

PRESS RELEASE
SHELF DRILLING
REPORTS FIRST QUARTER 2020 RESULTS

Dubai, UAE, May 13, 2020 – Shelf Drilling, Ltd. (“Shelf Drilling” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the first quarter of 2020 ending March 31. The results highlights will be presented by audio conference call on May 13, 2020 at 6:00 pm Dubai time / 4:00 pm Oslo time. Dial-in details for the call are included in the press release posted on April 27, 2020 and on page 3 of this release.

David Mullen, Chief Executive Officer, commented: *“Despite the challenges imposed by the escalation of COVID-19 pandemic, the Company delivered outstanding financial and operating results for the first quarter of 2020, at the upper end of the guidance issued in early March. The start-up of seven new contracts towards the end of 2019 drove the 13.5% sequential increase in revenue and EBITDA margin of 37% in Q1 2020.”*

Mullen added: *“The COVID-19 pandemic has significantly affected global economic activity creating unprecedented uncertainties with near and medium term oil and gas demand. Many operators are considering to either terminate, suspend or renegotiate contracts or delay planned activities, all of which will impact our future activity. In response to this situation, we have taken actions to protect our employees, ensure continuity of our operations, reduce costs and preserve liquidity. This includes significant measures in our headquarters involving headcount reductions, compensation reductions at the executive and board level and targeted savings across all other cost categories. In addition to these actions, our proven track record of delivering best-in-class operating performance and backlog strengthen our resilience in limiting the impact of the current crisis. We believe the quality and commitment of our people, combined with our efficient operating platform, versatile fleet and geographic footprint will differentiate us through this challenging period.”*

First Quarter Highlights

- Q1 2020 Revenue of \$181.4 million, a 13.5% sequential increase compared to Q4 2019.
- Q1 2020 Adjusted EBITDA of \$67.6 million, representing an Adjusted EBITDA Margin of 37%.
- Q1 2020 Net Loss of \$184.9 million. In Q1 2020, the Company recorded a non-cash impairment charge of \$188.0 million on long-lived assets.
- Q1 2020 Capital Expenditures and Deferred Costs totaled \$72.5 million, including \$55.0 million associated with rig acquisitions.
- The Company’s cash and cash equivalents balance at March 31, 2020 was \$69.0 million.
- The Company’s total debt at March 31, 2020 was \$1.0 billion, including \$55.0 million drawn on the Company’s revolving credit facility.
- \$1.9 billion in contract backlog at March 31, 2020 across 32 contracted rigs.
- In January 2020, the Company completed the purchase of the Shelf Drilling Enterprise and subsequently secured a 21-month contract for the rig expected to commence in the third quarter of 2020 for operations in the Gulf of Thailand.
- In February 2020, the Company completed a private offering of \$80.0 million aggregate principal amount of 8.75% senior secured notes due 2024, the proceeds of which are used to finance the acquisition, reactivation and upgrade costs associated with the Shelf Drilling Enterprise.
- In March 2020, the Company secured a one-year contract extension for the Trident 16 jack-up rig in direct continuation of its current contract for operations in the Gulf of Suez offshore Egypt.
- In March 2020, the Company entered into an agreement with its customer to amend the contract end date for the Shelf Drilling Tenacious from January 2022 to September 2020.
- In March 2020, the Company received a notification from its customer on early termination of the Trident XIV contract from February 2021 to July 2020.
- In April 2020, the Company entered into an agreement with its customer to amend the contract end date for the Shelf Drilling Mentor from January 2022 to October 2020.

First Quarter Results

Revenue was \$181.4 million in Q1 2020 compared to \$159.8 million in Q4 2019. The \$21.6 million (13.5%) sequential increase in revenue was largely due to the full quarter of operations of seven new contracts which started during Q4 2019 in India, Nigeria, Saudi Arabia and Thailand. Effective utilization increased to 92% in Q1 2020 from 80% in Q4 2019.

Total operating and maintenance expenses increased by \$8.9 million (9.6%) in Q1 2020 to \$101.0 million compared to \$92.1 million in Q4 2019. The sequential increase was essentially due to the contract commencements of the Shelf Drilling Scepter in Thailand and the Shelf Drilling Achiever in Saudi Arabia in December 2019, an increase in contract preparation expenses for one rig in India which started a new contract at end of Q1 2020 and planned out of service expenses on two rigs in Saudi Arabia.

General and administrative expenses were \$13.3 million in Q1 2020 compared to \$14.4 million in Q4 2019.

Adjusted EBITDA for Q1 2020 was \$67.6 million compared to \$55.7 million for Q4 2019. The Adjusted EBITDA margin for Q1 2020 was 37% compared to 35% in Q4 2019.

The Company performed impairment testing on all rigs in the Company's fleet at the end of Q1 2020. As a result, a \$188.0 million loss on impairment of long-lived assets was recorded in March 2020. Nineteen of the Company's rigs were impaired, of which four rigs are stacked and held for sale.

Capital expenditures and deferred costs of \$72.5 million in Q1 2020 increased by \$26.7 million from \$45.8 million in Q4 2019. This included \$50.7 million in Q1 2020 for the acquisition and reactivation of the Shelf Drilling Enterprise as well as \$4.3 million relating to the reactivation and operations readiness projects on other recently acquired rigs, mainly the Shelf Drilling Journey, compared to \$27.7 million associated with rig acquisitions in Q4 2019. Capital expenditures and deferred costs excluding rig acquisitions of \$17.5 million in Q1 2020 were largely comparable with \$18.1 million in Q4 2019.

Q1 2020 ending cash balance of \$69.0 million increased by \$42.9 million from \$26.1 million at the end of Q4 2019. This included the net cash proceeds of a private offering of \$80.0 million 8.75% senior secured notes due 2024 completed in February 2020 and a net drawdown of \$20.0 million in Q1 2020 on the Company's revolving credit facility. The notes issuance was completed to fund the acquisition, reactivation and upgrade of the Shelf Drilling Enterprise, which commenced in Q1 2020 and will continue in Q2 and Q3 2020.

The Quarterly Report, which includes the Condensed Consolidated Interim Financial Statements is available on our website. A corresponding slide presentation to address the results highlights for Q1 2020 is also available on our website.

For further queries, please contact:

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Dial in Details for the Audio Conference call:

Participants will receive conference access information only when they register for the conference via the link below:

Online Registration: <http://emea.directeventreg.com/registration/4755576>

Participants must register for the call using online registration. Upon registering, each participant will be provided with call details and a Registrant ID. Call reminder will also be sent to registered participants via email the day prior to the event.

Conference ID number: 4755576

About Shelf Drilling

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

Special Note Regarding Forward-Looking Statements

Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "strategy", "intends", "estimate", "will", "may", "continue", "should" and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and may be beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. Given these factors, you should not place undue reliance on the forward-looking statements.

Additional information about Shelf Drilling can be found at www.shelfdrilling.com.

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

Financial Report For the Period Ended March 31, 2020

	Three Months Ended March 31,		Twelve Months Ended March 31,
	2020	2019	2020
Operating revenues - dayrate	\$171.9	\$141.0	\$581.3
Operating revenues - others	4.0	1.9	13.0
Other revenues	5.5	4.3	16.0
Total revenues (1)	\$181.4	\$147.2	\$610.3
Rig operating expenses	\$90.4	\$83.7	\$336.3
Shore-based expenses	10.6	8.5	39.2
Total operating and maintenance expenses (2)	\$101.0	\$92.2	\$375.5
Corporate G&A (3)	\$12.5	\$11.6	\$50.1
Share-based compensation expense, net of forfeitures (4)	0.8	0.0	2.4
Total general & administrative expenses	\$13.3	\$11.6	\$52.5
Other, net expense / (gain) (5)	(0.4)	0.3	0.1
EBITDA (6)	\$67.5	\$43.1	\$182.2
Acquired rig reactivation costs (7)	0.1	6.2	13.5
One-time corporate transaction costs	0.0	0.1	0.0
Total adjustments	0.1	6.3	13.5
Adjusted EBITDA (6)	\$67.6	\$49.4	\$195.7
Adjusted EBITDA Margin	37%	34%	32%
Operating Data:			
Average marketable rigs (8)	31.9	33.0	32.4
Average dayrate (in thousands) (9)	\$64.2	\$63.5	\$64.9
Effective utilization (10)	92%	75%	76%
Capital expenditures and deferred costs :			
Regulatory and capital maintenance (11)	\$12.7	\$14.3	\$54.6
Contract preparation (12)	1.4	8.6	22.9
Marketable rigs	\$14.1	\$22.9	\$77.5
Fleet spares and others (13)	3.4	(0.9)	14.9
Sub-Total (excluding Acquisitions)	\$17.5	\$22.0	\$92.4
Rig acquisitions (14)	55.0	4.9	253.3
Total capital expenditures and deferred costs	\$72.5	\$26.9	\$345.7

The following table reconciles the cash payment for additions to property and equipment and changes in deferred costs, net to total capital expenditures and deferred costs:

Cash payments for additions to property and equipment	\$56.5	\$11.2	\$136.7
Net change in accrued but unpaid additions to property and equipment	4.3	(1.8)	12.8
	\$60.8	\$9.4	\$149.5
Add: Asset additions related to share issuance	0.0	0.0	121.8
Total Capital expenditures	\$60.8	\$9.4	\$271.3
Changes in deferred costs, net	(\$3.3)	(\$0.6)	\$2.3
Add: Amortization of deferred costs	15.0	18.1	72.1
Total deferred costs	\$11.7	\$17.5	\$74.4
Total capital expenditures and deferred costs	\$72.5	\$26.9	\$345.7

(In US\$ millions, except rig numbers, average dayrate and effective utilization)
(percentages and figures may include rounding differences)

Non-GAAP Financial Measures

The above Financial Report reflects certain US generally accepted accounting principles ("GAAP") and non-GAAP financial measures to evaluate the performance of our business. We believe the non-GAAP financial measures we use are useful in assessing our historical and future performance throughout the commodity price cycles that have characterized our industry since our inception.

(1) "Revenues" includes all revenues earned over the period including: (a) integrated drilling service contract dayrates, (b) other operating revenues such as mobilization and contract preparation fees amortized over the firm contract term, demobilization, contract termination fees, contractual operational incentive bonus and revenue provisions and (c) others which mainly include recharge revenue for client requested services and materials.

(2) "Operating and maintenance expenses" consist of Rig "Personnel expenses", "Maintenance expenses", "Other operating expenses" and shore-based offices expenses. "Personnel expenses" include compensation, transportation, training and catering costs for rig crews. Such expenses vary from country to country reflecting the combination of expatriates and nationals, local market rates, unionized trade arrangements, local law requirements regarding social security, payroll charges and end of service benefit payments. "Maintenance expenses" relate to maintaining our rigs in operation, including the associated freight and customs duties, which are not capitalized nor deferred. Such expenses do not directly extend the rig life or increase the functionality of the rig. "Other operating expenses" include all remaining operating expenses such as insurance, professional services, equipment rental and other miscellaneous costs.

(3) "Corporate G&A" as used herein include general & administrative expenses, excluding the share-based compensation expense, one-time corporate transaction costs and provision/(release) for doubtful accounts.

(4) "Share-based compensation expense, net of forfeitures" is recognized as general and administrative expense in the consolidated statements of operations under GAAP.

(5) "Other, net expense / (gain)" as used herein is composed primarily of currency exchange loss / (gain), tax indemnities and certain vendor discounts.

(6) "EBITDA" as used herein represents revenue less: operating and maintenance expenses, Corporate G&A, provision for doubtful accounts, share-based compensation expense, net of forfeitures, one-time corporate transaction costs and other, net expense/(gain), and excludes interest, income taxes, depreciation and amortization, loss on impairment of assets and (gain) / loss on disposal of assets. "Adjusted EBITDA" as used herein represents EBITDA as adjusted for the exclusion of acquired rig reactivation costs, one-time corporate transaction 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 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 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.

(7) "Acquired rig reactivation costs" 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.

(8) "Marketable rigs" are defined as the total number of rigs that are operating or are available to operate, which excludes stacked rigs, rigs undergoing reactivation projects, rigs under non-drilling contracts and non-contracted newbuild rigs under construction.

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

(10) "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.

(11) "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures on rigs in operation.

(12) "Contract preparation" includes specific upgrade, mobilization and preparation costs associated with a customer contract.

(13) "Fleet Spares and Others" include: (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.

(14) "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.