

Shelf Drilling (North Sea), Ltd.

Condensed Consolidated Financial Statements for the
nine months ended September 30, 2023 and 2022 (Unaudited)

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SHELF DRILLING (NORTH SEA), LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues				
Operating revenues	\$ 25.5	\$ —	\$ 75.7	\$ —
Other revenues	10.8	—	30.9	—
	36.3	—	106.6	—
Operating costs and expenses				
Operating and maintenance	23.8	0.1	67.3	0.1
Depreciation	4.6	—	14.0	—
General and administrative	7.3	—	16.0	1.5
	35.7	0.1	97.3	1.6
Operating income / (loss)	0.6	(0.1)	9.3	(1.6)
Other (expense) / income, net				
Interest income	0.3	—	0.9	—
Interest expense and financing charges	(7.4)	(0.4)	(22.0)	(0.4)
Other, net	0.4	—	(0.3)	—
	(6.7)	(0.4)	(21.4)	(0.4)
Loss before income taxes	(6.1)	(0.5)	(12.1)	(2.0)
Income tax expense	—	—	0.8	—
Net loss	\$ (6.1)	\$ (0.5)	\$ (12.9)	\$ (2.0)
Loss per common share - basic and diluted	\$ (0.06)	\$ (1.0)	\$ (0.13)	\$ (4.0)
Weighted average common shares - basic and diluted	100.0	0.5	100.0	0.5

See notes to the condensed consolidated financial statements.

SHELF DRILLING (NORTH SEA), LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)

(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 46.6	\$ 52.5
Accounts and other receivables, net	28.9	32.3
Other current assets	1.3	0.2
Total current assets	76.8	85.0
Property and equipment	425.4	420.7
Less: accumulated depreciation	18.1	4.1
Property and equipment, net	407.3	416.6
Deferred tax assets	2.2	2.1
Other long-term assets	7.5	6.8
Total assets	\$ 493.8	\$ 510.5
Liabilities and equity		
Accounts payable	\$ 16.8	\$ 16.9
Accounts payable - related parties	0.6	1.6
Interest payable	10.7	6.8
Accrued income taxes	1.2	0.7
Current maturities of long-term debt	12.5	—
Other current liabilities	2.8	4.0
Total current liabilities	44.6	30.0
Long-term debt	229.0	238.8
Deferred tax liabilities	2.5	2.1
Other long-term liabilities	26.0	35.0
Total long-term liabilities	257.5	275.9
Commitments and contingencies (Note 7)	—	—
Common shares of \$0.01 par value; 120.0 shares authorized as of September 30, 2023 and December 31, 2022, respectively; 100.0 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	1.0	1.0
Additional paid-in capital	194.3	194.3
(Accumulated losses) / retained earnings	(3.6)	9.3
Total equity	191.7	204.6
Total liabilities and equity	\$ 493.8	\$ 510.5

See notes to the condensed consolidated financial statements.

SHELF DRILLING (NORTH SEA), LTD.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Number of common shares				
Balance, beginning of period	100.0	0.5	100.0	0.5
Balance, end of period	100.0	0.5	100.0	0.5
Common shares				
Balance, beginning of period	\$ 1.0	\$ —	\$ 1.0	\$ —
Balance, end of period	\$ 1.0	\$ —	\$ 1.0	\$ —
Additional paid-in-capital				
Balance, beginning of period	\$ 194.3	\$ 40.0	\$ 194.3	\$ —
Capital contribution	—	10.0	—	50.0
Balance, end of period	\$ 194.3	\$ 50.0	\$ 194.3	\$ 50.0
(Accumulated losses) / retained earnings				
Balance, beginning of period	\$ 2.5	\$ (1.5)	\$ 9.3	\$ —
Net loss	(6.1)	(0.5)	(12.9)	(2.0)
Balance, end of period	\$ (3.6)	\$ (2.0)	\$ (3.6)	\$ (2.0)
Total equity	\$ 191.7	\$ 48.0	\$ 191.7	\$ 48.0

See notes to the condensed consolidated financial statements.

SHELF DRILLING (NORTH SEA), LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine months ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (12.9)	\$ (2.0)
Adjustments to reconcile net loss to net cash (used in) / provided by operating activities		
Depreciation	14.0	—
Provision for credit losses, net	3.3	—
Amortization of deferred revenue	(0.1)	—
Amortization of intangible liability	(11.0)	—
Amortization of debt issue costs and discounts	2.7	—
Deferred tax expense, net	0.3	—
Changes in deferred costs, net*	(1.0)	—
Changes in operating assets and liabilities	3.9	2.1
Net cash (used in) / provided by operating activities	(0.8)	0.1
Cash flows from investing activities		
Additions to property and equipment*	(7.1)	—
Advance payment for property and equipment	—	(37.5)
Proceeds from disposal of assets	2.3	—
Net cash used in investing activities	(4.8)	(37.5)
Cash flows from financing activities		
Proceeds from debt issuance	—	242.5
Payment of debt issuance costs	(0.2)	(0.1)
Payment of common shares issuance costs	(0.1)	—
Proceeds from capital contribution	—	50.0
Net cash (used in) / provided by financing activities	(0.3)	292.4
Net (decrease) / increase in cash, cash equivalents and restricted cash	(5.9)	255.0
Cash, cash equivalents and restricted cash at beginning of period	57.1	—
Cash, cash equivalents and restricted cash at end of period*	\$ 51.2	\$ 255.0

* See Note 10 – Supplemental Cash Flow Information for a reconciliation of cash 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 (NORTH SEA), LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 – Business and Basis of Presentation

Business

Shelf Drilling (Far East II), Ltd. was incorporated on April 14, 2014 as an exempted company in the Cayman Islands. On June 13, 2022, Shelf Drilling (Far East II), Ltd. was renamed Shelf Drilling (North Sea), Ltd.. On September 15, 2022, Shelf Drilling (North Sea), Ltd. discontinued as a company under the laws of the Cayman Islands and continued as an exempted company under the laws of Bermuda. Shelf Drilling (North Sea), Ltd. together with its subsidiaries (“SDNS”, the “Company”, “we” or “our”) is solely focused on shallow water operations in depths of up to 500 feet and our fleet consists of five independent-leg cantilever (“ILC”) jack-up rigs as of September 30, 2023.

Since October 3, 2022, 60% of the Company’s issued shares are owned by Shelf Drilling Holdings, Ltd. (“SDHL”), which is wholly-owned by Shelf Drilling, Ltd. (“SDL”). SDL along with its majority owned subsidiaries is a leading international shallow water offshore contractor providing services and equipment for the drilling, completion, maintenance and decommissioning of oil and natural gas wells. Since June 25, 2018, SDL shares are listed on the Oslo Stock Exchange under the ticker symbol SHLF. The remaining 40% of the Company’s issued shares are owned by various external investors. Since October 12, 2022, Company shares are listed on the Euronext Growth Oslo Exchange under the ticker symbol SDNS. Our corporate offices are in Dubai, United Arab Emirates.

Basis of Presentation

The Company 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 nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 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 for the year ended December 31, 2022. The amounts are presented in United States (“U.S.”) dollar (“\$”) rounded to the nearest million, unless otherwise stated. The Company’s significant accounting policies were included in the Company’s consolidated financial statements for the year ended December 31, 2022.

Note 2 – Revenues

As of September 30, 2023, the drilling contract with the longest expected remaining duration, excluding unexercised options, extends through February 2026.

Lease revenue

On October 5, 2022, a subsidiary of the Company signed a bareboat charter agreement with a Noble Corporation (“Noble”) subsidiary for the Shelf Drilling Barsk rig that was acquired as part of the acquisition of five jack-up rigs, related contracts, support and infrastructure from Noble for \$375.0 million (the “Acquisition”). See Note 4 – Property and Equipment for additional details. The Noble subsidiary is leasing the rig from the Company for the remaining term of its drilling contract with Equinor ASA, which is expected to end in November 2023. The Company receives payments of \$2.0 million per month, which is trueed up at periodic intervals for revenues and expenses per the terms of the agreement. The Company is accounting for this operating lease and these variable lease payments under Accounting Standards Codification (“ASC”) 842 Leases. The lease payments are recognized as revenue over the lease term as use of the asset occurs.

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

Amounts recorded for lease revenues were as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Lease revenue ⁽¹⁾	\$ 9.8	\$ —	\$ 27.3	\$ —

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

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 may 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.

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

	As of	
	September 30, 2023	December 31, 2022
Current contract liabilities	\$ 0.2	\$ —
	\$ 0.2	\$ —

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

	Nine months ended September 30,	
	2023	2022
Balance, beginning of period	\$ —	\$ —
Increase due to contractual additions	0.3	—
Decrease due to amortization of deferred revenue	(0.1)	—
Balance, end of period	\$ 0.2	\$ —

Expected future amortization of contract liabilities, net recorded as of September 30, 2023 is as follows (in millions):

	As of September 30, 2023
Remainder of 2023	\$ 0.2

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.

The Company did not have any deferred contract costs as of September 30, 2023 and December 31, 2022, respectively.

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

Allowance for credit losses

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

	As of	
	September 30, 2023	December 31, 2022
Allowance for credit losses	\$ 3.3	\$ —

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

	Nine months ended September 30,	
	2023	2022
Balance, beginning of period	\$ —	\$ —
Provision for credit losses, net	3.3	—
Balance, end of period	\$ 3.3	\$ —

Note 3 – Intangible Liability

Amounts recorded for amortization of intangible liability were as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Amortization of intangible liability ⁽¹⁾	\$ 4.2	\$ —	\$ 11.0	\$ —

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

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

	As of September 30, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Balance, beginning of period	\$ 43.1	\$ (7.6)	\$ 35.5
Amortization	—	(11.0)	(11.0)
Balance, end of period	\$ 43.1	\$ (18.6)	\$ 24.5

	As of December 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Balance, beginning of year	\$ —	\$ —	\$ —
Additions	43.1	—	43.1
Amortization	—	(7.6)	(7.6)
Balance, end of year	\$ 43.1	\$ (7.6)	\$ 35.5

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

	As of	
	September 30, 2023	December 31, 2022
Intangible liability		
Current portion ⁽¹⁾	\$ —	\$ 2.2
Non-current portion ⁽²⁾	24.5	33.3
	\$ 24.5	\$ 35.5

(1) Recorded in other current liabilities on the condensed consolidated balance sheets.

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

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

	As of September 30, 2023
Remainder of 2023	\$ 3.2
2024	12.8
2025	7.5
2026	1.0
	\$ 24.5
Weighted average life (in years)	2.0

Note 4 – Property and Equipment

Acquisition

On June 23, 2022, the Company and SDL entered into an agreement for the Acquisition. SDHL contributed \$40.0 million in June 2022, \$10.0 million in September 2022 and \$70.0 million in October 2022 for a total of \$120.0 million, prior to the completion of the Acquisition, into the Company.

The Company was initially a wholly-owned subsidiary of SDHL. On October 3, 2022, the Company completed a private placement of common shares for gross proceeds of \$80.0 million and equity issuance costs of \$4.7 million resulting in net proceeds of \$75.3 million. As of October 3, 2022, the Company is owned 60% by SDHL and 40% by external investors. SDNS used equity proceeds along with new debt to fund the completion of the Acquisition on October 5, 2022. See Note 6 – Debt and Note 9 – Equity for additional details.

In accordance with ASC 805 Business Combination, we determined substantially all of the fair value of the Acquisition was concentrated in the acquired jack-up rigs and therefore we accounted for the transaction as an asset acquisition. The Company used an independent third-party expert to determine the fair value of the assets acquired and liabilities assumed. The Company also incurred transaction costs of \$0.6 million which were capitalized as an additional component of the cost of the assets and liabilities assumed.

The Company estimated the fair values of the jack-up rigs and the intangible liability by applying the income approach. The income approach is based on estimated projected cash flows expected to be realized from the use of the assets and the difference between the contracted and the market dayrates, at the date of the Acquisition, for the intangible liability. Fair value evaluations are, by nature, highly subjective. The critical estimates are significant unobservable inputs, which are based on numerous estimates and assumptions about future operations and market conditions including but not limited to those such as projected rig utilization, dayrates, operating, overhead and major project costs, remaining useful life, salvage value and discount rates as well as inflation assumptions. The Company used rig utilization rates ranging from 90% to 98%, discount rate of 15% and dayrates ranging from slightly below \$70 thousand to slightly above \$400 thousand in determining the fair value. The Company estimated the fair values using significant unobservable inputs. These assumptions are considered non-recurring level 3 fair value measurements.

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

The following table presents the total cost of the acquisition and the allocation to assets and liabilities acquired based upon their relative fair value (in millions):

	As of October 5, 2022
Total consideration	\$ 375.0
Assets acquired and liabilities assumed	
Jack-up rigs ⁽¹⁾	\$ 417.7
Intangible liability, current ⁽²⁾	(7.7)
Intangible liability, non-current ⁽²⁾	(35.4)
Deferred tax asset	2.5
Deferred tax liability	(2.1)
Net assets acquired	\$ 375.0

(1) Recorded in property and equipment on the condensed consolidated balance sheets.

(2) See Note 3 – Intangible Liability for details.

There were no acquisitions during the nine months ended September 30, 2023.

Note 5 – Income Taxes

Income tax expense for the three and nine months ended September 30, 2023 and 2022, 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 nine months ended September 30, 2023 and 2022, 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 2023 and 2022 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:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Income tax expense	\$ —	\$ —	\$ 0.8	\$ —
Effective tax rate	— %	— %	(7)%	— %

Income tax expense for the three and nine months ended September 30, 2023 was higher than for the same period in 2022 as the Company had no operations during the 2022 period.

Tax Returns and Examinations

The Company may be subject to income tax examinations in various jurisdictions. If any tax authority successfully challenges the Company’s tax positions, the Company’s income tax liability could increase substantially and the Company’s earnings and cash flows from operations could be materially adversely affected. As of September 30, 2023, the 2022 income tax period remains open for examination in all of the Company’s taxable jurisdictions.

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

Note 6 – Debt

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

	As of	
	September 30, 2023	December 31, 2022
10.25% Senior Secured Notes, due October 2025		
Principal amount	\$ 250.0	\$ 250.0
Unamortized debt issuance costs	(3.3)	(4.3)
Unamortized discount	(5.2)	(6.9)
Carrying value	<u>\$ 241.5</u>	<u>\$ 238.8</u>

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

	As of September 30, 2023
Twelve months ending September 30,	
2024	\$ 12.5
2025	12.5
2026	225.0
Total	<u>\$ 250.0</u>

Note 7 – 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 U.S. dollars provided by a bank in UAE, which is secured by restricted cash balances to guarantee various contractual, performance and customs obligations.

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

	As of	
	September 30, 2023	December 31, 2022
Total surety bond facilities	\$ 5.0	\$ 4.6
Outstanding surety bonds	\$ 4.6	\$ 4.6

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

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 and operating lease liabilities, 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 estimated fair value of long-term debt (in millions):

	As of		As of	
	September 30, 2023		December 31, 2022	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
10.25% Senior Secured Notes, due October 2025	\$ 241.5	\$ 250.6	\$ 238.8	\$ 247.5

The estimated fair value of the long-term debt was determined using quoted market prices or Level 1 inputs.

Note 9 – Equity

Stock Split

On September 28, 2022, the Company authorized a stock split for the previously issued 5,000 shares having par value of \$1.0 into 0.5 million shares (the “Stock Split”) having par value of \$0.01. The Company has accounted for the Stock Split in the condensed consolidated financial statements, including the common shares and par value, retrospectively.

Equity Contribution

SDHL contributed \$40.0 million in June 2022, \$10.0 million in September 2022 and \$70.0 million in October 2022 for a total contribution of \$120.0 million into the Company, prior to the completion of the Acquisition.

Common Shares Issuance

On September 28, 2022 and October 1, 2022, the Company issued 24.5 million and 35.0 million common shares, respectively, to SDHL with a par value of \$0.01. On October 3, 2022, the Company issued 40.0 million common shares at \$2.0 per share in a private placement for gross proceeds of \$80.0 million and equity issuance costs of \$4.7 million, resulting in net proceeds of \$75.3 million.

On October 12, 2022, Company common shares were listed on the Euronext Growth Oslo Exchange under the ticker symbol SDNS. Out of the 100.0 million issued common shares, 60.0 million common shares are owned by SDHL and 40.0 million common shares are owned by external investors.

Note 10 – Supplemental Cash Flow Information

Capital expenditures and deferred costs

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

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

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

	Nine months ended September 30,	
	2023	2022
Regulatory and capital maintenance	\$ 1.4	\$ —
Fleet spares, transition costs and others	6.6	0.4
	<u>\$ 8.0</u>	<u>\$ 0.4</u>
Rig acquisitions	—	0.6
Total capital expenditures and deferred costs	<u>\$ 8.0</u>	<u>\$ 1.0</u>

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):

	Nine months ended September 30,	
	2023	2022
Additions to property and equipment	\$ 7.1	\$ —
Net change in advances and accrued but unpaid additions to property and equipment	(0.1)	1.0
Total capital expenditures	<u>7.0</u>	<u>1.0</u>
Changes in deferred costs, net	\$ 1.0	\$ —
Add: Amortization of deferred costs	—	—
Total deferred costs	<u>1.0</u>	<u>—</u>
Total capital expenditures and deferred costs	<u>\$ 8.0</u>	<u>\$ 1.0</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):

	As of	
	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 46.6	\$ 52.5
Restricted cash included in other long-term assets	4.6	4.6
Total cash, cash equivalents and restricted cash	<u>\$ 51.2</u>	<u>\$ 57.1</u>

SHELF DRILLING (NORTH SEA), LTD.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Note 11 – Loss Per Share

The computation of basic and diluted loss per share is as follows (in millions, except per share data):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Numerator for loss per share				
Net loss	\$ (6.1)	\$ (0.5)	\$ (12.9)	\$ (2.0)
Denominator for loss per share				
Weighted average common shares:				
Weighted average common shares - basic and diluted	100.0	0.5	100.0	0.5
Loss per common share - basic and diluted	\$ (0.06)	\$ (1.0)	\$ (0.13)	\$ (4.0)

There are no dilutive common shares.

Note 12 – Segment and Related Information

Operating segments are defined as components of an entity for which separate financial statements are available and are regularly evaluated by the chief operating decision maker 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.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Norway	\$ 9.8	\$ —	\$ 27.3	\$ —
Denmark	8.8	—	25.4	—
Qatar	8.3	—	24.1	—
United Kingdom	5.2	—	18.8	—
	\$ 32.1	\$ —	\$ 95.6	\$ —
Amortization of intangible liability	4.2	—	11.0	—
Total revenues	\$ 36.3	\$ —	\$ 106.6	\$ —

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):

	As of	
	September 30, 2023	December 31, 2022
Norway	\$ 163.9	\$ 167.9
United Kingdom	110.8	113.1
Denmark	68.5	69.7
Qatar	66.9	68.1
Total long-lived assets, net	\$ 410.1	\$ 418.8

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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 13 – Related Parties

The Company's related parties include directors and key management personnel of the Company, the direct and indirect parents of the Company and entities controlled, jointly controlled or significantly influenced by such parties.

Directors

The Company incurs 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 amounts recorded were as follows (in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
SDNS independent directors costs	\$ 0.1	\$ —	\$ 0.1	\$ —

The total liability recorded for these costs under accounts payable was immaterial as of September 30, 2023 and December 31, 2022.

SDL and its wholly-owned subsidiaries

SDL through its wholly-owned subsidiaries, processes certain accounts payable for the Company and settles third party vendor invoices on its behalf on a regular basis. SDL also incurs costs such as personnel costs, rig equipment repairs and maintenance costs which are billed to the Company on a periodic basis.

A SDL wholly-owned subsidiary also has a management services agreement with the Company for providing planning, sales and marketing, corporate, public relations, legal, accounting, financial, information technology, insurance, strategic and field support services to the Company. The Company is billed eight thousand per rig per day and these costs are recorded in the general and administrative expense line item. The billing rate can be revised on a semi-annual basis. The agreement can be terminated by either party by giving a three months notice.

The amounts recorded in various line items from SDL and its wholly-owned subsidiaries were as follows (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating and maintenance	\$ 1.6	\$ 0.1	\$ 3.7	\$ 0.1
General and administrative	\$ 3.6	\$ —	\$ 11.0	\$ 1.5

The Company recorded third-party Acquisition transition costs in property and equipment which were billed by SDL and property and equipment for asset transfers to and from SDL. SDL processed certain accounts payable by making cash payments to third-parties for certain transactions. The amounts recorded were as follows (in millions):

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	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Other current assets transfer from SDL.....	\$ 1.5	\$ —	\$ 1.7	\$ —
Other assets transfer from SDL.....	\$ 0.3	\$ —	\$ 0.3	\$ —
Property and equipment transition costs from SDL.....	\$ 0.3	\$ —	\$ 0.9	\$ —
Property and equipment transfer from SDL.....	\$ 0.2	\$ —	\$ 0.4	\$ —
Property and equipment transfer to SDL.....	\$ 0.3	\$ —	\$ 2.3	\$ —
Cash paid to third party vendors by SDL on behalf of SDNS, net.....	\$ 2.2	\$ —	\$ 6.9	\$ —

Note 14 – Subsequent Events

The Company has evaluated subsequent events through November 9, 2023, the date of issuance of the condensed consolidated financial statements.