



**SHELF  
DRILLING**



# Shelf Drilling Q3 2022 Results Highlights

November 10, 2022

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# Shelf Drilling Victory Acquisition & Contract Award

## Shelf Drilling Victory is a Premium High-spec Jack-up Rig

<b>Build Year</b>	2008
<b>Rig Design</b>	Baker Marine Pacific Class 375
<b>Yard</b>	PPL Shipyard
<b>Current Location</b>	UAE
<b>Water Depth</b>	375 ft
<b>Variable Deck Load</b>	3,318 tons
<b>Drilling Depth</b>	30,000 ft
<b>Hook Load</b>	1,600 kips
<b>Cantilever Length</b>	70 ft
<b>BOP Rating</b>	10k psi
<b>Quarters Capacity</b>	120



**\$80MM**  
Total Rig Cost

- \$30MM purchase closed in July 2022
- \$50MM estimated all-in incremental investment for reactivation and contract specific requirements

**\$236MM**  
Contract Value

- 5-year contract award in Middle East
- Expected commencement late March 2023
- Additional two-year option at higher pricing level

**~2.8x**  
EBITDA  
Multiple

- Significant cash flow generation from current contract well in excess of total investment
- Focus on disciplined approach to capital spending and generating returns for investors

# Completed Acquisition of Five Premium, Harsh Environment Jack-Ups



	Lloyd Noble	Houston Colbert	Sam Turner	Sam Hartley	Hans Deul
<i>Will be renamed<sup>1</sup></i>	<b>Shelf Drilling Barsk</b>	<b>Shelf Drilling Odyssey</b>	<b>Shelf Drilling Winner</b>	<b>Shelf Drilling Fortress</b>	<b>Shelf Drilling Perseverance</b>
<b>Build year</b>	2016	2014	2014	2014	2008
<b>Rig design</b>	GustoMSC CJ70	F&G JU3000N	F&G JU3000N	F&G JU3000N	F&G JU2000E
<b>Build cost</b>	US\$ 770m	US\$ 235m	US\$ 235m	US\$ 245m	US\$ 153m
<b>Water depth</b>	500 ft	400 ft	400 ft	400 ft	400 ft
<b>Variable deck load</b>	8,800 tons	7,150 tons	7,150 tons	7,150 tons	5,500 tons
<b>Hook load</b>	2,000 kips	2,500 kips	2,500 kips	2,500 kips	1,500 kips
<b>Cantilever envelope</b>	110 ft x 74 ft	75 ft x 30 ft	75 ft x 30 ft	75 ft x 30 ft	75 ft x 30 ft
<b>Quarters capacity</b>	140	150	150	150	118

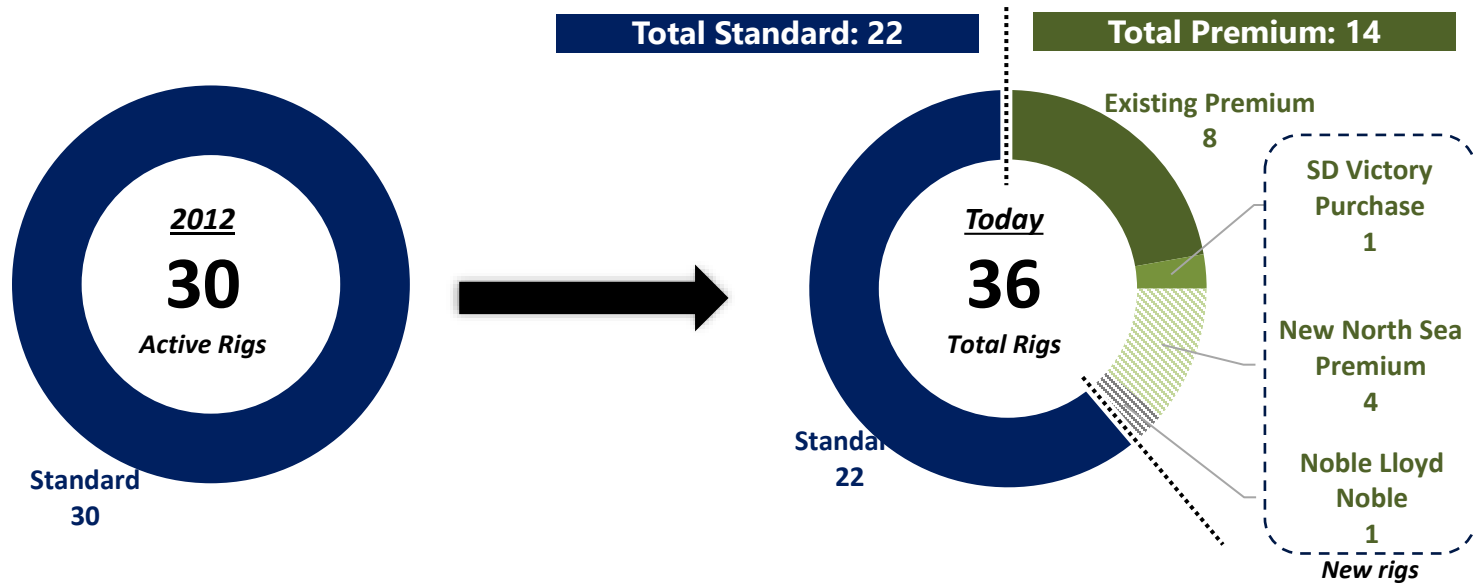
Source: Noble Corp., IHS Petrodata

Note (1): Rig renaming process underway

Note: All rigs have maximum drilling depth capability of 30,000+ ft and are equipped with 15k psi well control equipment

Note: All rigs constructed at Jurong Shipyard, except NHD at DSIC

# Strategic Evolution and Transformation of Jack-up Fleet



**“Right Assets in Right Locations”**

*Blend of premium & standard jack-ups provides ideal match to customer requirements*

**94% Contracted Utilization Across 36 Jack-ups<sup>1</sup>**

13 x Premium	22 x Standard	Lloyd Noble
<p><b>92% Utilization</b></p> <p><i>Demonstrated ability to invest and deploy</i></p> <ul style="list-style-type: none"> <li>Existing premium rig fleet: 8</li> <li>Purchase of SD Victory: 1</li> <li>Acquisition of F&amp;G jack-ups from Noble<sup>2</sup>: 4</li> </ul>	<p><b>95% Utilization</b></p> <p><i>Cost efficient and well suited for brownfield activity</i></p> <ul style="list-style-type: none"> <li>Middle East, Med. &amp; West Africa: 11</li> <li>India &amp; Egypt: 11</li> </ul>	<p><b>World’s Largest Jack-up Rig</b></p> <p><i>Uniquely suited for Norwegian operating environment</i></p> <ul style="list-style-type: none"> <li>Size enables deeper water depths and deeper well drilling than other rigs</li> </ul>

Note (1): As of November 10, 2022, includes recent contract awards for Shelf Drilling Victory in the Middle East and Trident VIII in West Africa.

Note (2): Excluding Noble Lloyd Noble

# Key Transaction Highlights



**Unique Acquisition Opportunity at an Attractive Price Relative to the Current Rig Market**

**High-specification and Well-Maintained Fleet With Unique Operating Platform**

**All 5 Rigs on Contract from Day 1 and Positioned for Further Backlog Growth**

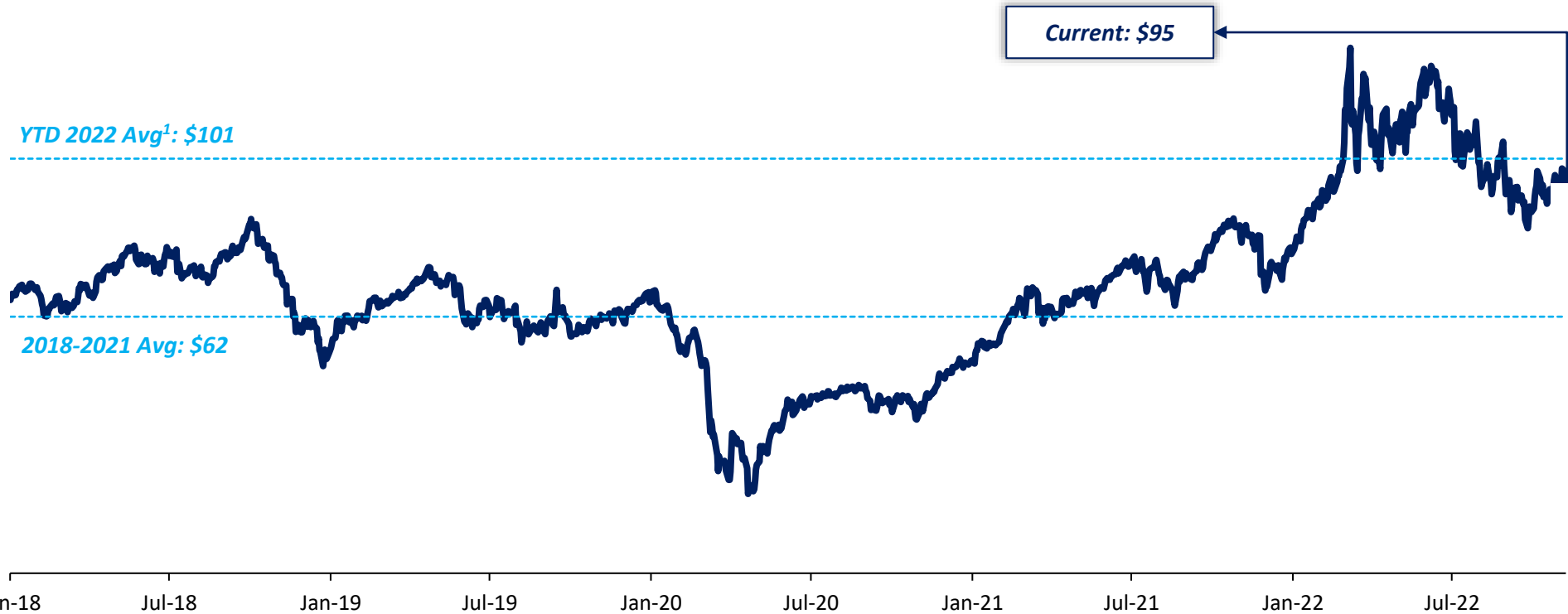
**Strong Underlying Market Fueled by the Demand For Energy Security**

**Attractive Pricing Providing Significant Value Uplift Potential**

# Oil and Natural Gas Prices Supportive for Improved Activity



## Brent Oil Price (\$/bbl)



Brent price up from \$71/bbl in 2021 to \$101/bbl in 2022

Lack of upstream investment in the past and sanctions against Russia severely constraining the supply of oil and natural gas

Natural gas prices well above historical ranges in Europe

OPEC+ to scale back production by 2 million bpd offsetting concerns of softer oil demand due to an economic recession

Oil and natural gas prices expected to remain elevated during 2022 and into 2023/2024<sup>2</sup>

Source: Bloomberg, as of 09 November 2022

Note (1): YTD 2022 Average Brent oil price based on 1 January 2022 to 10 October 2022

Note (2): Source: Industry forecasts, including a recent forecast from the World Bank

# Middle East Has Transformed the Global Jack-up Market

## Substantial Increase in Middle East Jack-up Demand

### Global jack-up demand

Global number of contracted jack-ups increased from 350 in January 2022 to 388 in November 2022 with utilization moving higher - beginning to see strong upward dayrate momentum on new contracts

### Shallow water production

Increased production targets across Middle Eastern countries on the back of global energy security need, driven by wells in offshore shallow waters

### Incremental activity

Saudi Aramco has recently contracted ~30 incremental rigs and has two ongoing tenders for additional rigs

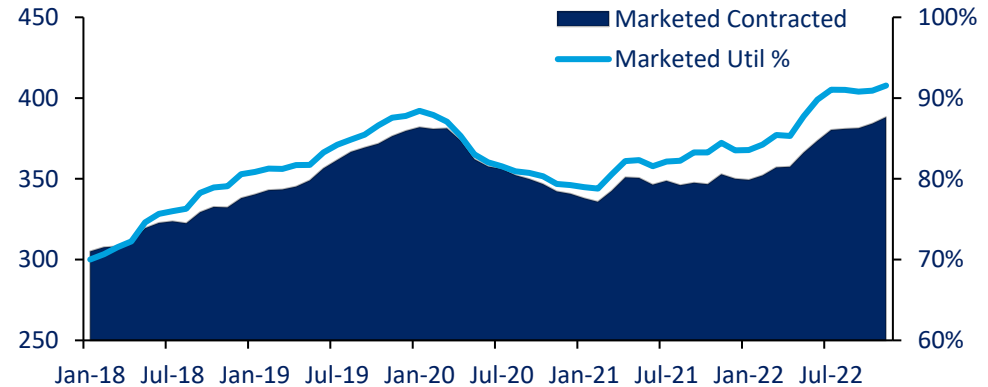
### Shadow supply removal

Incremental rigs contracted are mostly rigs that were stacked, removing the sidelined capacity in the jack-up market



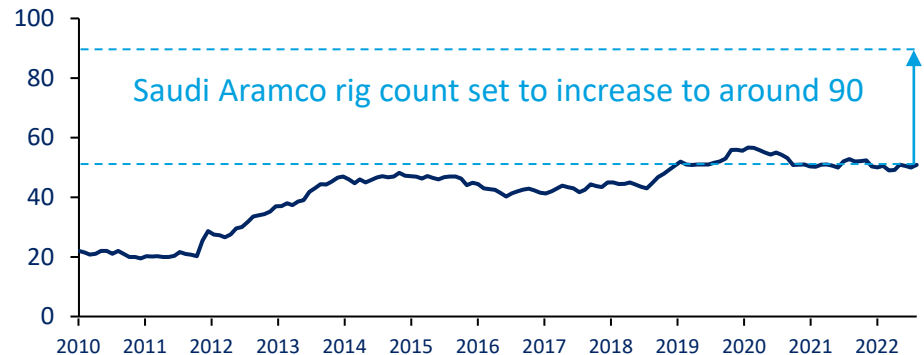
Key provider of jack-ups in the Middle East and elsewhere with strong client relationships

## Recovery In Jack-up Demand Accelerating



## Considerable Fleet Increase from Saudi Aramco

Number of contracted jack-ups in Saudi Arabia



Source: Saudi Aramco, Joint Organizations Data Initiative, IHS Petrodata



# Excess Jack-Up Supply Has Disappeared

Middle East rig count has reached new highs

- Significant further increases expected in years ahead

Other markets (West Africa, SE Asia, North Sea and Mexico) still well below prior peaks

- Demand likely to accelerate with current energy backdrop

Material reduction in supply over last 8 years

Regions	Contracted Jack-ups		Change Since Prior Peak
	Apr-14	Nov-22	
Middle East	127	147	20
India	32	32	0
West Africa	20	13	-7
SE Asia	67	41	-26
North Sea	46	32	-14
Mexico	50	37	-13
US GOM	15	4	-11
China	30	58	28
Sub-Total	387	364	-23
<b>Total Under Contract</b>	<b>429</b>	<b>388</b>	<b>-41</b>
Available	24	36	12
<b>Total Active Supply</b>	<b>453</b>	<b>424</b>	<b>-29</b>
<b>% Marketed Utilization</b>	<b>95%</b>	<b>92%</b>	<b>0</b>
<b>Under Construction</b>	<b>141</b>	<b>21</b>	<b>-120</b>

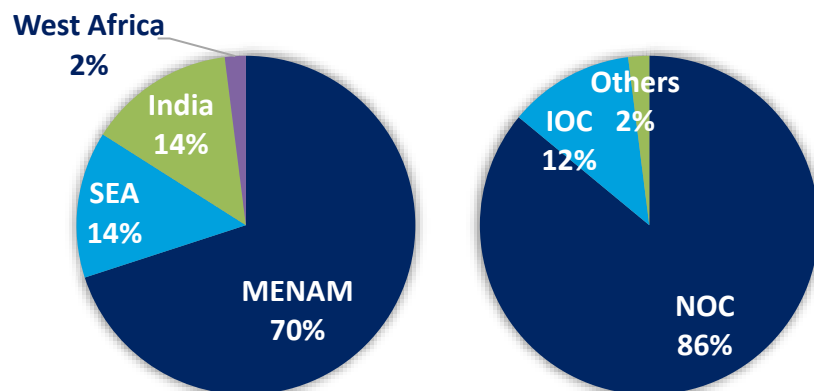
Source: IHS Petrodata as of 08 November 2022. Excludes Cold Stacked Rigs (49 today that are mostly considered non-competitive)

# High Fleet Utilization and Strong Backlog

## Fleet Status Summary (As of 10 Nov 2022)

	Contracted	Available	Total	% Contracted	Contract Expirations				
					Q4 2022	Q1 2023	Q2 2023	H2 2023	2024+
<b>MENAM</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>100%</b>	-	-	-	-	9
Arabian Gulf <sup>1</sup>	10	0	10	100%	-	1	-	-	9
NAF/Med <sup>2</sup>	3	0	3	100%	-	2	-	1	-
<b>India</b>	<b>8</b>	<b>1</b>	<b>9</b>	<b>89%</b>	-	2	-	-	6
<b>West Africa</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>100%</b>	<b>3</b>	<b>3</b>	-	-	-
<b>SE Asia</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>75%</b>	-	-	-	-	3
<b>North Sea</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>100%</b>	-	1	-	2	1
<b>Total</b>	<b>34</b>	<b>2</b>	<b>36</b>	<b>94%</b>	<b>3</b>	<b>9</b>	-	<b>3</b>	<b>19</b>

## Total Backlog – \$1,723 Million (As of 30 Sep 2022)



## Recent Developments

- Completed acquisition of 5 premium jack-ups from Noble on 5 Oct 2022
  - Rigs will be renamed<sup>3</sup>: Noble Hans Deul – SD Perseverance, Noble Sam Hartley – SD Fortress, Noble Sam Turner – SD Winner, Noble Houston Colbert – SD Odyssey, and Noble Lloyd Noble – SD Barsk
  - Noble will continue to perform the current drilling program for SD Barsk under a bareboat charter arrangement until the end of current contract
- SD Victory secured 5-year firm plus 2-year option contract in Arabian Gulf
- SD Winner secured 2-year extension with Total Denmark
- Trident VIII secured 180-day firm plus 90-day option contract with Hans & Co., Ghana

Note (1): Arabian Gulf includes Saudi Arabia, UAE, Bahrain and Oman.

Note (2): North Africa & Mediterranean include Italy, Tunisia and Egypt operations.

Note (3): Official rig naming formalities underway.



**Fit for Purpose Strategy Underpins Commitment to Sustainability**

**Best in Class Operational Platform**

**Strong Customer Relationships and Industry Leading Backlog**

**Concentrated Exposure to Short Cycle, Low Cost,  
Low Carbon Activity**

**Full Cycle Financial Resilience and Balance Sheet Management**

**Well-Positioned to Benefit from Higher Commodity Prices**

# Q3 2022 Results

Shelf Drilling Q3 2022 Results Highlights



## Results of Operations

<i>(In thousands USD)</i>	Q2 2022	Q3 2022
<b>Revenues</b>	\$ 150,674	\$ 166,298
<b>Operating Costs &amp; Expenses</b>		
Operating and maintenance	89,052	88,845
Depreciation	14,447	14,602
Amortization of deferred costs	13,682	17,970
General and administrative	14,295	12,945
Loss on disposal of assets	237	2,887
<b>Operating Income</b>	<b>18,961</b>	<b>29,049</b>
<b>Other Expense, Net</b>		
Interest expense and financing charges, net of interest income	(26,719)	(27,012)
Other, net	209	1,287
<b>(Loss) / Income Before Income Taxes</b>	<b>(7,549)</b>	<b>3,324</b>
Income tax expense	9,182	9,371
<b>Net Loss</b>	<b>\$ (16,731)</b>	<b>\$ (6,047)</b>

## Revenue Summary

- \$15.6 million, or 10.4%, sequential increase in revenues:
  - Effective utilization increased to 85% in Q3 2022 from 78% in Q2 2022, mainly due to:
    - One rig in India (Key Singapore), one rig in Saudi Arabia (High Island V) and two rigs in Thailand (Shelf Drilling Chaophraya and Shelf Drilling Enterprise) that started contracts in late June 2022 and July 2022.
  - Increase in mobilization and other revenues largely driven by India due to the full quarter of operations of the Key Singapore
  - Average dayrate decreased slightly to \$62.0 thousand in Q3 2022 from \$62.6 thousand in Q2 2022
- Significant sequential revenue increase driven by India and Saudi Arabia

	Q2 2022	Q3 2022
<b>Operating Data</b>		
Average marketable rigs <sup>1</sup>	30.0	30.0
Average dayrate <sup>2</sup> (in thousands USD) \$	\$ 62.6	\$ 62.0
Effective utilization <sup>3</sup>	78%	85%
<b>Revenue (in thousands USD)</b>		
Operating revenues – dayrate	\$ 133,529	\$ 145,943
Operating revenues – others	12,640	15,696
Other revenues	4,505	4,659
<b>Total Revenues</b>	<b>\$ 150,674</b>	<b>\$ 166,298</b>

Note (1): "Marketable rigs" are defined as the total number of rigs operating or available to operate, excluding: stacked rigs and rigs under contract for activities other than drilling or plug and abandonment services, as applicable.

Note (2): "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.

Note (3): "Effective utilization" is defined as the 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.

## Operating Expense Summary

- Operating and maintenance of \$88.8 million in Q3 2022, substantially similar to \$89.1 in Q2 2022:
  - Reduction in operating costs for the Shelf Drilling Scepter following completion of contract in Vietnam
  - Lower maintenance and shipyard expenses, primarily for the Shelf Drilling Chaophraya in Thailand and High Island V in Saudi Arabia following completion of out-of-service projects
  - Offset by increases across the rest of the fleet
- General and administrative expenses of \$12.9 million in Q3 2022 decreased by \$1.4 million from Q2 2022 primarily due to the reduction of certain one-time costs incurred for the Acquisition in the prior period

<i>(in thousands USD)</i>	Q2 2022	Q3 2022
<b>Operating Expenses</b>		
Rig operating expenses	\$ 80,136	\$ 79,793
Shore-based expenses	8,916	9,052
<b>Operating and maintenance</b>	<b>\$ 89,052</b>	<b>\$ 88,845</b>
Corporate G&A	\$ 12,158	\$ 12,161
Provision for credit losses, net	32	95
Share-based compensation	631	637
One - time corporate transaction costs	1,474	52
<b>General &amp; administrative</b>	<b>\$ 14,295</b>	<b>\$ 12,945</b>

## Adjusted EBITDA Reconciliation

<i>(In thousands USD)</i>	Q2 2022	Q3 2022
<b>Net Loss</b>	\$ (16,731)	\$ (6,047)
<b>Add Back</b>		
Interest expense and financing charges, net of interest income <sup>1</sup>	26,719	27,012
Income tax expense	9,182	9,371
Depreciation	14,447	14,602
Amortization of deferred costs	13,682	17,970
Loss on disposal of assets	237	2,887
<b>EBITDA</b>	\$ <b>47,536</b>	\$ <b>65,795</b>
One-time corporate transaction costs <sup>2</sup>	1,474	52
<b>Adjusted EBITDA</b>	\$ <b>49,010</b>	\$ <b>65,847</b>
<b>Adjusted EBITDA margin</b>	<b>32.5%</b>	<b>39.6%</b>

Note (1): "Interest expense and financing charges, net of interest income" is defined as interest expenses incurred and accrued on our debt and the amortization of debt issuance fees and costs over the term of the debt, net of interest income.

Note (2): "One-time corporate transaction costs" represents certain one-time third-party professional services.



## Capital Expenditures and Deferred Costs Summary

- Capital Expenditures and Deferred Costs totaled \$59.9 million in Q3 2022, up \$26.8 million from Q2 2022 primarily as a result of:

- Acquisition of the Shelf Drilling Victory in July 2022 and commencement of reactivation of the rig
- Higher spending on fleet spares
- Partially offset by lower spending for one rig in India which commenced a new contract in June 2022
- Lower planned maintenance and shipyard costs for two rigs in Saudi Arabia (High Island V and Shelf Drilling Achiever)

(In thousands USD)

	Q2 2022	Q3 2022
<b>Capital Expenditures and Deferred Costs:</b>		
Regulatory and capital maintenance <sup>1</sup>	\$ 17,280	\$ 12,613
Contract preparation <sup>2</sup>	12,649	5,756
Fleet spares and other <sup>3</sup>	3,138	6,839
	<u>\$ 33,067</u>	<u>\$ 25,208</u>
Rig acquisitions <sup>4</sup>	30	34,657
<b>Total Capital Expenditures and Deferred Costs</b>	<b>\$ 33,097</b>	<b>\$ 59,865</b>
<i>Reconciliation to Statements of Cash Flow</i>		
Cash payments for additions to PP&E	\$ 9,605	\$ 44,083
Net change in accrued but unpaid additions to PP&E	(394)	(101)
	<u>\$ 9,211</u>	<u>\$ 43,982</u>
Changes in deferred costs, net	\$ 10,204	\$ (2,087)
Add: Amortization of deferred costs	13,682	17,970
	<u>\$ 23,886</u>	<u>\$ 15,883</u>
<b>Total Capital Expenditures and Deferred Costs</b>	<b>\$ 33,097</b>	<b>\$ 59,865</b>

Note: (1): "Regulatory and capital maintenance" includes major overhauls, regulatory costs, general upgrades and sustaining capital expenditures.

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 expenditures.

Note: (4): "Rig acquisitions" includes capital expenditures associated with the acquisition and readiness project for the Shelf Drilling Victory acquired in July 2022.

## Capital Structure Summary

<i>(In millions USD)</i>	YE 2020	YE 2021	Q2 2022	Q3 2022
Cash and Cash Equivalents	\$ 73	\$ 232	\$ 220	\$ 157
Restricted cash	16	21	26	276
Total Long-lived Assets <sup>1</sup>	1,168	1,166	1,161	1,185
<b>Total Assets</b>	<b>\$ 1,516</b>	<b>\$ 1,618</b>	<b>\$ 1,636</b>	<b>\$ 1,868</b>
8.25% Senior unsecured notes due 2025 <sup>2</sup>	\$ 891	\$ 893	\$ 894	\$ 895
8.875% Senior secured notes due 2024 <sup>3</sup>	—	299	301	302
10.25% Senior secured notes due 2025 <sup>4</sup>	—	—	—	238
8.75% Senior secured notes due 2024 <sup>5</sup>	78	—	—	—
RCF Drawdowns due 2023	55	—	—	—
<b>Total Debt</b>	<b>\$ 1,024</b>	<b>\$ 1,192</b>	<b>\$ 1,195</b>	<b>\$ 1,435</b>
Net Debt	\$ 951	\$ 960	\$ 975	\$ 1,278
<b>Total Equity</b>	<b>\$ 289</b>	<b>\$ 214</b>	<b>\$ 242</b>	<b>\$ 236</b>

- LTM Adjusted EBITDA of \$216.5 million and Net Leverage ratio of 5.9x as of September 30, 2022
- Total restricted cash securing bank guarantees was \$30.6 million at September 30, 2022 compared to \$26.4 million at June 30, 2022. Balance as of September 30, 2022 also includes \$245.2 million from the issuance of \$250.0 million of 10.25% Senior Secured Notes to partially finance the Acquisition in October 2022
- Total shares outstanding of 175.5 million as of September 30, 2022
  - Primary insiders: 66.4 million or 37.8%, consisting primarily of China Merchants: 26.8 million (15.3%), Castle Harlan: 19.7 million (11.2%) and Lime Rock: 17.2 million (9.8%)

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. This excludes assets held for sale.

Note (2): Reflects carrying value. Principal value is \$900.0 million.

Note (3): Reflects carrying value. Principal value is \$310.0 million.

Note (4): Reflects carrying value. Principal value is \$250.0 million.

Note (5): Reflects carrying value. Principal value was \$80.0 million for YE 2020.

## Free Cash Flow Summary

- Q3 2022 Adjusted EBITDA of \$65.8 million and Adjusted EBITDA Margin of 40%, representing \$16.8 million sequential increase
- Cash and cash equivalents decreased by \$63.0 million to \$156.9 million during Q3 2022, mainly due to:
  - Purchase of Shelf Drilling Victory in July 2022 (\$24.0 million balance payment) and commencement of reactivation project
  - Higher cash interest payment in Q3 2022 (\$37.1 million vs \$13.8 million in Q2 2022)
  - Build in net working capital following increase in revenues and EBITDA

Quarterly Cash Flow Summary (\$MM)	Q2 2022	Q3 2022
<b>Adjusted EBITDA</b>	\$ 49.0	\$ 65.8
Adjustments	1.5	0.1
<b>EBITDA</b>	\$ 47.5	\$ 65.7
Interest expense, net of interest income	(26.7)	(27.0)
Income tax expense	(9.2)	(9.4)
Capital expenditures and deferred costs <sup>1</sup>	(33.1)	(25.2)
<b>Sub-Total</b>	\$ (21.5)	\$ 4.1
<i>Growth Projects</i>		
Capex / Deferred Costs: Rig Acquisitions	—	(34.7)
<i>Working Capital Impact</i>		
Interest <sup>2</sup>	13.0	(10.1)
Other	9.0	(25.2)
<b>Sub-Total</b>	\$ 22.0	\$ (70.0)
Net proceeds from issuance of debt	—	242.3
Restricted cash for Rig acquisitions	—	(245.2)
Net proceeds from issuance of common shares	48.5	(0.2)
Deposits for Rig Acquisitions	(43.5)	6.0
<b>Net Change in Cash and Cash Equivalents</b>	\$ 5.5	\$ (63.0)
Beginning Cash	214.4	219.9
<b>Ending Cash and Cash Equivalents</b>	\$ 219.9	\$ 156.9

Note (1): Excludes rig acquisitions.

Note (2): Represents the difference between interest expense, net and cash interest payments during the period.



**SHELF  
DRILLING**