SHELF DRILLING

PRESS RELEASE
SHELF DRILLING
REPORTS FIRST QUARTER 2022 RESULTS

Dubai, UAE, May 12, 2022 – Shelf Drilling, Ltd. ("Shelf Drilling" and, together with its subsidiaries, the "Company", OSE: SHLF) announces results for the first quarter of 2022 ending March 31. The results highlights will be presented by audio conference call on May 12, 2022 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 May 9, 2022 and on page 3 of this release.

David Mullen, Chief Executive Officer, commented: *"As anticipated in the previous quarter, the start-up of three new contracts in West Africa and India in January 2022 contributed to an increase in sequential revenue of 15% and a significant impact to EBITDA for the first quarter of 2022. Our focus remains on delivering safe and reliable services and providing best-in-class operations to our customers."*

Mullen added: *"Tendering and marketing activity in the jack-up sector continues to improve in all geographies where we operate, and we have seen an acceleration over the past two months. As of March 31, 2022, our contract backlog was $1.7 billion with 28 of our 30 rigs under contract, representing a marketed utilization of 93%. We anticipate that our recent contract awards coupled with other contracts and extensions that are in advanced discussions will drive a further increase in our backlog during the second quarter of 2022. The significant improvement in the commodity price backdrop, combined with our strong customer relationships and proven operating track record will position Shelf Drilling very well. We expect global jack-up utilization and pricing to surpass pre-pandemic levels during 2022."*

First Quarter Highlights

- Q1 2022 Revenues of $156.0 million, a 14.7% sequential increase compared to Q4 2021.
- Q1 2022 Adjusted EBITDA of $58.2 million, representing an Adjusted EBITDA Margin of 37%.
- Q1 2022 Net loss of $4.6 million.
- Q1 2022 Capital Expenditures and Deferred Costs totaled $22.9 million.
- The Company's cash and cash equivalents balance at March 31, 2022 was $214.4 million.
- The Company's total debt at March 31, 2022 was $1.2 billion.
- Contract backlog was $1.7 billion at March 31, 2022 across 28 contracted rigs.
- Subsequent to March 31, 2022, the Company has secured the following awards:
  - Three-year contract extension for the High Island V in Saudi Arabia until May 2025
  - Extension for the Key Singapore in India until May 2023
  - Short-term program for the Shelf Drilling Scepter in Vietnam expected to commence in July 2022

First Quarter Results

Revenues were $156.0 million in Q1 2022 compared to $136.1 million in Q4 2021. The $20.0 million (14.7%) sequential increase in revenues was primarily due to higher effective utilization. Effective utilization increased to 85% in Q1 2022 from 74% in Q4 2021, mostly due to the start-up of three new contracts in Angola, Congo and India. Average earned dayrate decreased slightly to $61.8 thousand in Q1 2022 from $62.9 thousand in Q4 2021.

Total operating and maintenance expenses increased by $2.0 million (2.4%) in Q1 2022 to $85.5 million compared to $83.5 million in Q4 2021. The sequential increase primarily included higher operating costs for one rig in Angola that started contract in January 2022, higher expenses for one rig mobilizing to India and expected to commence its contract in June 2022, partially offset by lower maintenance and shipyard expenses for three rigs in India and lower costs in fleet spares.

General and administrative expenses of $12.5 million in Q1 2022 increased by $2.3 million as compared to $10.2 million in Q4 2021, primarily due to an increase in compensation and benefit expenses in Q1 2022 as compared to Q4 2021. General and administrative expenses in both Q1 2022 and Q4 2021 included $0.6 million of non-cash share-based compensation expense.

Adjusted EBITDA for Q1 2022 was $58.2 million compared to $43.5 million for Q4 2021. The Adjusted EBITDA margin of 37% for Q1 2022 increased from 32% in Q4 2021.

Capital expenditures and deferred costs of $22.9 million in Q1 2022 decreased by $10.9 million from $33.8 million in Q4 2021. This decrease was primarily due to lower contract preparation expenditures for two rigs in India and one rig each in Angola and Congo, which started operations in late 2021 or early 2022 and lower spending on fleet spares in Q1 2022, partly offset by the initial contract preparation work for one rig mobilizing to India which is expected to start operations in June 2022 and increased spending for one rig in Nigeria.

Q1 2022 ending cash and cash equivalents balance of $214.4 million decreased by $17.9 million from $232.3 million at the end of Q4 2021 primarily due to higher cash interest payments in Q1 2022.

The Form 10-Q Equivalent, which includes the Consolidated Interim Financial Statements, and a corresponding slide presentation to address the results highlights for Q1 2022 are available on the Company's 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/2753816

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: 2753816

About Shelf Drilling

Shelf Drilling is a leading international shallow water offshore contractor providing services and equipment for the drilling, completion, maintenance and decommissioning of oil and natural gas wells and with rig operations across the Middle East, North Africa and the Mediterranean, Southeast Asia, India and West Africa. 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 its 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, users of this information 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, 2022

	Three months ended			Twelve months ended
	March 31, 2022	December 31, 2021	March 31, 2021	March 31, 2022
Operating revenues – dayrate	$ 141,368	$ 128,944	$ 121,185	$ 511,191
Operating revenues – others	9,180	3,946	6,175	27,066
Other revenues	5,472	3,168	2,377	14,592
Total revenues [1]	**$ 156,020**	**$ 136,058**	**$ 129,737**	**$ 552,849**
Rig operating expenses	76,501	75,651	65,465	301,530
Shore-based expenses	8,979	7,841	8,822	33,657
Total operating and maintenance expenses [2]	**$ 85,481**	**$ 83,492**	**$ 74,287**	**$ 335,188**
Corporate G&A [3]	$ 11,847	$ 9,695	$ 9,945	$ 43,704
Provision for / (reversal of provision for) credit losses, net	33	(106)	(1,820)	2,528
Share-based compensation expense, net of forfeitures [4]	624	602	940	3,029
Restructuring costs [5] in G&A	—	—	577	8
Total general & administrative expenses	**$ 12,504**	**$ 10,191**	**$ 9,642**	**$ 49,269**
Other, net expense [6]	138	1,127	134	1,552
EBITDA [7]	**$ 58,173**	**$ 43,502**	**$ 45,942**	**$ 169,944**
Restructuring costs [5]	—	—	577	8
Adjusted EBITDA [7]	**$ 58,173**	**$ 43,502**	**$ 46,519**	**$ 169,952**
Adjusted EBITDA margin	**37%**	**32%**	**36%**	**31%**
Operating Data:				
Average marketable rigs [8]	30.0	30.0	31.0	30.4
Average dayrate (in thousands) [9]	$ 61.8	$ 62.9	$ 56.3	$ 62.0
Effective utilization [10]	85%	74%	77%	75%
Capital expenditures and deferred costs:				
Regulatory and capital maintenance [11]	$ 16,074	$ 22,236	$ 7,589	$ 75,806
Contract preparation [12]	6,659	7,151	3,650	31,719
Marketable rigs	$ 22,733	$ 29,387	$ 11,239	$ 107,525
Fleet spares and others [13]	186	4,341	4,179	11,635
Sub-Total (excluding acquisitions)	$ 22,919	$ 33,728	$ 15,418	$ 119,160
Rig acquisitions [14]	—	43	1,196	266
Total capital expenditures and deferred costs	**$ 22,919**	**$ 33,771**	**$ 16,614**	**$ 119,426**

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:	$ 8,032	$ 16,395	$ 14,091	$ 39,793
Net change in accrued but unpaid additions to property and equipment	(582)	(1,349)	(6,578)	244
Total Capital expenditures	**$ 7,450**	**$ 15,046**	**$ 7,513**	**$ 40,037**
Changes in deferred costs, net	$ 192	$ 7,385	$ (157)	$ 34,440
Add: Amortization of deferred costs	15,277	11,340	9,258	44,949
Total deferred costs	**$ 15,469**	**$ 18,725**	**$ 9,101**	**$ 79,389**
Total capital expenditures and deferred costs	**$ 22,919**	**$ 33,771**	**$ 16,614**	**$ 119,426**

(In US$ thousands, except rig numbers, average dayrate and effective utilization)

(percentages and figures may include rounding differences)

GAAP and 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 includes general & administrative expenses, excluding the provision for / (reversal of provision for) credit losses, net, share-based compensation expense and restructuring costs.

(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" 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 / (reversal of provision for) credit losses, net, share-based compensation expense, net of forfeitures and other, net expense, and excludes interest expense and financing charges, interest income, income taxes, depreciation, amortization and (gain) / loss on disposal of assets. ''Adjusted EBITDA'' as used herein represents EBITDA as adjusted for the exclusion of 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) ''Marketable rigs'' consist of all of our rigs that are operating or are available to operate, but excluding stacked rigs, rigs under contract for activities other than drilling, plug and abandonment or associated services, as applicable.

(9) ''Average dayrate'' is defined as 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.

(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 rigs could have generated dayrate revenues.

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

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

(13) "Fleet Spares and Others" 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 expenditures.

(14) "Rig acquisitions" includes capital expenditures and deferred costs associated with the acquisition and readiness projects for the Shelf Drilling Enterprise acquired in January 2020.