



**SHELF
DRILLING**



Shelf Drilling Investor Presentation

September 2019

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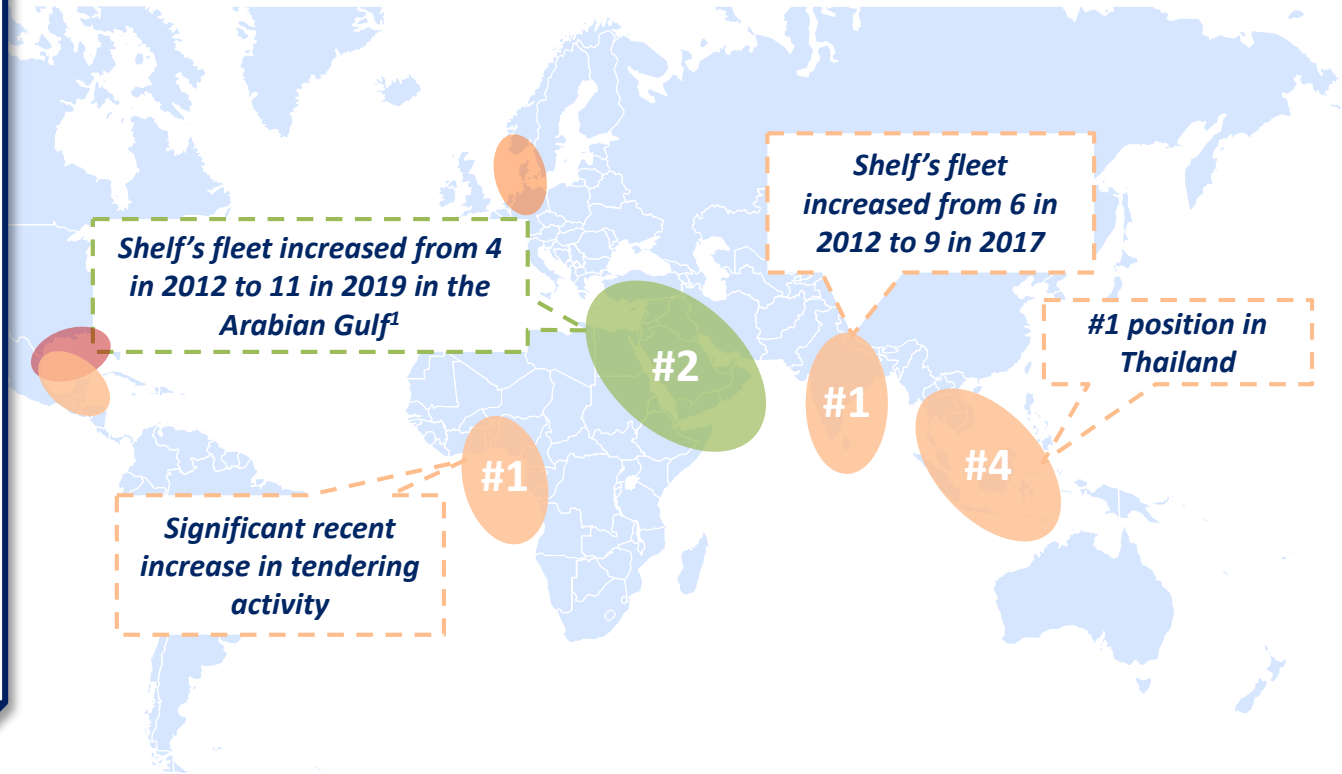
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Shelf Drilling is the Market Leader in Core Jack-up Regions

COMPANY OVERVIEW

- International “pure-play” jack-up drilling company with 38 ILC jack-up rigs
- Fit-for-purpose operations with sole focus on shallow water
- Headquarters centrally located in Dubai
- Top tier safety and operational performance
- Industry leading cost structure
- Robust full cycle financial results



Operating in the most active and promising markets

Color represents jack-up activity level

High

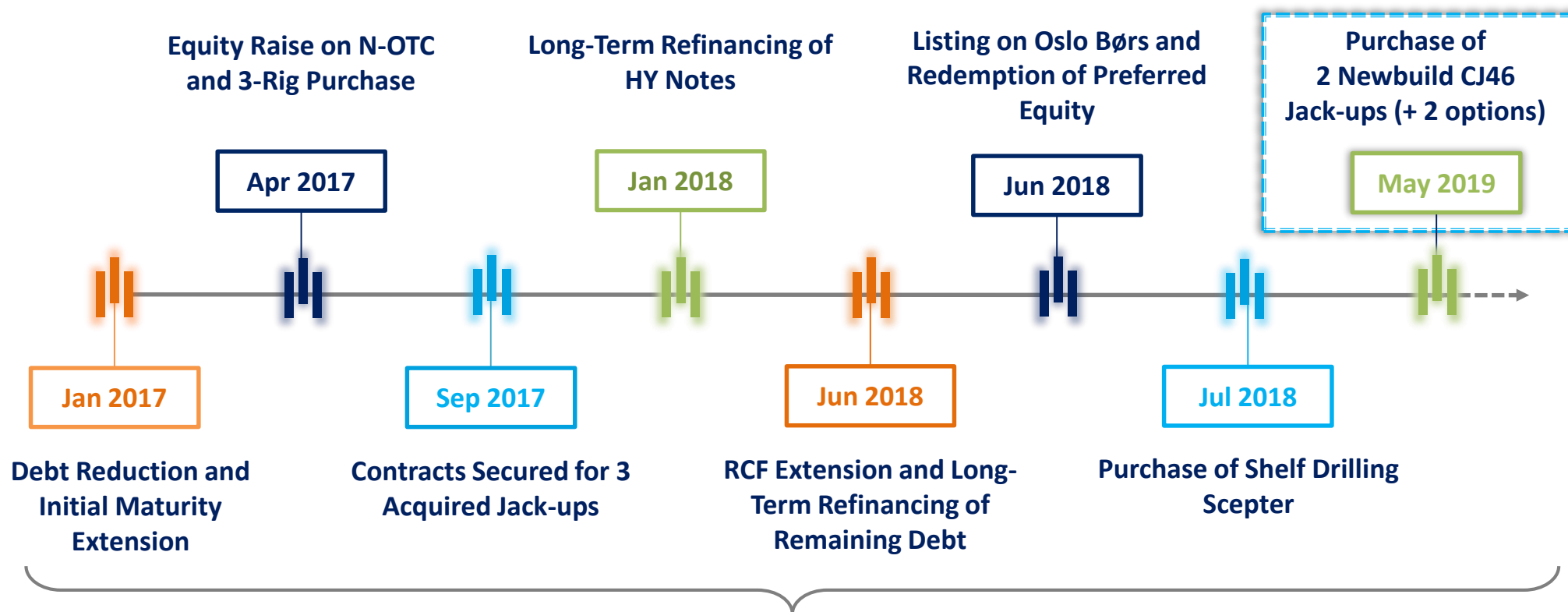
Medium

Low

Number (#) represents Shelf Drilling's operating position

Note (1): Arabian Gulf defined as Bahrain, Qatar, Saudi Arabia and UAE

Focused Execution of Strategy



Positioned the company for success ahead of market recovery

Simplification of our capital structure

Further liquidity and credit profile improvement

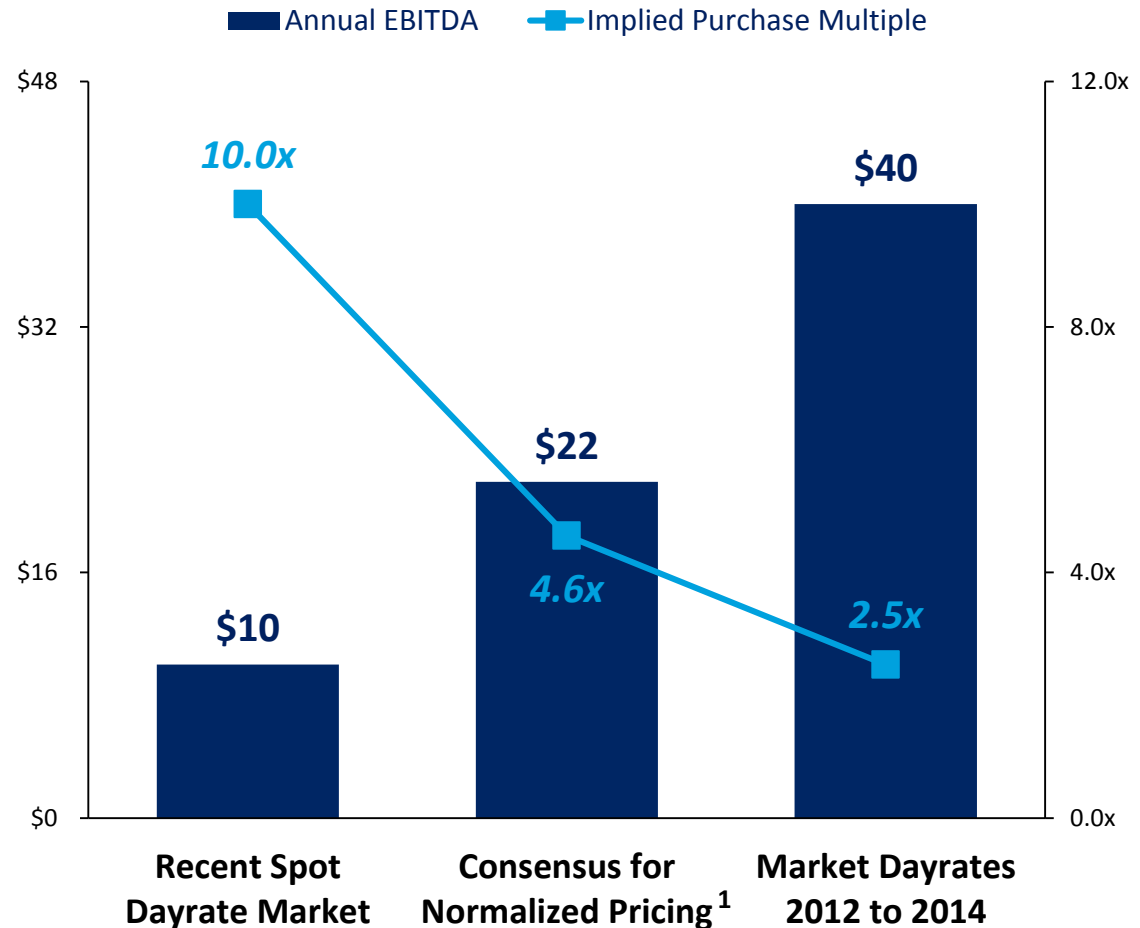
Wider access to capital markets

Enhancing our fleet composition

Capitalizing on Opportunities in the Downturn

- *Since the beginning of 2017, Shelf Drilling has acquired 6 modern, premium jack-up rigs at historically low prices*
 - All-in investment of ~\$100 million per rig
 - ~50% of replacement cost (~\$1.2 billion of assets added for ~\$600 million)
 - Average age of 6 years
 - Proven, reputable rig designs preferred by customers
 - First 5 contracted with top tier NOCs and IOCs – in advanced discussions on Shelf Drilling Journey
- Options secured for two additional units (newbuild CJ-46 jack-ups constructed by China Merchants) at similar price point until H2 2022
- Reasonable estimated cash on cash return at trough of the cycle
- Significant upside potential in improving dayrate environment

Illustrative Acquisition Economics (\$100MM Per Rig Investment)



Note (1): Assumes \$60k/d of EBITDA margin

Strategic Evolution and Positioning of Jack-Up Fleet

13 x Premium Jack-ups



- Newbuilds: 2
- Acquired Rigs: 4
- Major Upgrades: 3
- Newbuild CJ46: 2 + 2

NEW

6 x Shallow Draft



- Arabian Gulf: 5
- Nigeria: 1

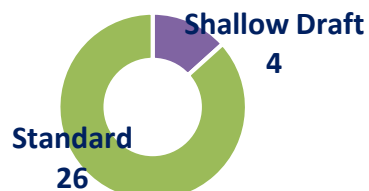
17 x Standard



- India & Egypt: 10
- Other Areas: 7

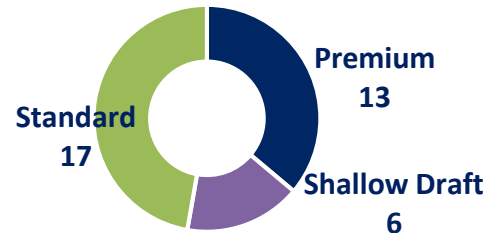
2012

Total Active = 30



2019

Total Active = 36*



“Right Assets in Right Locations”

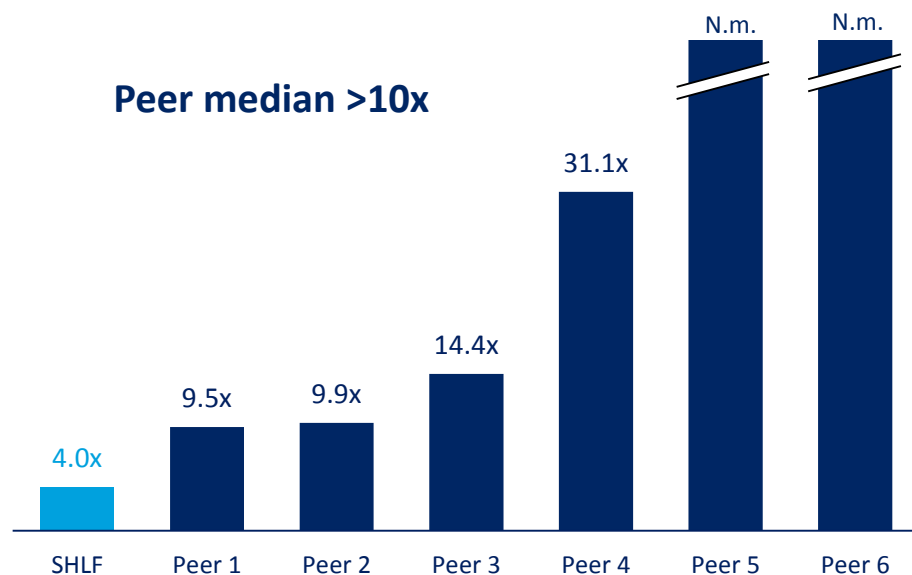
Blend of premium & standard jack-ups provides ideal match to customer requirements across our regions

Note (*): Includes 2 BBC rigs, excludes 4 stacked jack-up rigs.

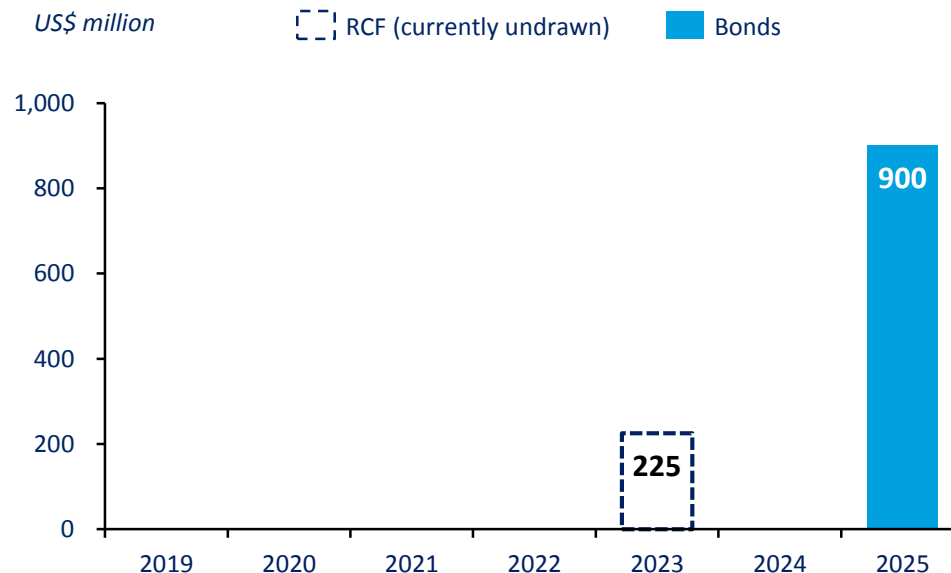
Simple Capital Structure with Strong Credit Profile and Liquidity Runway



Net Debt / LTM EBITDA¹



Debt Maturity Profile

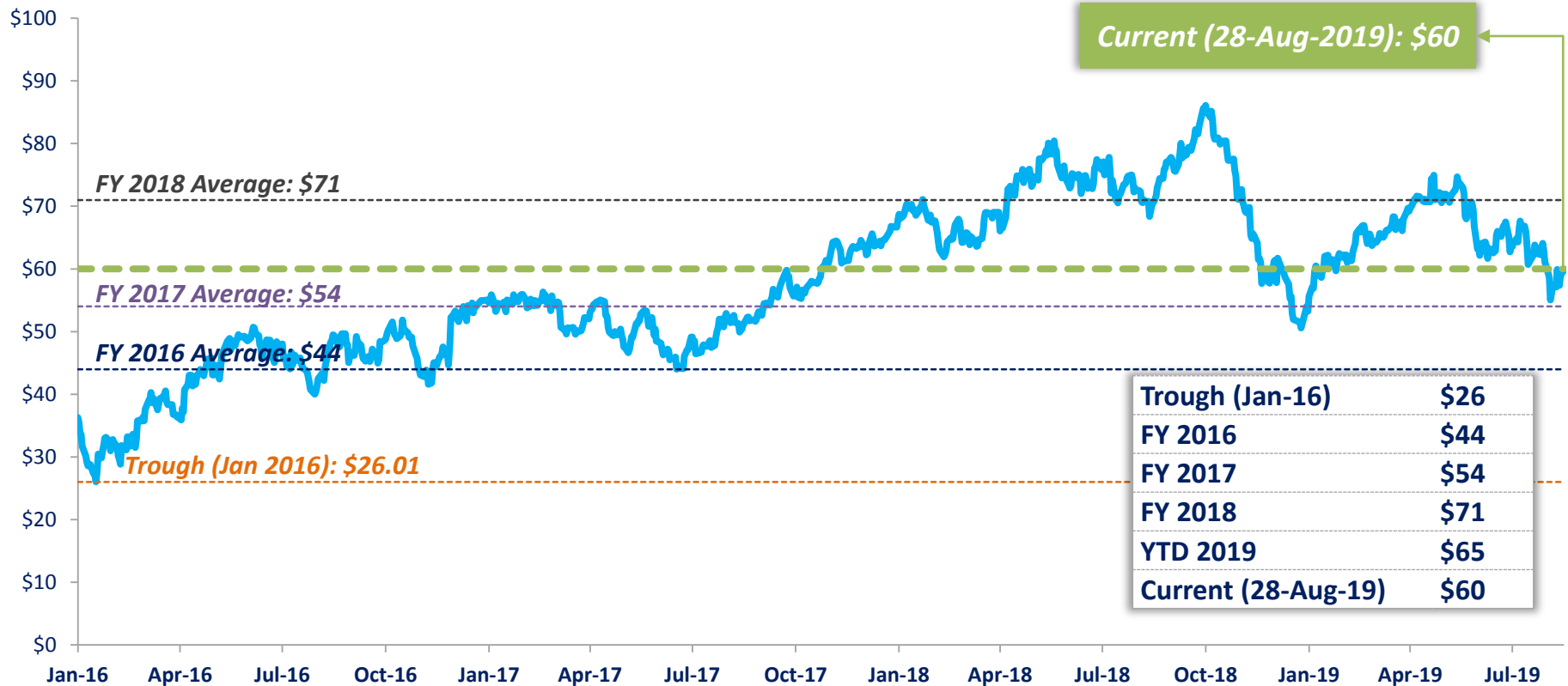


- Leverage levels and backlog coverage superior to offshore drilling sector
- Revolving credit facility will provide support for growth projects underway in 2019
 - 3 recently acquired premium jack-ups expected to enter service by year-end
- Recently launched \$25 million share repurchase program
 - Supported by strong liquidity position, maturity profile and improved cash flow outlook for 2020/2021

Source: DNB Markets, Factset, IHS Petrodata Company filings, as of September 1, 2019.

Note (1): As per Q2 2019. Peers include: RIG, NE, DO, VAL, VTGDF, BDRILL.

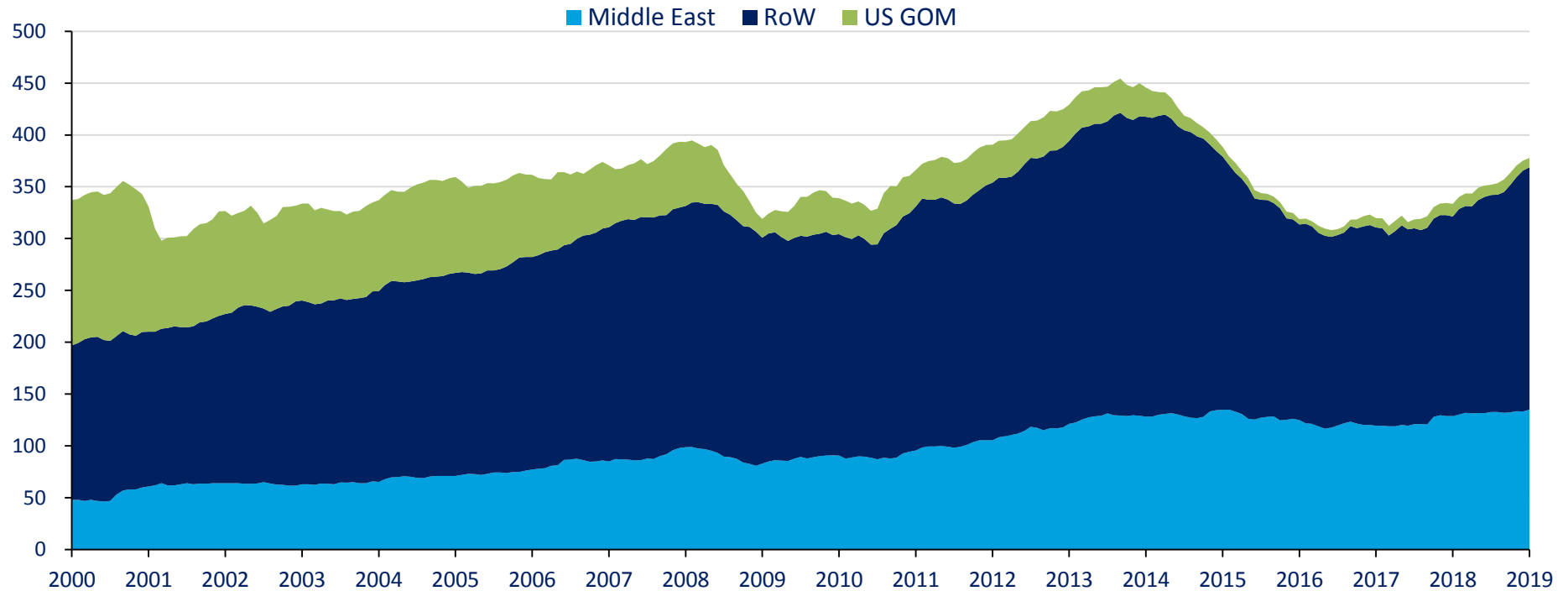
Brent Oil Price (\$/bbl)



Despite volatility over the last three quarters, Brent price level in the \$60-70/bbl range provides constructive backdrop for shallow water market

Source: Bloomberg, IHS Petrodata, as of 28 August 2019

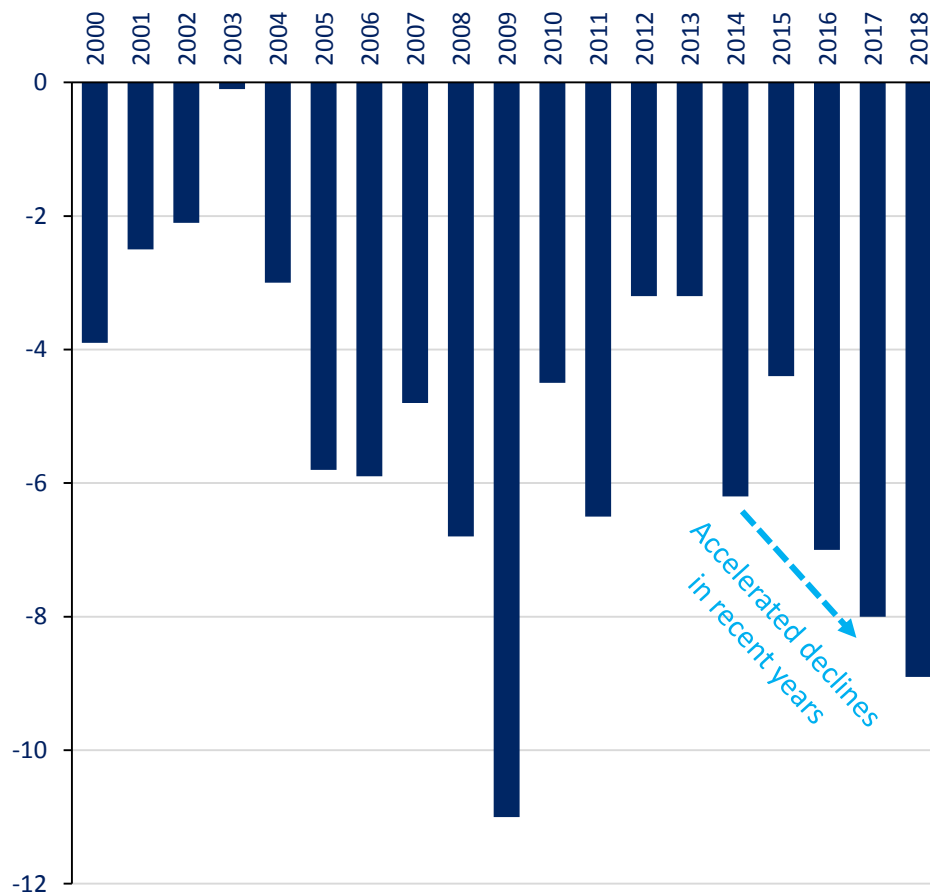
Total Number of Contracted Jack-Ups Globally



- Middle East increased from <15% of global total in 2000 to nearly 40% today
- Further rig count growth expected in all of Saudi, UAE, Qatar and Kuwait in years ahead

Decline Rates are Real

**YOY percentage decline in offshore shelf
Non-OPEC mature* oil fields production**



Key Non-OPEC Countries for Jack-Up Activity

Contracted Jack-Ups	Nigeria	Mexico	Malaysia
Max (2012-2014)	15	51	20
Trough (2016-2018)	2	17	4
Current (Aug 2019)	10	29	13
Medium Term Estimate	12-15	30-50	15-20
Potential Incremental Demand	~20 Jack-Ups		

- Combined rig count in Mexico, Malaysia and Nigeria fell by 50+% from average of 70 jack-ups in 2014 to 34 in 2018
- Over same time period, decline rates from mature near-shore fields accelerated from 4% to higher than 8%

* Mature fields are defined as fields started up before 1995

Source: Rystad Energy Ucube, IHS Petrodata

Global Jack-up Fleet Summary

Regions	Contracted Jack-ups			% of Peak	Change since Trough
	Apr-14	Jan-17	Aug-19		
Middle East	129	118	135	105%	17
India	34	38	29	85%	-9
West Africa	20	7	17	85%	10
SE Asia	68	27	43	63%	16
North Sea	47	29	36	77%	7
China	30	27	47	156%	20
US GOM	33	7	10	30%	3
Mexico	53	28	29	55%	1
Sub-Total	414	281	346	84%	65
Total	457	311	380	83%	69
% of Total	91%	90%	91%		94%

Rig Status	Total
Under Contract	380
Available	80
Active Jack-ups	460
% Marketed Utilization	83%
Under Construction	60
Sub-total	520
Cold Stacked	61
Total Fleet	581

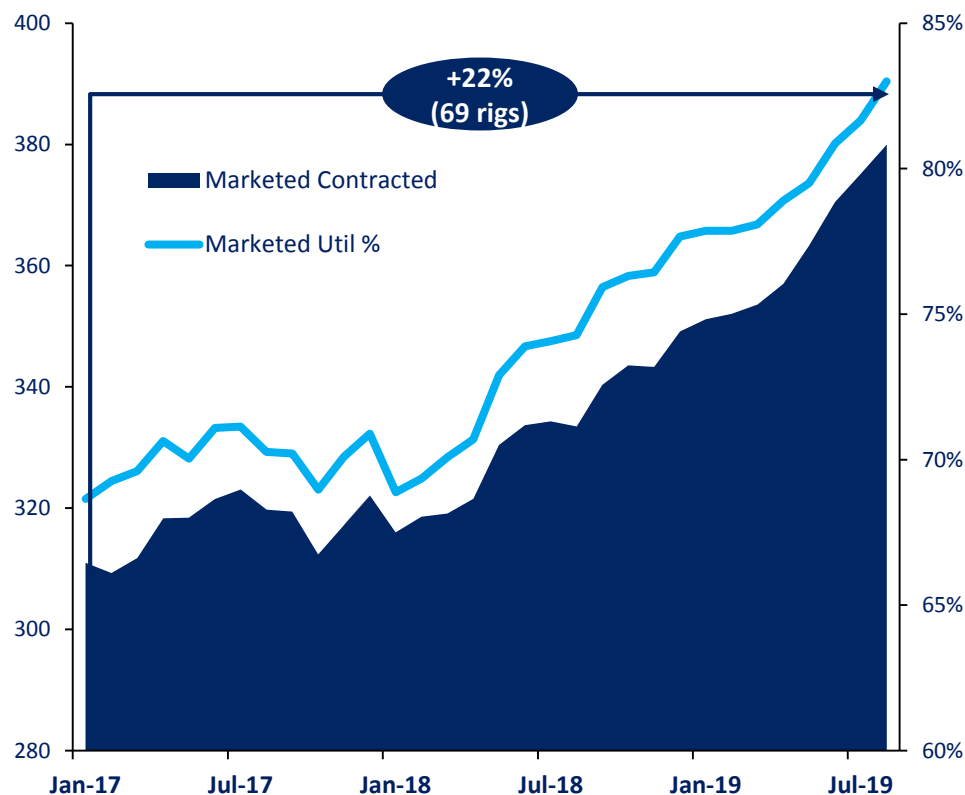
- Activity levels in 7 of 8 largest jack-up regions have increased over the last year
- Middle East & China rig count at all-time high with further awards expected in Middle East in 2019
- Increase in Mexico since Jan-2019 from 17 to 29 contracted units with additional awards expected by Pemex and other customers
- ONGC recently awarded 8 long-term contracts with further 2-rig tender underway
- Chinese market continues to absorb new rig capacity from domestic shipyards

Source: IHS Petrodata as of 28 August 2019

Cycle Turning Off of Historic Lows

of Contracted Jack-ups

Peak (April 2014) 457 jack-ups
Average 2006-2015 381 jack-ups
Minimum since 2006 (Jan 2017) 311 jack-ups
Current (Aug 2019) 380 jack-ups



Indicative Spot Dayrates

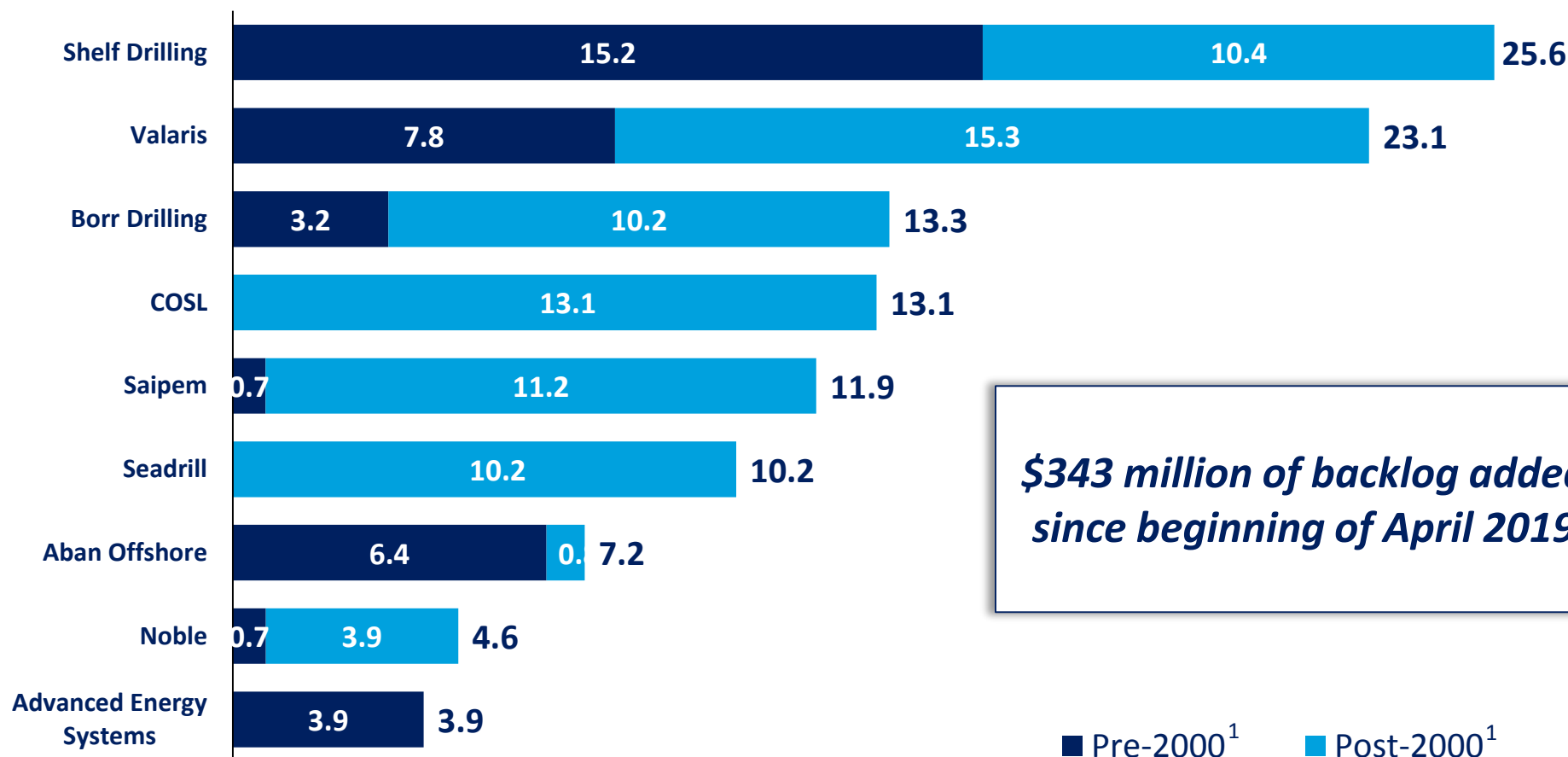
Region	Mid-2018	Mid-2019	% Change
Middle East	\$40-70k	\$55-90k	~30%
West Africa	\$60-75k	\$70-90k	~20%
SE Asia	\$45-60k	\$70-80k	~40%
India	\$25-30k	\$40-50k	~60%
Average	\$50-55k	\$65-70k	~30%

Source: Bloomberg, IHS Petrodata, as of 28 August 2019

Continued Contracting Success Across Regions and Asset Classes



Jack-up Backlog Added YTD 2019 (Rig-Years)



Source: IHS Petrodata as of 28 August 2019

Note (1): Original delivery year

Investment Highlights

1

Fit for Purpose Strategy

- Right Assets in the Right Locations | Right-Sized Organization | High National Content

2

Leading Position in Key Markets

- Critical mass and significant market share in all core geographic regions
- Middle East, West Africa and Southeast Asia activity poised for growth while India remains comparatively steady

3

World Class Jack-up Contractor

- Best-in-class operating platform and low-cost structure

4

Solid Financial Run-way

- No debt amortization until 2025 and strong current liquidity position

5

Returns Focus

- Track record of resilient margins, free cash flow generation and capital return
- Fleet transformation in recent years through creative, cost-effective transactions
- Significant cash flow potential in improving dayrate environment

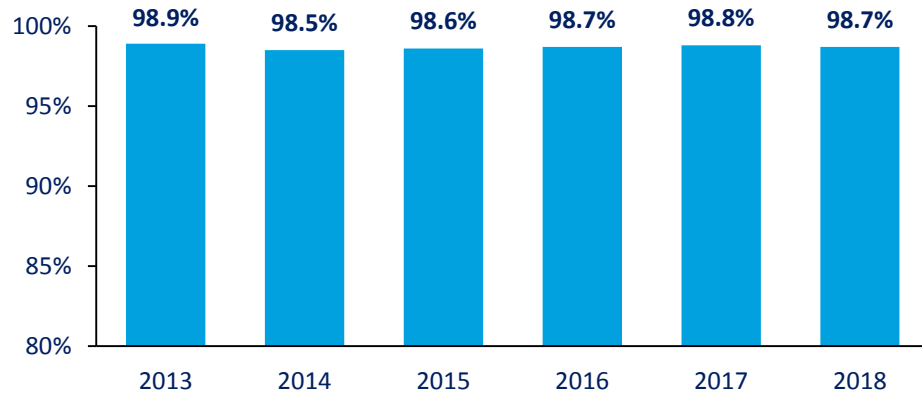
Appendix

Shelf Drilling Investor Presentation (September 2019)

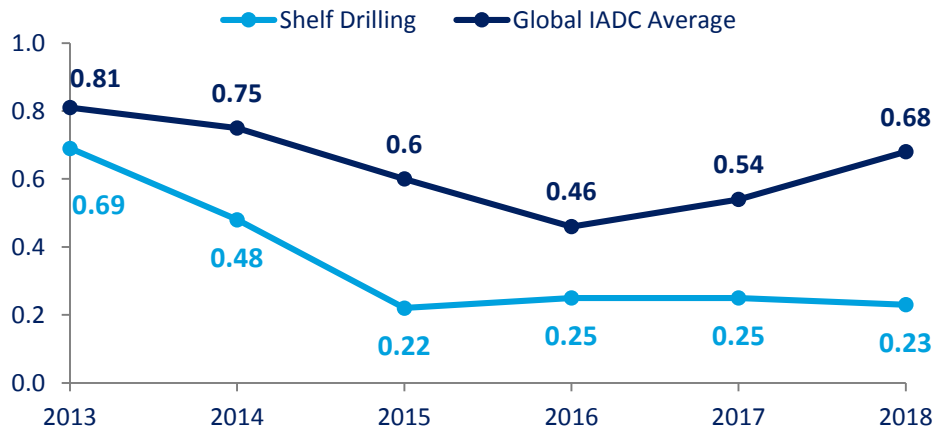


Robust Operational Platform and Low Cost Structure

Average Fleet Uptime Track Record



Safety Track Record (TRIR¹)



Operational excellence made possible through

1

Skilled workforce with **extensive** experience in the areas where we work

2

“Hand-picked” shore based management team

3

Average **20 years** experience for offshore supervisors

4

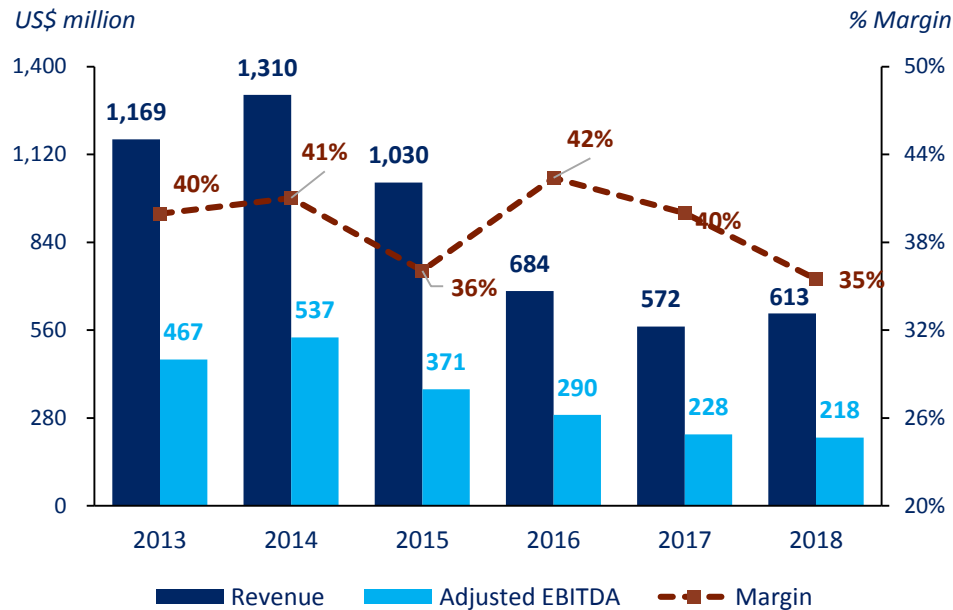
High national content – 87% across the fleet

Source: International Association of Drilling Contractors (IADC) as of December 2018

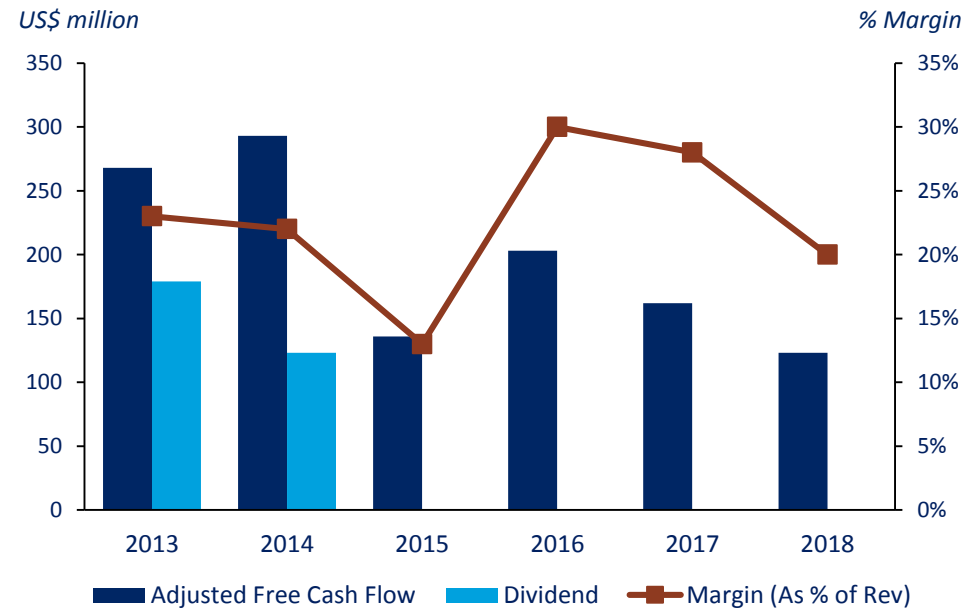
Note (1): Total recordable incident rate (incidents per 200,000 man-hours)

Resilient Full-Cycle Financial Results and Cash Flow Generation

Revenue & Adjusted EBITDA



Unlevered Discretionary Free Cash Flow¹

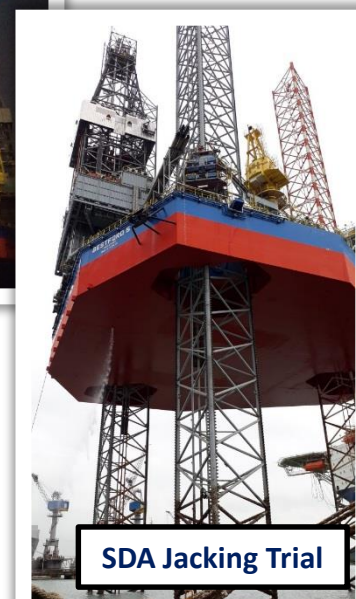
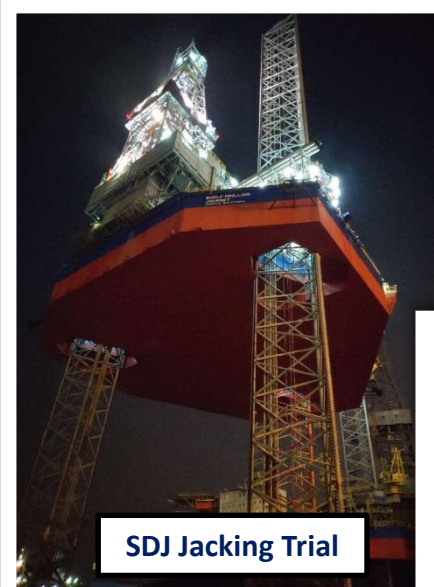


- Strong financial performance since company inception
- Disciplined approach to financial planning and capital investment
- Track record of paying dividends in strong market – US\$ 302 million in total for 2013/14
- Adjusted EBITDA margins consistently in the 35-40% range
- Resilient cash flow generation throughout the cycle

Note (1): Unlevered discretionary Free Cash Flow calculated by adjusting adjusted EBITDA for tax and capex

CJ-46 Newbuild Premium Jack-ups – Transaction Closed

- On February 21, 2019, Shelf Drilling (SHLF) entered into agreements with affiliates of China Merchants and Great Wall Ocean Strategy & Technology Fund (CM or China Merchants) for the following:
 1. Acquisition of two newbuild premium CJ46 jack-up rigs constructed by China Merchants Heavy Industries (CMHI) for \$87 million per rig
 2. Affiliates of CMG to subscribe for \$174 million of newly issued SHLF common shares, at a subscription price of \$6.50 per share
 3. Bareboat charter agreements for two additional newbuild premium CJ46 jack-up rigs with option to purchase one or both rigs
- **Transaction closed on May 9, 2019**
 - ~26.8 million shares issued to China Merchants (~19.4% ownership)
 - Shelf Drilling takes delivery and ownership of two CJ-46 jack-ups
- Rigs renamed **Shelf Drilling Achiever (SDA)** and **Shelf Drilling Journey (SDJ)**



**Transaction brings new strategic partner and long-term shareholder
SHLF expands fleet at historically low acquisition cost**

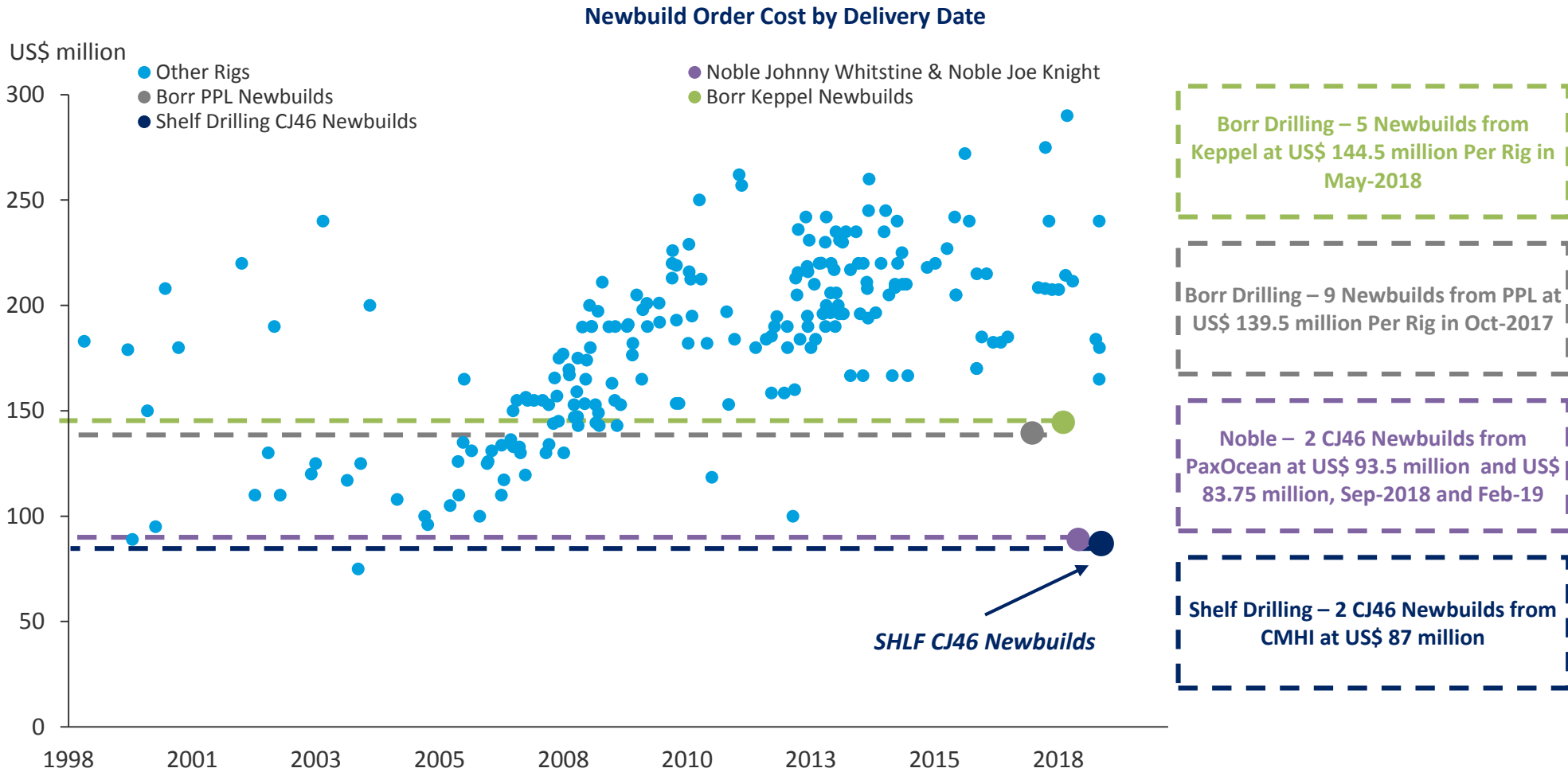
Compelling value proposition for all stakeholders*Strategic partner & long-term shareholder*

- CMG is one of the largest and oldest state-owned enterprises in China with total assets in excess of US\$1 trillion
- China Merchants & Great Wall Ocean Strategy & Technology Fund: US\$1 billion fund sponsored by CMG primarily focused on investments in the marine industry
- Single largest SHLF shareholder post-closing (19.4% ownership) with Board representation
- World's largest CJ jack-up drilling rig manufacturer – access to additional newbuild jack-ups

*World Class Jack-up Contractor*

- Unique operating platform with low-cost structure
- Leading market position in the key geographies
- Proven track record of integrating newbuild rigs with top-tier customers
- Demonstrated ability to execute strategic transactions
- Investment & growth vehicle – outperformed peers on returns and growth metrics

Lowest Levels for Newbuild Jack-ups Since 2004



Source: IHS Petrodata, DNB Markets

Best in Class Equipment and High Build Quality

Technical Summary

Main Characteristics	Delivery Year	2019
	Design	Gusto MSC CJ46-X100-D
	Build Yard	China Merchants Heavy Industry (Shenzhen)
	Water Depth	350 ft.
	Drilling Depth	30,000 ft.
Equipment	Accommodation	120 persons (1 & 2 person rooms)
	Drilling Package	NOV
	Hook Load	1,500,000 lbs. (with NOV TDS-8SA topdrive)
	Cantilever Reach	70x40ft.
	BOP	NOV Shaffer 15K
	Draw Works	NOV ADS-10T – Max line pull (14 lines), 1,501,000 lbs.
	Cranes	3 Favelle Favco diesel-hydraulic 50t / 32.8ft. 1 NOV knuckle boom pipe handling crane
	Mud Pumps	3 x NOV 14-P-220 Triplex pumps – 2,200 hp
	Power	5 x Caterpillar 3516C KW + 1 x Caterpillar C32 994 KW

Advantages of Gusto MSC CJ46-X100-D

- Rig design meets a majority of incoming premium jack-up tender requirements (Middle East, Southeast Asia, West Africa, Mexico, North Sea)
- XY cantilever – skids both longitudinally and transversely, increased operational flexibility
- Larger drilling envelope with max hoisting capacity in any position
- Increased free main deck area
- 15k well control equipment
- High variable deck load capacity
- Offline stand building



CJ46 design has a proven track record with tier 1 operators

Highly Reputable OEMs and Service Providers



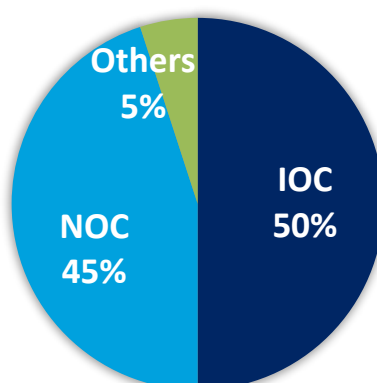
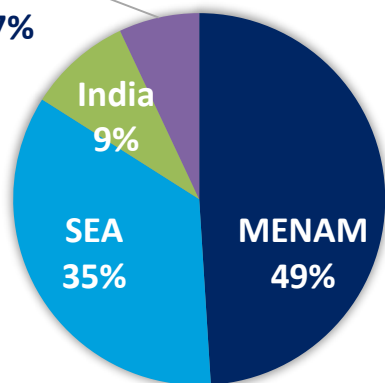
Recent Contracts & Fleet Status Summary

Fleet Status Summary

	Contracted	Available	Total ¹	% Cont.
MENAM	15	3	18	83%
India	6	2	8	75%
West Africa	4	1	5	80%
SE Asia	3	-	3	100%
Total	28	6	34	82%

Total Backlog² – \$846 million (As of 30 June 2019)

West Africa
7%



Note (1): Total excludes 5 stacked rigs (4 jack-ups and 1 swamp barge).

Note (2): Total backlog as of June 30, 2019, consistent with the reporting period.

Recent Developments

\$343 million of backlog added since beginning of April 2019

- Shelf Drilling Achiever: 3-year award with Saudi Aramco
- Shelf Drilling Mentor and Tenacious: 2-year extension each with Dubai Petroleum
- Shelf Drilling Scepter: 30-month contract with Chevron Thailand
- High Island VII: 6-month extension with ADNOC Drilling
- F.G. McClintock and C.E. Thornton: 3-year contract each with ONGC
- Shelf Drilling Resourceful: 6-month extension with Chevron Nigeria
- Adriatic I: 300-day contract with an undisclosed customer in Nigeria, expected to commence in September 2019
 - Previously announced Sirius Petroleum contract has been temporarily suspended

Capital Structure Summary

(In millions USD)	YE 2017	YE 2018	Mar-19	Jun-19
Cash	\$84.6	\$91.2	\$69.9	\$71.3
Total Long-lived Assets	\$1,405.9	\$1,354.8	\$1,343.1	\$1,465.9
Total Assets	1,683.0	1,645.9	1,604.6	1,740.2
Senior secured notes due 2018/2020	526.7	-	-	-
Senior unsecured notes due 2025 ¹	-	887.8	888.2	888.7
Obligations under sale and leaseback	313.9	-	-	-
Total Debt	\$840.6	\$887.8	\$888.2	\$888.7
Net Debt	\$756.0	\$796.6	\$818.3	\$817.4
Mezzanine Equity	166.0	-	-	-
Total Equity	\$509.2	\$591.3	\$577.7	\$669.4

Ownership Structure		
Shareholder	Shares Outstanding (MM)	Ownership %
Free Float	56.3	40.8%
Lime Rock	17.2	12.5%
Castle Harlan	17.2	12.5%
CHAMP	17.2	12.5%
Sub-Total	51.6	37.4%
China Merchants	26.8	19.4%
Management	3.4	2.5%
Total	138.0	100.0%

- Total liquidity, including availability under RCF, of approximately \$287.3 million as of June 30, 2019
- LTM Adjusted EBITDA of \$203.5 million (Jun-19). Net Leverage of 4.0x (Jun-19)
- \$121.8 million increase in equity for the acquisition of Shelf Drilling Achiever and Shelf Drilling Journey through issuance of common shares

Note (1) Reflects carrying value. Principal value is \$900.0 million



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