**PRESS RELEASE**

**SHELF DRILLING**

**REPORTS SECOND QUARTER 2020 RESULTS**

Dubai, UAE, August 13, 2020 – Shelf Drilling, Ltd. (“Shelf Drilling” and, together with its subsidiaries, the “Company”, OSE: SHLF) announces results for the second quarter of 2020 ending June 30. The results highlights will be presented by audio conference call on August 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 August 10, 2020 and on page 3 of this release.

David Mullen, Chief Executive Officer, commented: “*Despite an extremely challenging backdrop, Shelf Drilling delivered strong financial and operating performance for the second quarter of 2020 with an Adjusted EBITDA margin of 40% and solid operating cash flows. In response to the challenges imposed by the COVID-19 pandemic, we took immediate actions to protect the health of our employees, ensure continuity of our operations, reduce costs and preserve liquidity. I would especially like to recognize the extraordinary contribution of our people in achieving these results with their efforts and resilience throughout this challenging period.”*

Mullen added: *“The offshore jack-up rig market outlook has substantially deteriorated since the beginning of the year, with a number of contract terminations and suspensions with limited new fixture activity since the onset of the COVID-19 pandemic. I expect to see continued pressure on dayrates and lower rig utilization for the near to medium term. However, I remain confident that our customer relationships, our efficient operating platform and the quality and dedication of our people will continue to make Shelf Drilling the international jack-up contractor of choice.”*

**Second Quarter Highlights**

- Q2 2020 Revenues of $155.0 million, a 14.5% sequential decrease compared to Q1 2020.
- Q2 2020 Adjusted EBITDA of $61.5 million, representing an Adjusted EBITDA Margin of 40%.
- Q2 2020 Net Income of $8.1 million.
- Q2 2020 Capital Expenditures and Deferred Costs totaled $26.5 million, including $13.3 million associated with rig acquisitions.
- The Company’s cash and cash equivalents balance at June 30, 2020 was $92.2 million, up from $69.0 million at March 31, 2020.
- The Company’s total debt at June 30, 2020 was $1.0 billion, including $55.0 million drawn on the Company’s revolving credit facility.
- $1.6 billion in contract backlog at June 30, 2020 across 30 contracted rigs.

**Second Quarter Results**

Revenue was $155.0 million in Q2 2020 compared to $181.4 million in Q1 2020. The $26.4 million (14.5%) sequential decrease in revenue was due to a combination of lower dayrates and effective utilization. The average dayrate decreased to $57.8 thousand in Q2 2020 from $64.2 thousand in Q1 2020 primarily explained by lower pricing where customers renegotiated dayrates as a result of the COVID-19 pandemic. Effective utilization decreased to 84% in Q2 2020 from 92% in Q1 2020, mostly due to the completion of two contracts in early Q2 2020 in Nigeria and India.

Total operating and maintenance expenses decreased by $18.1 million (17.9%) in Q2 2020 to $82.9 million compared to $101.0 million in Q1 2020. The sequential decrease was due to lower operating and personnel costs related to rigs which were not operating or whose operations were suspended or terminated during Q2 2020, reduced maintenance and shipyard expenses and reduced costs from actions taken to offset reductions in dayrates and activity.

General and administrative expenses were $12.1 million in Q2 2020 compared to $13.3 million in Q1 2020. General and administrative expenses in Q2 2020 included $1.5 million of one-time restructuring costs and $2.3 million of bad debt expense. The significant reduction in recurring general and administrative expenses was the result of cost savings and restructuring measures implemented at the Company's headquarters in April 2020.

Adjusted EBITDA for Q2 2020 was $61.5 million compared to $67.6 million for Q1 2020. The Adjusted EBITDA margin of 40% for Q2 2020 increased from 37% in Q1 2020 despite the significant reduction in revenue.

Capital expenditures and deferred costs of $26.5 million in Q2 2020 decreased by $46.0 million from $72.5 million in Q1 2020. This included $10.4 million in Q2 2020 for the reactivation of the Shelf Drilling Enterprise as well as $2.9 million relating to the reactivation and operations readiness projects on other recently acquired rigs, compared to $55.0 million associated with rig acquisitions in Q1 2020, $50.7 million of which related to the Shelf Drilling Enterprise. Capital expenditures and deferred costs, excluding rig acquisitions, decreased across the fleet to $13.2 million in Q2 2020 from $17.5 million in Q1 2020.

Q2 2020 ending cash balance of $92.2 million increased by $23.2 million from $69.0 million at the end of Q1 2020, primarily due to lower operating costs and capital expenditures and deferred costs.

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 Q2 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/8747038

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:** 8747038

**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.

SHELF DRILLING

**Financial Report for the Period Ended June 30, 2020**

| | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Twelve months ended June 30, 2020 |
|---|---|---|---|---|---|
| Operating revenues – dayrate | $ 145.2 | $ 131.4 | $ 317.1 | $ 272.4 | $ 595.1 |
| Operating revenues – others | 6.4 | 2.6 | 10.4 | 4.4 | 16.9 |
| Other revenues | 3.4 | 3.1 | 8.9 | 7.5 | 16.2 |
| **Total revenues [1]** | **$ 155.0** | **$ 137.1** | **$ 336.4** | **$ 284.3** | **$ 628.2** |
| Rig operating expenses | 74.6 | $ 82.0 | 165.0 | $ 165.8 | $ 328.8 |
| Shore-based expenses | 8.3 | 8.9 | 18.9 | 17.4 | 38.6 |
| **Total operating and maintenance expenses [2]** | **$ 82.9** | **$ 90.9** | **$ 183.9** | **$ 183.2** | **$ 367.4** |
| Corporate G&A [3] | $ 7.2 | $ 11.8 | $ 19.6 | $ 23.4 | $ 45.4 |
| Provision for / (reversal of) doubtful accounts, net | 2.3 | (0.1) | 2.4 | (0.1) | 2.5 |
| Share-based compensation expense, net of forfeitures [4] | 1.1 | 0.3 | 1.9 | 0.3 | 3.2 |
| Restructuring costs [5] in G&A | 1.5 | 0.0 | 1.5 | 0.0 | 1.5 |
| **Total general & administrative expenses** | **$ 12.1** | **$ 12.0** | **$ 25.4** | **$ 23.6** | **$ 52.6** |
| Other, net expense / (gain) [6] | 0.3 | 0.2 | (0.1) | 0.4 | 0.2 |
| **EBITDA [7]** | **$ 59.7** | **$ 34.0** | **$ 127.2** | **$ 77.1** | **$ 208.0** |
| Acquired rig reactivation costs [8] | 0.1 | 6.4 | 0.2 | 12.6 | 7.2 |
| Restructuring costs [5] | 1.7 | 0.0 | 1.7 | 0.1 | 1.7 |
| Total adjustments | 1.8 | 6.4 | 1.9 | 12.7 | 8.9 |
| **Adjusted EBITDA [7]** | **$ 61.5** | **$ 40.4** | **$ 129.1** | **$ 89.8** | **$ 216.9** |
| **Adjusted EBITDA margin** | **40%** | **29%** | **38%** | **32%** | **35%** |
| **Operating Data:** | | | | | |
| Average marketable rigs [9] | 32.3 | 33.0 | 32.1 | 33.0 | 32.2 |
| Average dayrate (in thousands) [10] | $ 57.8 | $ 66.2 | $ 61.1 | $ 64.8 | $ 62.7 |
| Effective utilization [11] | 84% | 66% | 88% | 70% | 80% |
| **Capital expenditures and deferred costs:** | | | | | |
| Regulatory and capital maintenance [12] | $ 11.5 | $ 13.7 | $ 24.2 | $ 28.0 | $ 52.3 |
| Contract preparation [13] | 1.9 | 9.1 | 3.3 | 17.7 | 15.8 |
| Marketable rigs | $ 13.4 | $ 22.8 | $ 27.5 | $ 45.7 | $ 68.1 |
| Fleet spares and others [14] | (0.2) | 3.0 | 3.3 | 2.1 | 11.8 |
| Sub-Total (excluding acquisitions) | $ 13.2 | $ 25.8 | $ 30.8 | $ 47.8 | $ 79.9 |
| Rig acquisitions [15] | 13.3 | 137.5 | 68.2 | 142.4 | 129.1 |
| **Total capital expenditures and deferred costs** | **$ 26.5** | **$ 163.3** | **$ 99.0** | **$ 190.2** | **$ 209.0** |

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:

| | Three months ended June 30, 2020 | Three months ended June 30, 2019 | Six months ended June 30, 2020 | Six months ended June 30, 2019 | Twelve months ended June 30, 2020 |
|---|---|---|---|---|---|
| Cash payments for additions to property and equipment: | $ 20.8 | $ 13.0 | $ 77.3 | $ 24.2 | $ 144.5 |
| Net change in accrued but unpaid additions to property and equipment | (0.6) | 8.5 | 3.7 | 6.7 | 3.7 |
| | **$ 20.2** | **$ 21.5** | **$ 81.0** | **$ 30.9** | **$ 148.2** |
| Add: Asset additions related to share issuance | - | 121.8 | - | 121.8 | - |
| **Total Capital expenditures** | **$ 20.2** | **$ 143.3** | **$ 81.0** | **$ 152.7** | **$ 148.2** |
| Changes in deferred costs, net | $ (3.4) | $ 0.8 | $ (6.7) | $ 0.2 | $ (2.0) |
| Add: Amortization of deferred costs | 9.7 | 19.2 | 24.7 | 37.3 | 62.8 |
| **Total deferred costs** | **$ 6.3** | **$ 20.0** | **$ 18.0** | **$ 37.5** | **$ 60.8** |
| **Total capital expenditures and deferred costs** | **$ 26.5** | **$ 163.3** | **$ 99.0** | **$ 190.2** | **$ 209.0** |

(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 provision for doubtful accounts, share-based compensation expense and certain one-time expenses related to cost saving and restructuring measures.

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

(5) "Restructuring costs" represents certain one-time expenses related to cost saving and restructuring measures and third-party professional services.

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

(7) ''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 and other, net, and excludes interest expense and financing charges, interest income, income taxes, depreciation, 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 and restructuring costs. 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 and financing charges, interest income, income tax expense (benefit), depreciation, 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.

(8) "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.

(9) ''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.

(10) ''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.

(11) ''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.

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

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

(14) "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.

(15) "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.