Shelf Drilling Q1 2020 Results Highlights

13 May 2020

Disclaimer

This presentation (the "Presentation") has been prepared by Shelf Drilling, Ltd. ("Shelf Drilling" or the "Company") exclusively for information purposes and may not be reproduced or redistributed, in whole or in part, to any other person.

The Presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (’relevant persons’). Any person who is not a relevant person should not act or rely on the Presentation or any of its contents.

The Presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in the Company. The release, publication or distribution of the Presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this Presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

The Presentation contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, expects”, "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in the Presentation, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or any of its shareholders or subsidiary undertakings or any such person's officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in the Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to its actual results.

The Company uses certain financial information calculated on a basis other than in accordance with accounting principles generally accepted in the United States (“GAAP”), including EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin, Capital expenditures and deferred costs and Net Debt, as supplemental financial measures in this presentation. These non-GAAP financial measures are provided as additional insight into the Company’s ongoing financial performance and to enhance the user’s overall understanding of the Company’s financial results and the potential impact of any corporate development activities.

‘’EBITDA’’ as used herein represents revenue less: operating expenses, selling, general and administrative expenses, provision for doubtful accounts, sponsors’ fee, share-based compensation expense, net of forfeitures, and other, net, and excludes interest, income taxes, depreciation and amortization. ‘’Adjusted EBITDA’’ as used herein represents EBITDA as adjusted for the exclusion of acquired rig reactivation costs and, in certain periods, other specific items. These terms, as we define them, may not be comparable to similarly titled measures employed by other companies and are not a measure of performance calculated in accordance with US GAAP. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or other income or cash flow statement data prepared in accordance with US GAAP. We believe that EBITDA and Adjusted EBITDA are useful because they are widely used by investors in our industry to measure a company’s operating performance without regard to items such as interest expense, income tax expense (benefit), depreciation and amortization and non-recurring expenses (benefits), which can vary substantially from company to company. EBITDA and Adjusted EBITDA have significant limitations, such as not reflecting our cash requirements for capital expenditures and deferred costs, contractual commitments, working capital, taxes or debt service. Our management uses EBITDA and Adjusted EBITDA for the reasons stated above. In addition, our management uses Adjusted EBITDA in presentations to our Board of Directors to provide a consistent basis to measure operating performance of management; as a measure for planning and forecasting overall expectations; for evaluation of actual results against such expectations; and in communications with equity holders, lenders, note holders, rating agencies and others concerning our financial performance.

“Capital expenditures and deferred costs” as used herein 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, mobilization and stacked rig reactivations. Capital expenditures are included in property and equipment. Deferred costs are included in other current assets and other assets. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not calculated in accordance with US GAAP. Capital expenditures and deferred costs should not be considered in isolation or as a substitute for capital expenditures prepared in accordance with US GAAP. We believe that Capital expenditures and deferred costs is a useful measure as it better represents the overall level of the Company’s capital investments. Capital expenditures and deferred costs as used herein is a non-US GAAP measure defined and periodically reported in the Company’s financial statements on a consistent basis.

“Net Debt” as used herein represents Total Debt less Cash and Cash Equivalents. This term, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with US GAAP. Net Debt should not be considered in isolation or as a substitute for total debt prepared in accordance with US GAAP. We believe that Net Debt is useful because it is widely used by investors in our industry to measure a company’s financial position.

The quarterly financial information included in this Presentation has not been audited and may be subject to modifications.

The Presentation contains information obtained from third parties. You are advised that such third party information has not been prepared specifically for inclusion in the Presentation and the Company has not undertaken any independent investigation to confirm the accuracy or completeness of such information.

An investment in the Company involves risk, and several factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by statements and information in the Presentation, including, among others, the risk factors described in the Company’s Form 10-q equivalent for the period ended March 31, 2020, the Company’s Form 10-k equivalent for the period ended December 31, 2019 and the Company's prospectus dated 7 May 2019. Should any risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the Presentation.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the Company or any of its shareholders or subsidiary undertakings or any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of the Presentation.

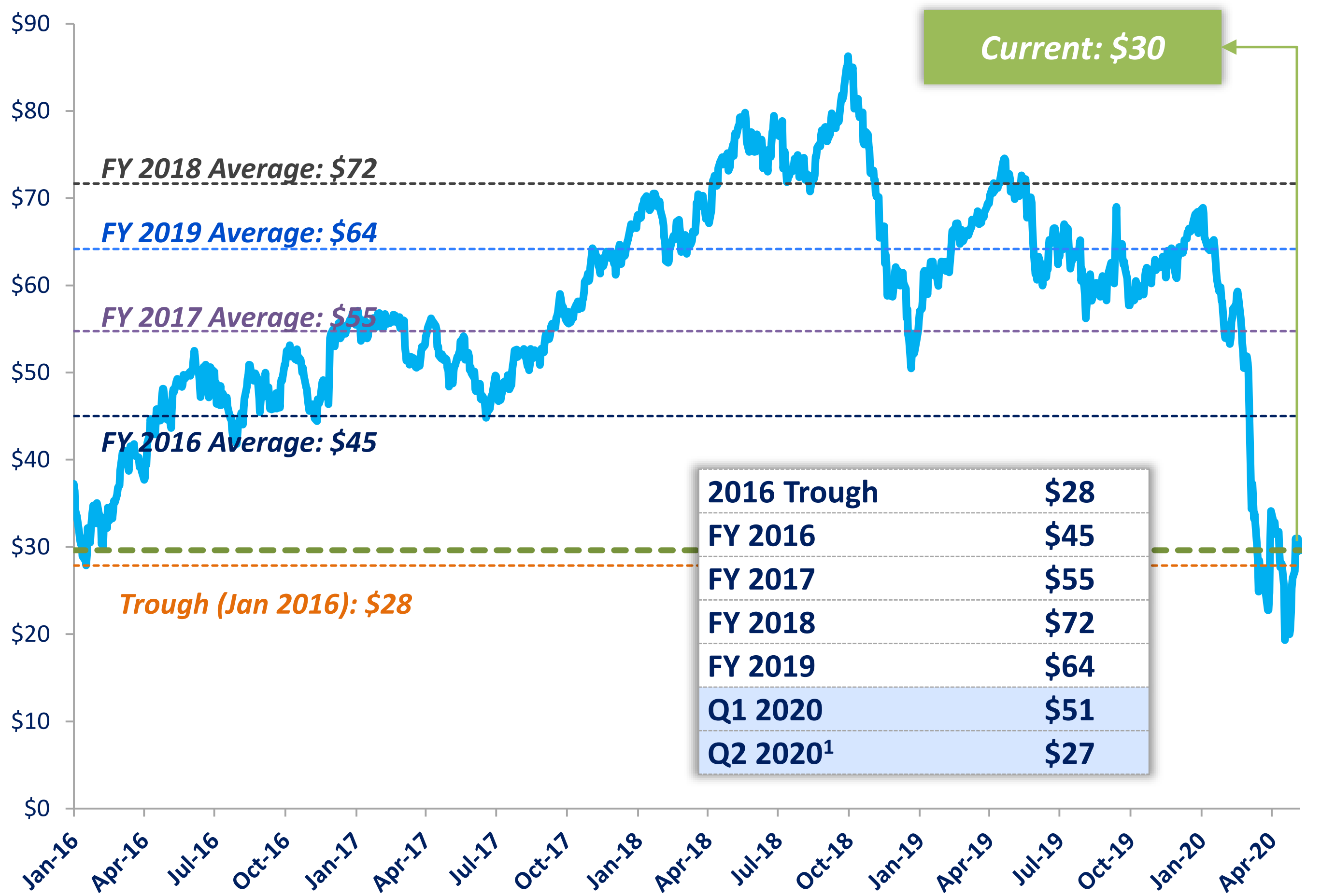
By attending or receiving the Presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business.

The Presentation speaks as of May 13, 2020. Neither the delivery of this Presentation nor any further discussions of the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since such date.

Oil Price Development

- COVID-19 pandemic has dramatically affected global economic activity leading to a sharp decline in oil price since late-February this year
- Demand destruction only partially offset by production cut agreements between oil producing nations
- Depth and extent of the unprecedented negative supply and demand shocks is unknown – oil price recovery is expected to be slow
- Oil demand destruction has created uncertainties in customers' activity and led to reassessment of spending by oil producers
- We continue our efforts in delivering best-in-class operating performance while placing our near-term strategic focus to backlog conservation and cost containment

Brent Oil Price ($/bbl)



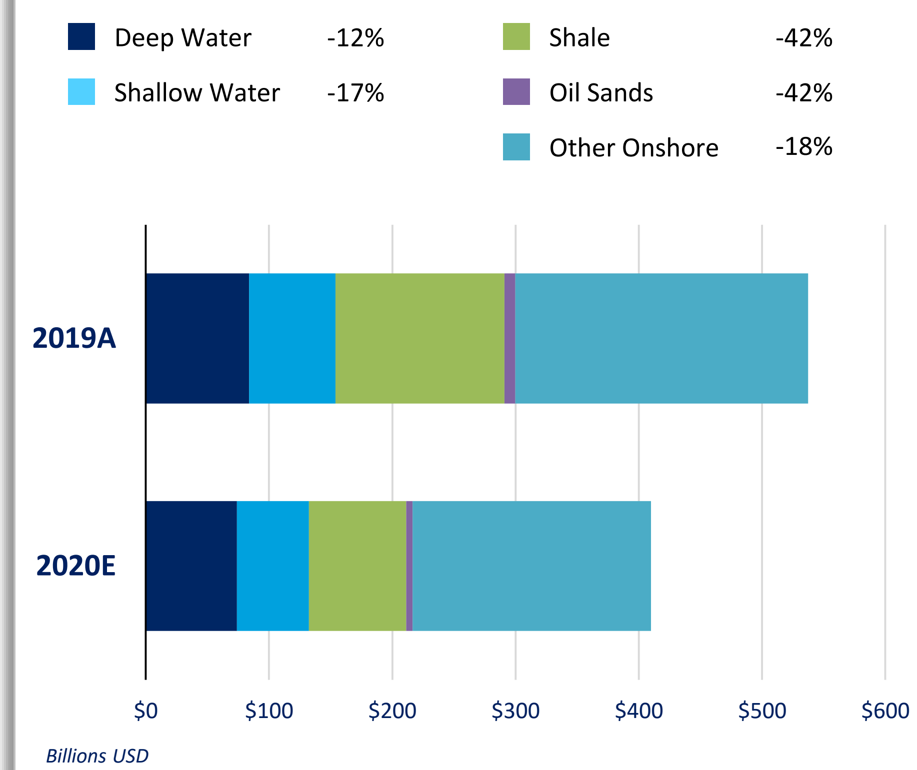
Source: Bloomberg, as of 11 May 2020.
Note (1): Q2 2020 Brent oil price based on 1 April 2020 to 11 May 2020.

Significant Reduction in Global Upstream Spending in 2020

Announced Cuts to 2020 Upstream Capex

In billions USD	Previous	Cut	Now	Change	As of
Saudi Aramco	$37.5	($10)	$27.5	-26.7%	March 15
Exxon Mobil	$33	($10)	$23	-30.3%	April 7
Shell	$25	($5)	$20	-20.0%	March 23
Chevron	$20	($6)	$14	-30.0%	May 1
Total	$18	($3)	$15	-16.7%	March 23
BP	$15	($3)	$12	-20.0%	April 1
Petrobras	$12	($3.5)	$8.5	-29.2%	March 26
Equinor	$10.5	($2)	$8.5	-19.0%	March 25
Eni	$8.8	($2.2)	$6.6	-25.0%	March 25
Oil Majors	$179.8	($44.7)	$135.1	-24.9%	
Others	$51.4	($17.8)	$33.6	-34.6%	
Grand Total	**$231.3**	**($62.5)**	**$168.7**	**-27.0%**	

Global Capex Projection by Supply Segment



Shallow water expected to remain comparatively resilient but spending cuts expected across all types of activity

Sources: Thompson Reuters as of 01 May 2020, and Rystad Energy UCube as of 29 April 2020.

SHELF DRILLING

1 Keeping our rigs/operations safe and free from COVID-19

2 Maintaining business continuity in light of lockdowns

3 Preserving cash / liquidity

MITIGATING MEASURES

- Effective and safe crew changes / people movement
- Frequent employee communication
- Maintaining supply chain
- Working closely with customers

Strategic Evolution and Positioning of Jack-Up Fleet

91% Marketed Utilization Across Fleet

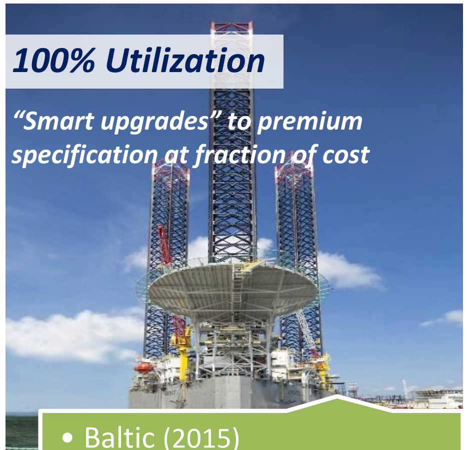
9 x Premium[1]

78% Utilization

Demonstrated ability to invest and deploy

- Newbuilds: 2 (2014)[4]
- Acquired Rigs: 5 (2017-2020)
- Newbuilds CJ46 : 2 (2019)

3 x Major Upgrades



100% Utilization

"Smart upgrades" to premium specification at fraction of cost

- Baltic (2015)
- Key Singapore (2015)
- Adriatic I (2014)

6 x Shallow Draft

100% Utilization

Uniquely positioned to meet niche demand

- Arabian Gulf: 5
- Nigeria: 1

15 x Standard[2]

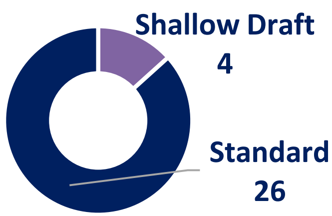
93% Utilization

Cost efficient and well suited for brownfield activity

- India & Egypt: 10
- Other Areas: 5

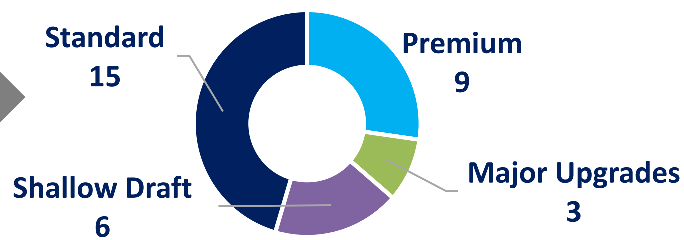
2012

Total Active = 30



2020

Total Active = 33[3]



"Right Assets in Right Locations"

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

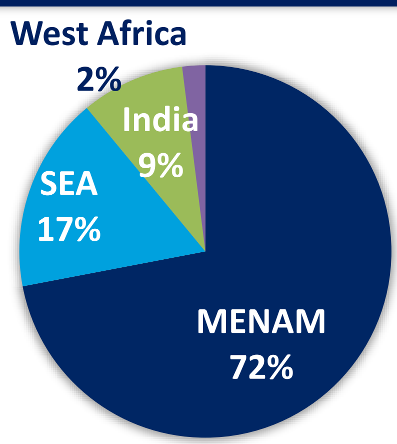
Note (1): Excludes 2x newbuild rigs under bareboat charter with China Merchants.
Note (2): Excludes 4x stacked jack-ups .
Note (3): Excludes 4x stacked jack-ups and 2x newbuild rigs under bareboat charter with China Merchants.
Note (4): Delivered in 2016 and 2017.

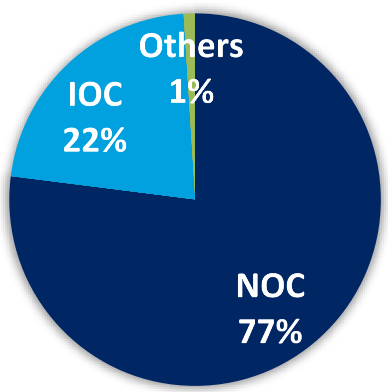
Recent Contracts & Fleet Status Summary

Fleet Status Summary

	Contracted	Available	Total[1]	% Contracted	Contract Expirations			
					Q2 2020[4]	H2 2020	2021	2022+
MENAM	**15**	**1**	**16**	**94%**	**-**	**3**	**4**	**8**
Arabian Gulf[2]	11	1	12	92%	-	2	1	8
NAF/Med[3]	4	0	4	100%	-	1	3	-
India	**7**	**1**	**8**	**88%**	**1**	**-**	**3**	**4**
West Africa	**4**	**1**	**5**	**80%**	**2**	**3**	**-**	**-**
SE Asia	**4**	**0**	**4**	**100%**	**-**	**-**	**1**	**3**
Total	**30**	**3**	**33**	**91%**	**3**	**6**	**8**	**15**

Total Backlog[5] – $1,875 Million *(As of 31 Mar 2020)*





Recent Developments

- Trident 16: Secured 1-year contract extension until February 2021 with Petrobel in Egypt.
- Trident XIV: Received early termination notice from ExxonMobil in Nigeria. Contract end date updated from February 2021 to July 2020.
- SD Tenacious: Agreement with the customer to amend the contract end date from January 2022 to September 2020.
- SD Mentor: Agreement with the customer to amend the contract end date from January 2022 to October 2020.
- SD Resourceful: Option not exercised, contracted ended in April 2020.
- Parameswara: Completed contract with HOEC in early May, rig now available

Note (1): As of 13 May 2020. Total excludes 5 stacked rigs (4 jack-ups and 1 swamp barge).
Note (2): Arabian Gulf includes Saudi Arabia, UAE and Bahrain.
Note (3): North Africa & Mediterranean include Italy, Tunisia and Egypt operations.
Note (4): 1 contract in India and 1 contract in West Africa expired prior to 13 May 2020.
Note (5): Total backlog on 32 contracted rigs as of 31 March 2020, consistent with the reporting period.

Q1 2020 Results

Shelf Drilling Q1 2020 Results Highlights

Results of Operations

(In thousands USD)	Q4 2019	Q1 2020
Revenues	**$159,821**	**$181,368**
Operating Costs & Expenses		
Operating and maintenance	92,094	100,980
Depreciation	21,457	20,146
Amortization of deferred costs	18,219	14,991
General and administrative	14,447	13,329
Loss on impairment/disposal of assets [1]	58,345	188,044
Operating Loss	**(44,741)**	**(156,122)**
Other Expense, Net		
Interest expense and financing charges, net of interest income	(20,308)	(21,598)
Other, net	(377)	398
Loss Before Income Taxes	**(65,426)**	**(177,322)**
Income tax expense	4,907	7,578
Net Loss	**$(70,333)**	**$(184,900)**

Note (1): The Company recorded a $188.0 million loss on impairment of long-lived assets in March 2020. Nineteen of the Company's rigs were impaired, of which four were stacked rigs that have been inactive for two or more years.

Revenue & Operating Expense Summary

- $21.6 million, or 13.5%, sequential increase in revenue:
  - Full quarter of operations of seven new contracts which started during Q4 2019 in India (C.E. Thornton, FG McClintock and Parameswara), Nigeria (Adriatic 1 and Baltic), Saudi Arabia (SD Achiever) and Thailand (SD Scepter)
  - Effective utilization increased from 80% in Q4 2019 to 92% in Q1 2020
- Operating and maintenance of $101.0 million in Q1 2020 up by $8.9 million versus Q4 2019:
  - Increase in operating expenses in Thailand and Saudi Arabia associated with SD Scepter and SD Achiever which completed their contract preparations and started new contracts in December 2019
  - Increase on contract preparation for one rig in India which started its contract end of Q1 2020
  - Increase in maintenance expenses on two rigs in Saudi Arabia ahead of planned shipyard projects in H2 2020
- Corporate G&A expenses of $12.5 million down by $1.4 million, primarily due to the increase in bonus accrual booked in Q4 2019 due to strong operational and marketing performance in 2019

	Q4 2019	Q1 2020
Operating Data		
Average marketable rigs[1]	32.3	31.9
Average dayrate[2] (in thousands USD)	$64.6	$64.2
Effective utilization[3]	80%	92%
Revenue *(in thousands USD)*		
Operating revenues – dayrate	$152,817	$171,927
Operating revenues – others	2,668	3,983
Other revenues	4,336	5,458
	$159,821	**$181,368**
Operating Expenses *(in thousands USD)*		
Rig operating costs	$81,714	$90,365
Shore-based costs	10,380	10,615
Operating and maintenance	**$92,094**	**$100,980**
Corporate G&A	$13,845	$12,469
Share-Based Compensation	602	860
General & administrative	**$14,447**	**$13,329**

*Note (1): "Marketable rigs" are defined as the total number of rigs excluding: (i) stacked rigs, (ii) rigs under non-drilling contracts and (iii) newbuild rigs under construction. * Marketable rigs decreased to 31 at YE 2019 following decision to stack 2 rigs in December and increased to 32 with the addition of SDE in January. SDJ remains under construction as of Mar-20 and not included in marketable rigs*

Note (2): "Average dayrate" is defined as the the average contract dayrate earned by marketable rigs over the reporting period excluding mobilization fees, contract preparation, capital expenditure reimbursements, demobilization, recharges, bonuses and other revenues.

Note (3): "Effective utilization" is defined as the actual number of calendar days during which marketable rigs generate dayrate revenues divided by the maximum number of calendar days during which those same rigs could have generated dayrate revenues.

Adjusted EBITDA Reconciliation

(In thousands USD)	Q4 2019	Q1 2020
Net Loss	$(70,333)	$(184,900)
Add Back		
Interest expense and financing charges, net of interest income	20,308	21,598
Income tax expense	4,907	7,578
Depreciation	21,457	20,146
Amortization of deferred costs	18,219	14,991
Loss on impairment/disposal of assets [1]	58,345	188,044
EBITDA	**$52,903**	**$67,457**
Acquired rig reactivation costs	2,816	156
Adjusted EBITDA	**$55,719**	**$67,613**
Adjusted EBITDA margin	**34.9%**	**37.3%**

Note (1): During the three months ended March 31, 2020, the Company identified several indicators of impairment, including an unprecedented decrease in global oil and gas demand and an increase in economic instability resulting from the Covid-19 pandemic as well as the sharp decline in oil prices. As a result, the Company recorded an impairment charge of $188.0 million on 15 marketable rigs and 4 rigs held-for-sale, primarily due to a reduction in estimated cash flow and margin contribution from these assets for the remainder of 2020 and 2021 relative to expectations at the start of the year.

Capital Expenditures and Deferred Costs Summary

- Capital Expenditures and Deferred Costs excluding rig acquisitions totaled $17.6 million in Q1 2020, down $0.6 million versus Q4 2019 primarily as a result of:
  - Contract Preparation projects for C.E. Thornton, Parameswara and FG McClintock were completed in Q4 2019
  - Partly offset by higher planned out of service project expenditures for High Island II and High Island IV in Saudi Arabia and higher contract preparation of the Trident II in India in Q1 2020
- Rig acquisition expenditures of $55.0 million in Q1 2020 primarily relate to the acquisition and reactivation of the Shelf Drilling Enterprise and operation readiness project on the Shelf Drilling Journey

(In thousands USD)	Q4 2019	Q1 2020
Capital Expenditures and Deferred Costs:		
Regulatory and capital maintenance [1]	$12,949	$12,735
Contract preparation [2]	1,541	1,364
Fleet spares and other [3]	3,636	3,459
	$18,126	$17,558
Rig acquisitions [4]	27,682	54,960
Total Capital Expenditures and Deferred Costs	**$45,808**	**$72,518**
Reconciliation to Statements of Cash Flow		
Cash payments for additions to PP&E	$37,522	$56,512
Net change in accrued but unpaid additions to PP&E	(7,061)	4,273
Total Capital expenditures	$30,461	$60,785
Changes in deferred costs, net	(2,872)	(3,258)
Add: Amortization of deferred costs	18,219	14,991
Total deferred costs	$15,347	$11,733
Total Capital Expenditures and Deferred Costs	**$45,808**	**$72,518**

NOTE: (1) "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures on rigs in operation.
NOTE: (2) "Contract preparation" includes specific upgrade, mobilization and preparation costs associated with a customer contract.
NOTE: (3) "Fleet Spares and Others" includes: (i) acquisition and certification costs for the rig fleet spares pool which is allocated to specific rig expenditures 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.
NOTE: (4) "Rig acquisitions" include all capital expenditures and deferred costs associated with the acquisition and readiness projects for the Shelf Drilling Enterprise acquired in January 2020 and for two newbuild premium jack-up drilling rigs acquired in May 2019 and the subsequent reactivation of one premium jack-up rig acquired in July 2018.

Capital Structure Summary

SHELF DRILLING

(In millions USD)	YE 2017	YE 2018	YE 2019	Q1 2020
Cash and Cash Equivalents	$84.6	$91.2	$26.1	$69.0
Total Long-lived Assets [1]	$1,405.9	$1,354.8	$1,461.3	$1,309.2
Total Assets	1,683.0	1,645.9	1,700.0	1,593.5
Senior secured notes due 2018/2020	526.7	-	-	-
Senior unsecured notes due 2025 [2]	-	887.8	889.5	890.0
Senior secured notes due 2024 [3]				77.4
RCF Drawdown			35.0	55.0
Obligations under sale and leaseback	313.9	-	-	-
Total Debt	$840.6	$887.8	$924.5	$1,022.3
Net Debt	$756.0	$796.6	$898.5	$953.4
Mezzanine Equity	166.0	-	-	-
Total Equity	$509.2	$591.3	$561.5	$374.8

- Total liquidity, including availability under RCF, of approximately $224.3 million as of March 31, 2020. $14.7 million of outstanding LCs under RCF as of March 31, 2020
- LTM Adjusted EBITDA of $195.7 million (Mar-20). Net Leverage of 4.9x (Mar-20)
  - Total Net Leverage Ratio for covenant compliance purposes under RCF of 3.9x at Mar 31, 2020 primarily due to forward EBITDA credits for recently acquired premium jack-ups
- Total shares outstanding of 135.9 million as of March 31, 2020
  - 0.7 million shares repurchased in Q1 2020 at average price of $2.16 per share. The share buyback program suspended effective mid March
  - Primary insiders [4] : 63.2 million or 46.5%
    - China Merchants: 26.8 million (19.7%)
    - Lime Rock: 17.2 million (12.7%)
    - Castle Harlan: 17.2 million (12.7%)
- The Company completed the issuance through a private offering of $80 million 8.75% senior secured notes due 2024 in February 2020
- As of March 31, 2020, the outstanding borrowings under the RCF was $55 million

Note (1) Total Long Lived Assets are defined as property plant and equipment, right-of-use assets and short term and long term deferred costs
Note (2) Reflects carrying value. Principal value is $900.0 million
Note (3) Reflects carrying value. Principal value is $80.0 million
Note (4) In February 2020, CPE Capital withdrew Graham Brooke as their appointed Director and Tyson Smith resigned as a Director of the Company. As a result, CPE Capital is no longer a primary insider of the Company

Free Cash Flow Summary

- Q1 2020 Adjusted EBITDA and Adjusted EBITDA Margin of $67.6 million and 37%, respectively
- Cash and cash equivalents increased by $42.9 million to $69.0 million during Q1 2020
  - $37.1 million bi-annual interest on the 2025 notes paid in February 2020. Next payment scheduled for August 2020
  - $50.7 million total spending associated with the acquisition and reactivation of the Shelf Drilling Enterprise during Q1 2020
  - $77.8 million net cash proceeds from the private offering in February 2020 of $80.0 million senior secured notes due 2024
  - Additional $20.0 million withdrawn from revolver during Q1 2020. Total balance of $55.0 million withdrawn at end of March 2020 from the $225.0 million RCF

Quarterly Cash Flow Summary ($MM)	Q4 2019	Q1 2020
Adjusted EBITDA	**$55.7**	**$67.6**
Interest expense, net of interest income	(20.3)	(21.6)
Income tax (expense)	(4.9)	(7.6)
Capital expenditures and deferred costs [1]	(18.1)	(17.5)
Sub-Total	$12.4	$20.9
Working Capital Impact		
Interest payments	$18.7	$(17.7)
Other	(33.0)	(1.3)
Sub-Total	$(14.3)	$(19.0)
Growth Projects		
Acquired Rig Reactivation Costs	$(2.8)	$(0.2)
Capex/Deferred Costs: Rig Acquisitions	(27.7)	(55.0)
Sub-Total	$(30.5)	$(55.2)
Cash Flow	**$(32.4)**	**$(53.3)**
Share Re-Purchase	(2.2)	(1.6)
Net proceeds from issuance of debt	0.0	77.8
RCF Drawdown, net	15.0	20.0
Net Change in Cash and Cash Equivalents	**$(19.6)**	**$42.9**
Beginning Cash	45.7	26.1
Ending Cash and Cash Equivalents	**$26.1**	**$69.0**

Note (1) Excluding rig acquisitions.

Q1 2020 Guidance Summary (as published March 2, 2020)

US$ millions	Q4 2019 (Actual)	Q1 2020 (Guidance)	Q1 2020 (Actual)
Revenue	$160	$173 – 181	$181
Capital Expenditures & Deferred Costs	$46	$65 – 75	$73
• Rig Acquisitions	$28	$50 – 55	$55
• Other	$18	$15 – 20	$18

- Sequential increase in revenue in Q1 2020 due to full quarter of operations for the seven rigs which started new contracts during Q4 2019.
- Q1 2020 rig acquisitions capital expenditures guidance included $38 million for the acquisition of the Shelf Drilling Enterprise in January 2020 and the initial reactivation costs for the rig incurred through March 31, 2020 (total estimated delivered costs prior to contract commencement of $81 million), as well as additional costs to prepare the Shelf Drilling Journey for an initial contract.
- The company provided guidance on certain financial metrics for Q1 2020, but we will not necessarily provide such guidance each subsequent quarter going forward.

SHELF
DRILLING