

# **Shelf Drilling, Ltd.**

Form 10-Q Equivalent  
for the six months ended June 30, 2025 and 2024

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**SHELF DRILLING, LTD.  
SIX MONTHS ENDED JUNE 30, 2025 AND 2024  
(UNAUDITED)**

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**SHELF DRILLING, LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share data)  
(Unaudited)

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Revenues</b>				
Operating revenues .....	\$ 234.2	\$ 226.8	\$ 470.2	\$ 473.8
Other revenues .....	7.0	7.2	16.7	14.9
	<u>241.2</u>	<u>234.0</u>	<u>486.9</u>	<u>488.7</u>
<b>Operating costs and expenses</b>				
Operating and maintenance .....	129.6	141.8	259.0	291.3
Depreciation .....	21.4	21.6	42.6	42.9
Amortization of deferred costs .....	19.4	26.0	39.6	45.6
General and administrative .....	14.4	16.2	31.2	34.2
Impairment loss .....	3.0	—	3.0	—
(Gain) / loss on disposal of assets .....	(0.9)	1.2	(4.0)	2.2
	<u>186.9</u>	<u>206.8</u>	<u>371.4</u>	<u>416.2</u>
<b>Operating income</b> .....	<u>54.3</u>	<u>27.2</u>	<u>115.5</u>	<u>72.5</u>
<b>Other expense / (income), net</b>				
Interest income .....	(0.9)	(0.8)	(1.8)	(1.7)
Interest expense and financing charges .....	35.9	46.8	72.5	83.6
Other, net .....	1.7	1.3	2.0	5.5
	<u>36.7</u>	<u>47.3</u>	<u>72.7</u>	<u>87.4</u>
<b>Income / (loss) before income taxes</b> .....	<u>17.6</u>	<u>(20.1)</u>	<u>42.8</u>	<u>(14.9)</u>
Income tax expense .....	6.4	7.9	17.9	16.9
<b>Net income / (loss)</b> .....	<u>11.2</u>	<u>(28.0)</u>	<u>24.9</u>	<u>(31.8)</u>
Net loss attributable to non-controlling interest .....	—	(13.4)	—	(21.6)
<b>Net income / (loss) attributable to controlling interest</b> .....	<u>\$ 11.2</u>	<u>\$ (14.6)</u>	<u>\$ 24.9</u>	<u>\$ (10.2)</u>
Net income / (loss) per common share - basic .....	\$ 0.04	\$ (0.07)	\$ 0.10	\$ (0.05)
Net income / (loss) per common share - diluted .....	\$ 0.04	\$ (0.07)	\$ 0.10	\$ (0.05)
Weighted average common shares - basic .....	256.4	213.7	256.3	213.7
Weighted average common shares - diluted .....	258.9	213.7	259.9	213.7

See notes to the condensed consolidated financial statements.



**SHELF DRILLING, LTD.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except per share data)  
(Unaudited)

	June 30, 2025	December 31, 2024
<b>Assets</b>		
Cash and cash equivalents .....	\$ 171.5	\$ 152.3
Accounts and other receivables .....	207.0	231.3
Less: Allowance for credit losses .....	7.3	7.1
Accounts and other receivables, net .....	199.7	224.2
Assets held for sale .....	—	6.6
Other current assets .....	87.4	100.6
<b>Total current assets</b> .....	458.6	483.7
Property and equipment .....	2,140.0	2,129.2
Less: Accumulated depreciation .....	744.8	704.5
Property and equipment, net .....	1,395.2	1,424.7
Deferred tax assets .....	7.8	9.0
Other long-term assets .....	149.7	159.8
<b>Total assets</b> .....	<u>\$ 2,011.3</u>	<u>\$ 2,077.2</u>
<b>Liabilities and equity</b>		
Accounts payable .....	\$ 88.3	\$ 94.4
Interest payable .....	24.0	24.9
Accrued income taxes .....	13.8	17.4
Current maturities of long-term debt .....	95.0	119.9
Other current liabilities .....	58.5	86.6
<b>Total current liabilities</b> .....	279.6	343.2
Long-term debt .....	1,218.9	1,236.8
Deferred tax liabilities .....	4.0	4.4
Other long-term liabilities .....	53.1	64.5
<b>Total long-term liabilities</b> .....	1,276.0	1,305.7
Commitments and contingencies (Note 9) .....	—	—
Common shares of \$0.01 par value; 278.1 shares authorized as of June 30, 2025 and December 31, 2024; 256.4 shares and 255.8 shares issued and outstanding as of June 30, 2025 and December 31, 2024, respectively .....	2.6	2.6
Additional paid-in capital .....	1,177.2	1,174.7
Accumulated losses .....	(724.1)	(749.0)
<b>Total equity</b> .....	455.7	428.3
<b>Total liabilities and equity</b> .....	<u>\$ 2,011.3</u>	<u>\$ 2,077.2</u>

See notes to the condensed consolidated financial statements.

**SHELF DRILLING, LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(In millions)

(Unaudited)

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Number of common shares</b>				
Balance, beginning of period.....	256.4	213.7	255.8	213.7
Issuance of common shares.....	—	—	0.6	—
Balance, end of period.....	256.4	213.7	256.4	213.7
<b>Common shares</b>				
Balance, beginning of period.....	\$ 2.6	\$ 2.1	\$ 2.6	\$ 2.1
Balance, end of period.....	2.6	2.1	2.6	2.1
<b>Additional paid-in capital</b>				
Balance, beginning of period.....	1,176.0	1,161.3	1,174.7	1,160.3
Share-based compensation expense, net of forfeitures.....	1.2	1.3	2.5	2.3
Balance, end of period.....	1,177.2	1,162.6	1,177.2	1,162.6
<b>Accumulated losses</b>				
Balance, beginning of period.....	(735.3)	(826.0)	(749.0)	(830.4)
Net income / (loss).....	11.2	(14.6)	24.9	(10.2)
Balance, end of period.....	(724.1)	(840.6)	(724.1)	(840.6)
<b>Total controlling interest shareholders' equity</b>				
Balance, beginning of period.....	443.3	337.4	428.3	332.0
Net income / (loss).....	11.2	(14.6)	24.9	(10.2)
Share-based compensation expense, net of forfeitures.....	1.2	1.3	2.5	2.3
Balance, end of period.....	455.7	324.1	455.7	324.1
<b>Non-controlling interest</b>				
Balance, beginning of period.....	—	62.1	—	70.3
Net loss.....	—	(13.4)	—	(21.6)
Balance, end of period.....	—	48.7	—	48.7
<b>Total equity</b> .....	<b>\$ 455.7</b>	<b>\$ 372.8</b>	<b>\$ 455.7</b>	<b>\$ 372.8</b>

See notes to the condensed consolidated financial statements.

**SHELF DRILLING, LTD.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)

(Unaudited)

	Six months ended June 30,	
	2025	2024
<b>Cash flows from operating activities</b>		
Net income / (loss) .....	\$ 24.9	\$ (31.8)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities		
Depreciation .....	42.6	42.9
Impairment loss .....	3.0	—
Provision for credit losses, net .....	0.1	0.6
Amortization of deferred revenue .....	(18.5)	(20.8)
Amortization of intangible liability .....	(4.5)	(6.4)
Share-based compensation expense, net of forfeitures .....	2.5	2.3
Non-cash portion of loss on debt extinguishment .....	—	5.9
Loss on debt extinguishment .....	—	3.7
Amortization of debt issuance costs and discounts .....	5.4	6.2
(Gain) / loss on disposal of assets .....	(4.0)	2.2
Deferred tax expense, net .....	0.8	1.2
Changes in deferred costs, net* .....	20.4	(5.8)
Foreign currency transaction (gains) / losses .....	(0.6)	5.2
Changes in operating assets and liabilities .....	(4.7)	25.9
Net cash provided by operating activities .....	67.4	31.3
<b>Cash flows from investing activities</b>		
Additions to property and equipment* .....	(16.5)	(33.6)
Advance payment for property and equipment .....	—	(0.8)
Proceeds from disposal of assets .....	10.1	0.7
Proceeds from insurance recovery .....	5.7	—
Net cash used in investing activities .....	(0.7)	(33.7)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt .....	—	309.8
Payment of debt issuance costs .....	(0.5)	(6.4)
Payment of long-term debt .....	(47.5)	(243.8)
Payment of debt extinguishment costs .....	—	(3.8)
Repayment of term loan .....	—	(8.3)
Proceeds from credit facility .....	—	25.0
Repayment of credit facility .....	—	(25.0)
Payment of equity issuance costs .....	(0.3)	—
Net cash provided by / (used in) financing activities .....	(48.3)	47.5
Exchange rate change effect on cash, cash equivalents and restricted cash .....	0.6	(5.2)
Net increase in cash, cash equivalents and restricted cash .....	19.0	39.9
Cash, cash equivalents and restricted cash at beginning of period* .....	161.7	107.0
<b>Cash, cash equivalents and restricted cash at end of period*</b> .....	<b>\$ 180.7</b>	<b>\$ 146.9</b>

\* See Note 13 – Supplemental Cash Flow Information for a reconciliation of cash payments for additions to property and equipment and changes in deferred costs, net to total capital expenditures and deferred costs and a reconciliation of cash, cash equivalents and restricted cash balances.

See notes to the condensed consolidated financial statements.

**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

## **Note 1 – Basis of Presentation**

### **Basis of Presentation**

Shelf Drilling, Ltd. (“SDL”) with its majority owned subsidiaries (together, the “Company”, “we” or “our”) has prepared the accompanying condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”). Pursuant to such rules and regulations, these financial statements do not include all disclosures required by GAAP for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of financial position, results of operations and cash flows for the interim periods. Such adjustments are of a normal recurring nature unless otherwise noted. Operating results for the three and six months ended June 30, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company’s Form 10-K Equivalent for the year ended December 31, 2024. The amounts are presented in United States (“U.S.”) dollar (“\$”) rounded to the nearest tenth of a million, unless otherwise stated. The Company’s significant accounting policies are included in the Company’s Form 10-K Equivalent for the year ended December 31, 2024.

## **Note 2 – Accounting Standards Updates**

### **Standards Not Yet Adopted**

In December 2023, the FASB issued ASU No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires a tabular reconciliation using both percentages and amounts, broken out into specific categories with certain reconciling items at or above 5% of the statutory tax further broken out by nature and/or jurisdiction. This ASU also has disclosure requirements related to income taxes paid (net of refunds received), broken out between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes paid. The ASU is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not intend to early adopt this standard. The Company is currently reviewing the impact of the adoption on the condensed consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03 Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40), which requires tabular footnote disclosure about specific expenses included in income statement captions that includes (1) purchases of inventory, (2) employee compensation, (3) depreciation, (4) intangible asset amortization and (5) depreciation, depletion, and amortization recognized as part of oil and natural gas producing activities. The standard also requires the total amount of selling expenses and the definition of selling expenses. The ASU is effective for fiscal years beginning after December 15, 2026 and interim reporting periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. The Company does not intend to early adopt this standard. The Company is currently reviewing the impact of the adoption on the condensed consolidated financial statements.

## **Note 3 – Revenues**

As of June 30, 2025, the drilling contract with the longest expected remaining duration, excluding unexercised options, extends through July 2031.

### **Contract Liabilities and Deferred Contract Costs**

#### *Contract Liabilities*

The Company recognizes a contract liability when we invoice an amount which is greater than the revenues allocated to the related performance obligations for goods or services transferred to a customer. Contract liabilities include fees for contract preparation, capital upgrades, mobilization and advance payments from customers for future services which are recorded as other current liabilities and other long-term liabilities, as appropriate, in the condensed consolidated balance sheets.



**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

Following are the details of the contract liabilities (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Current contract liabilities .....	\$ 24.4	\$ 44.6
Non-current contract liabilities .....	7.1	11.5
	<u>\$ 31.5</u>	<u>\$ 56.1</u>

Significant changes in contract liabilities were as follows (in millions):

	<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Balance, beginning of period .....	\$ 56.1	\$ 100.5
Increase due to contractual additions .....	18.1	22.1
Decrease due to amortization of deferred revenue .....	(18.5)	(20.8)
Decrease due to application of customer deposits and other .....	(24.2)	(11.1)
Balance, end of period .....	<u>\$ 31.5</u>	<u>\$ 90.7</u>

Revenues recognized of \$28.3 million and \$21.9 million during the six months ended June 30, 2025 and 2024, respectively, were included in the beginning contract liabilities balances.

Expected future amortization of contract liabilities, net recorded as of June 30, 2025 is as follows (in millions):

	<b>As of June 30, 2025</b>
Remainder of 2025 .....	\$ 15.7
2026 .....	14.8
2027 .....	1.0
	<u>\$ 31.5</u>

*Deferred Contract Costs*

The Company's deferred contract costs are mainly related to contract preparation and mobilization costs. Certain non-contractual costs such as regulatory inspections, major equipment overhauls (including rig upgrades), and stacked rig activations are expensed, deferred or capitalized into property and equipment as appropriate and are not included in deferred contract costs.

Following are the details of the deferred contract costs (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Current deferred contract costs .....	\$ 37.1	\$ 47.4
Non-current deferred contract costs .....	10.5	21.3
	<u>\$ 47.6</u>	<u>\$ 68.7</u>

**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

Significant changes in deferred contract costs are as follows (in millions):

	<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Balance, beginning of period .....	\$ 68.7	\$ 78.5
Increase due to contractual additions .....	5.0	27.7
Decrease due to amortization of deferred contract costs .....	(23.1)	(27.4)
Decrease due to impairment of deferred contract costs .....	(3.0)	(0.7)
Balance, end of period .....	<u>\$ 47.6</u>	<u>\$ 78.1</u>

During the three and six months ended June 30, 2025, the Company recorded deferred contract costs impairment of \$3.0 million for a rig due to a discontinued contract.

**Allowance for Credit Losses**

Allowance for credit losses was as follows (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Allowance for credit losses .....	\$ 7.3	\$ 7.1

Movements in allowance for credit losses were as follows (in millions):

	<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Balance, beginning of period .....	\$ 7.1	\$ 8.5
Provision for credit losses, net .....	0.1	0.6
Write-off of uncollectible amounts .....	—	(3.2)
Foreign exchange and other .....	0.1	—
Balance, end of period .....	<u>\$ 7.3</u>	<u>\$ 5.9</u>

**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 4 – Net Income / (Loss) Per Common Share**

The computation of basic and diluted net income / (loss) per common share are as follows (in millions, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<b>Numerator for net income / (loss) per common share</b>				
Net income / (loss) attributable to controlling interest...	\$ 11.2	\$ (14.6)	\$ 24.9	\$ (10.2)
<b>Denominator for net income / (loss) per common share</b>				
Weighted average common shares:				
Weighted average common shares - basic .....	256.4	213.7	256.3	213.7
Weighted average common shares - diluted .....	258.9	213.7	259.9	213.7
Net income / (loss) per common share - basic .....	\$ 0.04	\$ (0.07)	\$ 0.10	\$ (0.05)
Net income / (loss) per common share - diluted .....	\$ 0.04	\$ (0.07)	\$ 0.10	\$ (0.05)

In February 2025 and 2024, the Company granted service and market based restricted stock units which are included in the diluted weighted average common shares.

**Note 5 – Property and Equipment**

**Disposal of Assets**

Disposal of assets were as follows (in millions):

	Six months ended June 30,	
	2025	2024
Net carrying value .....	\$ 7.6	\$ 2.9
Net proceeds .....	\$ 11.6	\$ 0.7
(Gain) / loss on disposal of assets .....	\$ (4.0)	\$ 2.2

**Assets Held for Sale**

As of December 31, 2024, the Main Pass I was recorded as asset held for sale. In December 2024, the Company entered into an agreement to sell the Main Pass I rig with a carrying value of \$6.6 million. The Company received proceeds of \$1.1 million in December 2024 and the remaining net proceeds of \$8.3 million were received at the completion of sale in January 2025. The Company recognized a gain on disposal of \$2.8 million during the six months ended June 30, 2025.

**Trident VIII Incident**

In April 2024, the Trident VIII rig suffered structural leg damage while it was under contract in West Africa. During the six months ended June 30, 2025, the Company received insurance proceeds of \$5.7 million, which reduced the insurance receivable balance from \$6.5 million as of December 31, 2024 to \$0.8 million as of June 30, 2025.

In December 2024, the Company entered into an agreement to sell the rig for total proceeds of \$1.7 million. The Company received \$0.5 million in December 2024 and the remaining \$1.2 million at the completion of transaction in April 2025. The Company recognized a gain on disposal of \$1.0 million during the six months ended June 30, 2025.

**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 6 – Intangible Liability**

Following are the details of the intangible liability (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Intangible liability <sup>(1)</sup>	\$ 4.0	\$ 8.5

(1) Recorded in other long-term liabilities on the condensed consolidated balance sheets.

The gross carrying amount and the accumulated amortization of intangible liability are as follows (in millions):

	<b>As of June 30, 2025</b>		
	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
Balance, beginning of period	\$ 43.1	\$ (34.6)	\$ 8.5
Amortization	—	(4.5)	(4.5)
Balance, end of period	<u>\$ 43.1</u>	<u>\$ (39.1)</u>	<u>\$ 4.0</u>

  

	<b>As of December 31, 2024</b>		
	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net carrying amount</b>
Balance, beginning of year	\$ 43.1	\$ (21.8)	\$ 21.3
Amortization	—	(12.8)	(12.8)
Balance, end of year	<u>\$ 43.1</u>	<u>\$ (34.6)</u>	<u>\$ 8.5</u>

The estimated future amortization of the intangible liability is as follows (in millions):

	<b>As of June 30, 2025</b>
Remainder of 2025	\$ 3.0
2026	1.0
	<u>\$ 4.0</u>

  

Weighted average life (in years)	0.7
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Amounts recorded for amortization of intangible liability were as follows (in millions):

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Amortization of intangible liability <sup>(1)</sup>	\$ 1.5	\$ 3.2	\$ 4.5	\$ 6.4

(1) Recorded in the operating revenues in the condensed consolidated statements of operations.

**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Note 7 – Debt**

The principal amounts and carrying values of debt are as follows (in millions):

	As of	
	June 30, 2025	December 31, 2024
Term loan, due March 2027		
Principal amount .....	\$ 25.0	\$ 25.0
Unamortized discount .....	(0.2)	(0.1)
Carrying value .....	24.8	24.9
9.625% senior secured notes, due April 2029		
Principal amount .....	1,020.0	1,057.5
Unamortized debt issuance costs .....	(14.0)	(15.9)
Unamortized discount .....	(13.9)	(15.7)
Carrying value .....	992.1	1,025.9
9.875% senior secured bonds, due November 2028		
Principal amount .....	305.0	315.0
Unamortized debt issuance costs .....	(4.1)	(4.6)
Unamortized discount .....	(3.9)	(4.5)
Carrying value .....	297.0	305.9
Total carrying value .....	1,313.9	1,356.7
Less: Current maturities of long-term debt		
Term loan, due March 2027 .....	—	24.9
9.625% senior secured notes, due April 2029 .....	75.0	75.0
9.875% senior secured bonds, due November 2028 .....	20.0	20.0
	95.0	119.9
Total long-term debt .....	\$ 1,218.9	\$ 1,236.8

**SHELF DRILLING, LTD.**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

Following is a summary of scheduled debt principal payments (in millions):

	<b>As of June 30, 2025</b>
Twelve months ending June 30,	
2026 .....	\$ 95.0
2027 .....	120.0
2028 .....	95.0
2029 .....	1,040.0
Total .....	<u>\$ 1,350.0</u>

**Term Loan, due March 2027**

On March 28, 2025, Shelf Drilling Holdings, Ltd. ("SDHL"), an indirect wholly-owned subsidiary of SDL, effected an amendment to the term loan facility agreement, whereby the existing lender agreed to transfer its entire \$25.0 million participation to new lenders and the maturity date was extended from March 31, 2025 to March 31, 2027 ("Term Loan").

The amendment to the term loan facility agreement was accounted for as a debt modification. As of June 30, 2025, \$0.3 million of amendment costs were capitalized as unamortized discount and \$1.1 million of third party costs were expensed in general and administrative expenses. The effective interest rate on the Term Loan is 10.34%. Interest is payable quarterly and is calculated as follows:

1. The term secured overnight financing rate administrated by the CME Group benchmark administration; plus
2. Margin rate of 5.50%.

The Term Loan is subject to make-whole premium which means, on any prepayment date, an amount equal to the present value of all required and scheduled interest payments that would otherwise have accrued or been due on the prepayment amount from (and including) the prepayment date to (and including) the period from March 28, 2025 to and including the day immediately preceding the first anniversary of March 28, 2025 (and assuming the then current interest rate applies throughout the period with interest periods of three months) computed at the prepayment date using a discount rate equal to the treasury rate at the prepayment date. The Term Loan is subject to a prepayment fee which is calculated as follows:

<b>Prepayment date</b>	<b>Prepayment fee</b>
After March 28, 2025 and before the first 12 months .....	Greater of the make-whole premium or 2.00% of the prepayment amount
After the first 12 months but before 18 months .....	2.00% of the prepayment amount
After the first 18 months but before the termination date ....	1.00% of the prepayment amount
Termination date .....	None

The Term Loan is subject to a consolidated net leverage ratio of 3.75 which will be tested when the credit facility is drawn greater than or equal to 40%. The Company was in compliance with all covenants of its debt agreements as of June 30, 2025.

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**Note 8 – Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued liabilities, operating lease liabilities and short-term debt, approximate their fair market values due to the short-term duration and/or the nature of the instruments.

The following table represents the carrying value and fair value of debt and money market funds (in millions):

	As of		As of	
	June 30, 2025		December 31, 2024	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
9.625% senior secured notes, due April 2029 .....	\$ 992.1	\$ 824.1	\$ 1,025.9	\$ 893.7
9.875% senior secured bonds, due November 2028 .....	\$ 297.0	\$ 292.4	\$ 305.9	\$ 309.8
Term loan, due March 2027 .....	\$ 24.8	\$ 23.6	\$ —	\$ —
Money market funds .....	\$ 41.6	\$ 41.6	\$ 15.3	\$ 15.3

The estimated fair value of the senior secured notes and money market funds was determined using quoted market prices or Level 1 inputs. The estimated fair value of the Term Loan was determined using Level 3 inputs.

**Note 9 – Commitments and Contingencies**

**Legal Proceedings**

The Company is involved in various claims and lawsuits in the normal course of business. The Company does not believe that the resolution of these legal proceedings will have a material adverse impact on its financial condition, results of operations, or cash flows.

**Surety Bonds and Other Bank Guarantees**

It is customary in the Company's business to have various surety bonds in place that secure customs obligations relating to the temporary importation of rigs and equipment and certain contractual performance and other obligations. The Company maintains surety bond facilities in either U.S. dollars or local currencies provided by several banks in India, the United Kingdom, United Arab Emirates, Saudi Arabia, Nigeria, Vietnam and Thailand, which are secured by restricted cash balances or Credit Facility to guarantee various contractual, performance and customs obligations.

The total and outstanding surety bond facilities were as follows (in millions):

	As of	
	June 30, 2025	December 31, 2024
Total surety bond facilities .....	\$ 144.7	\$ 121.9
Outstanding surety bonds .....	\$ 107.7	\$ 88.8

**Note 10 – Equity**

**Authorized Share Capital**

On June 12, 2024, the Company amended its articles of association to increase the authorized capital to 278.1 million shares.

**SHELF DRILLING, LTD.**  
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**Common Shares Issuance**

On October 11, 2024, the Company acquired the remaining 40% shares in SDNS by issuing 42.0 million common shares with a par value of \$0.01 per common share and cash of \$30.1 million to previous SDNS shareholders, and associated equity issuance costs were \$1.4 million. SDNS has become a wholly-owned subsidiary of SDL at completion of this transaction.

**Note 11 – Income Taxes**

Income tax expense for the three and six months ended June 30, 2025 and 2024, was calculated using a discrete approach whereby income tax expense is determined by estimating the actual income tax liability that will result from earnings from continued operations for the three and six months ended June 30, 2025 and 2024, rather than by using an estimated annual effective income tax rate as applied to year-to-date income before income taxes, primarily due to management's view that it was not possible to reliably estimate an annual 2025 and 2024 effective tax rate given the sensitivity of the estimated annual effective tax rate to any changes in annual income or losses before income tax.

The Company's income tax expense (in millions) and effective income tax rate were as follows:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Income tax expense .....	\$ 6.4	\$ 7.9	\$ 17.9	\$ 16.9
Effective tax rate .....	36 %	(39)%	42 %	(113)%

Income tax expense for the three months ended June 30, 2025 was lower than for the same period in 2024. The decrease was primarily driven by a taxable loss incurred in a certain jurisdiction in the current period, compared to taxable income in that jurisdiction in the prior period, and favorable exchange rate fluctuations against income tax receivables in the current period. These decreases were partially offset by tax expense recognized under Pillar Two of the OECD global minimum tax framework, which did not apply to the Company in the prior period, and by higher revenue in certain jurisdictions in the current period.

Income tax expense for the six months ended June 30, 2025 was higher than for the same period in 2024. The increase was primarily driven by tax expense recognized under Pillar Two of the OECD global minimum tax framework, which applied to the Company for the first time in the current period, higher revenue in certain jurisdictions in the current period, and increased liabilities for uncertain tax positions due to unfavorable exchange rate fluctuations in the current period, compared to reductions in such liabilities in the prior period resulting from favorable exchange rate movements. These increases were partially offset by a taxable loss incurred in a certain jurisdiction in the current period, compared to taxable income in that jurisdiction in the prior period, and favorable exchange rate fluctuations against income tax receivables in the current period.

**Tax Returns and Examinations**

The Company is engaged in ongoing income tax disputes and/or tax audits in various jurisdictions, including Italy, Egypt, India, Nigeria and Thailand. The Company is vigorously contesting all substantial assessments and has recorded tax reserves for all amounts that the Company deems more likely than not to be sustained in favor of the tax authorities upon final resolution. If the Company were to lose one or more tax disputes, income tax liability could increase substantially and the Company's earnings and cash flows from operations could be materially adversely affected. As of June 30, 2025, the 2013 through 2024 income tax periods remain open for examination in multiple jurisdictions.



**SHELF DRILLING, LTD.**  
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**Note 12 – Variable Interest Entities**

The Company, through a wholly-owned indirect subsidiary, is the primary beneficiary of variable interest entities (“VIEs”) providing services which are Shelf Drilling Ventures (Malaysia) Sdn. Bhd. (“SDVM”), PT. Hitek Nusantara Offshore Drilling (“PT Hitek”), Shelf Drilling (Nigeria) Limited (“SDNL”), Shelf Drilling Offshore Services Limited (“SDOSL”) and Shelf Drilling (Angola), Limitada (“SDAL”) and which are included in these condensed consolidated financial statements.

These VIEs are incorporated in jurisdictions where majority or significant foreign ownership of domestic companies is restricted or commercially incompatible with local content requirements. To comply with such foreign ownership and/or local content restrictions, the Company and the relevant local third parties, described further below, have established these VIEs and have contractual arrangements to convey decision-making and economic rights to the Company.

Following is the information about the third party interests in the VIEs:

	Third party country of incorporation	Third party ownership percentage	
		June 30, 2025	December 31, 2024
SDVM .....	Malaysia	60%	60%
PT Hitek .....	Indonesia	20%	20%
SDNL .....	Nigeria	51%	51%
SDOSL .....	Nigeria	20%	20%
SDAL .....	Angola	51%	51%

Each of the third parties listed above are not in a position to provide additional financing to their respective VIEs and do not participate in any gains and/or losses. The Company is the primary beneficiary as it has the power to direct the operating and marketing activities, which are the activities that most significantly impact each entity’s economic performance, and has the obligation to absorb losses and the right to receive a majority of the benefits of the VIEs. Therefore, the Company has determined that the VIEs meet the criteria to be presented as consolidated entities in the Company’s condensed consolidated financial statements.

Following are revenues and operating costs and expenses of the VIEs, after eliminating the effect of intercompany transactions, for the six months ended June 30, 2025 and 2024 (in millions):

	SDVM	PT Hitek	SDNL	SDOSL	SDAL	Total
<b>June 30, 2025:</b>						
Revenues .....	\$ 2.0	\$ —	\$ 59.1	\$ —	\$ 6.7	\$ 67.8
Operating costs and expenses .....	\$ 1.7	\$ 0.2	\$ 42.6	\$ 3.1	\$ 6.9	\$ 54.5
<b>June 30, 2024:</b>						
Revenues .....	\$ —	\$ —	\$ 48.4	\$ —	\$ 6.7	\$ 55.1
Operating costs and expenses .....	\$ 0.1	\$ 0.2	\$ 37.6	\$ 2.4	\$ 5.9	\$ 46.2

There are no material differences between the results of operations and cash flows of the consolidated Company, inclusive of the VIEs listed above, than there would have been if the VIEs operations were run out of a wholly-owned subsidiary of the Company.

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Following are the assets and liabilities of the VIEs, after eliminating the effect of intercompany transactions, as of June 30, 2025 (in millions):

	<b>SDVM</b>	<b>PT Hitek</b>	<b>SDNL</b>	<b>SDOSL</b>	<b>SDAL</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents .....	\$ 0.4	\$ 0.2	\$ 4.8	\$ 0.2	\$ 2.1	\$ 7.7
Accounts and other receivables, net.....	0.9	0.1	19.1	—	2.8	22.9
Other current assets .....	—	—	0.2	0.9	0.3	1.4
<b>Total current assets</b> .....	<b>1.3</b>	<b>0.3</b>	<b>24.1</b>	<b>1.1</b>	<b>5.2</b>	<b>32.0</b>
Property and equipment, net .....	—	—	2.0	—	—	2.0
Other long-term assets .....	—	—	5.6	1.2	—	6.8
<b>Total non-current assets</b> .....	<b>—</b>	<b>—</b>	<b>7.6</b>	<b>1.2</b>	<b>—</b>	<b>8.8</b>
<b>Total assets</b> .....	<b>\$ 1.3</b>	<b>\$ 0.3</b>	<b>\$ 31.7</b>	<b>\$ 2.3</b>	<b>\$ 5.2</b>	<b>\$ 40.8</b>
<b>Liabilities</b>						
Accounts payable .....	\$ —	\$ —	\$ 7.4	\$ 0.2	\$ 0.9	\$ 8.5
Other current liabilities .....	0.4	0.1	3.4	0.6	0.5	5.0
<b>Total current liabilities</b> .....	<b>0.4</b>	<b>0.1</b>	<b>10.8</b>	<b>0.8</b>	<b>1.4</b>	<b>13.5</b>
Other long-term liabilities .....	0.1	0.2	—	0.8	—	1.1
<b>Total long-term liabilities</b> .....	<b>0.1</b>	<b>0.2</b>	<b>—</b>	<b>0.8</b>	<b>—</b>	<b>1.1</b>
<b>Total liabilities</b> .....	<b>\$ 0.5</b>	<b>\$ 0.3</b>	<b>\$ 10.8</b>	<b>\$ 1.6</b>	<b>\$ 1.4</b>	<b>\$ 14.6</b>
<b>Carrying amount, net</b> .....	<b>\$ 0.8</b>	<b>\$ —</b>	<b>\$ 20.9</b>	<b>\$ 0.7</b>	<b>\$ 3.8</b>	<b>\$ 26.2</b>

**SHELF DRILLING, LTD.**  
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Following are the assets and liabilities of the VIEs, after eliminating the effect of intercompany transactions, as of December 31, 2024 (in millions):

	<b>SDVM</b>	<b>PT Hitek</b>	<b>SDNL</b>	<b>SDOSL</b>	<b>SDAL</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents .....	\$ —	\$ 0.2	\$ 2.8	\$ 0.1	\$ 1.2	\$ 4.3
Accounts and other receivables, net.....	0.7	0.1	13.6	—	3.9	18.3
Other current assets .....	—	—	0.1	0.5	0.5	1.1
<b>Total current assets</b> .....	<b>0.7</b>	<b>0.3</b>	<b>16.5</b>	<b>0.6</b>	<b>5.6</b>	<b>23.7</b>
Property and equipment, net .....	—	—	2.0	—	—	2.0
Other long-term assets .....	—	—	6.7	0.3	—	7.0
<b>Total non-current assets</b> .....	<b>—</b>	<b>—</b>	<b>8.7</b>	<b>0.3</b>	<b>—</b>	<b>9.0</b>
<b>Total assets</b> .....	<b>\$ 0.7</b>	<b>\$ 0.3</b>	<b>\$ 25.2</b>	<b>\$ 0.9</b>	<b>\$ 5.6</b>	<b>\$ 32.7</b>
<b>Liabilities</b>						
Accounts payable .....	\$ 0.1	\$ —	\$ 8.6	\$ 0.1	\$ 0.6	\$ 9.4
Other current liabilities .....	0.1	0.1	10.8	0.5	0.5	12.0
<b>Total current liabilities</b> .....	<b>0.2</b>	<b>0.1</b>	<b>19.4</b>	<b>0.6</b>	<b>1.1</b>	<b>21.4</b>
Other long-term liabilities .....	0.1	0.2	—	0.6	—	0.9
<b>Total long-term liabilities</b> .....	<b>0.1</b>	<b>0.2</b>	<b>—</b>	<b>0.6</b>	<b>—</b>	<b>0.9</b>
<b>Total liabilities</b> .....	<b>\$ 0.3</b>	<b>\$ 0.3</b>	<b>\$ 19.4</b>	<b>\$ 1.2</b>	<b>\$ 1.1</b>	<b>\$ 22.3</b>
<b>Carrying amount, net</b> .....	<b>\$ 0.4</b>	<b>\$ —</b>	<b>\$ 5.8</b>	<b>\$ (0.3)</b>	<b>\$ 4.5</b>	<b>\$ 10.4</b>

There are no material restrictions on the assets disclosed above, except for certain property and equipment which is pledged as collateral. Liability holders typically have recourse to the general credit of the Company when seeking to enforce settlement of liabilities. See Note 15 – Related Parties for additional discussion on the Company’s transactions with its VIEs.

### Note 13 – Supplemental Cash Flow Information

#### Capital Expenditures and Deferred Costs

Capital expenditures and deferred costs include rig acquisition and other fixed asset purchases, certain expenditures associated with regulatory inspections, major equipment overhauls, contract preparation (including rig upgrades), mobilization and stacked rig reactivations.

The Company’s capital expenditures and deferred costs were as follows (in millions):

	<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Regulatory and capital maintenance .....	\$ 26.6	\$ 41.5
Contract preparation .....	5.0	27.7
Fleet spares and others .....	1.9	17.3
<b>Total capital expenditures and deferred costs</b> .....	<b>\$ 33.5</b>	<b>\$ 86.5</b>

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The reconciliation of the payments for acquisition of property and equipment and changes in deferred costs, net to total capital expenditures and deferred costs was as follows (in millions):

	<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Cash payments for additions to property and equipment .....	\$ 16.5	\$ 33.6
Net change in advances and accrued but unpaid additions to property and equipment .....	(2.2)	1.5
Total capital expenditures .....	14.3	35.1
Changes in deferred costs, net .....	(20.4)	5.8
Add: Amortization of deferred costs .....	39.6	45.6
Total deferred costs .....	19.2	51.4
Total capital expenditures and deferred costs .....	<u>\$ 33.5</u>	<u>\$ 86.5</u>

The reconciliation of cash, cash equivalents and restricted cash reported in the condensed consolidated balance sheets to the total of such amounts reported in the condensed consolidated statements of cash flows was as follows (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Cash and cash equivalents .....	\$ 171.5	\$ 152.3
Restricted cash included in other current assets .....	1.7	2.0
Restricted cash included in other long-term assets .....	7.5	7.4
Total cash, cash equivalents and restricted cash .....	<u>\$ 180.7</u>	<u>\$ 161.7</u>

**Note 14 – Segment and Related Information**

Operating segments are defined as components of an entity for which separate financial statements are available and are regularly provided to the chief operating decision maker, which is our chief executive officer in deciding how to allocate resources and assess performance. The Company has one reportable segment, contract services, which reflects how the Company manages its business, and the fact that the Company's fleet is dependent upon the worldwide oil and natural gas industry. Significant segment expenses include operating and maintenance, general and administrative and interest expense and financing charges. As a single reporting segment, these significant segment expenses, along with the remaining other segment items and net income / (loss), which is primary measure of segment profitability, are disclosed in the condensed consolidated statements of operations. See condensed consolidated balance sheets for segment asset information provided to the chief operating decision maker.

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Total revenues by country based on the location of the service provided were as follows (in millions):

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Nigeria .....	\$ 62.2	\$ 55.2	\$ 125.5	\$ 104.4
India .....	31.3	41.4	65.5	78.4
Norway .....	23.2	—	46.0	—
Thailand .....	21.3	20.9	42.2	42.1
Italy .....	18.3	17.5	36.3	36.1
Vietnam .....	14.4	—	28.1	—
Saudi Arabia .....	14.2	49.6	28.1	126.3
Angola .....	13.2	10.9	25.6	21.7
Denmark .....	12.5	9.8	22.4	18.7
Others <sup>(1)</sup> .....	29.1	25.5	62.7	54.6
	<u>239.7</u>	<u>230.8</u>	<u>482.4</u>	<u>482.3</u>
Amortization of intangible liability .....	1.5	3.2	4.5	6.4
Total revenues .....	<u>\$ 241.2</u>	<u>\$ 234.0</u>	<u>\$ 486.9</u>	<u>\$ 488.7</u>

(1) Represents countries which are individually less than 5% of total revenues.

Total long-lived assets, net of impairment, depreciation and amortization by location based on the country in which the assets were located as of the balance sheet date were as follows (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Thailand .....	\$ 407.5	\$ 417.1
Nigeria .....	328.7	253.2
Norway .....	170.1	173.9
India .....	105.3	111.1
United Arab Emirates .....	101.2	101.7
Saudi Arabia .....	58.5	152.9
Others <sup>(1)</sup> .....	399.0	413.9
Total long-lived assets, net .....	<u>\$ 1,570.3</u>	<u>\$ 1,623.8</u>

(1) Represents countries which are individually less than 5% of total long-lived assets.

The total long-lived assets are comprised of property and equipment, right-of-use assets and short-term and long-term deferred costs. A substantial portion of the Company's assets are mobile, and as such, asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the period.

## Note 15 – Related Parties

The Company's related parties include known shareholders that own 10% or more of the common shares, shareholders that can significantly influence management or operating policies of the Company, independent SDL directors, key management personnel, VIEs and entities controlled, jointly controlled or significantly influenced by such parties. On October 11, 2024, SDNS became a wholly-owned subsidiary of SDL and is no longer considered as a related party. See Note 10 – Equity for details.

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**Directors**

SDL directors' costs include directors' fees and reimbursement of costs incurred by directors for attendance at meetings relating to the management and governance of the Company. Directors' costs also include share-based compensation expense. The amounts recorded were as follows (in millions):

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
SDL directors costs .....	\$ 0.5	\$ 0.5	\$ 0.9	\$ 1.0

The total liability recorded under accounts payable for such transactions was as follows (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Accounts payable .....	\$ 0.1	\$ 0.1

The Company incurred costs for SDNS independent directors' fees and reimbursement of costs incurred for attendance at SDNS meetings relating to the management and governance of SDNS. The Company recorded immaterial amounts for the three and six months ended June 30, 2025 and 2024, respectively. The total liability for these costs under accounts payable was immaterial as of June 30, 2025 and December 31, 2024, respectively.

**VIEs**

Certain VIEs related parties provided goods and services to drilling rigs owned by several of the Company's foreign subsidiaries. The amounts recorded were as follows (in millions):

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
VIE related parties provided goods and services .....	\$ 1.3	\$ 1.1	\$ 2.5	\$ 2.1

The total liability recorded under accounts payable for such transactions was as follows (in millions):

	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Accounts payable .....	\$ 1.6	\$ 1.2

**Lease**

The Company entered into an operating lease agreement for yard space with a VIEs related party with cancellable terms. The duration of this lease is three years. The lease does not include an extension or renewal option, but a termination option is available to either party. The lease payments are fixed for the duration of the lease. This lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The Company has recorded the following (in millions):

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Lease expense .....	\$ 0.5	\$ 0.4	\$ 1.1	\$ 0.7

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	<b>As of</b>	
	<b>June 30, 2025</b>	<b>December 31, 2024</b>
Right-of-use assets		
Other long-term assets .....	\$ 4.6	\$ 5.6

**Note 16 – Subsequent Events**

The Company has evaluated subsequent events through August 7, 2025, the date of issuance of the consolidated financial statements.

On August 5, 2025, the Company and ADES International Holding, Ltd. (“ADES”), a subsidiary of ADES Holding Company, announced the execution of an agreement (the “Transaction Agreement”) for a recommended offer by ADES to acquire all issued and outstanding shares of the Company by way of cash merger under the laws of the Cayman Islands between ADES International Cayman (“BidCo”), a wholly owned subsidiary of ADES, and the Company. At completion, all of the Company's shares will be cancelled for consideration in cash of NOK 14.00 per share to the Shelf Drilling shareholders. Following the completion of the merger, the Company will be wholly owned by ADES, and SDL will be delisted from the Oslo Stock Exchange.

The merger requires the approval at an extraordinary general meeting in Shelf Drilling by the affirmative vote of 2/3rds (two-thirds) of the votes cast. The extraordinary general meeting is planned to be held in September 2025. Completion of the merger is further conditional upon fulfillment of certain customary closing conditions.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements contained in this form 10-Q equivalent ("Form 10-Q Equivalent") and the audited consolidated financial statements included in the Company's Form 10-K Equivalent for the year ended December 31, 2024.

### Forward-Looking Statements

All statements other than statements of historical facts included in this report regarding any of the matters in the list immediately below are forward-looking statements. Forward-looking statements in this report include, but are not limited to, statements about the following subjects:

- the impact of variations in oil and natural gas production, prices, and demand for hydrocarbons, which drives activity in resource exploration and drilling activity;
- changes in the global macro environment including general economic, fiscal and business conditions in jurisdictions in which we operate and elsewhere;
- the decline in demand as oil and natural gas fossil fuels are replaced by sustainable/clean energy;
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild rigs;
- the demand for our rigs, including the preferences of some of our customers for newer and/or higher specification rigs;
- our ability to renew or extend contracts, enter into new contracts when such contracts expire or are terminated, and negotiate the dayrates and other terms of such contracts;
- future regulatory requirements or customer expectations to reduce carbon emissions;
- the effects of supply chain disruptions such as supplier capacity constraints or shortages in parts or equipment, supplier production disruptions, supplier quality and sourcing issues or price increases;
- public health issues, including epidemics and pandemics such as COVID-19 and their effect on demand for our services, global demand for oil and natural gas, the U.S. and world financial markets, our financial condition, results of operations and cash flows;
- our and our customers' ability to obtain permits and approvals for operations;
- expectations, trends and outlook regarding operating revenues, operating and maintenance expense, insurance coverage, insurance expense and deductibles, interest expense and other matters with regard to outlook and future earnings;
- the effect of disproportionate changes in our costs compared to changes in operating revenues;
- complex and changing laws, treaties and regulations, including environmental, anti-corruption and tax laws and regulations, that can adversely affect our business;
- the effects and results of our strategies;
- downtime and other risks associated with offshore rig operations or rig relocations, including rig or equipment failure, damage and other unplanned repairs;
- the expected completion of shipyard projects including the timing of rig construction or reactivation and delivery and the return of idle rigs to operations;
- future capital expenditures and deferred costs, refurbishment, reactivation, transportation, repair and upgrade costs;
- sufficiency and availability of funds and adequate liquidity for required capital expenditures and deferred costs, working capital, share repurchases and debt service;
- our levels of indebtedness, covenant compliance, access to future capital, and liquidity sufficient to service our debt;





- the market value of our rigs and of any rigs we acquire in the future, which may decrease and/or be impaired as a result of Company specific, industry specific or market factors;
- the level of reserves for accounts receivable and other financial assets, as appropriate;
- the proceeds and timing of asset dispositions;
- litigation, investigations, claims and disputes and their effects on our financial condition and results of operations;
- effects of accounting changes and adoption of accounting policies;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization or otherwise;
- the security and reliability of our technology systems and service providers;
- the adverse changes in foreign currency exchange rates and currency convertibility;
- the cost and timing of acquisitions and integration of additional rigs; and
- our incorporation under the laws of the Cayman Islands and the limited rights to relief that may be available compared to United States ("U.S.") laws.

This Form 10-Q Equivalent should be read in its entirety as it pertains to Shelf Drilling, Ltd. ("SDL"). Except where indicated, the condensed consolidated financial statements and the notes to the condensed consolidated financial statements are combined. References in this Form 10-Q Equivalent to "Shelf Drilling", "SDL", the "Company", "we", "us", "our" and words of similar meaning refer collectively to Shelf Drilling Ltd. and its consolidated subsidiaries, unless the context requires otherwise. When used in this Form 10-Q Equivalent, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will" and similar words or the negative of these terms are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on the Company's current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements. The statements under Item 1A. Risk Factors included in the Company's Form 10-K Equivalent for the year ended December 31, 2024 should be read carefully in addition to the above uncertainties and assumptions. These risks and uncertainties are beyond the Company's ability to control, and in many cases, the Company cannot predict such risks and uncertainties, which could cause its actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by reference to these risks and uncertainties. Undue reliance should not be placed on forward-looking statements. Each forward-looking statement is applicable only as of the date of the particular statement, and the Company undertakes no obligation to update or revise any forward-looking statements, except as required by law.

## **Business**

Shelf Drilling, Ltd. ("SDL") was incorporated on August 14, 2012 as a private corporation in the Cayman Islands. SDL, with its majority owned subsidiaries (together, the "Company", "we" or "our") is a leading international shallow water offshore contractor providing equipment and services for the drilling, completion, maintenance and decommissioning of oil and natural gas wells. We are solely focused on shallow water operations in depths of up to 500 feet and our fleet consists of 33 independent-leg cantilever ("ILC") jack-up rigs as of June 30, 2025, making us one of the world's largest owners and operators of jack-up rigs by number of active shallow water rigs. Since June 25, 2018, SDL shares have been listed on the Oslo Stock Exchange ("OSE") under the ticker symbol SHLF. Our website address is [www.shelfdrilling.com](http://www.shelfdrilling.com).

Since our inception in 2012, we have applied our “fit-for-purpose” strategy to enhance the performance of our business, people and processes, leveraging our sole focus on the shallow water segment and the decades of experience of our people with our customers, rigs and markets where we operate. The diversified geographical focus of our jack-ups and the allocation of resources to purchase, build or upgrade rigs are determined by the activities and needs of our customers. Our main customers are national oil companies, international oil companies and independent oil and natural gas companies, who contract our rigs for varying durations.

SDL is a holding company with no significant operations or assets other than interests in its direct and indirect subsidiaries. All operations are conducted through Shelf Drilling Holdings, Ltd. (“SDHL”) an indirect wholly-owned subsidiary of SDL. Our corporate offices are in Dubai, United Arab Emirates, geographically close to our operations in the Middle East, North Africa and the Mediterranean (together, “MENAM”), Southeast Asia, India, West Africa and the North Sea.

### *Recent Events*

In June 2025, the Company secured a five-year extension of the High Island V until July 2030 in direct continuation of its current contract in Saudi Arabia.

In July 2025, the Company secured a three-year contract for the J.T. Angel for operations in India. The rig is currently undergoing contract preparation, with operations expected to commence in October 2025.

In July 2025, the Company secured a one-year extension of the Key Manhattan until November 2026 in direct continuation of its current contract in Italy.

In July 2025, the Company secured a one-year extension of the Rig 141 until February 2027, in direct continuation of its current contract in Egypt.

In July 2025, the Company secured a short-term contract for the Shelf Drilling Fortress in the United Kingdom, with operations expected to commence in September 2025.

On August 5, 2025, the Company and ADES International Holding, Ltd. (“ADES”), a subsidiary of ADES Holding Company, announced the execution of an agreement (the “Transaction Agreement”) for a recommended offer by ADES to acquire all issued and outstanding shares of the Company by way of cash merger under the laws of the Cayman Islands between ADES International Cayman (“BidCo”), a wholly owned subsidiary of ADES, and the Company. At completion, all of the Company's shares will be cancelled for consideration in cash of NOK 14.00 per share to the Shelf Drilling shareholders. Following the completion of the merger, the Company will be wholly owned by ADES, and SDL will be delisted from the Oslo Stock Exchange.

The merger requires the approval at an extraordinary general meeting in Shelf Drilling by the affirmative vote of 2/3rds (two-thirds) of the votes cast. The extraordinary general meeting is planned to be held in September 2025. Completion of the merger is further conditional upon fulfillment of certain customary closing conditions.

### *Drilling Fleet*

The following table summarizes the Company’s offshore rigs:

	As of		
	June 30, 2025	March 31, 2025	June 30, 2024
Jack-up rigs .....	33	33	36

### **Outlook**

Brent crude oil prices, the key driver in the demand for shallow water drilling activity, have stabilized, ranging from \$66 to \$72 over the last six weeks after jumping to \$80 in June 2025 due to the 12-day Israel-Iran war. Rising oil output from Middle East producers and fears that tariffs could dampen global demand have kept oil prices in check while geopolitical risks, robust refined fuel demand and resilient consumption have provided support. Markets are pricing in caution and uncertainty, and as a result crude oil is trading in a tight band. The outlook is forecast to remain volatile due to these competing factors.

Global jack-up market utilization reached 95% in early 2024 but is expected to fall below 90% in 2025. Contracted jack-ups declined from 404 in early 2025 to 390 in July 2025, with most new awards for short-term contracts. The contract suspensions in the

Middle East during 2024 continue to impact the global jack-up market, resulting in increased near-term dayrate pressure in recent months, as contractors redeploy many of the impacted rigs to other regions, namely Southeast Asia. We are still experiencing incremental jack-up demand in several regions, particularly in West Africa. While short-term headwinds remain, the long-term global demand for oil and gas remains strong. Hydrocarbons are expected to represent a significant source of energy needs for the foreseeable future, with shallow water activity anticipated to remain a critical component of a diversified and reliable energy mix due to its lower development cost.

In recent weeks, we secured a five-year extension for the High Island V in Saudi Arabia, a one-year extension for the Key Manhattan in Italy, a three-year contract award for J.T. Angel in India, a one-year extension for Rig 141 in Egypt, and short-term contracts for rigs in the North Sea and Vietnam, further evidencing a strong interest from our customers in Shelf Drilling's value proposition. Our results in the second quarter of 2025 have continued to generate a high-level EBITDA and we reinforced our balance sheet with the scheduled repayment of outstanding debt. We maintain our positive long-term outlook for jack-up supply and demand. We expect to build further backlog before the end of the year and position the company well heading into 2026.

## Operational Measures

We use various operational measures common to our industry to evaluate our operational performance including:

- *Contract backlog* is the maximum contract dayrate revenues that can be earned from firm commitments for contract services represented by executed definitive agreements based on the contracted operating dayrate during the contract period less any planned out-of-service periods for regulatory inspections and surveys or other work. Contract backlog excludes revenues resulting from mobilization and demobilization fees, capital or upgrade reimbursement, recharges, bonuses and other revenue sources. Contract backlog may also include the maximum contract amount of revenues for the use of our rigs such as bareboat charters or as accommodation units. The contract period excludes revenues from extension options under our contracts, unless such options have been exercised. The contract operating dayrate may differ from the amount estimated due to reduced dayrates for rig movements, adverse weather, planned out of service periods and equipment downtime, among other factors. Actual dayrates may also include contractual adjustments based on market factors, such as Brent crude oil or natural gas prices or cost increases. Contract backlog is a key indicator of our potential future revenue generation.
- *Average dayrate* is 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. Average dayrate can be calculated related to historical revenues or contract backlog.
- *Contracted rigs* consist of all of our rigs that are under contract, including rigs currently operating under a contract and rigs preparing for an upcoming contract.
- *Average contracted days per rig* is the total remaining contracted days for all contracted rigs divided by the number of contracted rigs.
- *Marketable rigs* consist of all of our rigs that are operating or are available to operate, but excluding rigs under third party bareboat charter agreements, stacked rigs, rigs under contract for activities other than drilling, plug and abandonment or associated services, as applicable.
- *Effective utilization* is 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. Effective utilization measures the dayrate revenue efficiency of our marketable rigs. Effective utilization varies due to changes in operational uptime, planned downtime for periodic surveys, timing of underwater inspections, contract preparation and upgrades, time between contracts and the use of alternative dayrates for waiting-on-weather periods, repairs, standby, force majeure, mobilization or other rates that apply under certain circumstances. We exclude all other types of revenues from the calculation of effective utilization.



The following tables include selected operating measures as of and for the periods presented:

	As of		
	June 30, 2025	March 31, 2025	June 30, 2024
Contract backlog (in millions) <sup>(1)</sup>	\$ 1,527	\$ 1,625	\$ 2,109
Weighted average backlog dayrate (in thousands) <sup>(1)</sup>	\$ 97.0	\$ 100.2	\$ 88.6
Average contract days per rig <sup>(1)</sup>	583	559	721
Number of contracted rigs <sup>(1)</sup>	27	29	33

(1) Figures as of June 30, 2025 and March 31, 2025 include the backlog for two suspended rigs in Saudi Arabia.

	Three months ended		
	June 30, 2025	March 31, 2025	June 30, 2024
Average dayrate (in thousands)	\$ 96.7	\$ 94.2	\$ 82.0
Effective utilization	78%	79%	80%
Average marketable rigs	32.3	33.0	35.4

	Six months ended	
	June 30, 2025	June 30, 2024
Average dayrate (in thousands)	\$ 95.4	\$ 81.9
Effective utilization	78%	83%
Average marketable rigs	32.7	35.7

## Financial Measures

In addition to terms under generally accepted accounting principles in the United States of America (“GAAP”), we utilize certain non-GAAP financial measures. We present the non-GAAP measures, which include adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) and Adjusted EBITDA divided by total revenues excluding the amortization of intangible liability (“Adjusted EBITDA Margin”) in addition to net income (loss), which is the most directly comparable GAAP financial measure. We believe that Adjusted EBITDA and Adjusted EBITDA Margin are useful non-GAAP financial measures because they are widely used in our industry to measure a company’s operating performance without regard to the excluded items, which can vary substantially from company to company, and are also useful to an investor in evaluating the performance of the business over time. In addition, our management uses Adjusted EBITDA and Adjusted EBITDA Margin in presentations to our board of directors to provide a consistent basis to measure the operating performance of our business, as a measure for planning and forecasting overall expectations, for evaluation of actual results against such expectations and in communications with our shareholders, lenders, noteholders, rating agencies and others concerning our financial performance. Adjusted EBITDA and Adjusted EBITDA Margin may not be comparable to similarly titled measures employed by other companies and should not be considered in isolation or as a substitute for net income (loss) or other data prepared in accordance with GAAP. Adjusted EBITDA and Adjusted EBITDA Margin have significant limitations, including but not limited to the exclusion from these numbers of various cash requirements to operate our business.

Our financial measures were as follows (in millions):

	Three months ended		
	June 30, 2025	March 31, 2025	June 30, 2024
Net income / (loss) .....	\$ 11.2	\$ 13.7	\$ (28.0)
<b>Add back:</b>			
Interest expense and financing charges, net of interest income <sup>(1)</sup> .....	35.0	35.7	46.0
Income tax expense .....	6.4	11.5	7.9
Depreciation .....	21.4	21.2	21.6
Amortization of deferred costs .....	19.4	20.2	26.0
Impairment loss .....	3.0	—	—
(Gain) / loss on disposal of assets .....	(0.9)	(3.1)	1.2
Amortization of intangible liability .....	(1.5)	(3.0)	(3.2)
<b>EBITDA and Adjusted EBITDA</b> .....	<u>\$ 94.0</u>	<u>\$ 96.2</u>	<u>\$ 71.5</u>
<b>Adjusted EBITDA Margin</b> .....	<u>39%</u>	<u>40%</u>	<u>31%</u>



	Six months ended	
	June 30, 2025	June 30, 2024
Net income / (loss) .....	\$ 24.9	\$ (31.8)
<b>Add back:</b>		
Interest expense and financing charges, net of interest income <sup>(1)</sup> .....	70.7	81.9
Income tax expense .....	17.9	16.9
Depreciation .....	42.6	42.9
Amortization of deferred costs .....	39.6	45.6
Impairment loss .....	3.0	—
(Gain) / loss on disposal of assets .....	(4.0)	2.2
Amortization of intangible liability .....	(4.5)	(6.4)
<b>EBITDA</b> .....	190.2	151.3
One-time corporate transaction costs <sup>(2)</sup> .....	—	0.2
<b>Adjusted EBITDA</b> .....	<u>\$ 190.2</u>	<u>\$ 151.5</u>
<b>Adjusted EBITDA Margin</b> .....	<u>39%</u>	<u>31%</u>

(1) Represents 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. This also includes a \$9.6 million loss on debt extinguishment in relation to our debt refinancing transactions during the three and six months ended June 30, 2024.

(2) Represents certain one-time third party professional services and certain costs related to acquisitions.

Our restricted subsidiaries accounted for 78%, 71% and 120% of our Adjusted EBITDA for the three months ended June 30, 2025, March 31, 2025 and June 30, 2024, and 75% and 117% for the six months ended June 30, 2025 and 2024, respectively. Our restricted subsidiaries accounted for 85% and 86% of our assets as of June 30, 2025 and December 31, 2024, respectively.

## Operating Results

The following table sets forth information regarding our consolidated results of operations (in millions):

	Three months ended			
	June 30, 2025	March 31, 2025	Change	% change
Revenues				
Operating revenues .....	\$ 234.2	\$ 236.0	\$ (1.8)	(1%)
Other revenues .....	7.0	9.7	(2.7)	(28%)
	241.2	245.7	(4.5)	(2%)
Operating costs and expenses				
Operating and maintenance .....	129.6	129.4	0.2	—%
Depreciation .....	21.4	21.2	0.2	1%
Amortization of deferred costs .....	19.4	20.2	(0.8)	(4%)
General and administrative .....	14.4	16.8	(2.4)	(14%)
Impairment loss .....	3.0	—	3.0	n/m
Gain on disposal of assets .....	(0.9)	(3.1)	2.2	(71%)
	186.9	184.5	2.4	1%
Operating income .....				
	54.3	61.2	(6.9)	(11%)
Other expense / (income), net				
Interest income .....	(0.9)	(0.9)	—	—%
Interest expense and financing charges .....	35.9	36.6	(0.7)	(2%)
Other, net .....	1.7	0.3	1.4	467%
	36.7	36.0	0.7	2%
Income before income taxes .....				
	17.6	25.2	(7.6)	(30%)
Income tax expense .....				
	6.4	11.5	(5.1)	(44%)
Net income .....	\$ 11.2	\$ 13.7	\$ (2.5)	(18)%

	Six months ended June 30,			
	2025	2024	Change	% change
<b>Revenues</b>				
Operating revenues .....	\$ 470.2	\$ 473.8	\$ (3.6)	(1%)
Other revenues .....	16.7	14.9	1.8	12%
	486.9	488.7	(1.8)	—%
<b>Operating costs and expenses</b>				
Operating and maintenance .....	259.0	291.3	(32.3)	(11%)
Depreciation .....	42.6	42.9	(0.3)	(1%)
Amortization of deferred costs .....	39.6	45.6	(6.0)	(13%)
General and administrative .....	31.2	34.2	(3.0)	(9%)
Impairment loss .....	3.0	—	3.0	n/m
(Gain) / loss on disposal of assets .....	(4.0)	2.2	(6.2)	(282%)
	371.4	416.2	(44.8)	(11%)
<b>Operating income</b>	115.5	72.5	43.0	59%
<b>Other expense / (income), net .....</b>				
Interest income .....	(1.8)	(1.7)	(0.1)	6%
Interest expense and financing charges .....	72.5	83.6	(11.1)	(13%)
Other, net .....	2.0	5.5	(3.5)	(64%)
	72.7	87.4	(14.7)	(17)%
<b>Income / (loss) before income taxes .....</b>	42.8	(14.9)	57.7	(387)%
Income tax expense .....	17.9	16.9	1.0	6%
<b>Net income / (loss) .....</b>	<u>\$ 24.9</u>	<u>\$ (31.8)</u>	<u>\$ 56.7</u>	<u>(178)%</u>

n/m - not meaningful

**Three months ended June 30, 2025 compared to the three months ended March 31, 2025 and the six months ended June 30, 2025 compared to the six months ended June 30, 2024**

## Revenues

Total revenues for the three months ended June 30, 2025 decreased by \$4.5 million compared to the three months ended March 31, 2025 primarily due to lower revenues for two rigs in India and the United Kingdom that completed contracts in late Q1 2025 or Q2 2025. This was partially offset by higher dayrate for one rig in Denmark and a higher utilization for one rig in Egypt following contract start-up in February 2025.

Total revenues for the six months ended June 30, 2025 decreased by \$1.8 million compared to the same period in 2024 primarily due to lower revenues for five suspended rigs in Saudi Arabia, one rig that suffered structural damage in Q2 2024 and one rig that was sold in September 2024. This was partially offset by higher utilization for two rigs that commenced new contracts in Q3 2024 and Q4 2024 in Vietnam and Norway and two rigs in India and Nigeria that operated for the full period in 2025, as well as higher dayrate revenues mainly for one previously suspended rig which was redeployed to West Africa under a new long-term contract.



## **Operating and Maintenance**

Total operating and maintenance expenses for the three months ended June 30, 2025 were \$129.6 million, or 54% of total revenue, compared to \$129.4 million, or 53% of total revenue, in the three months ended March 31, 2025. Total operating and maintenance expenses were relatively unchanged quarter-over-quarter, with the marginal increase primarily due to higher operating costs for one rig in Norway that commenced drilling operations in May 2025 and higher expenses for fleet spares, mostly offset by lower costs for two rigs that were redeployed to West Africa in Q1 2025 and two rigs in India that completed their contracts in Q1 2025.

Total operating and maintenance expenses for the six months ended June 30, 2025 were \$259.0 million, or 53% of total revenue, compared to \$291.3 million, or 60% of total revenue, in the six months ended June 30, 2024. Total operating and maintenance decreased by \$32.3 million primarily due to lower operating costs for three rigs in Nigeria and Saudi Arabia that were retired from the fleet in late 2024 and early Q1 2025 and for one rig in India which completed its contract in Q1 2025, lower expenses on two suspended rigs and lower contract preparation costs for one rig in India. This was partially offset by higher contract preparation and maintenance costs for two rigs in India and United Kingdom that completed their contracts in late 2024 and Q2 2025 and higher redeployment costs to Nigeria for a previously suspended rig in Saudi Arabia.

## **Depreciation**

Depreciation expense was relatively unchanged in the three months ended June 30, 2025 compared to the three months ended March 31, 2025 and the six months ended June 30, 2025 compared to same period in 2024.

## **Amortization of Deferred Costs**

Amortization of deferred costs was relatively unchanged in the three months ended June 30, 2025 compared to the three months ended March 31, 2025.

Amortization of deferred costs decreased by \$6.0 million in the six months ended June 30, 2025 compared to the same period in 2024. This was primarily due to lower amortization for three rigs in Nigeria and Saudi Arabia that were sold in 2024 and 2025, two rigs in Saudi Arabia that were suspended in 2024 and one rig in India that completed its contract in Q1 2025. This was partially offset by higher amortization for three rigs in Vietnam, Norway and United Kingdom that commenced new contracts in late Q3 2024 or Q4 2024.

## **General and Administrative**

General and administrative expenses decreased by \$2.4 million in the three months ended June 30, 2025 compared to three months ended March 31, 2025, primarily due to a decrease in provision for credit losses and lower compensation and benefit expenses.

General and administrative expenses decreased by \$3.0 million in the six months ended June 30, 2025 as compared to the six months ended June 30, 2024, primarily due to lower provision for credit losses and compensation and benefit expenses in the current period.

## **Impairment Loss**

Impairment loss of \$3.0 million in the three and six months ended June 30, 2025 was primarily due to the deferred contract costs impairment for one rig as compared to nil in the three months ended March 31, 2025 and six months ended June 30, 2024.

## **(Gain) / Loss on Disposal of Assets**

Gain on disposal of assets decreased by \$2.2 million in the three months ended June 30, 2025 compared to the three months ended March 31, 2025, primarily due to lower gain on the rig retired in April 2025, compared to the rig sold in January 2025.

Gain on disposal of assets increased by \$6.2 million in the six months ended June 30, 2025 compared to the six months ended June 30, 2024, primarily due to the gains from the retirement of two of the Company's rigs in 2025.

## **Other Expense / (Income), Net**

Other expense / (income), net was relatively unchanged in the three months ended June 30, 2025 compared to the three months ended March 31, 2025.

Other expense / (income), net decreased by \$14.7 million in the six months ended June 30, 2025 compared to the same period in 2024, primarily due to a \$9.6 million loss on debt extinguishment related to our debt refinancing transactions in Q2 2024 and lower foreign exchange losses in the current period.

## Income Tax Expense

Income tax expense decreased by \$5.1 million for the three months ended June 30, 2025 compared to the three months ended March 31, 2025 primarily due to the expiration of a statute of limitations related to an uncertain tax position in the current period and lower tax expense recognized under Pillar Two of the OECD global minimum tax framework in the current period. These decreases were partially offset by the impact of a prior-period adjustment in a certain jurisdiction due to unfavorable exchange rate movements.

Income tax expense increased by \$1.0 million for the six months ended June 30, 2025 compared to the same period in 2024 primarily driven by tax expense recognized under Pillar Two of the OECD global minimum tax framework, which applied to the Company for the first time in the current period, higher revenue in certain jurisdictions in the current period, and increased liabilities for uncertain tax positions due to unfavorable exchange rate fluctuations in the current period, compared to reductions in such liabilities in the prior period resulting from favorable exchange rate movements. These increases were partially offset by a taxable loss incurred in a certain jurisdiction in the current period, compared to taxable income in that jurisdiction in the prior period, and favorable exchange rate fluctuations against income tax receivables in the current period.

## Liquidity and Capital Resources

### Sources and Uses of Liquidity

Historically, we have met our liquidity needs principally from cash balances in banks, cash generated from operations, debt and equity. Our primary uses of cash were payments related to debt, capital expenditures, income taxes and to fund operations. At any given time, we may require a significant portion of cash on hand for working capital, capital expenditures and deferred costs and other needs related to the operation of our business. We may consider establishing additional financing arrangements and/or debt extinguishments. Any such transactions will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. See also Material Cash Requirements below.

### Going Concern Assumption as Per Oslo Bors Reporting Requirements

Management believes that we have adequate liquidity to fund our operations for the next twelve months, and, therefore, our financial statements have been prepared under the going concern assumption. Additional capital and/or refinancing of our existing debt may be required in the future to meet evolving business needs.

### Cash Flows

Certain information regarding our cash flows is as follows (in millions):

	Six months ended June 30,		Change
	2025	2024	
Net cash provided by operating activities .....	\$ 67.4	\$ 31.3	\$ 36.1
Net cash used in investing activities .....	(0.7)	(33.7)	33.0
Net cash provided by / (used in) financing activities .....	(48.3)	47.5	(95.8)
Exchange rate change effect on cash, cash equivalents and restricted cash...	0.6	(5.2)	5.8
Net increase in cash, cash equivalents and restricted cash .....	<u>\$ 19.0</u>	<u>\$ 39.9</u>	<u>\$ (20.9)</u>

### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by \$36.1 million during the six months ended June 30, 2025 compared to the same period in 2024. See “Condensed Consolidated Statements of Cash Flows” in “Item 1. Financial Statements” for more details.

### Net Cash Used in Investing Activities

Net cash used in investing activities decreased by \$33.0 million during the six months ended June 30, 2025 compared to the same period in 2024. See “Condensed Consolidated Statements of Cash Flows” in “Item 1. Financial Statements” for more details.

### *Net Cash Provided by / (Used in) Financing Activities*

Net cash used in financing activities was \$48.3 million in the six months ended June 30, 2025 compared to net cash provided by financing activities of \$47.5 million in the same period in 2024. See “ Condensed Consolidated Statements of Cash Flows” in “Item 1. Financial Statements” for more details.

### *Capital Expenditures and Deferred Costs*

Capital expenditures and deferred costs include rig acquisition and other fixed asset purchases, certain expenditures associated with regulatory inspections, major equipment overhauls, contract preparation (including rig upgrades), mobilization and stacked rig reactivations. Capital expenditures and deferred costs can vary from quarter-to-quarter and year-to-year depending upon the requirements of existing and new customers, the number and scope of out-of-service projects, the timing of regulatory surveys and inspections, and the number of rig reactivations. Capital additions are included in property and equipment and are depreciated over the estimated remaining useful life of the assets. Deferred costs are included in other current assets and other long-term assets on the condensed consolidated balance sheets and are amortized over the relevant periods covering: (i) the underlying firm contract period to which the expenditures relate, or; (ii) the period until the next planned similar expenditure is to be made.

## Certain Financial Information of Restricted Subsidiaries

The following tables present certain financial information for SDHL excluding unrestricted subsidiaries in relation to our outstanding debt. SDHL and certain of its restricted subsidiaries agreed to grant post-closing guarantees and security with respect to such indebtedness. The process for granting these guarantees and security was completed in December 2023. In addition, the process to arrange for SDHL's restricted subsidiaries in Egypt to grant post-closing guarantees and security is on-going as required under such agreements.

### *Condensed Consolidated Statements of Operations* (In millions)

	Six months ended June 30,	
	2025	2024
<b>Revenues</b>		
Operating revenues .....	\$ 335.0	\$ 414.5
Other revenues .....	13.6	11.9
	<u>348.6</u>	<u>426.4</u>
<b>Operating costs and expenses</b>		
Operating and maintenance .....	185.0	218.0
Depreciation .....	32.9	33.6
Amortization of deferred costs .....	30.3	45.4
General and administrative .....	21.4	25.3
Impairment loss .....	3.0	—
(Gain) / loss on disposal of assets .....	(4.1)	2.1
	<u>268.5</u>	<u>324.4</u>
<b>Operating income</b>	<u>80.1</u>	<u>102.0</u>
<b>Other expense / (income), net</b>		
Interest income .....	(2.1)	(2.2)
Interest expense and financing charges .....	55.9	59.1
Other, net .....	0.5	5.4
	<u>54.3</u>	<u>62.3</u>
<b>Income before income taxes</b>	<u>25.8</u>	<u>39.7</u>
Income tax expense .....	14.1	16.6
<b>Net income</b>	<u>\$ 11.7</u>	<u>\$ 23.1</u>



**Condensed Consolidated Balance Sheets**  
(In millions)

	As of	
	June 30, 2025	December 31, 2024
<b>Assets</b>		
Cash and cash equivalents .....	\$ 138.2	\$ 130.8
Accounts and other receivables .....	161.8	191.1
Less: Allowance for credit losses .....	7.3	7.1
Accounts and other receivables, net .....	154.5	184.0
Accounts and other receivables, net - related parties .....	15.9	11.3
Assets held for sale .....	—	6.6
Loan to related party .....	10.0	10.0
Other current assets .....	71.0	78.2
<b>Total current assets</b> .....	<b>389.6</b>	<b>420.9</b>
Property and equipment .....	1,692.9	1,686.2
Less: Accumulated depreciation .....	694.2	663.4
Property and equipment, net .....	998.7	1,022.8
Deferred tax assets .....	5.7	6.7
Other long-term assets .....	323.8	334.5
<b>Total assets</b> .....	<b>\$ 1,717.8</b>	<b>\$ 1,784.9</b>
<b>Liabilities and equity</b>		
Accounts payable .....	\$ 66.1	\$ 74.9
Accounts payable - related parties .....	9.1	81.3
Interest payable .....	20.0	21.5
Accrued income taxes .....	12.5	16.9
Current maturities of long-term debt .....	75.0	99.9
Other current liabilities .....	44.2	71.8
<b>Total current liabilities</b> .....	<b>226.9</b>	<b>366.3</b>
Long-term debt .....	941.9	950.9
Deferred tax liabilities .....	1.7	1.9
Other long-term liabilities .....	42.9	52.4
<b>Total long-term liabilities</b> .....	<b>986.5</b>	<b>1,005.2</b>
Commitments and contingencies .....		
Additional paid-in capital .....	1,084.7	1,005.4
Accumulated losses .....	(580.3)	(592.0)
<b>Total equity</b> .....	<b>504.4</b>	<b>413.4</b>
<b>Total liabilities and equity</b> .....	<b>\$ 1,717.8</b>	<b>\$ 1,784.9</b>

## **Material Cash Requirements**

In the normal course of business, we enter into various contractual obligations that impact or could impact our liquidity. As of June 30, 2025, our anticipated material cash requirements consisted primarily of payments related to debt servicing and repayments, operating costs and expenses, operating lease obligations, capital expenditures and deferred costs and income taxes.

As of June 30, 2025, we had a total principal amount of indebtedness of \$1.4 billion. See Note 7 – Debt in “Item 1. Financial Statements” of “Part I. Financial Information” for a summary of scheduled debt principal payments.

## **Contingencies**

As of June 30, 2025, we are not exposed to any contingent liabilities that are expected to result in a material adverse effect on the current consolidated financial position, results of operations or cash flows. The majority of the contingent liabilities that we are exposed to relate to legal proceedings, certain contractual and customs obligations secured by surety bonds and bank guarantees and uncertain tax positions. See “Note 9 – Commitments and Contingencies” and “Note 11 – Income Taxes” in “Item 1. Financial Statements” of “Part I. Financial Information” for discussion of any material changes in our contingent liabilities from those previously reported in our Form 10-K Equivalent for the year ended December 31, 2024.

## **Critical Accounting Policies and Estimates**

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates” in Part II. of our Form 10-K Equivalent for the year ended December 31, 2024. See also “Note 2 – Significant Accounting Policies” in “Item 15. Exhibits” in Part II. of our Form 10-K Equivalent for the year ended December 31, 2024 for a discussion of our significant accounting policies. During the six months ended June 30, 2025, there were no material changes to the judgments, assumptions or policies upon which our critical accounting estimates are based.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to various market risks, including liquidity risk, interest rate risk, foreign currency risk and credit risk. During the six months ended June 30, 2025, there were no material changes to the Company’s qualitative and quantitative market risk.

For a complete discussion of these risks, see “Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Form 10-K Equivalent for the year ended December 31, 2024.

## **Item 4. Controls and Procedures**

We are not required to report this Item.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Information regarding legal proceedings is set forth in “Note 9 – Commitments and Contingencies” in “Item 1. Financial Statements” of Part I. Financial Information”.

### **Item 1A. Risk Factors**

The information set forth under the caption “Forward-looking Information” in “Part I. Item 2. Management’s Discussion and Analysis” of this report is incorporated by reference in response to this Item and there have been no material changes from the risk factors previously disclosed in the Company’s Form 10-K Equivalent for the year ended December 31, 2024.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

### **Item 3. Defaults upon Senior Securities**

Not applicable.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

Not applicable.

### **Item 6. Exhibits**

Material agreements governing indebtedness can be found on our website at [www.shelfdrilling.com](http://www.shelfdrilling.com) in the investor relations section under financial reports, key documents.

## Responsibility Statement

We confirm that, to the best of our knowledge, the condensed consolidated financial statements for the six months ended June 30, 2025 and 2024, have been prepared in accordance with accounting principles generally accepted in the United States of America, and give a true and fair view of Shelf Drilling, Ltd. and majority owned subsidiaries' condensed consolidated balance sheets as of June 30, 2025 and December 31, 2024 and the related condensed consolidated statements of operations, equity and cashflows for the six months ended June 30, 2025 and 2024.

We also confirm that, to the best of our knowledge, the report includes a true and fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements, a description of the principal risk and uncertainties for the remaining six months of the financial year and major related party transactions.

By order of the Board of Directors of Shelf Drilling, Ltd.

August 7, 2025

s/ J. William Franklin, Jr.

s/ David Williams

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J. William Franklin, Jr.

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David Williams

*Chairman of the Board*

*Audit Committee Chairman*