facility (the "**SDHL Revolver**") with HSBC Bank plc, RBC Capital Markets, ING Bank N.V., DNB Bank ASA and Credit Suisse AG, and (iii) an EGP 90 million unsecured overdraft facility (the "**Overdraft Facility**").

As of 31 December 2018, the Company had a total indebtedness of USD 887.8 million, which related to the 8.25% Notes. No cash was drawn under the SDHL Revolver as of 31 December 2018.

The following is an overview of the Group's current and non-current indebtedness as of 31 December 2018:

In USD thousand

Category	Interest Payments	Interest rate	Secured/ guaranteed	Total outstanding
8.25% Notes	Semi-annually	8.25% per annum	Guaranteed	887,764
SDHL Revolver..................	Quarterly	At SDHL's option (i) LIBOR plus 4.50% per annum or (ii) Alternate Base Rate (as defined in the SDHL Revolver) plus 3.50% per annum	Secured	0
Overdraft Facility	Monthly	Central Bank of Egypt Mid Corridor rate plus 3% per annum	Unsecured	0
Total				**887,764**

11.8.5.2 8.25% Notes

On 7 February 2018, Shelf Drilling Holdings, Ltd. ("**SDHL**") completed the issuance of USD 600.0 million of new 8.25% senior unsecured notes due 2025 issued at par. SDHL received net proceeds of USD 589.3 million, after deduction of the USD 10.7 million of fees and expenses which are capitalised and amortised over the life of the debt.

The Company used the net proceeds to purchase and cancel or redeem USD 502.8 million of 9.5% senior secured notes and USD 30.4 million of 8.625% senior secured notes, or such notes redemption provisions. Interest on the 8.25% senior unsecured notes accrues from 7 February 2018 at a rate of 8.25% per year and is payable semi-annually in arrears on 15 February and 15 August of each year.

On 5 June 2018, SDHL launched and priced the USD 300 million tap issue (the "**Tap Issue**"), whereby the outstanding amount under the 8.25% Notes was increased to USD 900.0 million on 19 June 2018. SDHL received net proceeds of USD 297.2 million from the Tap Issue, after deduction of USD 5.8 million of fees and expenses. The proceeds from the Tap Issue were used to repay the USD 25.4 million aggregate principal amount of the senior secured credit facility entered into by Shelf Drilling Asset III, Ltd, an indirect wholly owned subsidiary of the Company on 21 December 2017 (the "**SDA Facility**") on 19 June 2018 and, combined with cash on hand, repay the Sale and Leaseback Financing on 9 July 2018.

SDHL's obligations under the 8.25% senior unsecured notes are guaranteed by a majority of SDHL's subsidiaries (collectively, the "**Note Guarantors**"), subject to certain exceptions. The notes and the note guarantees will be SDHL's and the Note Guarantors' senior unsecured obligations and will:

- rank senior in right of payment to any of SDHL's and the Note Guarantors' existing and future subordinated indebtedness, if any;
- rank pari passu in right of payment with all existing and future senior unsecured indebtedness of SDHL and the Note Guarantors;
- be effectively subordinated to all existing and future secured indebtedness of SDHL and the Note Guarantors, to the extent of the value of the assets securing such indebtedness; and
- be structurally subordinated to all existing and future indebtedness, including preferred stock and other liabilities, including trade payables, of any non-guarantor subsidiaries of SDHL.

At any time prior to 15 February 2021, SDHL is entitled to redeem the notes, in whole or in part at a price equal to 100% of the principal amount plus accrued and unpaid interest and the Applicable Premium (as defined in the indenture). SDHL may also redeem the notes of up to 35% of the aggregate principal amount at a redemption price of 108.25% plus accrued and unpaid interest from the net cash proceeds from one or more qualified equity offerings.

On or after 15 February 2021, SDHL may redeem the 8.25% senior unsecured notes, in whole or part, at the redemption prices set forth below, together with accrued and unpaid interest up to and including the redemption date.

Period	**Redemption Price**
Between 15 February 2021 and 14 February 2022	106.188%
Between 15 February 2022 and 14 February 2023	104.125%
Between 15 February 2023 and 14 February 2024	102.063%
On or after 15 February 2024	100.000%

If SDHL experiences a change of control, as defined in the indenture governing the 8.25% senior unsecured notes, and a decrease in the rating of the 8.25% senior unsecured notes by both Moody's Investors Services and Standard & Poor's Financial Services LLC by one or more gradations, it must offer to repurchase the 8.25% senior unsecured notes at an offer price in cash equal to 101% of their principal amount, plus accrued and unpaid interest. A change of control is generally (i) the sale or disposition, in one or a series of related transactions, of all or substantially all of the properties and assets of the Company to a third party, (ii) the adoption of a plan of liquidation or dissolution of the Company, or (iii) any person or group (as defined in the indenture) becomes the owner, directly or indirectly, of more than 50% of the total voting power of the Company's capital stock.

There are no financial covenants required to be tested under the 8.25% Notes.

11.8.5.3 Unsecured Overdraft Facility

On 26 April 2017, Shelf Drilling (Egypt) Limited, a wholly owned subsidiary of the Company, entered into a USD 5 million equivalent of foreign currency (Egyptian Pound 90 million) unsecured and uncommitted credit facility. The facility is available in foreign currency to finance the subsidiary's running expenses, overheads and payments to suppliers. There are no financial covenants required to be tested under this facility.

11.8.5.4 SDHL Revolver

On 4 June 2018, Shelf Drilling Holdings, Ltd. entered into a revolving credit facility in the amount of USD 225 million from HSBC Bank PLC, RBC Capital Markets, DNB Bank ASA, ING Bank N.V. and Credit Suisse AG (the SDHL Revolver).

The SDHL Revolver can be drawn as cash, letters of credit or bank guarantees, or a mixture of cash, letters of credit and guarantees, subject to the satisfaction of customary conditions set forth in the underlying credit agreement. All borrowings under the SDHL Revolver mature on 30 April 2023. The Company issued bank guarantees and performance bonds totalling USD 8.6 million as of 31 December 2018, against the SDHL Revolver. As of 31 December 2018, the Company had no outstanding borrowings under the SDHL Revolver. There are certain limitations which restrict the Company's ability to draw down the available balance of the SDHL Revolver. At the time of borrowing and immediately after giving effect to that borrowing, the aggregate amount of unrestricted cash and cash equivalents cannot exceed USD 35 million, after including the impact of the application of the cash and cash equivalents to be used for a permitted purpose within 30 days.

Additionally, the SDHL Revolver requires that SDHL and the Guarantors have a total net leverage ratio (consolidated net indebtedness to consolidated EBITDA, as defined in the SDHL Revolver) not greater than 4.75:1 and tested quarterly. The Company was in compliance with this ratio as of 31 December 2018.

Subject to certain exceptions, the Group's rigs are provided as security under the SDHL Revolver.

The SDHL Revolver has a change of control provision similar to the change of control provision in the 8.25% Notes, provided, however that mergers and/or consolidations are not permitted unless SDHL and its subsidiaries (acting as guarantors) survive such merger or consolidation.

There is also a dividend restriction under the SHDL Revolver, which applies to SDHL and other Group companies defined as "Guarantors and/or Restricted Subsidiaries". Payment of dividends is permitted in a number of defined circumstances and generally subject to fulfilment of a minimum liquidity requirement and a total net leverage ratio not exceeding 3.0:1.0, in an aggregate amount not to exceed a defined available amount, linked to 50% of consolidated net income.

On 13 February 2019, an amendment letter was executed by SDHL and the lenders to increase the total net leverage ratio threshold ("TNLR Threshold", as defined in the SDHL Revolver) to 5.0:1 during 2019 and 2020. In addition, it was agreed that no dividend pay-outs can be made if total net leverage ratio exceeds 4.5:1. These changes are effective only upon successful transfer of ownership of the CM Rigs.

11.8.5.5 Sale and leaseback

On 8 June 2018, the Company issued a termination notice for the obligations under the Sale and Leaseback Financing and agreed to reduce the notice period from 90 days to 30 days. Upon completion of the notice period on 9 July 2018, the then remaining principal balance under the Sale and Leaseback Financing of USD 293.5 million was paid in full.

After issuance and prior to the full repayment in July 2018, the Bareboat Charter Agreements required the Company to pay a rent with variable and fixed payment components from the charter hire accrual dates, as defined in the lease contract, through its expiry dates of 28 December 2021 and 5 July 2022 at which time the Lessee would have had the obligation to acquire the Delivered Newbuild Rigs from the Lessor for USD 82.5 million each (the "**Purchase Obligation Price**"). The fixed monthly payments for each rig at the inception of the bareboat charter period are calculated using the Prepaid Purchase Price (Purchase Price and capitalised interest on milestone payments net of Purchase Obligation Price) over the lease term. The average variable payments over the lease term for each rig was calculated on each payment date using a projected three month LIBOR rate plus applicable margin of 4.0% annually on the Notional Rent Outstanding (Prepaid Purchase Price reduced by fixed payments). The charter payments were made on every fifth day of the month.

The Company was also required to maintain (1) a minimum of 90 days of Rent in a debt reserve account; (2) 120% of Security Coverage Ratio (Fair Market Value of the rig plus additional cash collateral or any additional security provided by the Company to the lessor divided by the Notional Rent Outstanding); and (3) a Consolidated Net Debt to Consolidated EBITDA Ratio at or below 4:1, as defined in the Bareboat Charter Agreement and tested semi-annually. As of 31 December 2017, the Company was in compliance with all abovementioned requirements.

11.8.5.6 CM Charter Agreements

See Section 6.4 for a description of the CM Charter Agreements.

11.8.5.7 Contractual obligations

The following table presents the maturity profile of the Group's loan facilities, including interest payments and SDHL Revolver commitment fees, as of 31 December 2018.

In USD thousand	Outstanding as of 31 December 2018	Instalments due 2019	2020	2021	Thereafter
8.25% Notes[1]	887,764	74,250	74,250	74,250	1,159,875
SDHL Revolver	-	3,408	3,408	3,408	4,540
Overdraft facility	-	-	-	-	-
Total	**887,764**	**77,658**	**77,658**	**77,658**	**1,164,415**

1 Includes interest payments of USD 482.6 million between 2019 and 2025 and USD 900 million of principal payments in 2025.

11.8.5.8 Certain key ratios

The Group's equity ratio and leverage ratio for the period ended 31 December 2018, 2017 and 2016 is set out in the table below, which the Company considers to be relevant ratios for its type of business.

The equity ratio is defined as the Group's total equity divided by its total assets, while the leverage ratio is defined as the Group's net interest bearing debt to adjusted EBITDA.

	Year ended 31 December 2018	2017	2016
Equity ratio	35.9	30.3	23.9
Leverage ratio[1]	3.7	3.3	2.9

1 EBITDA for the three months ended is for the trailing twelve month period.

11.8.6 Capital expenditures

11.8.6.1 General

Capital expenditures and deferred costs include fixed asset purchases, investments associated with the construction of newbuild rigs and certain expenditures associated with regulatory inspections, major equipment overhauls, contract preparation, including rig upgrades, mobilisation and stacked rig reactivations. Capital expenditures and deferred costs can vary from quarter to quarter and year to year depending upon the requirements of existing and new customers, the number and scope of out-of-service projects, the timing of regulatory surveys and inspections, and the number of rig reactivations. Capital additions are included in property and equipment and are depreciated over the estimated remaining useful life of the assets. Deferred costs are included in other current assets and other assets on the consolidated balance sheet and are amortised over the relevant periods covering: (i) the underlying firm contract period to which the expenditures relate or (ii) the period until the next planned similar expenditure is to be made.

11.8.6.2 Principal historic investments

The table below sets out the Group's capital expenditures and deferred costs for the years ended 31 December 2014 to 2018. The comparison shows a significant decline in the Group's capital expenditures and deferred costs since its inception. Capital expenditures and deferred costs, excluding the Delivered Newbuild Rigs and the 2017 Acquired Rigs, decreased from an average of USD 242.5 million for each of the years ended 31 December 2014 and 2015, to USD 67.3, USD 51.7 million and USD 80.6 for the years ended 31 December 2016, 2017 and 2018, respectively. This is indicative of the Group's strategy in the years immediately following inception, during which it expended capital to (i) establish the Shelf Drilling brand, (ii) upgrade rigs based on long-term market trends and customer requirements, (iii) enhance its fleet composition, (iv) significantly upgrade equipment and (v) reposition the fleet to take advantage of growth opportunities in the Middle East and India, which were all largely completed by the end of 2015.

In USD thousands	Years ended 31 December 2018	2017	2016	2015	2014
Regulatory and capital maintenance[1]	44,619	35,018	37,960	127,695	120,352
Contract preparation[2]	23,980	13,741	22,353	65,232	46,551
Fleet spares and other[3]	11,998	2,976	6,964	11,646	25,670
Reactivation projects[4]	-	-	-	23,372	64,524
	80,597	**51,735**	**67,277**	**227,945**	**257,097**
Rig acquisitions[5]	87,672	253,230	-	-	-
Newbuild construction[6]	-	92,161	190,035	95,254	76,237
Total capital expenditures and deferred costs	**168,269**	**397,126**	**257,312**	**323,199**	**333,334**

1 Includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures on rigs in operation.

In USD thousands	Years ended 31 December				
	2018	2017	2016	2015	2014

2 Includes specific upgrade, mobilisation and preparation costs associated with a customer contract. It excludes, if any, contract preparation costs associated with reactivation projects, which are included under "Reactivation projects".
3 Includes (i) acquisition and certification costs for the rig fleet spares pool which is allocated to specific rig expenditure as and when required by that rig which will result in an expenditure charge to that rig and a credit to fleet spares and (ii) office and infrastructure expenditure.
4 Includes all capital expenditures and deferred costs associated with reactivation projects, including regulatory and capital maintenance as well as contract preparation.
5 Includes capital expenditures and deferred costs associated with the acquisition and reactivation of the IPO Acquired Rig and the 2017 Acquired Rigs.
6 Includes all payments made under the construction contracts for two Delivered Newbuild Rigs, internal costs associated with project management, machinery and equipment provided to the project by us and capitalised interest.

The following table reconciles the cash payments related to additions to property and equipment and changes in deferred costs, net to the total capital expenditures and deferred costs for the years ended 31 December 2018, 2017 and 2016.

In USD thousand	Years ended 31 December		
	2018	2017	2016
Cash payments for additions to property and equipment[1]	98,969	253,834	53,541
Net change in accrued but unpaid additions to property and equipment	(3,142)	4,578	(5,080)
Total	**95,827**	**258,412**	**48,461**
Asset addition related to Sale and Leaseback Financing	-	76,282	154,306
Total capital expenditures	**95,827**	**334,694**	**202,767**
Changes in deferred costs, net	(10,511)	(2,232)	(37,218)
Amortization of deferred costs	82,953	64,664	91,763
Total deferred costs	72,442	62,432	54,545
Total capital expenditures and deferred costs	**168,269**	**397,126**	**257,312**

1 In 2018, this is primarily the purchase of the IPO Acquired Rig. In 2017, this is primarily the purchase of the 2017 Acquired Rigs. In 2016 it is primarily major overhauls, regulatory costs, general upgrades and sustaining capital expenditures on rigs in operation.

There have been no principal investments in the period from 31 December 2018 to the date of this Prospectus.

11.8.6.3 Principal ongoing investments

The Group has no material ongoing investments, except for the Transaction including the planned modifications and contract preparations of the CM Rigs and CM Bareboat Rigs as further described in Sections 6.2 "Rig Purchase Agreement" and 6.3 "Share Subscription Agreements".

11.8.6.4 Principal future planned/committed investments

The Group has no principal future panned or committed investments.

11.9 Financial risk management and market risk management

The Group is exposed to a variety of financial risks such as credit risk, liquidity risk, interest risk and market risk.

11.9.1 Credit risk

The Group's financial instruments that potentially subjects it to concentrations of credit risk, are cash and cash equivalents and accounts receivables. The Group generally maintain cash and cash equivalents at commercial banks with high credit ratings.

The Group's trade receivables are with a variety of government owned or controlled energy companies, publicly listed integrated oil companies or independent exploration and production companies. The Group performs ongoing credit evaluations of its customers, and generally do not require material collateral. The Group may from time to time require its customers to make an advance payment or issue a bank guarantee in its favour to cover the risk of non-payment under its drilling contracts.

An allowance for doubtful accounts is established when receivables are outstanding for more than a year or on a case-by-case basis, considering changes in the financial position of a customer, when it is believed that the required payment of specific amounts owed is unlikely to occur.

The Group's allowance for doubtful accounts was USD 2.7 million, USD 2.5 million and USD 99.6 million as of 31 December 2018, 2017 and 2016, respectively.

11.9.2 Liquidity risk

The Group manages its liquidity risk by maintaining adequate cash reserves at banking facilities, and by continuously monitoring its cash forecasts, its actual cash flows and by matching the maturity profiles of financial assets and liabilities.

11.9.3 Currency exchange risk

The Group's international operations expose it to currency exchange rate risk. This risk is primarily associated with compensation costs of employees and purchasing costs from non-US suppliers, which are denominated in currencies other than USD. The Group does not have any non-USD debt and thus is not exposed to currency risk related to debt.

The Group's primary currency exchange rate risk management strategy involves structuring certain customer contracts to provide for payment from the customer in both USD and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary from those anticipated in the customer contracts, resulting in partial exposure to currency exchange rate risk. The currency exchange effect resulting from the Group's international operations has not historically had a material impact on its operating results.

Further, the Group may utilise foreign currency forward exchange contracts to manage foreign exchange risk, for which it maintains documented policy and procedures to monitor and control the use of the derivative instruments. The Group is not engaged in derivative transactions for speculative or trading purposes. The Group's foreign currency forward exchange contracts generally requires it to net settle the spread between the contracted foreign currency exchange rate and the spot rate on the contract settlement date.

11.9.4 Interest rate risk

The Group is exposed to interest rate risk related to the fixed rate debt under the 8.25% Notes and variable rate debts under its revolver. Fixed rate debt, where the interest rate is fixed over the life of the instrument and the instrument's maturity is greater than one year, exposes the Group to changes in market interest rates if and when maturing debt is refinanced with new debt. The variable rate debt, where the interest rate may be adjusted frequently over the life of the debt, exposes it to short-term changes in market interest rates.

11.10 Critical accounting policies and estimates

The preparation of the Financial Statements according to US GAAP requires Management to make certain judgements, estimates and assumptions regarding the future that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates and judgements are continually evaluated, and are based on Management's historical experience and other factors that are believed to be reasonable under the circumstances, including expectations of future events and developments. The resulting accounting estimates will, by definition, seldom equal the actual outcome. Expanded discussion of the Group's more significant accounting policies, estimates and judgments are provided below. The Group believes that most of these accounting policies reflects its more significant estimates and assumptions used in preparation of the financial statements.

11.10.1 Revenue recognition

The revenue relating to the provision of the rigs and drilling related services, collectively "integrated drilling services", is accounted for as a single performance obligation satisfied over time and comprises of a series of distinct increments or service periods in which the Group provides drilling services. Any up-front lump-sum fees or similar compensation for the mobilisation of equipment, contract preparation and capital upgrades received prior to the commencement of drilling services are deferred and recognised over the contract period and are included in operating revenue.

Any demobilisation fee received upon completion of the contract is accrued as operating revenue over the contract duration, it is unconditional and there is no significant risk of potential material cumulative revenue reversal in the future. Otherwise it is recorded when it becomes probable that there will not be a material cumulative revenue reversal. The Company may also receive termination fees if certain customers terminate the contract prior to the end of the contractual term. Such compensation is recognised as operating revenue when it becomes probable that there will not be a material revenue reversal.

Other revenue consists of revenue from lease rentals and amounts billed for goods and services such as personnel, catering or accommodation which are generally invoiced to customers at a margin. These revenues are recognised when the control of the goods and services has been obtained by the customer.

11.10.2 Property and equipment

Property and equipment is stated at cost adjusted for any economic impairment in value. Costs incurred that substantially enhance, improve or increase the useful lives of existing assets are capitalised. Routine expenditures for repairs and maintenance are expensed as incurred.

Construction in progress is stated at cost. Cost consists of direct costs of construction, interest capitalised during the period of rig construction and other direct costs necessary to bring the asset to the condition and location necessary for its intended use. When the asset is ready, it is transferred from construction in progress to the appropriate category under property and equipment. Depreciation commences when the asset is ready for its intended use.

Depreciation is computed using the straight-line method, after allowing for salvage value where applicable, over the estimated useful lives of the assets. Land is not depreciated. If an impairment loss is recognised, the adjusted carrying amount shall be depreciated over the remaining useful life of that asset.

The remaining estimated average useful life of existing drilling rigs in the Group's fleet is 11 years as of 31 December 2018. The Group reviews the remaining useful lives and salvage values of rigs when certain events occur that directly impact the useful lives and salvage values of the rigs. This includes changes in operating condition, functional capability and market and economic factors.

The Group evaluates property and equipment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss on property and equipment exists when the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Any actual impairment loss recognised represents the excess of the asset's carrying value over the estimated fair value. The Group estimates the fair values of property and equipment by applying a combination of income and market approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date.

When assets are sold, retired or otherwise disposed of, the cost and related accumulated depreciation are written off, net of any proceeds received, and any gain or loss is reflected in the consolidated statements of operations.

11.10.3 Operating and deferred costs

Rig operating costs are recognised when incurred. Mobilisation and demobilisation costs of relocating drilling units without contracts are expensed as incurred.

Periodic survey and inspection in lieu of drydock costs incurred in connection with obtaining regulatory certifications to operate the rigs are deferred and amortised on a straight-line basis over the period until the next survey or inspection, generally for periods of between 30 to 60 months. Contract preparation and mobilisation expenditures incurred specifically for a rig entering a drilling services contract are deferred and amortised on a straight-line basis over the primary period of the contract to which the costs relate. Periodic major overhauls of equipment are deferred and amortised on a straight-line basis over a period of five years.

11.10.4 Share-based compensation

Share-based compensation is recognised in the consolidated statements of operations based on their fair values and the estimated number of shares or units that are ultimately expected to vest. For awards which vest based on service conditions, the value of the portion of the award that is ultimately expected to vest is recognised as an expense over the five year vesting period. For awards which vest only after an exit event or initial public offering, compensation expense is recognised upon the occurrence of the event.

The fair value of awards made under the share-based compensation plans is estimated at the grant date using intrinsic value or a standard quantitative modelling techniques performed by an independent third party. The estimates are established using a zero premium option, with reference to the volatility of a group of broadly similar offshore drilling service companies.

Restricted Share Units ("**RSUs**") are contractual rights to receive shares of our common stock in the future if the applicable vesting conditions are met. The fair value of time-vesting RSUs granted under the long-term incentive plan was estimated based on the fair market value of our common stock on the date of grant.

11.10.5 Derivative financial instruments

The Group's derivative financial instruments consist of foreign currency forward exchange contracts and interest rate swaps which it may designate as cash flow hedges. In accordance with US GAAP, each derivative contract is stated in the balance sheet at fair value with gains and losses reflected in the consolidated statements of operations except that, to the extent the derivative qualifies for and is designated as an accounting hedge, the gains and losses are reflected in income in the same period as offsetting gains and losses on the qualifying hedged positions. Designated hedges are expected to be highly effective, and therefore, adjustments to record the carrying value of the effective portion of the derivative financial instruments to their fair value are recorded as a component of accumulated other comprehensive income / (loss), or AOCIL, in the consolidated balance sheets. The effective portion of the cash flow hedge will remain in AOCIL until it is reclassified into earnings in the period or periods during which the hedged transaction affects earnings or it is determined that the hedged transaction will not occur. For forex contracts, the Group reports such realised gains and losses as a component of operating and maintenance expenses in the consolidated statements of operations to offset the impact of foreign currency fluctuations of the expenditures in local currencies in the countries in which the Group operates. For interest rate swaps, the Group reports realised gains and losses as a component of interest expense and financing charges in the consolidated statements of operations. Derivatives with asset fair values and derivatives with liability fair values are reported in other current assets or other assets and other current liabilities or other long-term liabilities, respectively, on the consolidated balance sheets depending on their maturity date.

The Group has documented policies and procedures to monitor and control the use of the derivative instruments. The Group does not engage in derivative transactions for speculative or trading purposes.

11.10.6 Fair value measurements

Fair value is estimated at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Fair value measurements are based on a hierarchy which prioritises valuation technique inputs into three levels. The fair value hierarchy is composed of: (i) Level 1 measurements, which are fair value measurements using quoted unadjusted market prices in active markets for identical assets or liabilities, (ii) Level 2 measurements, which are fair value measurements using inputs, other than Level 1 inputs, which are directly or indirectly observable for the asset or liability and (iii) Level 3 measurements, which are fair value measurements which use unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements.

11.11 Significant changes

Other than the contemplated Transaction there have been no significant changes in the Group's financial or trading position since 31 December 2018.

12 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

12.1 Board of Directors

12.1.1 Overview of the Board of Directors

The Board of Directors is responsible for the overall management of the Company and may exercise all powers of the Company not reserved to the Company's shareholders by the Company's Articles or Cayman Islands law.

The Articles provide that the Board of Directors shall consist of 11 persons (exclusive of alternate Directors), provided that this limit in the number of Directors may be increased or decreased by ordinary resolution of the shareholders of the Company in accordance with the Articles. See Section 6.3 for the contemplated ordinary shareholders' resolution to allow for up to 13 Directors.

Each Sponsor that holds at least 14% of the issued and outstanding Common Shares can appoint up to two individuals as Directors and replace such appointees. Each Sponsor that holds at least 7% but less than 14% of the issued and outstanding Common Shares can appoint one individual as a Director and replace such appointee. Each Sponsor holding at least 7% of the issued and outstanding Common Shares is also entitled to designate a 'board observer' to participate in Board of Directors and Board of Directors committee meetings but such board observer does not have any voting rights at such meetings. In addition, the Articles provide that the Directors may appoint one additional person as Chief Executive Officer of the Company, and that any such person shall be appointed as a Director.

When the New Securities have been issued, the shareholding of each Sponsor will be diluted from 15.5% to 12.5%. As such, each Sponsor will only be entitled to appoint one Director. As further described in Section 6.3 "Share Subscription Agreements", the Sponsors and the Subscribers have pursuant to the Voting Agreement undertaken to vote in favour of the appointment of two Directors nominated by CM and three Directors nominated by the Sponsors at the next general meeting of the Company held after the Completion Date. Consequently, the Company believes that the composition of the Board of Directors will consist of two Directors nominated by CM, six Directors nominated by the Sponsors and five other Directors after the first general meeting held after completion of the Transaction.

Other than Directors appointed by the Sponsors, and the Chief Executive Officer of the Company, Directors are elected by the shareholders at the relevant annual ordinary general shareholders' meeting or any extraordinary general shareholders' meeting called for that purpose. The Directors are elected for an indefinite period.

The current Board of Directors consists of 11 Directors, as listed in the table in Section 12.1.2 "The composition of the Board of Directors" below. The Company does not have any alternate directors.

The quorum necessary for the conduct of business at any meeting of the Board of Directors is a majority of the voting power of the Directors then appointed.

Pursuant to the Norwegian Code of Practice for Corporate Governance dated 17 October 2018 (the "**Corporate Governance Code**"), (i) the majority of the shareholder-elected members of the Board of Directors should be independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected members of the Board of Directors should be independent of the Company's main shareholders (shareholders holding more than 10% of the Securities in the Company), and (iii) no members of the Management should be represented on the Board of Directors.

The Directors Ernie Danner, Benjamin Sebel, Usama Trabulsi and David Williams are independent of the Company's main shareholders (shareholders holding more than 10% of the Securities in the Company). All of the Directors are independent of the Company's material business contacts and the Management is not represented on the Board of Directors, with the exception of the CEO.

The Company's business address, One JLT, Floor 12, Jumeirah Lakes Towers, P.O. Box 212201, Dubai, United Arab Emirates, serves as the business address for the Directors in relation to their directorship of the Company.

As at the date of this Prospectus, none of the Directors hold any options or other rights to acquire Securities in the Company, except for Ernie Danner who received 14,611 RSUs in November 2018 as part of his compensation as chairman of the Board of Directors. The RSUs held by Ernie Danner will vest in November 2019 subject to Mr. Danner's continuous service with the Company.

12.1.2 The composition of the Board of Directors

The names and positions and current term of office of the Directors as at the date of this Prospectus are set out in the table below.

Name	Position	Served since[1]	Term expires[3]
Ernie Danner	Chairman	29 October 2013[2]	-
David Mullen	Director	30 November 2012	-
Graham Brooke	Director	18 April 2017	-
John K. Castle	Director	30 November 2012	-
J. William Franklin, Jr.	Director	7 September 2012	-
David Pittaway	Director	9 July 2015	-
John Reynolds	Director	7 September 2012	-
Benjamin Sebel	Director	30 November 2012	-
Tyson Smith	Director	18 April 2017	-
Usama Trabulsi	Director	30 August 2017	-
David Williams	Director	30 August 2017	-

1 All the Directors have served since the date they were appointed.

2 Mr. Danner has served as Chairman since 14 November 2018.

3 The directors are elected for an indefinite period of time. See Section 12.14 "Corporate governance".

12.1.3 Brief biographies of the Directors

Set out below are brief biographies of the Directors, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a Director is or has been a member of the administrative, management or supervisory bodies or partner in the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

Ernie Danner, Chairman

Mr. Danner joined the Board of Directors in October 2013 and has served as Chairman of the Board of Directors since November 2018. Since January 2018 Mr. Danner has served as an Operating Partner of SCF Partners, a private equity firm focused on oil service investments, which he joined in October 2012. Currently Mr. Danner serves as Chairman of the board of directors of Nine Energy Service, Inc., a NYSE listed company providing completion and production services to oil and gas producers in North America and Chairman of the board of directors of BCCK Engineering, Inc, a private company that designs, fabricates and installs natural gas processing plants in North America. Mr. Danner served as President and Chief Executive Officer of Exterran Holdings Inc. from July 2009 to October 2011 and as a member of its board of directors from 1998 to October 2011. He also served as President, Chief Executive Officer and a director of Exterran GP LLC the general partner of Exterran Partners L.P. Exterran was a global leader in natural gas compression products and services and a provider of equipment and solutions for processing, production, air emissions and water treatment to the energy sector with over 10,000 employees with operations in 30 countries. Mr. Danner has a Masters of Accounting and Bachelor of the Arts degree from Rice University. Mr. Danner resides in Houston, Texas, the United States.

Current directorships and senior management positions........	*Nine Energy Service, Inc. (chairman), BCCK, Inc (chairman) and Autumn Plecher LLC (managing partner).*
Previous directorships and senior management positions last five years..	*Beckman Production Services, Inc (CEO and chairman).*

David Mullen, Director

Mr. Mullen has over 30 years' experience in the oil services business and has been the Company's Chief Executive Officer since October 2012. Since April 2018, Mr. Mullen has served as an Independent Director of Subsea 7 S.A. From September 2010 to April 2011, Mr. Mullen was CEO of Wellstream Holdings PLC, a U.K. listed company that designed and manufactured subsea pipeline products and included as part of the product offering, subsea services and installation. From April 2008 to August 2010, Mr. Mullen served as Chief Executive Officer of Ocean Rig ASA, a Norwegian listed ultra-deep water drilling contractor. Prior to Ocean Rig ASA, Mr. Mullen also spent four years as a senior leader of Transocean Ltd. As Senior Vice President of Global Marketing, Business Development and M&A at Transocean Ltd., Mr. Mullen spearheaded marketing and strategic planning. Mr. Mullen had a 23-year career at Schlumberger, including as President of Oilfield Services for North and South America. Mr. Mullen received a B.A. in Geology & Physics from Trinity College Dublin and an M.Sc. degree in Geophysics from University College Galway. Mr. Mullen resides in Dubai, United Arab Emirates.

Current directorships and senior management positions.........	*Subsea 7 S.A (non-executive director).*
Previous directorships and senior management positions last five years..	*Siem Offshore ASA (non-executive director)*

Graham Brooke, Director

Mr. Brooke joined the Company's Board of Directors in April 2017 and is a Managing Director of CHAMP Private Equity, which he joined in 2015. He is responsible for all aspects of the investment process from deal origination and the assessment of potential investee companies, to deal execution, monitoring and exit management at CHAMP Private Equity. Mr. Brooke has 19 years of experience in private equity, previously working in the London and Sydney offices of CVC Capital Partners. Prior to joining CVC in 1999, he qualified as a Chartered Accountant in the corporate finance and advisory practice of Arthur Andersen in the U.K. He graduated in 1993 with a degree in Classics from Oxford University (MA Hons Oxon). Mr. Brooke resides in Sydney, Australia.

Current directorships and senior management positions........	*CHAMP Private Equity (Managing Director) and Manta Holdings Limited (director).*
Previous directorships and senior management positions last five years..	*Global Voyager Holdings Pty Ltd (director), Global Voyager Pty Ltd (director), Lighting Investments Australia Holdings Pty Limited (director), Lighting Investments Australia Pty Ltd (director), Lighting Investments Australia Finance Pty Ltd (director), Lighting Investments Australia Finance Holdings 1 Pty Ltd (director), Lighting Investments Australia Finance Holdings 2 Pty Ltd (director), Mantra Group Limited (director), FX Bidco Pty Limited (director), FX Holdco Pty Limited (director), FX Midco Pty Limited (director) and Miclyn Express Offshore Limited (director).*

John K. Castle, Director

Mr. Castle joined the Company's Board of Directors in November 2012. Since 1987, Mr. Castle has served as Chairman and Chief Executive Officer of Castle Harlan, Inc. Currently, he is a member of the CHAMP III Investment Committee. Mr. Castle has served as chairman of Castle Connolly Medical Ltd. since 1991 until its sale in December 2018, and has served as Chairman and Chief Executive Officer of Branford Castle, Inc., a holding company, since 1986. Prior to forming Castle Harlan, Inc., Mr. Castle was President and Chief Executive of investment banking firm Donaldson, Lufkin & Jenrette, Inc. Mr. Castle is a board member of various private equity companies, and he has previously been a director of numerous private and public companies. He also served as a Director of the Equitable Life Assurance Society of the U.S. Mr. Castle is a Life Member of the Corporation of the Massachusetts Institute of Technology. Previously, he had served for 22 years as a Trustee of New York Medical College, including 11 of those years as Chairman of the board. Mr. Castle is a Trustee and Chairman of the Executive Committee of the St. Patrick's Cathedral in New York City and is a member of the Finance Council and various other entities associated with the Archdiocese of New York. From 2000 until March 2018, Mr. Castle was a Director of Castle Harlan Australian Mezzanine Partners Pty Ltd and a Director of CHAMP Group Holdings Pty Ltd, both part of the CHAMP Private Equity Group. He has served on various visiting committees at Harvard University, including the Harvard Business School. Mr. Castle received his Bachelor's degree from the Massachusetts Institute of Technology, his M.B.A. as a Baker Scholar with High Distinction from Harvard University, and has four Honorary Doctorate Degrees of Humane Letters. Mr. Castle resides in Palm Beach, Florida, the United States.

Current directorships and senior management positions........	*Castle Harlan, Inc. (chairman and CEO), Castle Harlan Partners IV (controlling GP), Castle Harlan Partners V (controlling GP), Branford Castle Partners (GP and Management Co.), Top Doctors ES (director), TwoJays (director), Titan Production Equipment Holdings, LLC (director), Castle Harlan TPE Partners, LP (controlling GP), Branford Castle, Inc. (CEO), DuPont Investment Management Co (advisory director) and The New York Presbyterian Hospital Board of Trustees (life director).*
Previous directorships and senior management positions last five years..	*Castle Harlan Australian Mezzanine Partners Pty Ltd (director), Baker & Taylor (director), CHAMP Group Holdings Pty Ltd (director) and Castle Connolly Medical Ltd. (chairman).*

J. William Franklin, Jr., Director

Mr. Franklin joined the Company's Board of Directors in September 2012. He joined Lime Rock Partners in 2003 and was named a Managing Director in 2008. Currently based in Houston, Mr. Franklin has worked in the firm's Houston, Calgary, and Westport, Connecticut locations and has played a leadership role in the firm's investment efforts in the oilfield service and exploration and production sectors in North America and internationally. Before joining Lime Rock Partners, he had experience in private equity, energy company operations, and energy finance at Riverstone Holdings from 2000 to 2003, Simmons & Company International from 1996 to 1998, and Parker & Parsley Petroleum Company from 1995 to 1996. Mr. Franklin currently serves on the board of directors of AccessESP, KSW Environmental and OilSERV. He previously served on a number of the boards of private equity backed oil and gas related companies. He is a graduate of the University of Texas at Austin (B.A., B.B.A.) and Harvard Business School (M.B.A.). Mr. Franklin resides in Houston, Texas, the United States.

Current directorships and senior management positions........	*IDM Delaware, Inc. (director/Subsidiary President), KSW Environmental, LLC (director), AccessESP Holdings, Ltd. (director), Rancho Caritas LLC (Member), Lime Rock Partners GP III, L.P. (Limited Partner), Lime Rock Partners GP IV, L.P.(Limited Partner), Lime Rock Partners GP V, L.P. (Limited Partner), Lime Rock Partners GP VI, L.P.(Limited Partner), Lime Rock Partners GP VII, L.P. (Limited Partner), HCperf Holdings B.V. (Supervisory Director), OilSERV Holding Ltd (director) and Xtreme Drilling Corp. (director).*
Previous directorships and senior management positions last five years..	*AZ Holdings Inc. (director), UTEC International Ltd. (director), PDC Mountaineer LLC (director) and Lime Rock Partners GP II, L.P. (limited partner).*

David B. Pittaway, Director

Mr. Pittaway joined the Company's Board of Directors in July 2015. Mr. Pittaway is Vice Chairman and Senior Managing Director of Castle Harlan and has been with the firm since its founding in 1987. Prior to joining Castle Harlan, Mr. Pittaway was Vice President for Strategic Planning and Assistant to the President of Donaldson, Lufkin & Jenrette, Inc. Before joining DLJ, he was a management consultant in strategic planning with Bain & Company in Boston, Mass., and previously was an attorney with Morgan, Lewis & Bockius, specialising in labour relations. He is a board member of Gold Star Foods and Caribbean Restaurants, LLC and has also served on the boards of multiple other Castle Harlan portfolio companies, including American Achievement Corporation, Statia Terminals Group N.V., Morton's Restaurant Group and United Malt Holdings Inc. He also serves as Vice Chairman of Branford Castle, Inc. and Branford Chain, Inc. He is also currently a board member of The Cheesecake Factory Inc. Mr. Pittaway's community interests include being a director of the Dystrophic Epidermolysis Bullosa Research of America. In addition, he served for twenty years in the United States Army Reserve and, upon retiring as a Major, he co-founded and acts as a director of the Armed Forces Reserve Family Assistance Fund, which provides needed support for families of American service members whose breadwinners are serving their country in overseas conflicts. He is a graduate of the University of Kansas (B.A. with Highest Distinction), and has both an M.B.A. with High Distinction (Baker Scholar) and a Juris Doctor degree from Harvard University. Mr. Pittaway resides in Naples, Florida, the United States.

Current directorships and senior management positions..........	*Castle Harlan (senior managing director), Castle Harlan Inc (board member), Gold Star Foods Inc (board member), Caribbean Restaurants Inc (board member), Too Jays Inc (board member), Branford Castle, Inc. and Branford Chain, Inc. (vice chairman), The Cheesecake Factory Inc. (board member), Dystrophic Epidermolysis Bullosa Research of America (board member), Armed Forces Reserve Family Assistance Fund (board member), BAC Holdings LLC (board member) and FLSB Loanco LLC (owner).*
Previous directorships and senior management positions last five years..	*Multiple other Castle Harlan portfolio companies, including American Achievement Corporation, Statia Terminals Group N.V., Morton's Restaurant Group, United Malt Holdings Inc. (board member), and Bravo Brio Restaurant Group (board member).*

John Reynolds, Director

Mr. Reynolds joined the Company's Board of Directors in September 2012 and is co-founder and a Managing Director of Lime Rock Partners. He joined Goldman Sachs in 1992 and spent six years in the Investment Research Department where he had senior analyst responsibility for global oil service sector research and was one of the top-rated analysts in the sector. He co-founded Lime Rock Partners in 1998. Based in Westport, Connecticut, Mr. Reynolds leads the Lime Rock Partners team's efforts in the global oilfield service sector. He currently serves on the board of directors of Archer and Revelation Energy. He previously served on the board of directors of Eastern Drilling, EnerMech, Hercules Offshore, IPEC, Noble Rochford Drilling, Patriot Drilling, Roxar, Sensa, Tercel Oilfield Products, Tesco Corporation, Torch Offshore, and VEDCO Holdings. Mr. Reynolds is a graduate of Bucknell University (B.A.) and serves as a member of its Board of Trustees. Mr. Reynolds resides in Connecticut, the United States.

Current directorships and senior management positions........	*Lime Rock Partners (managing director), Archer Limited (director), Rubicon Oilfield Services International Holdings, L.P. (director), LRP GP II, Inc. (director), LRP GP 111, Inc. (director), LRP GP IV, Inc. (director), LRP GP V, Inc. (director), LRP GP VI, Inc. (director), LRP GP VII, Inc. (director), LRP GP VIII, Inc. (director), LRR GP, LLC (partner), LRR GP II, LLC (partner), LRR GP III, LLC (partner), LRR GP IV, LLC (partner), Lime Rock Management LP (partner), LRMI VI, L.P. (partner), LRMI V, L.P. (partner), LRMI IV, L.P. (partner), LRM Investments, L.P. (partner), LRM Investments II, L.P. (partner), LRM Investments Ill, L.P. (partner), Lime Rock Resources GP IV, L.P. (partner), Lime Rock Partners GP II, L.P. (partner), Lime Rock Partners GP Ill, L.P. (partner), Lime Rock Partners GP IV, L.P. (partner), Lime Rock Partners GP V, L.P. (partner), Lime Rock Partners GP VI, L.P. (partner), Lime Rock Partners GP VII, L.P. (partner), Lime Rock Partners GP VIII, L.P. (partner), Lime Rock Management GP LLC (partner), Lime Rock Partners LLC (partner), Riverside Fund Ill, L.P. (partner), Thompson Street Capital Partners II, L.P. (partner), Vestar Executive V, L.P. (partner), Black Eagle Partners Fund, L.P. (partner), Ride Ventures, LLC (partner), CSL Completions (partner) and Revelation Energy Holdings LLC (director).*
Previous directorships and senior management positions last five years..	*Eastern Drilling (board member), Hercules Offshore (board member), IPEC (board member), Noble Rochford Drilling (board member), Patriot Drilling (board member), Roxar (board member), Sensa (board member), Tercel Oilfield Products Ltd. (director), Tesco Corporation (director), Torch Offshore (board member), VEDCO Holdings (board member) and EnerMech (director).*

Benjamin Sebel, Director

Mr. Sebel joined the Company's Board of Directors in November 2012. He is a Senior Advisor to Branford Castle Partners and was most recently a Managing Director at CHAMP Private Equity, having been with the firm from 2005 until 2014. Immediately prior, Mr. Sebel was a Managing Director at Castle Harlan for seven years, and is experienced in all aspects of private equity investment including deal origination, realisations and fundraising in both the United States and Australia. Immediately prior to joining Castle Harlan, Mr. Sebel worked at Goldman Sachs & Co. in its Capital Markets Group. Previously, Mr. Sebel spent two years as Special Advisor to the Hon. Nick Greiner AC, a former premier of New South Wales, and commenced his career in the Management Consulting Services Group of PricewaterhouseCoopers (Australia), where he also qualified as a Chartered Accountant. Mr. Sebel is currently a Chairman of Rocking Horse

Finance Group, Chairman of Gerard Lighting Group and a member of the Investment Committee of Investec Emerging Companies Fund. Mr. Sebel was formerly on the board of Riverina Fresh Pty. Ltd., ATF Services, Centric Wealth Limited, Healthcare Australia Holdings Pty Limited, Study Group Pty Limited, United Malt Holdings, Ion Track, Inc., Associated Packaging Technologies, Inc., Equipment Support Services, Inc. and AdobeAir, Inc. Mr. Sebel holds a Bachelor of Commerce (First Class Honours) from the University of New South Wales, an M.B.A. from the Harvard Business School, and is a graduate of the Australian Institute of Company Directors. He resides in Sydney, Australia.

Current directorships and senior management positions	*Branford Castle Partners (senior advisor), Rocking Horse Finance Group (chairman), Gerard Lighting Group (chairman) and Sebel Holdings Pty Ltd (director).*
Previous directorships and senior management positions last five years..	*CHAMP Private Equity (managing director), Riverina Fresh Pty. Ltd. (director), ATF Services (director), Centric Wealth Ltd (director) and CHAMP III Management Pty Ltd (director).*

Tyson Smith, Director

Mr. Smith joined the Company's Board of Directors in April 2017 and is an Associate Director of CHAMP Private Equity, which he joined in 2014. He is responsible for the assessment of potential investment opportunities, transaction execution and the ongoing monitoring and management of investee companies. Mr. Smith currently serves as a Director of SC Storage Holdings Pty Ltd, SC Storage Finance Pty Ltd and SC Storage Operations Pty Ltd and an Alternate Director of Dutton Group. Prior to joining CHAMP Private Equity, Mr. Smith was an investment banking professional at Morgan Stanley, where he was involved in M&A and capital markets transactions across a broad range of industries. He holds a Bachelor of Commerce (Finance) and a Bachelor of Laws (with Honours), both from the University of Sydney. Mr. Smith resides in Sydney, Australia.

Current directorships and senior management positions........	*SC Storage Holdings Pty Ltd (director), SC Storage Finance Pty Ltd (director), SC Storage Operations Pty Ltd (director) and Albert Automotive Holdings Pty Ltd (alternate director).*
Previous directorships and senior management positions last five years..	*None.*

Usama Trabulsi, Director

Mr. Trabulsi joined the Company's Board of Directors in August 2017 and is a Managing Member of Integrated Renewable Energy Systems Ltd., a Saudi Arabia registered privately held limited liability company. Previously, he was the Chief Financial Controller (Deputy Minister Portfolio) of the Ministry of Petroleum and Mineral Resources, Riyadh, Saudi Arabia for over 14 years and the representative of the Minister of Petroleum and Mineral Resources to the Executive Committee, Auditing Committee and Compensation Committee of Saudi Aramco for over 13 years. Mr. Trabulsi has served on the board of directors of Arabian Oil Company from 1996 to 2003 and Arabian Oil Holdings, Inc. Japan from 2003 to 2007, in each case as the representative of the Saudi Government. In addition, Mr. Trabulsi served as the Chairman of the board of directors of Petromin-Mobil Oil Refinery Company Ltd. (PEMREF), a joint venture company between Petromin (the State owned National Oil Company) and Mobil Oil Company from 1990 to 1993. Meanwhile, Mr. Trabulsi served as Executive Vice President for Operation and Marketing of SUMED Oil Pipelines Co., a joint venture company between Egypt, Saudi Arabia, Kuwait, UAE and Qatar. He received his B.A. in Economics and Political Science from the King Saud University in 1965 and received his M.B.A. from Michigan State University in 1970. Mr. Trabulsi resides in Al Khobar, the Kingdom of Saudi Arabia.

Current directorships and senior management positions........	*Integrated Renewable Energy Systems Ltd. (Principal and Executive Director).*
Previous directorships and senior management positions last five years..	*None.*

David Williams

David Williams joined the Board of Directors in August 2017 and has served as chairman of the audit committee since November 2018. He has served as the Executive Chairman of Shepherd Group Ltd of York since 2014 and the Chairman of Tharsus Ltd of Newcastle upon Tyne since 2012. Previously, Mr. Williams was the Chairman of Ramco Ltd from March 2013 until January 2019, the Chairman of Frog Capital (previously known as Foursome Investments) for 13 years and the Interim Chief Executive Officer of Logstor Holdings A/S of Logstor, Denmark for two years. Prior to this, Mr. Williams was the Chairman, then Chief Executive, of Serimax Holdings SAS of Paris from June 2004 to June 2006 and June 2006 to October 2011, respectively. He also held several positions at 3i plc from 1985 to 2003, including regional managing director. Mr. Williams received a BSc (Hons) in Naval Architecture and Shipbuilding from the University of Newcastle upon Tyne in 1975, has a Certified Diploma in Accountancy and Finance and received an MSc from London Business School in 1985. Mr. Williams resides Bristol, in the United Kingdom.

Current directorships and senior management positions	*Shepherd Building Group Ltd (executive chairman), Tharsus Group Ltd (non-executive chairman) and GoingC Ltd (director).*
Previous directorships and senior management positions last five years...	*Frog Capital Ltd (chairman), Logstor Holdings A/S (interim CEO and director) and Ramco Acquisition Ltd (chairman).*

12.1.4 Shares held by Directors

As of the date of this Prospectus, the Directors have the following shareholdings, directly or indirectly, in the Company:

Name	Position	Common Shares
David Mullen	Director	748,003
Graham Brooke	Director	0
John K. Castle	Director	0
Ernie Danner	Director	60,146
J. William Franklin, Jr.	Director	0
David Pittaway..	Director	0
John Reynolds	Director	0
Benjamin Sebel	Director	0
Tyson Smith	Director	0
Usama Trabulsi	Director	0
David Williams	Director	0

12.2 Management

12.2.1 Overview

The Company's executive management team consists of five individuals. The executive management team is referred to as "Management".

The names of the members of the executive management team as at the date of this Prospectus, and their respective positions, are presented in the table below:

Name	Current position within the Group	Employed with the Group since
David Mullen	Chief Executive Officer	30 November 2012[1]
Gregory O'Brien	Chief Financial Officer	12 January 2014[2]
Kurt Hoffman..	Chief Operating Officer	30 November 2012[3]
Ian Clark..	Executive Vice President	30 November 2012[4]
Dzul Bakar	Vice President, General Counsel and Secretary	30 November 2012[5]

1 Mr. Mullen has been the Chief Executive Officer since October 2012.
2 Mr. O'Brien has been Chief Financial Officer since March 2016.
3 Mr. Hoffman has been Chief Operating Officer since October 2012.
4 Mr. Clark has been Executive Vice President since November 2012.
5 Mr. Bakar has been Vice President, General Counsel and Secretary since November 2012.

The Company's business address, One JLT, Floor 12, Jumeirah Lakes Towers, P.O. Box 212201, Dubai, United Arab Emirates, serves as the business address for the members of the Management in relation to their employment with the Company.

12.2.2 Brief biographies of the members of Management

Set out below are brief biographies of the members of Management, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of Management is or has been a member of the administrative, management or supervisory bodies or partner the previous five years (not including directorships and executive management positions in subsidiaries of the Company).

David Mullen, Chief Executive Officer

Please see Section 12.1.3 "Brief biographies of the Directors" for a description of Mr. Mullen's experience.

Gregory O'Brien, Chief Financial Officer

Mr. O'Brien was appointed Executive Vice President and Chief Financial Officer in March 2016. Prior to his current role, Mr. O'Brien served as Director, Strategic Planning since 2014, in charge of Shelf Drilling's corporate development efforts. Mr. O'Brien joined Shelf Drilling from Lime Rock Partners, where he focused on oilfield services and exploration & production investment opportunities internationally. Before that, Mr. O'Brien held energy investment banking roles with J.P. Morgan and SunTrust Robinson Humphrey. Mr. O'Brien graduated from the McIntire School of Commerce at the University of Virginia in 2008. Mr. O'Brien resides in Dubai, the United Arab Emirates.

Current directorships and senior management positions........	*None.*
Previous directorships and senior management positions last five years..	*None.*

Kurt Hoffman, Chief Operating Officer

Mr. Hoffman has worked on rigs around the world and has over 30 years' experience in the global oil and gas contract drilling industry. He joined Shelf Drilling in October 2012. From August 2009 to April 2011, Mr. Hoffman was Senior Vice President and Chief Operating Officer of Seahawk Drilling, a Houston and Gulf of Mexico-based jack-up drilling provider where he was responsible for the company's daily operations and strategic business plan implementation. From 1991 through August 2009, Mr. Hoffman spent 18 years with Noble Corporation where he held senior operational and executive roles, including Vice President of Worldwide Marketing, Vice President of Western Hemisphere Operations and President of Noble's engineering services divisions, Triton Engineering Services. Mr. Hoffman received a B.S. degree from Southwest Texas State University. Mr. Hoffman resides in Dubai, the United Arab Emirates.

Current directorships and senior management positions........	*None.*
Previous directorships and senior management positions last five years..	*None.*

Ian Clark, Executive Vice President

Mr. Clark has over 30 years' experience in the oil services business. Prior to joining Shelf Drilling in November 2012, Mr. Clark spent 12 years with Transocean Ltd. where he most recently served as Vice President of Human Resources and as part of its senior management team. Previous roles included Division Manager for Transocean Ltd.'s operations in Northeast Asia and also Managing Director for Nigeria. Before joining Transocean Ltd., Mr. Clark had a 20-year career with Schlumberger in various managerial, technical and marketing roles across Europe and Africa. Mr. Clark has a B.S. degree in Electrical and Electronic Engineering from Heriot Watt University in Edinburgh, Scotland and completed both the Advanced Management Program at Harvard Business School and the Financial Times Non-Executive Director Diploma. Mr. Clark resides in Dubai, the United Arab Emirates.

Current directorships and senior management positions........	*None.*
Previous directorships and senior management positions last five years..	*None.*

Dzul Bakar, Vice President, General Counsel and Secretary

Mr. Bakar is Vice President, General Counsel and Secretary at Shelf Drilling since November 2012. Previously, Mr. Bakar served in a similar role as Associate General Counsel at Transocean Ltd. from April 2001 where he assumed various legal, governance, compliance and operational counsel responsibilities. Mr. Bakar has a strong background in international operations with over 22 years' experience covering the United States, Middle East and Asia. Prior to joining Transocean Ltd., Mr. Bakar had a six-year career with Schlumberger in a variety of legal roles of increasing responsibilities with postings in Singapore, Jakarta and Houston. At the beginning of his career, Mr. Bakar practiced professionally as an advocate and solicitor at a leading Malaysian law firm. Mr. Bakar graduated with combined degrees of Bachelor of Economics and Bachelor of Laws from the University of Tasmania and in 2011, completed an executive Management Acceleration Program at INSEAD Business School. Mr. Bakar resides in Dubai, the United Arab Emirates.

Current directorships and senior management positions........	*None.*
Previous directorships and senior management positions last five years...	*None.*

12.2.3 Shares held by Management

As of the date of this Prospectus, the members of the Management owns Common Shares in the Company as shown by the table below:

Name	Position	No. of Common Shares[1]	No. of Options
David Mullen	Chief Executive Officer	748,003[2]	0
Gregory O'Brien	Chief Financial Officer	206,533[3]	0
Kurt Hoffman	Chief Operating Officer	448,608[4]	0
Ian Clark	Executive Vice President	321,172[5]	0
Dzul Bakar...	Vice President, General Counsel and Secretary	186,091[6]	0

1 The Common Shares are comprised of equity incentive shares and co-invest shares. The equity incentive shares are further described in Section 12.6 "Restricted share awards", while the co-invest shares are not restricted (although see Section 14.13.2 "Share capital history").

2 Mr. Mullen owns 404,087 equity incentive shares and 343,916 co-invest shares

3 Mr. O'Brien owns 206,533 equity incentive shares only

4 Mr. Hoffman owns 305,310 equity incentive shares and 143,298 co-invest shares

5 Mr. Clark owns 206,533 equity incentive shares and 114,639 co-invest shares

6 Mr. Bakar owns 143,675 equity incentive shares and 42,416 co-invest shares

12.3 Remuneration and benefits

12.3.1 Remuneration of the Board of Directors

Until the IPO in June 2018, director compensation was paid only to the Company's non-employee, non-Sponsor Directors. For the year ended 31 December 2018, the aggregate compensation accrued, including benefits in kind granted to the Company's Directors, was approximately USD 742 thousand. The table below shows the remuneration paid in 2018 (in USD).

Name	Position	Total remuneration in 2018
David Mullen	Director	0
Graham Brooke	Director	51,666.67
John K. Castle	Director	51,666.67
Ernie Danner	Director	128,263.89
J. William Franklin, Jr.	Director	51,666.67
David Pittaway...	Director	51,666.67
John Reynolds	Director	51,666.67
Benjamin Sebel	Director	100,000.00
Tyson Smith	Director	51,666.67
Usama Trabulsi	Director	100,000.00
David Williams	Director	103,263.89
Total		**741,527.78**

Following the completion of the IPO, the Company's Board of Directors resolved that the Company's Directors (excluding the CEO), will receive an annual retainer fee of USD 100,000, other than David Williams and Ernie Danner, payable quarterly (and no other compensation or benefits, including any benefits on a termination of service). All Directors will be reimbursed for out of pocket expenses incurred in connection with services to the Board of Directors, and will be fully indemnified by the Company for actions associated with being a Director, to the extent permitted by Cayman Islands law. David Williams, who is the chairman of the audit committee, will receive an annual retainer fee of USD 125,000. Ernie Danner will receive (i) an annual cash-based remuneration of USD 150,000 and (ii) an annual equity award targeted at USD 100,000 with the first award made upon Mr. Danner's appointment as Chairman of the Board of Directors in the form of 14,611 RSUs under the Company's 2017 long-term incentive plan (see Section 12.7 "2017 long-term incentive plan" for a description of the "2017 plan").

12.3.2 Remuneration of Management

The table below sets out the remuneration of the Management employed by the Company in 2018 (in USD):

Type of remuneration	Total remuneration
Salary	2,239,999.92
Bonus	2,620,800.00
Other benefits	785,662.00
Pension benefits	219,375.08
Total	**5,865,837.00**

12.4 Executive employment agreements

Each of Company's executive officers, other than Mr. Bakar, is a party to an executive employment agreement (governed by Delaware law), which automatically renews each 31 December for an additional one-year term, unless at least 90 days' notice of non-renewal is given by either party. Each executive employment agreement generally provides for base salary, annual bonus targets under the annual cash incentive plan (as described further below), employee benefits and expatriate benefits. Executive employment agreements are terminable by the Company without "cause" (as defined in the executive employment agreement) or by an executive officer other than for "good reason" (as defined below) upon six months' notice (or payment in lieu thereof).

Upon a termination of an executive officer by the Company without "cause" or an executive officer's resignation for "good reason," the executive officer is entitled to receive, subject to executing a release, a pro-rated bonus for the termination year, one year's base salary and if the executive officer repatriates to his country of origin within six months following the date of termination, reimbursement of all reasonable out-of-pocket moving expenses. Upon all terminations, the executive officer is entitled to base salary and benefits accrued through the date of such termination, including any awarded but unpaid bonus.

Each executive employment agreement contains (i) a one-year post termination non-compete on engagement in, employment by or provision of services to any business anywhere in the world which is in, or involves or relates to providing services to, the offshore oil drilling business, including the drilling and workover of oil and gas wells, and (ii) a one-year post termination non-solicit/non-interference by the executive officer with any of the Company's employees, independent contractors, vendors, consultants or customers. Any amounts payable under an executive officer's local employment contract (as discussed below) are offset against any amounts payable under his executive employment agreement.

"Good reason" is defined as the occurrence of one or more of the following events, without the executive's consent: (i) any material diminution in the executive's title, duties, or responsibilities such that the executive is no longer serving in a senior executive capacity on the Company's behalf, or for the Company's benefit, (ii) any material reduction in the executive's base salary or annual target bonus opportunity set forth in the executive employment agreement (other than pursuant to an across-the-board reduction applicable to all similarly situated executives) and (iii) any breach of any of the material terms of the executive employment agreement by the Company which is not cured within 30 days following written notice thereof by the executive to the Company.

Each of the Company's executive officers is a party to a local employment contract (governed by UAE law). Such contracts are required to permit each executive officer to legally reside and work in the UAE. With respect to executive officers, local employment contracts are terminable upon six months' notice (or payment in lieu thereof). All local employment contracts are terminable by the Company without notice upon certain misconduct situations as permitted under UAE Labour Law. Each local employment contract provides that the employee has no right to receive an end of service gratuity from the Company under UAE Labour Law, and that the Company has in place (and the employee has opted into) a retirement savings plan (described further below) in lieu of such service guaranty.

12.5 Annual cash incentive plan

The Company's executive officers are eligible to receive performance-based awards under the Company's annual cash incentive plan, with performance objectives and criteria determined by the Board of Directors. Awards are paid by 15 March of the year following the year in which the applicable performance period is completed and performance achieved (subject to employment through to the end of the applicable performance period). If an executive officer's employment is terminated prior to the end of a performance period due to death, disability or retirement, the executive officer will be eligible for a pro-rated portion of the award.

In addition, the Board of Directors may, in its sole discretion, grant discretionary cash bonuses under the annual cash incentive plan to employees, including the Company's executive officers.

12.6 Restricted share awards

Each of the Company's executive officers holds restricted Common Shares under restricted share agreements, as shown in Section 12.2.3 "Shares held by Management" as "incentive equity shares", which will vest in equal instalments on each of 25 June 2019, 25 June 2020 and 25 June 2021. If an executive officer experiences a termination of employment prior to 25 June 2021: (i) if such termination is by the Company without "cause" (as defined in the applicable restricted share agreement) or an executive officer's resignation for "good reason" (as defined in the applicable restricted agreement, and is generally the same definition as set forth above with respect to the executive employment agreements), any unvested shares held by such executive officer will be subject to a repurchase right by the Company for six months following the date of such termination, at fair market value per share, unless this repurchase right is waived by the compensation committee (ii) if such termination is due to the executive officer's death or disability, any unvested shares held by such executive officer will be subject to a repurchase right by the Company at fair market value per share, as well as a "put right" by the executive officer (or his or her estate or guardian, as applicable) at fair market value per share and (iii) if such termination is by the Company for "cause" or by an executive officer other than for "good reason," any unvested shares held by such executive officer will be forfeited without consideration. If the Company declines to exercise its repurchase right, the unvested shares will continue to vest on the same three-year schedule.

12.7 2017 long-term incentive plan

The Company has adopted the 2017 long-term incentive plan, or the 2017 plan. In connection with the 2017 plan, the Board of Directors allocated up to 10% of its authorised Common Shares to be reserved for issuance pursuant to awards under the 2017 plan. However, a portion of the reserved share capital will be used to issue shares to the Subscribers in the Transaction and an increased authorisation will therefore likely be requested at the annual general meeting in 2019 in order to cover any future commitments under the 2017 plan.

The purpose of the 2017 plan is to align the long-term financial interests of the Company's employees and directors with those of its shareholders, to attract and retain those individuals by providing compensation opportunities that are competitive with other companies, and to provide incentives to those individuals who contribute significantly to the Company's long-term performance and growth. To accomplish this, the 2017 plan permits the issuance of share options, share appreciation rights, restricted shares, deferred shares, share units, unrestricted shares and cash-based awards. In addition, the form and amount of awards that will actually be granted under, and the number of shares to be reserved (not to exceed 10% of the Company's authorised Common Shares) for awards to be made under the 2017 plan will be determined by the compensation committee at the time of the award.

No employee, including any member of Management, has entered into employment agreements which provide for any special contractual benefits upon termination, except for the change of control agreements described in Section 12.10 "Change of control agreements" below. Except for the independent Directors Ernie Danner, Benjamin Sebel, Usama Trabulsi and David Williams, none of the Directors, not being employees of the Group, have service contracts with the Company. None of the Directors will be entitled to any benefits upon termination of office, regardless of whether they have a service contract, or not.

12.8 Pensions and retirement benefits

The Company makes regular monthly cash contributions to its defined contribution retirement and savings plans (a U.S. 401(k) plan and an expatriate retirement and savings plan) for all of its eligible employees including its executive officers, as well as matching contributions for an employee's deferral election or savings contribution.

Messrs. Hoffman and O'Brien participate in the Company's U.S. 401(k) plan, and Messrs. Mullen, Clark and Bakar participate in the Company's expatriate retirement and savings plan. None of the Company's Directors participates in any defined benefit plan or any other retirement plan.

12.9 Loans and guarantees

A limited number of employees based in Dubai who are not members of Management have been provided with a one year "housing advance". Other than that, the Company has not granted any loans or guarantees or other commitments to any of its Directors, members of Management or to any other employees.

12.10 Change of control agreements

The Company has entered into change in control agreements with members of senior management, including its executive officers, providing for enhanced severance benefits (in lieu of severance provided under any executive employment agreement or other employment contract) if such employee is terminated by the Company without "cause" (as defined below) or the employee resigns for "good reason" (as defined below) within two years following a "change in control" relating to the Company (as defined in the change in control agreement). Upon such qualifying termination, an executive officer will receive a cash payment equal to the sum of their base salary and target annual bonus, multiplied by a severance multiplier based on position (ranging from 2x to 3x), a pro-rated annual bonus for the year of termination, continued benefits for 24 months following termination, full vesting of all equity and equity-based awards (with any performance-based awards being deemed to have been earned at target), and certain other payments and benefits related to housing expenses, repatriation expenses and outplacement services.

"Cause", for the purposes of the change in control agreements, is defined as (i) the deliberate and continued failure by the executive to devote substantially all the executive's business time and best efforts to the performance of the executive's duties (other than any such failure resulting from the executive's incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination for Good Reason by the executive pursuant to section 7.1 of the change in control agreement) after a demand for substantial performance is delivered to the executive by the Board of Directors which demand specifically identifies the manner in which the Board of Directors believes the executive has not substantially performed such duties; (ii) one of the prescribed list of reasons under Article 120 of the UAE Labour Law; (iii) the executive's conviction of, or plea of guilty or *nolo contendere* to, a felony or any criminal charge involving moral turpitude; or (iv) a deliberate breach by the executive of a material provision of any employment agreement or any other contractual obligation between the executive and the Company or its affiliates and/or a fiduciary duty owed by the executive to the Company or its affiliates. For the purposes of the change in control agreements, no act, or failure to act, on the part of the executive shall be considered "deliberate" unless done, or omitted to be done, by the executive not in good faith and without reasonable belief that such action or omission was in the best interests of the Company.

"Good reason" is defined as the occurrence of one or more of the following events, without the executive's consent: (i) a material diminution in the executive's authority, duties, or responsibilities or the assignment to the executive of duties or responsibilities that are materially inconsistent with those in effect immediately prior to the change in control; provided, that (a) a change in the executive's title or reporting relationship shall not, in and of itself, constitute good reason and (b) any such alteration primarily attributable to the fact that the Company, after becoming a public company, is no longer a public company or to other changes in its identity, nature or structure, shall not, in and of itself, constitute good reason, (ii) a material reduction by the Company in the executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all the Company's senior executive officers or (iii) the relocation of the executive's principal place of employment to a location more than one hundred miles from the executive's principal place of employment immediately prior to the change in control or the Company's requiring the executive to be based anywhere other than such principal place of employment (or permitted relocation thereof) except for required travel on the Company's business to an extent substantially consistent with the executive's present business travel obligations.

For the purpose of the change in control agreements and as specified in more detail in such change in control agreements, "change in control" means (i) any Person (as defined in the change in control agreements) becoming the beneficial owner of 50% or more of the combined voting power of the Company's securities, or (ii) a significant change in the board representation, (iii) a merger or consolidation with any other corporation, (iv) liquidation, dissolution or sale of substantially all of the Company's assets.

12.11 Audit committee

The Board of Directors has elected an audit committee amongst the members of the Board of Directors. The audit committee comprises David Williams (chairman), Ernie Danner, Benjamin Sebel and Usama Trabulsi. The primary purposes of the audit committee are to:

- assist the Board of Directors in discharging its duties relating to the safeguarding of assets; the operation of adequate system and internal controls; control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; and
- provide support to the Board of Directors on the risk profile and risk management of the Company.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

12.12 Nomination committee

It is not a requirement for Cayman Islands exempted companies to have a nomination committee. Consequently, the Company did not establish a nomination committee between inception and the end of 2018.

When selecting independent directors for appointment to the Board of Directors, prior to the IPO, the Board of Directors considered the skills, experience and capabilities that the candidates would bring, including financial expertise and industry or geographical exposure. Candidates were assessed and determined to be independent of the Company and its principal shareholders at the time of the IPO. The Board of Directors has resolved to establish a nomination committee in 2019.

12.13 Compensation committee

The Company has established a compensation committee, which comprises the Directors Graham Brooke, John K. Castle and J. William Franklin, Jr. All members of the compensation committee are independent of the Company's executive management.

The compensation committee assists the Board of Directors in its oversight of all compensation and benefits related matters of the Company and its affiliates. The compensation committee is responsible for evaluating and approving compensation plans, policies and programs of the Company.

Further, the compensation committee is responsible for establishing general compensation guidelines and policies for executive employees. The compensation committee determines the compensation and other terms of employment for executives (including salary, bonus, equity participation, benefits and severance terms) and reviews, from time to time, the Company's compensation strategy and compensation levels in order to ensure it is able to attract, retain and motivate executives and other employees. The compensation committee is also responsible for approving any equity incentive plans or arrangements and any guidelines or policies for the grant of equity incentives thereunder to employees of the Company. It oversees and periodically reviews all annual bonus, long-term incentive plans, stock options, employee pension and welfare benefit plans and also reviews and makes recommendations to the Board of Directors regarding the compensation of Directors for their services to the Board of Directors.

12.14 Corporate governance

The Company has adopted and implemented a corporate governance regime which from the date of this Prospectus complies with the Corporate Governance Code, with the following exceptions:

Deviation from section 2 "Business": In accordance with common practice for Cayman Islands incorporated companies, the Company's objects are not specified in the Articles, contrary to what is recommended in the Corporate Governance Code.

Deviation from section 3 "Equity and dividends": In accordance with Cayman Islands law and common practice for Cayman Islands incorporated companies and subject to the provisions of the Articles, the Board of Directors has wide powers to issue any authorised but unissued shares of the Company on such terms and conditions as it may decide, and any shares or class of shares may be issued with preferred, deferred or other special rights or such restrictions, whether with regard to dividend, voting, return on capital, or otherwise as the Directors may prescribe. Accordingly, this represents a deviation from section 3 of the Corporate Governance Code. Pursuant to Cayman Islands law and common practice for Cayman Islands incorporated companies and subject to the restrictions set out in the Articles, the Board of Directors also has the power to authorise the Company's purchase of its own shares, whether for cancellation or to hold as treasury shares and the power to declare dividends. These powers are neither limited to specific purposes nor to a specified period as recommended in the Corporate Governance Code. Further, the Board of Directors may resolve to pay dividends and make other distributions out of the funds of the Company which is available for dividend distribution in accordance with Cayman Islands law, without first making a proposal to the general meeting, as recommended in the Corporate Governance Code.

Deviation from section 6 "General Meetings": The Board of Directors may call for a general meeting with 14 days prior notice, and may therefore not be able to make the notice and the supporting information available on the Company's website 21 days prior to the date of the meeting, as recommended in the Corporate Governance Code.

Deviation from section 7 "Nomination committee": It is not a requirement for Cayman Islands exempted companies to have a nomination committee. Consequently, the Company did not establish a Nomination Committee between inception and the end of 2018 and this represents a deviation from section 7 of the Code. See Section 12.12 "Nomination committee".

Deviation from section 8 "Corporate assembly and board of directors: composition and independence": The CEO of the Company, David Mullen, is a Director and the Board of Directors therefore includes executive personnel, which is in line with established practice for the Company and other Cayman Islands incorporated companies. Also, the chairman of the Board of Directors is elected by the Directors and not by the general meeting. Further, each Sponsor may appoint, replace or remove Directors by written notice to the Company subject to them holding above 7% of the issued and outstanding Common Shares.

The term of office for the Directors may be more than two years, as they are appointed for an indefinite period of time. All of the above represents deviations from section 8 of the Corporate Governance Code.

12.15 Conflicts of interests etc.

For the past five years preceding the date of this Prospectus, none of the Directors and the members of the Management have, or had, as applicable:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or senior manager of a company.

Each of the Sponsors holds an interest greater than 10% in the Company, namely Castle Harlan, CHAMP Private Equity and Lime Rock Partners (15.5% each). Graham Brooke, John K. Castle, J. William Franklin, Jr., David Pittaway, John Reynolds and Tyson Smith are employees of Sponsors. After the issue of the New Securities, each of the Sponsors will hold an interest of approximately 12.5% in the Company.

To the Company's knowledge, there are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the Directors and the members of the Management, including any family relationships between such persons.

13 RELATED PARTY TRANSACTIONS

13.1 Introduction

Below is a summary of the Group's related party transactions for the periods covered by the Financial Statements and up to the date of this Prospectus. All related party transactions have been concluded at arm's length principles.

For the accounting years ending 31 December 2018, 2017 and 2016, and in the period from 31 December 2018 to the date of this Prospectus there were not reported any other related party transactions than those listed in this Section 13.

13.2 Related party transactions

13.2.1 Goods and services

In connection with the Company's operations of a foreign subsidiary, a related party of the Company provided goods and services to drilling rigs owned by one of the Company's foreign subsidiaries. These goods and services totalled USD 4.1 million, USD 3.2 million and USD 3.3 million during 2018, 2017 and 2016, respectively. The total liability recorded under accounts payable for such transactions was USD 0.8 million and USD 0.6 million as of 31 December 2018 and 31 December 2017, respectively.

13.2.2 Management agreement

Prior to the IPO, the Company was party to a management agreement with the Sponsors, pursuant to which the Company has paid monthly fees to the Sponsors for their performance of their duties under said agreement, directors' fees and reimbursement of costs incurred by the Sponsors and Directors for attendance at meetings relating to the management and governance of the Company. The Company recorded USD 3.7 million, USD 5.5 million and USD 5.2 million during the years ended 31 December 2018, 2017 and 2016, respectively, for such costs. The total liability recorded under accounts payable for such transactions was USD 0.2 million and USD 52 thousand as of 31 December 2018 and 2017, respectively.

Under the management agreement, the Sponsors have provided the Company with business and organisational, strategic, financial and management advisory services. The Company does not depend on the services provided under the management agreement, and the management agreement was terminated on the date of the IPO.

13.2.3 Preferred shares

On 12 January 2017, the Company issued USD 166.67 million in preferred shares to Castle Harlan and CHAMP Private Equity in exchange for partial settlement of a term loan as part of the Group's 2017 refinancing (the "**Preferred Shares**"). The holders of the Preferred Shares were entitled to receive a cumulative preferred dividend on a semi-annual basis, on 31 January and 31 July each year. The Company has made the following payments of preferred dividends to the holders of Preferred Shares:

- On 31 January 2017 USD 0.96 million was paid;
- On 31 July 2017 USD 8.68 million was paid;
- On 31 January 2018 USD 8.91 million was paid; and
- On 25 June 2018 USD 7.36 million was paid.

On 25 June 2018 the Preferred Shares were redeemed in full, by a redemption payment of approximately USD 167 million plus accrued but unpaid dividend to the holders of the Preferred Shares.

13.2.4 Other

The Group has ordinary business contracts with affiliates of the Seller regarding purchase of certain rig equipment, specifically jacking pinions. Until completion of the Transaction the Seller will not be a related party.

14 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Securities and share capital of the Company and certain other matters relating to the ownership in the Company, including summaries of certain provisions of the Articles and applicable Norwegian and Cayman Islands law in effect as at the date of this Prospectus, including the Cayman Islands Companies Law. The summary does not purport to be complete and is qualified in its entirety by the Articles incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference", and applicable law.

14.1 Company corporate information

The Company's registered name is Shelf Drilling, Ltd. The Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands pursuant to the Cayman Islands Companies Law. The Company was incorporated in the Cayman Islands on 14 August 2012 in connection with the 2012 Acquisition.

The Company's Cayman Islands registration number is 271054 and the Securities are registered in book-entry form with the VPS under International Securities Identification Number ("**ISIN**") KYG236271055. The underlying shares, being the Common Shares in the Company, are recorded in the Company's shareholders register in the Cayman Islands, maintained by Centralis Cayman Limited, the Company's registered office service provider in the Cayman Islands, located at One Capital Place, 3rd floor, Grand Cayman, PO Box 1564, Cayman Islands, KY1-1110. The Company's VPS register is administrated by the VPS Registrar. See Section 14.6 "VPS registration of the Securities" for further information.

The Company's registered office is at One Capital Place, 3rd Floor, Shedden Road, George Town, PO Box 1564, Grand Cayman, KY1-1110, Cayman Islands. The Company's website can be found at www.shelfdrilling.com. The content of www.shelfdrilling.com is not incorporated by reference into and does not otherwise form part of this Prospectus.

14.2 Legal structure

The Company, the parent company of the Group, is a holding company. The operations of the Group are entirely carried out by the Group's operating subsidiaries. Set out below is an overview of the Company's significant subsidiaries. As at the date of this Prospectus, the Company is of the opinion that its holdings in the entities specified below are likely to have a significant effect on the assessment of its own assets and liabilities, financial condition or profits and losses.

Company	Country of incorporation	Total holding in %
Rig Owning Entities:		
Shelf Drilling Asset III, Ltd.	Cayman Islands	100%
Shelf Drilling Offshore Resources Limited	Cayman Islands	100%
Shelf Drilling Offshore Resources Limited II	Cayman Islands	100%
Shelf Drilling Galloway Limited	Cayman Islands	100%
Adriatic 10 Limited	Cayman Islands	100%
Shelf Drilling International, Inc.	Cayman Islands	100%
Shelf Drilling C.E. Thornton, Ltd.	Cayman Islands	100%
Shelf Drilling J.T. Angel, Ltd.	Cayman Islands	100%
Shelf Drilling F.G. McClintock, Ltd.	Cayman Islands	100%
Shelf Drilling Ron Tappmeyer, Ltd.	Cayman Islands	100%
Shelf Drilling Trident XII, Ltd.	Cayman Islands	100%
Shelf Drilling Key Hawaii Limited	Cayman Islands	100%
Shelf Drilling (Central Europe) Ltd.	Hungary	100%
PT. Hitek Nusantara Offshore Drilling[1]	Indonesia	80%
Shelf Drilling TBN I, Ltd.	Mauritius	100%
Shelf Drilling TBN II, Ltd.	Mauritius	100%
Rig Owning Entities & Contracting Parties:		
Adriatic 1 Limited[1]	Cayman Islands	59%
Shelf Drilling Ventures Limited[1]	Cayman Islands	59%
Trident VIII Limited[1]	Cayman Islands	59%
Shelf Drilling RigCo I, Ltd.[2]	Cayman Islands	100%
Shelf Drilling RigCo II, Ltd.[2]	Cayman Islands	100%
Shelf Drilling (Egypt) Limited	Egypt	100%
Contracting Parties:		
Shelf Drilling Services Limited	Cayman Islands	100%

Shelf Drilling (Southeast Asia) Limited	Hong Kong	100%
Shelf Drilling Adriatic Services Ltd.	Hungary	100%
Shelf Drilling Offshore Services (India) Private Limited	India	100%
Shelf Drilling Ventures (Malaysia) Sdn. Bhd.[1]	Malaysia	40%
Shelf Drilling (Nigeria) Limited[1]	Nigeria	49%
Holding Company:		
Shelf Drilling Holdings, Ltd.	Cayman Islands	100%
Head Office:		
Shelf Drilling Management Services DMCC	United Arab Emirates	100%

1 The Company, through its wholly-owned indirect subsidiary Shelf Drilling Holdings, Ltd., is the primary beneficiary of the entities, which are 100% consolidated in the financial statements. These entities are incorporated in jurisdictions where majority or significant foreign ownership of domestic companies is restricted or commercially incompatible with local content requirements. To comply with such foreign ownership and/or local content restrictions, the Company and the relevant third parties have contractual arrangements to convey decision-making and economic rights to the Company. As such, the Company has the power to direct the operating and marketing activities, which are the activities that most significantly impact each entity's economic performance, and has the obligation to absorb losses or the right to receive the majority of the benefits.

2 Shelf Drilling RigCo I, Ltd. and Shelf Drilling RigCo II, Ltd. will own the CM Rigs following completion of the Transaction.

A chart which shows the subsidiaries of the Company is set out in Appendix A.

14.3 Share capital and share capital history

14.3.1 Introduction

As at the date of the Prospectus, the Company's authorised share capital is USD 1,440,634.73 divided into 144,063,473 shares, each with a par value of USD 0.01. The Company has only one class of shares: Common Shares.

The Company has issued 111,240,394 Common Shares as at the date of the Prospectus, and has an issued share capital of USD 1,112,403.94. All the shares have been validly issued in accordance with Cayman Islands Companies Law and the Articles.

The Company's Common Shares are listed, by way of the depositary receipts registered in VPS, on the Oslo Stock Exchange. Additional details about the Common Shares are included in Section 14.5 "Description of the Securities".

14.3.2 Share capital history

In the period covered by the Financial Statements, i.e. from 1 January 2016 up until 31 December 2018, the following changes have been made in the Company's share capital:

- During the year ended 31 December 2016, the Company issued 2,659 Class B Shares and 176 Class C shares under the time-based and performance-based share compensation plan to members of the Company's Management, each share with a par value of USD 0.01.
- During the year ended 31 December 2016, 1,851 Class A shares, 2,349 Class B shares and 193 Class C shares were repurchased and retired, each share with a par value of USD 0.01.
- In the period between 1 January 2017 and 28 April 2017, the Company issued 554 Class B shares, 55 Class C shares and 1,020 Class D shares under the time-based and performance-based share compensation plan to members of the Company's Management, each share with a par value of USD 0.01.
- On 12 January 2017, the Company issued 1,000,000 Preferred Shares, each with a par value of USD 0.01, at a subscription price of USD 166.67 per share for a value of USD 166.67 million to two of the Sponsors.
- As part of a Private Placement completed on 2 May 2017, all Class A shares, Class B shares, Class C shares and Class D shares, including shares which had been issued and was held in trust for share-based compensation, were repurchased and retired, against issuance of 55,000,000 Common Shares, and an additional 28,125,000 Common Shares were issued to the investors who participated in the Private Placement, taking the total amount of Common Shares issued up to 83,125,000 (the "**Recapitalisation**"), as follows:

	Outstanding ordinary shares before Recapitalisation	**Equivalent new common shares at the Recapitalisation date**
Class A	444,594	51,970,740
Class B	25,653	1,893,513

Class C	6,130	-
Class D	1,020	1,135,747
Total	**477,397**	**55,000,000**
Common Shares issued in the Private Placement	**-**	28,125,000
Common Shares following the Recapitalisation		**83,125,000**

- After the Recapitalisation, the Company's share capital was USD 841,250, consisting of 83,125,000 Common Shares and 1,000,000 Preferred Shares, all with a nominal value of USD 0.01.
- As part of the Recapitalisation, the Company also increased its authorised share capital from 5,001,020 ordinary shares and 1,000,000 Preferred Shares, each with a par value of USD 0.01, to 200,000,000 Common Shares and 1,000,000 Preferred Shares, each with a par value of USD 0.01, taking the total authorised share capital up to USD 2,010,000

In order to determine the number of new Common Shares to be allocated against each ordinary share repurchased in the Recapitalisation, the Company determined the fair value of each ordinary share class by allocating the estimated equity value before the Recapitalisation to the ordinary share classes in accordance with the waterfall provisions within the Articles in effect at that date. Accordingly, it was determined that Class C shares had no value, resulting in allocation of no new Common Shares to the Class C shareholders. The 1,020 Class D shares were only in existence briefly before being exchanged into common shares and were only used for performance-based restricted share awards, which were unvested at the Recapitalisation date. Accordingly, Class D had no consequence on the waterfall considerations for the Recapitalisation. However, pursuant to the Articles, a value was allocated from Class A to Class D shares.

The Recapitalisation has been accounted for as a repurchase of ordinary shares for new Common Shares. Therefore, the numbers for previously presented Class A, Class B and Class C ordinary shares, for all share count references and per-share information, have been retained for periods prior to the Recapitalisation. The Recapitalisation did not result in a change in total shareholder equity as there were no cash proceeds. The par values of the ordinary shares and the new Common Shares are identical at USD 0.01 per share.

In the following is an overview of the Company's total outstanding shares at the end of each of the years covered by the Financial Statements.

	Total outstanding shares at the year ended 2018	**Total outstanding shares at the year ended 2017**	**Total outstanding shares at the year ended 2016**
Class A	-	-	444,594
Class B	-	-	25,099
Class C	-	-	6,075
Class D	-	-	-
Common Shares	111,240,394	83,125,000	**-**
Preferred Shares	-	1,000,000	**-**
Total	**111,240,394**	**84,125,000**	**475,768**

From the date of the Recapitalisation to the date of this Prospectus, the Company has:

- redeemed 9,606 Common Shares. The redemption was effective 31 March 2018, and resulted in a decrease of the Company's share capital of USD 96.06, and taking the total amount of issued Common Shares to 83,115,394;
- changes its authorised share capital to USD 1,440,634.73, divided into 144,063,473 Common Shares, each with a par value of USD 0.01;
- issued 28,125,000 new Common Shares to the VPS Registrar in connection with the IPO. The new Common Shares were legally and validly issued on 22 June 2018, increasing the number of issued Common Shares to 111,240,394; and
- redeemed the Preferred Shares. The redemption was effective on 25 June 2018.

In addition, the Company does from time to time redeem unvested Common Shares held by leaving employees. Upon such redemption, a corresponding number of new Common Shares are simultaneously reissued by the Company to the trustee of the Company's employee share trust. As such, the redemptions / reissuances do not have any impact on the Company's share capital.

14.4 Board authorisation

As of the date of this Prospectus, the Company has an authorised share capital of USD 1,440,634.73, divided into 144,063,473 shares, each with a par value of USD 0.01. The Company's issued share capital is USD 1,112,403.94, consisting of 111,240,394 issued Common Shares, each with a par value of USD 0.01. The Board of Directors of the Company is authorised to issue the remaining authorised share capital of USD 328,230.79 as Common Shares, representing 32,823,079 Common Shares of par value USD 0.01 each.

14.5 Description of the Securities

14.5.1 Introduction

The Existing Securities, being the depository receipts that represents the beneficial interests in the Common Shares, has been registered in the VPS in book-entry form under the name of a "share" and are listed and traded on the Oslo Stock Exchange in the form of depository receipts as "shares in Shelf Drilling, Ltd.", in NOK. Each Existing Security represents one Common Share as registered in the Company's shareholder register in the Cayman Islands and is registered in the name of the VPS Registrar.

The New Securities will, when issued, be registered in the VPS in book-entry form under the name of a "share" and will upon completion of the Listing be listed and traded on the Oslo Stock Exchange in the form of depository receipts as "shares in Shelf Drilling, Ltd.", in NOK. Each New Security will represent one Common Share as registered in the Company's shareholder register in the Cayman Islands and is registered in the name of the VPS Registrar.

Security holders do not have direct shareholder rights as the VPS Registrar is the registered owner of the underlying financial instruments of the Securities. See Section 14.5.6 "Mandatory provisions of Cayman Islands law relating to the Securities" below for a description of the mandatory provisions under Cayman Islands law relating to the Securities. The rights and obligations of the VPS Registrar are described further in Section 14.6.2 "The Registrar Agreement". Other than as described in this Section 14.5 "Description of the Securities", there are no differences between the rights attached to the Securities and the Common Shares.

14.5.2 Issuance

The VPS Registrar has issued and delivered the Existing Securities, and will issue and deliver the New Securities upon completion of the Transaction, in accordance with the Norwegian Act on Registration of Financial Instruments of 5 July 2002 no. 64. All Existing Securities have been, and the New Securities will be, issued and registered in book-entry form through the VPS system.

14.5.3 Record dates

The Company may fix a record date for the determination of the Security holders who will be entitled to receive any distribution on or in respect of the shares, to give instructions for the exercise of any voting rights, to receive any notice or to act in respect of other matters and only such Security holders at such record date will be so entitled or obligated. The VPS registrar may fix the same.

14.5.4 Voting rights

Each underlying Common Share, and hence each of the Existing Securities (and each of the New Securities when issued), carries one vote. Security holders may instruct the VPS Registrar to vote the underlying Common Shares held by them (in the form of Securities), subject to any applicable provisions of Cayman Islands law. The Company will furnish voting materials to the VPS Registrar and the VPS Registrar will notify the Security holders of the upcoming vote and arrange to deliver the Company's voting materials to the Security holder. Otherwise, Security holders will not be able to exercise their voting rights unless the steps outlined in Section 15.4 "The VPS and transfer of Securities" are followed. The VPS Registrar's notice will describe the information in the voting materials and explain how Security holders may instruct the VPS Registrar to vote the underlying shares.

The VPS Registrar will only vote or attempt to vote as the Security holders' instruct. The VPS Registrar itself will not exercise any voting rights.

14.5.5 Reclassification, recapitalisation and mergers

If the Company reclassifies, splits up or cancels any of the deposited securities; distributes securities on the shares that are not distributed to Security holders; or recapitalises, reorganises, amalgamates, merges, consolidates, liquidates, sells all or substantially all of its assets, or go into liquidation, receivership or bankruptcy; then the VPS Registrar may choose to either (i) amend the form of the Securities, (ii) distribute additional or amended Securities, (iii) distribute the cash, securities or other property received in connection with such actions or (iv) sell any securities or property received and distribute the net proceeds as cash. If the VPS Registrar does not choose any of the above, the cash, securities or other property it receives will constitute deposited securities and each Security will automatically represent its equal share of the new deposited cash, securities or other property, or a combination thereof, as the case may be.

14.5.6 Mandatory provisions of Cayman Islands law relating to the Securities

14.5.6.1 Foreign exchange

There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the Cayman Islands.

14.5.6.2 Taxes

See Section 16.1 "Cayman Islands taxation" for a description of certain Cayman Islands taxation consequences of holding Securities.

14.5.6.3 Information

The VPS Registrar shall provide the Company with the information on the data and withdrawal of Securities, the number of Securities in circulation, and also information on the transactions on Securities, including at least price (if and when made available by the VPS) and units traded, as available to the VPS Registrar in the VPS system.

14.6 VPS registration of the Securities

14.6.1 Introduction

In order to facilitate registration of the Securities in the VPS, the Company has entered into a deposit and registrar agreement (the "**Registrar Agreement**") with the VPS Registrar, which administrates the Company's VPS register. The VPS Registrar is DNB Bank ASA, Verdipapirservice with registered office at Dronning Eufemias Gate 30, N-0021 Oslo, Norway. DNB Bank ASA is a Norwegian public limited liability company, established and incorporated under the laws of Norway on 10 September 2002 and registered in the Norwegian Business Register under registration number 984 851 006.

Pursuant to the Registrar Agreement, the VPS Registrar is registered as holder of the shares in the Company's shareholder register in the Cayman Islands, which the Company is required to maintain pursuant to Cayman Islands law. The VPS Registrar registers the Securities, including the New Securities, in book-entry form with the VPS. Therefore, it is not the Common Shares in registered form issued in accordance with the Cayman Islands Companies Law, but the beneficial interests in such shares in book-entry form that are registered with the VPS.

At the date of this Prospectus, the Company has only one class of Securities. The Securities have ISIN code KYG236271055.

The Registrar Agreement is subject to Norwegian law and, accordingly, all the Existing Securities are, and the New Securities issued will be, established under Norwegian law. The Existing Securities are, and the New Securities will be, registered in book-entry form with the VPS under the category of a "share" and it is such interest in the Securities that is, and will be for the New Securities, registered and traded on the Oslo Stock Exchange. Each Security registered with the VPS represents the beneficial ownership of one Common Share. The Securities are freely transferable, with delivery and settlement through the VPS system. The Existing Securities are, and the New Securities will be, priced and traded in NOK on the Oslo Stock Exchange.

14.6.2 The Registrar Agreement

Pursuant to the Registrar Agreement, the VPS Registrar will register the Securities in the VPS register. The shares will be registered in the Company's shareholder register in the name of the VPS Registrar. The Security holders must look solely to the VPS Registrar for the payment of dividends, for the exercise of voting rights attaching to the Securities and for all other rights arising in respect of the Securities. In order to exercise any rights directly as shareholder, a Security holder must retire his or her Securities in the VPS in exchange for shares in order to be entered into the Company's shareholder register. Such exchange will disable trading of the exchanged Securities on the Oslo Stock Exchange until the Securities are re-registered in the VPS. Security holders who wish to retire their Securities in the VPS must contact the VPS Registrar.

The Company will pay dividends directly to the VPS Registrar, which in turn has undertaken to distribute the dividends and other declared distributions to the Security holders in accordance with the Registrar Agreement. Security holders who maintain a Norwegian address in the VPS register or have supplied VPS with details of their NOK account shall receive their dividend payment in NOK to such account. Dividends will, however, be resolved and paid by the Company in USD as the accounting currency of Shelf Drilling. Security holders whose address registered with the VPS is outside Norway and who have not provided the VPS with details of any NOK account, will receive dividends by check in their local currency. If it is not practical in the VPS Registrar's sole opinion to issue a check in a local currency, a check will be issued in USD. The exchange rate(s) that will be applied to the conversion of USD received by the VPS Registrar into NOK and, where applicable, the conversion by the VPS Registrar of NOK into other currencies (including USD) will be the exchange rate on the date of issuance. The VPS Registrar will not hold any right to share in profits and any liquidations surplus which are not passed on to the Security holders.

The VPS Registrar shall not attend or vote at any of the Company's general meetings, other than pursuant to an authorisation from the Security holders.

The Security holders have the right to require the Securities to be exchanged for underlying Common Shares. If this is exercised by a Security holder, the VPS Registrar may submit an application to the Board of Directors and request transfer of Common Shares from the account of the VPS Registrar to a new account in the name of the Security holder. The Board of Directors should not unreasonably withhold approval of such applications. An application from the VPS Registrar may form part of, but is not limited to, proceedings in connection with a take-over of the Company.

The VPS Registrar is only liable for any direct loss suffered by the Company as a result of breach of contract. Each of the Company and the VPS Registrar may terminate the Registrar Agreement at any time with a minimum of three months' prior written notice, or immediately upon written notice of a material breach by the other party of the Registrar Agreement. In the event that the Registrar Agreement is terminated, the Company will use its reasonable best efforts to enter into a replacement agreement for purposes of permitting the uninterrupted trading of the Securities on the Oslo Stock Exchange.

14.7 Ownership structure

As at 23 April 2019, the Company had 702 shareholders holding Common Shares or Securities.

Each of the Sponsors holds 15.5% of the Common Share capital (in total 46.5%). Euroclear Bank S.A./N.V. is also a large shareholder, holding 15.7%, but is acting as a nominee shareholder. The table below shows the Company's 20 largest holders of Common Shares as recorded in the shareholders' register of the Company as of 23 April 2019, being the last practical date prior to the date of the Prospectus.

#	Shareholder Name	No. of shares	Percentage (%)
1	Euroclear Bank S.A./ 25% CLIENTS	17,454,704	15.7%
2	Castle Harlan	17,195,797	15.5%
3	CHAMP Private Equity	17,195,797	15.5%
4	Lime Rock Partners	17,195,797	15.5%
5	Goldman Sachs & Co. LLC	4,566,700	4.1%
6	CLEARSTREAM BANKING S.A.	3,896,175	3.5%
7	Santander Securities Services	3,676,881	3.3%
8	UBS AG	2,522,152	2.3%
9	Pictet & Cie (Europe) S.A.	2,474,529	2.2%
10	Goldman Sachs International	1,578,526	1.4%
11	FSP - NATURAL GAS	1,541,650	1.4%
12	FIDELITY SELECT PORTFOLIOS: ENERGY	1,536,773	1.4%
13	Bank of America	1,382,524	1.2%
14	J.P. Morgan Bank Luxembourg S.A.	1,165,040	1.0%
15	The Bank of New York Mellon SA/NV	847,417	0.8%
16	ODIN ENERGI	750,000	0.7%
17	Morgan Stanley & Co. International	683,334	0.6%
18	EIKA NORGE	648,721	0.6%
19	KLP AKSJENORGE	637,000	0.6%
20	KLP ALFA GLOBAL ENERGI	591,587	0.5%
Top 20		**97,541,104**	**87.7%**
Other		**13,699,290**	**12.3%**
Total		**111,240,394**	**100%**

Shareholders owning 5% or more of the Common Shares, including the Securities will, following the Listing, have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 15.7 "Disclosure obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act.

As of 23 April 2019, no shareholder other than Euroclear Bank S.A./N.V. (15.7%), Castle Harlan (15.5%), CHAMP Private Equity (15.5%) and Lime Rock Partners (15.5%) holds 5% or more of the issued shares.

Other than as described above, the Company is not aware of any other persons or entities who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

No particular measures are initiated to ensure that control is not abused by large shareholders. Minority shareholders are protected against abuse by the relevant regulations under Cayman Islands law. See Section 14.11 "The Articles and certain aspects of Cayman Islands law" and Section 15.9 "Mandatory offer requirement".

14.8 Authorisation to acquire treasury shares

The Company does not hold any treasury shares or Securities. Under the Articles, the Directors may, prior to the purchase, redemption or surrender of any share, determine that such share shall be held as a treasury share, and the Directors may determine to cancel a treasury share or transfer a treasury share on such terms as they think proper (including, without limitation, for nil consideration).

14.9 Other financial instruments

Other than the RSUs granted to Ernie Danner, as described in Section 12.3.1 "Remuneration of the Board of Directors" above, the Company has not issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares or Securities in the Company as of the date of this Prospectus. Further, none of the companies in the Group have issued any convertible loans or subordinated debt or transferrable securities.

14.10 Shareholder rights

The Company has one class of shares in issue, being Common Shares. The Common Shares confer upon such shareholders the right to receive notice of and to attend and to vote at any general meeting of the Company, and each holder of a Common Share is entitled at such general meeting to exercise one vote per Common Share held. The rights attaching to the shares are described in Section 14.11 "The Articles and certain aspects of Cayman Islands law".

14.11 The Articles and certain aspects of Cayman Islands law

The Company's memorandum and articles of association (the "**Articles**") are incorporated into this Prospectus by reference, see Section 17.5 "Incorporated by reference".

Cayman Islands companies are governed by the Cayman Islands Companies Law (as amended) (the "**Companies Law**"). The Companies Law is modelled on English law but does not follow recent English law statutory enactments, and differs from laws applicable to United States and Norwegian corporations and their shareholders. Set forth below is a summary of certain key provisions of the Companies Law and the Articles applicable to the Company and its shareholders following the contemplated amendment.

14.11.1 Objects of the Company

The objects of the Company, as set out in paragraph 3 of the memorandum of association of the Company, are unrestricted and the Company shall have the full power and authority to carry out any object not prohibited by applicable law.

14.11.2 Dividends

The holders of Common Shares are entitled to such dividends, as may be declared by the Board of Directors. In addition, the Company's shareholders may by ordinary resolution declare a dividend (including interim dividends) in accordance with the respective rights of the shareholders, provided that no dividend shall exceed the amount recommended by the Board of Directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the share premium account, and a dividend may not be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business.

The Board of Directors may declare that any dividend should be paid wholly or partly by the distribution of shares or other specific assets.

Reference is made to Section 5 "Dividends and Dividend Policy" for a further description of the Company's dividend policy.

14.11.3 Voting Rights

Holders of Common Shares in the Company vote as a single class on all matters submitted to a vote of the shareholders at general meetings of the Company, except as may otherwise be required by law. Each holder of Common Shares is entitled to one vote per Common Share held at such general meetings as provided in the Articles.

There is no quorum requirement for the conduct of meetings of shareholders but at least one shareholder must be present. Shareholders may be present in person or by proxy or, if the shareholder is a legal entity, by its duly authorised representative. Shareholders' meetings may be convened by a majority of directors or by a requisition of shareholders holding not less than 10% of the issued and outstanding voting shares of the Company. Advance notice of at least 14 clear days is required for the convening of the annual general meeting and any other general meeting.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting, while a special resolution requires the affirmative vote of more than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution is required for important matters such as merging with another entity, changing the name of the Company, commencing the voluntary winding up and liquidation of the company (and giving certain instructions to a liquidator), transferring the Company to a new jurisdiction and making changes to the Articles. Certain changes may be effected by ordinary resolution, including increasing the amount of authorised share capital, consolidating all or any of the share capital into shares of larger amount than the existing shares, sub-dividing any of the shares into shares of an amount smaller than that fixed by the memorandum and cancelling any unissued shares.

The separate class rights of the holders of Common Shares, which includes the ability of the holders of such shares to attend and vote at general meetings, receive dividends, participate in the assets of the Company and to transfer their Common Shares freely, may be varied the with the consent in writing of the holders of not less than two thirds of the issued and outstanding Common Shares, or with the sanction of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of Common Shares.

The holders of Common Shares who are not Sponsors are not permitted to exercise any vote with regard to the appointment or removal of the Sponsor appointed Directors of the Company. See Section 12.1.1 "Overview of the Board of Directors"*.*

14.11.4 Mergers and similar arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (ii) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. The merger or consolidation of two or more companies under Cayman Islands law requires the directors of each constituent company to approve a written plan of merger or consolidation, which must also be authorised by (i) a special resolution of the shareholders of each constituent company, and (ii) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the shareholders and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette.

In relation to any merger or consolidation under the Companies Law, dissenting shareholders have certain limited appraisal rights, providing rights to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands courts) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

The Companies Law also provides for a statutory process called a scheme of arrangement that facilitates the reconstruction and/or amalgamation of companies. A scheme of arrangement may be proposed between a company and its creditors or any class of them, or between the company and its shareholders or any class of them. A successful scheme of arrangement must be approved by shareholders or creditors who represent a majority in number and 75% in value of each such class of shareholders or creditors with whom the arrangement is to be made, who attend and vote, either in person or by proxy, at a meeting or meetings convened for that purpose. The convening of meetings and the subsequent sanctioning of any such scheme of arrangement must be approved by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority is acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the scheme of arrangement is such that it may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the scheme of arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

If a scheme of arrangement is thus approved, the dissenting shareholders would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders in the context of a merger.

Alternatively, when a tender offer to acquire shares is made and accepted (within four months) by holders of not less than 90% in number of the shares subject to such offer, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion. Again, in relation to such transactions no rights comparable to appraisal rights will be available to dissenting shareholders.

14.11.5 Shareholders' actions

In principle, the Company will normally be the proper plaintiff in any claim for a wrong done to the Company and a class action or derivative action may ordinarily not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected (and have had occasion) to follow and apply the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) so that a minority shareholder may be permitted to commence a representative action against, or a derivative action in the name of, a company to challenge:

- an act which is ultra vires the company or illegal and is therefore incapable of ratification by the shareholders;
- an act which requires a resolution with a qualified (or special) majority (i.e., more than a simple majority) which has not been obtained; or
- an act which constitutes a "fraud on the minority" where the wrongdoers are themselves in control of the company.

14.11.6 Fiduciary duties of directors

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company: a duty to act in good faith (bona fide) in the best interests of the company; a duty not to make a profit out of his position as director (unless the company permits him to do so); a duty to exercise his powers for the purposes for which they are conferred; and a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Under the Articles, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company must declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his interest; provided that, in exercising any such vote, such director's duties remain as described above.

14.11.7 Variation of rights of shares

Under Cayman Islands law the process to vary rights of shares is set out in the company's articles of association. Under the Articles, if the Company's share capital is divided into more than one class of shares, the rights attached to any class may be varied: (i) without the consent of the holders of the issued and outstanding shares of that class where such variation is considered by the Directors not to have a material adverse effect upon such rights; (ii) otherwise, provided that any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued and outstanding shares of that class, or with the sanction of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class.

14.11.8 Sale of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of all or substantially all of the assets of a company and does not require the vote of the shareholders to do so. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the best interests of the company.

14.11.9 Transactions with interested shareholders

Cayman Islands law does not prohibit business combinations with interested shareholders (as may apply in other jurisdictions). However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper purpose and not with the effect of constituting a fraud on the minority shareholders.

14.11.10 Dissolution and winding up

Under the Companies Law of the Cayman Islands and the Articles, the Company may be voluntarily wound up only by a special resolution of the shareholders. In addition, a company may be wound up by the Grand Court of the Cayman Islands if the company is unable to pay its debts as they fall due or if the court is of the opinion that it is just and equitable that the company is wound up.

14.11.11 Indemnification

The Articles provide for the indemnification and exculpation of the Company's Directors save where any Director has engaged in wilful misconduct or actual fraud.

14.11.12 Inspection of books and records

Shareholders of the Company have no general right under Cayman Islands law to inspect or obtain copies of the Company's register of shareholders or corporate records except the Articles.

14.11.13 Amendment of governing documents

As permitted by Cayman Islands law, the Articles may be amended with the sanction of a special resolution passed at a general meeting of shareholders.

14.11.14 No pre-emptive rights

Holders of Common Shares have no pre-emptive or preferential right to purchase any of the Company's securities.

14.12 Shareholders' agreements

The Company is, as the date of the Prospectus, not aware of any shareholders' agreements among its shareholders.

14.13 Lock-up

14.13.1 The Company

Pursuant to an undertaking included in the placement agreement entered into on 21 June 2018 between the Company, together with the Sponsors, and DNB Markets in connection with the IPO (the "**Placement Agreement**"), the Company has undertaken that it will not, without the prior written consent of DNB Markets, during the period up to and including the date falling 12 months from the first day of trading of the Existing Securities on the Oslo Stock Exchange, being 25 June 2018, issue any further shares unless in relation to (1) granting of options or subscription rights or issuance of shares or Securities under ordinary employee incentive programs or (2) the issue of new Securities as consideration in connection with acquisitions of companies and businesses (including rigs) or in connection with the redemption of all or parts of the Company's preferred shares, provided that the Securities are issued at a price above the price in the IPO.

The Company requested DNB Markets' consent for the issuance of the New Securities and DNB Market granted such consent on 19 February 2019.

14.13.2 Senior management and Directors

Pursuant to additional lock-up undertakings, the primary insiders of the Company, including the senior management and the Directors have undertaken that they will not, without the prior written consent of DNB Markets, during the period up to and including the date falling 12 months from the first day of trading of the Existing Securities on the Oslo Stock Exchange, being 25 June 2018, directly or indirectly, (1) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of any Securities or Common Shares or any securities convertible into or exercisable or exchangeable for Securities or Common Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Securities or Common Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Securities, Common Shares or such other securities, in cash or otherwise, or (3) agree or publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) any action (including, for the avoidance of doubt, pre-accepting such offer) in connection with a takeover offer for all Securities and/or Common Shares in accordance with chapter 6 of the Norwegian Securities Trading Act or (B) any transfer of Securities or Common Shares to any entity directly or indirectly controlled by the shareholder who assume the same lock-up obligations as undertaken by the shareholder.

The lock-up related to the New Securities is described in Section 6.10 "Lock-up" above.

15 SECURITIES TRADING IN NORWAY

Set out below is a summary of certain aspects of securities trading in Norway. The summary is based on the rules and regulations in force in Norway as at the date of this Prospectus, which may be subject to changes occurring after such date. The summary does not purport to be a comprehensive description of securities trading in Norway. Security holders who wish to clarify the aspects of securities trading in Norway should consult with and rely upon their own advisors.

15.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway.

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, inter alia, trading systems for equities, fixed income and derivatives.

15.2 Trading and settlement

Trading of equities on the Oslo Stock Exchange is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16:20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on the Oslo Stock Exchange is two trading days (T+2). This means that securities will be settled on the investor's account in VPS two days after the transaction, and that the seller will receive payment after two days.

SIX x-clear Ltd, a company in the SIX group, through its Norwegian branch, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on the Oslo Stock Exchange.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in securities listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

15.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

15.4 The VPS and transfer of Securities

The shareholder register of the Company is maintained at the registered office of the Company in the Cayman Islands. The Securities will be registered in the VPS. The VPS is the Norwegian paperless centralised securities register. It is a computerised book-keeping system in which the ownership of, and all transactions relating to, securities traded on the Oslo Stock Exchange must be recorded. The VPS and the Oslo Stock Exchange are both wholly-owned by Oslo Børs VPS Holding ASA.

All transactions relating to securities registered with the VPS are made through computerised book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered owner irrespective of any beneficial ownership. To give effect to such entries, the individual security holder must establish a VPS securities account with a Norwegian VPS account operator. Norwegian banks, Norges Bank (being the Central Bank of Norway), authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as VPS account operator.

The entry of a transaction in the VPS is prima facie evidence under Norwegian law in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of securities may not exercise the rights of a security holder with respect to such securities unless such transferee or assignee has registered such security holding or has reported and shown evidence of such security acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

Security holders who hold shares in the Company's shareholder register in the Cayman Islands and wish to receive and register a corresponding Security in the VPS must instruct and authorise the VPS Registrar to receive such Securities. Upon the VPS Registrar's receipt of the shares, the Securities will be issued by the VPS Registrar and delivered to the VPS Account (as defined below) of the Security holder. Security holders who wish to transfer their Securities from the VPS register to the Company's shareholder register, must advise the VPS Registrar to deliver and transfer the Securities to an intermediary VPS account of the VPS Registrar and they will then receive shares upon the VPS Registrar's receipt of instructions on delivery.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

15.5 Shareholder register and share certificates

The shareholder register of the Company is maintained at the registered office of the Company in the Cayman Islands. The Company's shareholder register is maintained by Centralis Cayman Limited, located at One Capital Place, 3rd floor, Grand Cayman, PO Box 1564, Cayman Islands, KY1-1110. The Securities will be registered in the name of the Security holder in the VPS. Security holders may register their Securities in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee may have a duty to provide information on demand about beneficial Security holders to the Company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions.

15.6 Foreign investment in shares listed in Norway

Foreign investors may trade in the Securities (listed on the Oslo Stock Exchange) through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

15.7 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued securities and/or rights to securities in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

15.8 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

15.9 Mandatory offer requirement

As the Existing Securities are and the New Securities will be, listed on the Oslo Stock Exchange, the Existing Securities are and the New Securities will be, subject to the mandatory take-over provisions set out in the Norwegian Securities Trading Act chapter 6.

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies not including the Company) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies correspondingly if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

15.10 Compulsory acquisition

Norwegian legislation regarding compulsory acquisitions is not applicable, as the Company is incorporated in Cayman Islands. See Section 14.11.4 "Mergers and similar arrangements" for applicable Cayman Islands regulation.

15.11 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a Security holder outside Norway, and there are currently no restrictions that would affect the right of security holders of a company that has its securities registered with the VPS who are not residents in Norway to dispose of their securities and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

There are no foreign exchange control restrictions under Cayman Islands law that would potentially restrict the payment of dividends to a foreign Security holder.

16 TAXATION

Set out below is a summary of certain Cayman Islands and Norwegian tax matters related to an investment in the Company. The summary regarding Cayman Islands and Norwegian taxation is based on the laws in force in the Cayman Islands and Norway, respectively, as at the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities in the Company. Persons, natural or legal, who wish to clarify their own tax situation should consult with and rely upon their own tax advisors. Security holders resident in jurisdictions other than Cayman Islands and Norway and Security holders who cease to be resident in Cayman Islands or Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in the Cayman Islands or Norway for tax purposes. The statements in the summary only apply to persons, natural or legal, who are beneficial owners of the Securities.

Please note that for the purpose of the summary below, a reference to a Norwegian or Non-Norwegian Security holder refers to the tax residency rather than the nationality of the Security holder.

16.1 Cayman Islands taxation

It is the responsibility of all persons interested in purchasing the Securities to inform themselves as to any tax consequences from their investment in the Company, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of Securities. Investors should therefore seek their own separate tax advice in relation to their holding of Securities and accordingly the Group accepts no responsibility for the taxation consequences of any investment into the Company by an investor.

There is, at present, no direct taxation in the Cayman Islands and interest, dividends and gains payable to the Company will be received free of all Cayman Islands taxes. The Company is registered as an "exempted company" pursuant to the Cayman Islands Companies Law. The Company has received an undertaking from the Governor in Cabinet of the Cayman Islands to the effect that, for a period of twenty years from the date of the undertaking, no law that thereafter is enacted in the Cayman Islands imposing any tax or duty to be levied on profits, income or on gains or appreciation, or any tax in the nature of estate duty or inheritance tax, will apply to any property comprised in or any income arising under the Company, or to the shareholders thereof, in respect of any such property or income.

16.2 Norwegian taxation

16.2.1 Taxation of dividends

Norwegian Personal Security holders

Dividends distributed to security holders who are individuals resident in Norway for tax purposes ("**Norwegian Personal Security holders**") are taxable in Norway for such security holders currently at an effective tax rate of 31.68% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.44 which are then included as ordinary income taxable at a flat rate of 22%, increasing the effective tax rate on dividends received by Norwegian Personal Security holders to 31.68%.

The allowance is calculated on a security-by-security basis. The allowance for each security is equal to the cost price of the security multiplied by a determined risk free interest rate based on the effective rate of interest on treasury bills *(Nw.: statskasseveksler)* with three months' maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Security holders holding securities at the expiration of the relevant calendar year.

Norwegian Personal Security holders who transfer securities will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the security ("**Excess Allowance**") may be carried forward and set off against future dividends received on, or gains upon realisation of, the same security. Any Excess Allowance will also be included in the basis for calculating the allowance on the same security in the following years.

If certain requirements are met, Norwegian Personal Security holders are entitled to a tax credit in the Norwegian tax for withholding tax imposed on the dividends distributed in the jurisdiction where the Company is resident for tax purposes. However, any tax exceeding the withholding tax rate according to an applicable tax treaty with the country in which the Company is resident will not be deductible.

The Securities will not qualify for Norwegian share saving accounts *(Nw.: aksjesparekonto)* held by Norwegian Personal Security holders since the Company is resident outside the European Economic Area for tax purposes.

Norwegian Corporate Security holders

Dividends distributed to security holders that are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("**Norwegian Corporate Security holders**"), are taxable as ordinary income in Norway for such security holders at a flat rate of currently 22%.

If certain requirements are met, Norwegian Corporate Security holders are entitled to a tax credit in the Norwegian tax for withholding tax imposed on the dividends distributed in the jurisdiction where the Company is resident for tax purposes. However, any tax exceeding the withholding tax rate according to an applicable tax treaty with the country in which the Company is resident will not be deductible.

Non-Norwegian Security holders

As a general rule, dividends received by non-Norwegian tax resident security holders ("**Non-Norwegian Security holders**") from securities in non-Norwegian tax resident companies are not subject to Norwegian taxation unless the Non-Norwegian Security holder holds the securities in connection with the conduct of a trade or business in Norway.

16.2.2 Taxation of capital gains on realisation of shares

Norwegian Personal Security holders

Sale, redemption or other disposal of securities is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Security holder through a disposal of securities is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to securities realised by Norwegian Personal Security holders is currently 31.68%; i.e. capital gains (less the tax free allowance) and losses shall be multiplied by 1.44 which are then included in or deducted from the Norwegian Personal Security holder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 22%, increasing the effective tax rate on gains/losses realised by Norwegian Personal Security holders to 31.68%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of securities disposed of.

The taxable gain/deductible loss is calculated per security as the difference between the consideration for the security and the Norwegian Personal Security holder's cost price of the security, including costs incurred in relation to the acquisition or realisation of the security. From this capital gain, Norwegian Personal Security holders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to "Taxation of dividends — Norwegian Personal Security holders" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a security will be annulled.

If the Norwegian Personal Security holder owns securities acquired at different points in time, the securities that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

The Securities will not qualify for Norwegian share saving accounts held by Norwegian Personal Security holders since the Company is resident outside the European Economic Area for tax purposes.

Norwegian Corporate Security holders

A capital gain or loss derived by a Norwegian Corporate Security holder from a disposal of securities in the Company is taxable or tax deductible in Norway. The taxable gain/deductible loss per security is calculated as the difference between the consideration for the security and the Norwegian Corporate Security holder's cost price of the security, including costs incurred in relation to the acquisition or disposal of the security. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. Ordinary income is taxable at a rate of currently 22%.

If the Norwegian Corporate Security holder owns securities acquired at different points in time, the securities that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Non-Norwegian Security holders

A capital gain or loss derived from the sale or other disposal of securities by a Non-Norwegian Security holder will not be subject to taxation in Norway unless the Non-Norwegian Security holder holds the securities in connection with business activities carried out or managed from Norway.

16.2.3 Controlled Foreign Corporation ("CFC") taxation

Norwegian holders of Securities in the Company will be subject to Norwegian taxation according to the Norwegian Controlled Foreign Corporations regulations (Norwegian CFC-regulations) if Norwegian Security holders directly or indirectly own or control (hereinafter together referred to as "**Control**") the shares of the Company.

Norwegian Security holders will be considered to Control the Company if:

- Norwegian Security holders Control 50% or more of the shares or capital in the Company at the beginning of and at the end of a tax year; or

- If Norwegian Security holders Controlled the Company the previous tax year, the Company will also be considered Controlled by Norwegian Security holders in the following tax year unless Norwegian shareholders Control less than 50% of the shares or capital at both the beginning and the end of the following tax year; or

- Norwegian Security holders Control more than 60% of the shares or capital in the Company at the end of a tax year.

If less than 40% of the shares or capital are Controlled by Norwegian Security holders at the end of a tax year, the Company will not be considered Controlled by Norwegian Security holders for Norwegian tax purposes.

Under the Norwegian CFC-regulations Norwegian Security holders are subject to Norwegian taxation on their proportionate part of the taxable net income generated by the Company, calculated according to Norwegian tax regulations, regardless of whether or not any dividends are distributed from the Company.

16.2.4 Net wealth tax

The value of securities is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Security holders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed securities is currently equal to 75% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed securities is reduced correspondingly (i.e. to 75% percent) for assessment purposes.

Norwegian Corporate Security holders are not subject to net wealth tax.

Non-Norwegian Security holders are not subject to Norwegian net wealth tax. Non-Norwegian Security holders who are individuals can, however, be taxable if the security holding is effectively connected to the conduct of trade or business in Norway.

16.2.5 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

16.2.6 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

17 ADDITIONAL INFORMATION

17.1 Auditor

The Company's independent auditor is PricewaterhouseCoopers Dubai branch, with license number 102451, and business address at Emaar Square Building 4, Level 8, Dubai, United Arab Emirates. PwC has been auditor of the Company since its inception in 2012. PwC is registered with the Public Accounting Oversight Board (United States). PwC has been registered with the Norwegian FSA.

17.2 Advisors

Advokatfirmaet Thommessen AS (Haakon VIIs gate 10, N-0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company. Walkers (190 Elgin Avenue, George Town, Grand Cayman KY1-9001, Cayman Islands) is acting as Cayman Islands legal counsel to the Company.

17.3 Governing law and jurisdiction

This Prospectus shall be governed by and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, this Prospectus shall be subject to the exclusive jurisdiction of the courts of Norway, with the Oslo District Court as the legal venue.

17.4 Documents on display

Copies of the following documents will be available for inspection at the Company's offices in Dubai, United Arab Emirates at One JLT, Floor 12, Jumeirah Lakes Towers, during normal business hours from Sunday to Thursday each week (except public holidays) for a period of 12 months from the date of this Prospectus:

- The Company's Memorandum of Association and Articles;
- All reports, letters, and other documents, the Financial Statements, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus;
- The historical consolidated financial information of the Company for each of the three financial years preceding the publication of this Prospectus; and
- This Prospectus.

17.5 Incorporated by reference

The Norwegian Securities Trading Act and the Norwegian Securities Trading Regulations, implementing Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, allow the Company to incorporate by reference information into this Prospectus that has been previously filed with Oslo Stock Exchange or the Norwegian Financial Supervisory Authority in other documents. The Company's consolidated financial statements as of and for the years ended 31 December 2018, 2017 and 2016 and the audit reports in respect of these financial statements, as well as the Company's Memorandum and Articles of Association, are by this reference incorporated as a part of this Prospectus. Accordingly, this Prospectus is to be read in conjunction with these documents.

Cross Reference Table

The information incorporated by reference in this Prospectus should be read in connection with the following cross-reference table. References in the table to "Annex" and "Items" are references to the disclosure requirements as set forth in the Norwegian Securities Trading Act cf. the Norwegian Securities Trading Regulations by reference to such Annex (and Item therein) of Commission Regulation (EC) no. 809/2004.

Section in the prospectus	Disclosure requirement	Reference document and link	Page of reference document
Section 10.3 to 10.8	Audited historical financial information (Annex XXV, item 3.1)	Annual Report 2016: https://www.shelfdrilling.com/wp-content/uploads/2017/04/Shelf-Drilling-Financial-Statements-Year-Ended-December-31-2016-FINAL.pdf	Page 3 – 40 (Accounts and notes)
		Annual report 2017: https://www.shelfdrilling.com/wp-content/uploads/2018/03/Shelf-Drilling-Ltd.-2017-Annual-Report.pdf	Page F-3 – F-45 (Accounts and notes)

		Annual report 2018: https://www.shelfdrilling.com/wp-content/uploads/2019/03/Shelf-Drilling-Annual-Report-2018.pdf	Page F-1 – F-49 (Accounts and notes)
Section 10.9	Auditing of historical annual financial information (Annex XXV, item 20.1)	Audit Report 2016: https://www.shelfdrilling.com/wp-content/uploads/2017/04/Shelf-Drilling-Financial-Statements-Year-Ended-December-31-2016-FINAL.pdf	Page 2
		Audit Report 2017: https://www.shelfdrilling.com/wp-content/uploads/2018/03/Shelf-Drilling-Ltd.-2017-Annual-Report.pdf	Page F-2
		Audit Report 2018: https://www.shelfdrilling.com/wp-content/uploads/2019/03/Shelf-Drilling-Annual-Report-2018.pdf	Page F-3
Section 14.11	Memorandum and Articles of Association (Annex XXV, item 21.2)	Memorandum and Articles of Association: https://www.shelfdrilling.com/wp-content/uploads/2018/06/Articles-of-Association.pdf	-

18 DEFINITIONS AND GLOSSARY

In the Prospectus, the following defined terms have the following meanings:

2010 PD Amending Directive............	Directive 2010/73/EU amending the EU Prospectus Directive.
2012 Acquisition............................	The acquisition, directly and indirectly, by the Group of a total of 37 independent-leg cantilever jack-up drilling rigs and one swamp barge from Transocean on November 30, 2012.
2017 Acquired Rigs.........................	The three premium jack-up rigs (Shelf Drilling Mentor, Shelf Drilling Tenacious and Shelf Drilling Resourceful) acquired by the Group in 2017.
8.25% Notes.................................	USD 900 million 8.25% senior unsecured notes due 2025.
Additional Sponsor Directors	Three persons to be nominated by the Sponsors to be represented on the Board of Directors at the first annual general meeting of the Company following the Completion Date in accordance with the Share Subscription Agreement.
Adjusted EBITDA	Net income / (loss) excluding interest expense and financing charges, net of interest income, income tax expense, depreciation, amortisation of deferred costs, loss on impairment of assets, loss / (gain) on disposals of assets, sponsors' fee, share-based compensation expense, net of forfeitures, acquired rig reactivation costs, one-time corporate transaction costs and other specific expenses.
ADNOC...	Abu Dhabi National Oil Company, the national oil company of Abu Dhabi.
Anti-Money Laundering Legislation.....	The Norwegian Money Laundering Act of 1 June 2018 no. 23 and the Norwegian Money Laundering Regulation of 14 September 2018 no. 1324, collectively.
AOCIL	Accumulated other comprehensive income/ (loss).
Arctic	Arctic Securities AS.
Articles...	The Company's memorandum and articles of association incorporated by reference to the Prospectus.
ASU No. 2016-18	The Accounting Standards Update 2016-18 regarding restricted cash in cash flow statements, issued by the Financial Accounting Standards Board (FASB).
Bareboat Charter Agreements	The bareboat charter agreements executed by the Lessee in connection with the Sale and Leaseback Financing.
BBC Rate.......................................	The charter rate payable by the Group under the CM Charter Agreements for the CM Bareboat Rigs.
Bbl..	Barrels.
Bbl/d...	Barrels per day.
Board of Directors...........................	The Company's board of directors.
BOEM..	U.S. Department of the Interior's Bureau of Ocean Energy Management.
Bribery Act	United Kingdom Bribery Act 2010.
BSEE...	The U.S. Department of the Interior's Bureau of Safety and Environmental Enforcement.
Builder	China Merchants Heavy Industry (Shenzhen) Co. Ltd.
Bunker Convention	The International Convention on Civil Liability for Bunker Oil Pollution Damage, as amended.
BWM Convention	The International Convention for the Control and Management of Ships' Ballast Water and Sediments in February 2004.
CAA	The U.S. Clean Air Act.
CAGR	Compound annual growth rate.
Castle Harlan	CHP V AIV Pool 1, Ltd., CHP V AIV Pool 2, Ltd. and CHP V SD Co-Invest, LP, which are funds affiliated with Castle Harlan, Inc. and that own, directly or indirectly, shares of the Company's capital stock.
CERCLA...	The Comprehensive Environmental Response, Compensation and Liability Act.
CET	Central European Time.
CFC	Controlled foreign corporation.
CHAMP Private Equity......................	Perpetual Trustee Company Limited as trustee of the CHAMP Buyout III Trust, Perpetual Corporate Trust Limited as trustee of the CHAMP Buyout III (SWF) Trust, P.T. Limited as trustee of the CHAMP Buyout III (WW) Trust, CHAMP Buyout III L.P. and CHAMP Shelf L.P., which are funds affiliated with, managed or advised by CHAMP III Management Pty. Ltd. and that own, directly or indirectly, shares of the Company's capital stock.
Chevron	Chevron Corporation and/or its affiliates.
Clarksons	Clarksons Platou Securities AS.
CLC	The International Convention on Civil Liability for Oil Pollution Damage, as amended.
CM..	China Merchants & Great Wall Ocean Strategy & Technology Fund.
CM Bareboat Rigs	Two premium CJ46 jack-up rigs to be bareboat chartered by the Group under the CM Charter Agreements.
CM Charter Agreements	Two bareboat charter agreements, each of which regulates the Group's bareboat charter of one premium CJ46 jack-up rig from the Seller.
CM Directors	Two persons to be nominated by CM as members of the Board of Directors at the first general meeting following the Completion Date in accordance with the Share Subscription Agreement.
CM Rigs...	Two premium CJ46 jack-up rigs to be acquired by the Company in the Transaction.
Code	The Internal Revenue Code of 1896, as amended
Common Shares	The Company's common shares, each with a par value of USD 0.01.

Companies Law	The Cayman Islands Companies Law (as amended).
Completion Date.............................	The date on which the ownership of the CM Rigs will be transferred from the Seller to the Group against the Group's payment of the Rig Purchase Price.
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance, dated 17 October 2018.
CWA	The U.S. Clean Water Act.
Delivered Newbuild Rigs	The two newbuild rigs, Shelf Drilling Chaophraya and Shelf Drilling Krathong, which were delivered to the Group in September 2016 and June 2017, respectively.
Directors	The members of the Board of Directors.
DNB...	DNB Bank ASA.
DNB Markets..................................	DNB Markets, a part of DNB
DP	Dynamic positioning.
DPE	Dubai Petroleum Establishment
ECAs..	Emission Control Areas.
EEA	The European Economic Area.
EGP	Egyptian pound, the lawful currency of Egypt.
ENI..	Eni S.p.A.
EU	The European Union.
EU Prospectus Directive...................	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State.
EUR	EU Member State currency.
Excess Allowance............................	Calculated allowance one year exceeding the dividend distributed on the security.
Existing Securities	The Company's existing depository receipts as of the date of this Prospectus.
ExxonMobil	ExxonMobil Corporation.
E&P	Exploration and production.
Financial Statements.......................	The Company's audited consolidated financial statements as at, and for the years ended, 31 December 2018, 2017 and 2016.
Forward-looking Statements	Statements that reflect the Company's current views with respect to future events and financial and operational performance, typically 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.
FPSO..	Floating Production Storage and Offloading.
FSMA	The Financial Services and Markets Act 2000.
GDPR	The EU General Data Protection Regulation.
Group	The Company together with its consolidated subsidiaries.
H1	Six months' period ending 30 June.
HSE	Health, safety and the environment.
IADC..	International Association of Drilling Contractors.
ILC	Independent-leg cantilever.
IMO	The United Nations' International Maritime Organization.
IADC..	International Association of Drilling Contractors.
IOC..	International Oil Company.
IPO	The initial public offering of the Company's Common Shares in the form of depository receipts on the Oslo Stock Exchange.
IPO Acquired Rig	The Ocean Scepter jack-up drilling rig called "Shelf Drilling Scepter" acquired by the Company on 26 July 2018 using the proceeds from the IPO.
IRS	The United States Internal Revenue Service.
ISIN..	International Securities Identification Number.
Lamprell	Lamprell plc.
LEI	Legal Entity Identifier.
Lessee	Two wholly owned subsidiaries of the Group, Shelf Drilling TBN I, Ltd. and Shelf Drilling TBN II, Ltd.
Lessor	Hai Jiao 1502 Limited and Hai Jiao 1503 Limited, which are wholly owned subsidiaries of Industrial and Commercial Bank of China Leasing.
LIBOR	London Interbank Offered Rate.
Lime Rock Partners	LR-Shelf Drilling International, L.P., a fund affiliated with Lime Rock Management LP that owns, directly or indirectly, shares of the Company's capital stock.
Listing	The listing of the New Securities on the Oslo Stock Exchange
Management	The executive management team of the Company.
MARPOL	The International Convention for the Prevention of Pollution from Ships, as amended.
Member State	Any member state of the European Economic Area, other than Norway.
MiFID II...	EU Directive 2014/65/EU on markets in financial instruments, as amended.
MiFID II Product Governance Requirements.................................	The product governance requirements contained within: (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures.

MODU Code	The Code for the Construction and Equipment of Mobile Offshore Drilling Units.
MTSA	The U.S. Maritime Transportation Security Act of 2002.
M&A..	Mergers and acquisitions.
NCI...	National Client Identifier.
New Securities	26,769,230 new depository receipts, each with a par value of USD 0.01, of Shelf Drilling, Ltd. to be issued to the Subscribers.
NOCs	National oil companies.
NOK..	Norwegian Kroner, the lawful currency of Norway.
Non-Norwegian Security holders........	Non-Norwegian tax resident holders of shares or Securities.
Norges Bank	The Central Bank of Norway.
Norwegian Act on Overdue Payment ..	The Norwegian Act on Overdue Payment of 17 December 1976 no. 100.
Norwegian Corporate Security holders	Holders of shares or Securities who are limited liability companies (and certain similar entities) resident in Norway for tax purposes.
Norwegian FSA...............................	The Norwegian Financial Supervisory Authority (*Nw.: Finanstilsynet*).
Norwegian Personal Security holders..	Holders of shares or Securities who are individuals resident in Norway for tax purposes.
Norwegian Securities Trading Act.......	The Norwegian Securities Trading Act of 29 June 007 no. 75.
N-OTC...	The Norwegian OTC list.
Note Guarantors.............................	SDHL's subsidiaries acting as guarantors for SDHL's obligations under the 8.25% senior unsecured notes.
OCSLA	The U.S. Outer Continental Shelf Lands Act.
ONGC..	Oil and Natural Gas Corporation, the national oil company of India.
OPA	The U.S. Oil Pollution Act of 1990.
OPEC	Organization of the Petroleum Exporting Countries.
Order	The UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended.
Oslo Stock Exchange........................	Oslo Børs ASA, or, as the context may require, Oslo Børs or Oslo Axess, Norwegian regulated stock exchanges operated by Oslo Børs ASA.
Overdraft Facility.............................	The EGP 90 million unsecured overdraft facility.
PEMREF...	Petromin-Mobil Oil Refinery Company Ltd.
PFIC..	A passive foreign investment company.
PIS	Partially-integrated regime of taxation.
Placement Agreement	The placement agreement entered into on 21 June 2018 between the Company, together with the Sponsors, and DNB Markets, Clarksons, Arctic and SpareBank 1 in connection with the IPO.
Preferred Shares	The 1,000,000 preferred shares in the Company issued on 12 January 2017 and redeemed on 25 June 2018.
Private Placement...........................	The Group's offering of 28,125,000 Common Shares at a price of USD 8.00 per share for total gross proceeds of USD 225.0 million, successfully completed on 28 April 2017.
Prospectus.....................................	This Prospectus, dated 7 May 2019.
Purchase Price................................	Purchase price of the Sale and Leaseback Financing entered into on 10 October 2015, between the Lessee and the Lessor, with a combined minimum of USD 296.2 million and maximum of USD 330.0 million sale and leaseback financing.
Purchase Obligation Price	The price of the obligation to acquire the Delivered Newbuild Rigs from the Lessor for USD 82.5 million each at the maturity dates of the bareboat charter agreements.
PwC	PricewaterhouseCoopers Dubai branch, located at Emaar Square Building 4, Level 8, Dubai, United Arab Emirates.
Recapitalisation	As part of the Private Placement completed on 28 April 2017, all Class A shares, Class B shares, Class C shares and Class D shares were repurchased and retired, against issuance of 55,000,000 new Common Shares, and an additional 28,125,000 Common Shares were issued to the investors who participated in the Private Placement, taking the total amount of Common Shares issued up to 83,125,000.
Registrar Agreement	Registrar Agreement between the Company and DNB Bank ASA, Verdipapirservice, N-0021 Oslo, Norway, whereby DNB Bank ASA is appointed registrar, in order to register beneficial ownership of the Company's shares in the VPS.
RSUs...	Restricted Share Units.
Rig Purchase Agreements	The agreements dated 21 February 2019 between the Company and the Seller for the sale and purchase of the CM Rigs.
Rig Purchase Price	The total purchase price for the CM Rigs.
R&D..	Research and development.
Sale and Leaseback Financing	The USD 330 million sale and leaseback financing transactions entered into by the Lessee and the Lessor.
Saudi Aramco.................................	Saudi Arabian Oil Company.
SDA Facility	A USD 75.0 million senior secured credit facility entered into by SDA III.
SDAIII	Shelf Drilling Asset III, Ltd.
SDHL	Shelf Drilling Holdings, Ltd.
SDHL Revolver	A revolving credit facility in the amount of USD 225 million from HSBC Bank PLC, RBC Capital Markets, DNB Bank ASA, ING and Credit Suisse.

Security or Securities	The beneficial interest in the Company's Common Shares as registered in the VPS and listed and traded on the Oslo Stock Exchange in the form of a depository receipt.
Seller	Wealthy Marvel Enterprises Limited, a joint venture between CM and TSC Group Holdings Limited (a company controlled by CM).
Share Subscription Agreements	The two agreements, pursuant to which the Subscribers shall subscribe for 23,076,922 and 3,692,308 Common Shares in the Company, respectively, against a total subscription payment of USD 174 million.
Shelf Drilling or Company	Shelf Drilling, Ltd.
SOLAS	The International Convention for the Safety of Life at Sea of 1974.
SpareBank 1	SpareBank 1 Markets AS.
Sponsors	Collectively, Castle Harlan, CHAMP Private Equity and Lime Rock Partners.
SPS	Special Periodic Survey.
Subscribers	Wealthy Marvel International Limited (an affiliate of CM) and the Seller.
Tap Issue	The USD 300 tap issue under the 8.25% Notes launched and priced on 5 June 2018 and closed on 19 June 2018, subject to customary closing conditions, and thereby increasing the outstanding amount under the 8.25% Notes to USD 900.0 million.
Target Market Assessment	The product approval process for the Shares for the purpose of the MiFID II Product Governance Requirements.
TNLR	Total Net Leverage Ratio.
Total	Total S.A.
Transocean	Transocean Inc.
TRIR	Total recordable incident rate.
UAE	The United Arab Emirates.
UK	The United Kingdom.
United States Holder	A beneficial owner of Securities or shares that is, for United States federal income tax purposes, any of the following (i) an individual citizen or resident of the United States; (ii) a corporation created or organised in or under the laws of the United States, or any state thereof or the District of Columbia; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if (a) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.
U.S. or United States	The United States of America.
USD or U.S. Dollar	United States Dollars, the lawful currency in the United States.
US GAAP	United States Generally Accepted Accounting Principles.
US Public Company Competitors	Rowan, Noble, Seadrill and Ensco.
Voting Agreement	A voting agreement dated 25 March 2019 by and between the Sponsors, the Subscribers and the Company regarding the Sponsors' and the Subscribers' exercise of certain voting rights at the general meeting of the Company held after the Completion Date.
VPS	The Norwegian Central Securities Depository (*Nw.: Verdipapirsentralen*).
VPS Account	An account with VPS for the registration of holdings of securities.
VPS Registrar	DNB Bank ASA, Verdipapirservice, N-0021 Oslo, Norway, as registrar.

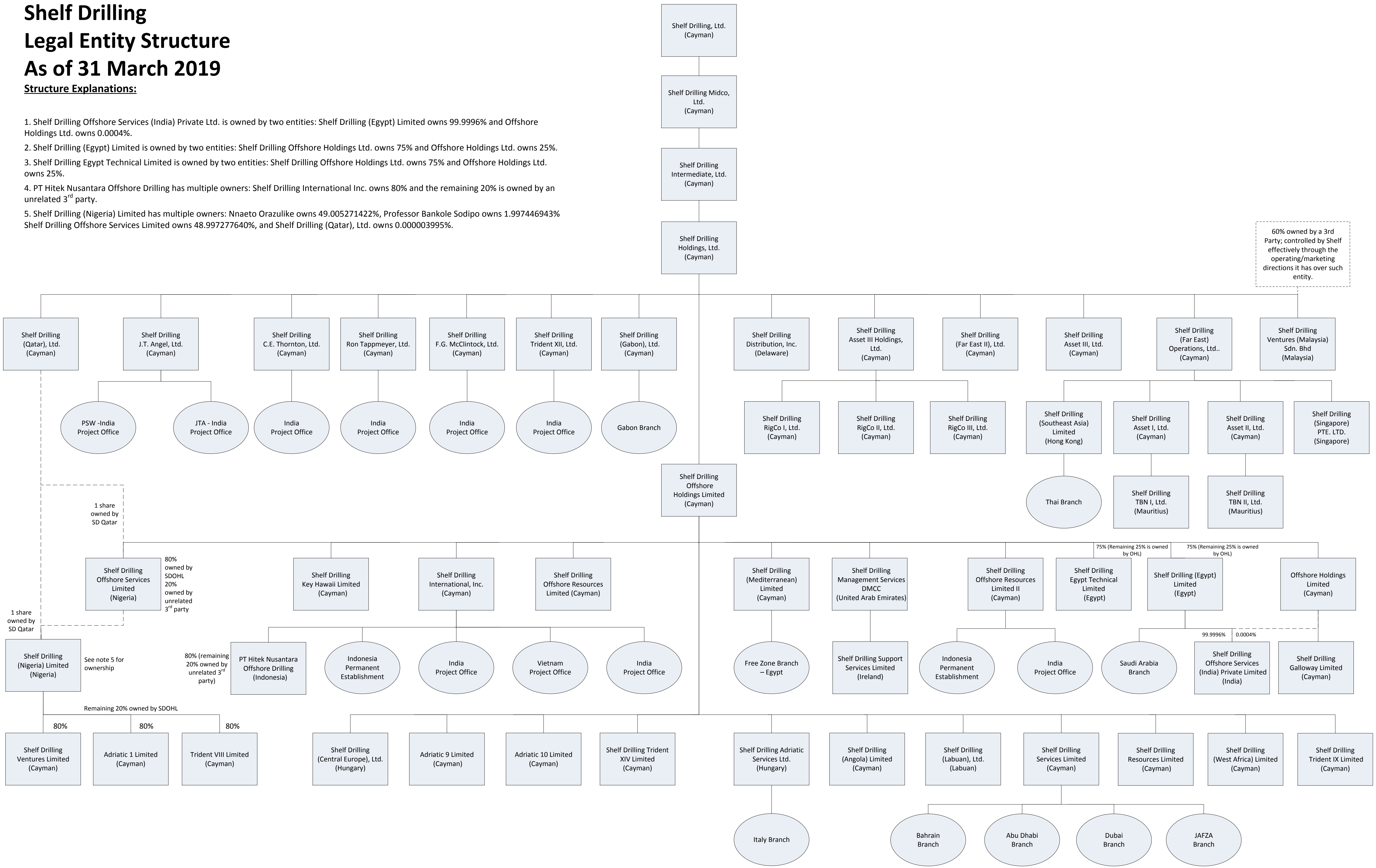
APPENDIX A:

GROUP CHART

Shelf Drilling
Legal Entity Structure
As of 31 March 2019

Structure Explanations:

1. Shelf Drilling Offshore Services (India) Private Ltd. is owned by two entities: Shelf Drilling (Egypt) Limited owns 99.9996% and Offshore Holdings Ltd. owns 0.0004%.
2. Shelf Drilling (Egypt) Limited is owned by two entities: Shelf Drilling Offshore Holdings Ltd. owns 75% and Offshore Holdings Ltd. owns 25%.
3. Shelf Drilling Egypt Technical Limited is owned by two entities: Shelf Drilling Offshore Holdings Ltd. owns 75% and Offshore Holdings Ltd. owns 25%.
4. PT Hitek Nusantara Offshore Drilling has multiple owners: Shelf Drilling International Inc. owns 80% and the remaining 20% is owned by an unrelated 3rd party.
5. Shelf Drilling (Nigeria) Limited has multiple owners: Nnaeto Orazulike owns 49.005271422%, Professor Bankole Sodipo owns 1.997446943% Shelf Drilling Offshore Services Limited owns 48.997277640%, and Shelf Drilling (Qatar), Ltd. owns 0.000003995%.



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