



Deep Value Driller AS

Company Presentation | NOTC

19 April 2021

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Purchasing a high-end drillship at unprecedented ~9% of build cost

Perfect price & timing

- Buying 7G drillship at USD 65m vs. all-in construction cost of USD 750m
 - Post industry-wide reorganization, consolidation and supply-side rationalization is expected
 - Oil prices have rebounded from the low USD 20bbl to 65bbl (leading to higher activity by oil companies)
 - Day-rates and utilization have already troughed on the back of the improved fundamentals
-

Best in-class drillship

- Gusto MSC 10,000 is a superior design → sister vessels have long-term contracts with key oil companies
 - Drillship is well maintained and preserved which allows for quick and cost-efficient reactivation
-

Attractive upside potential

- Most attractive distressed asset transaction observed, with purchase price reflecting only ~9% of build cost
 - Current market already imply an attractive equity yield (if employed)
 - The rig is expected to be in high demand by multiple contractors currently in bankruptcy
 - Downside protection from meaningful salvage value, including two BOP stacks, other inventory, and steel
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Unique distressed opportunity

- Clear strategy with a unique investment opportunity
 - Lean low-cost set-up, with no operational organization to be established
 - Disciplined founders with a proven track record
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Presenting Deep Value Driller

Acquisition of the Bolette Dolphin for USD 65m



Design	GustoMSC P10,000
Rig water depth (ft)	10,000
Drilling depth (ft)	40,000
Dual activity	Yes
Rig status	Warm stacked
Build cost (USD)	750,000,000
Build yard	Hyundai Heavy Industries
Delivery date	21-feb-2014
Number of BOP stacks	Dual 7 RAM BOP Stack Equipped
Max hook load (lbs)	2,500,000
Quarters capacity	210

Among the most capable 7G drillships

Key features include dual activity, two 7 RAM BOPs, large deck space and 165ton subsea crane

Very well maintained while being stacked (previous owner have spent ~USD 70k/day in stacking cost)

Limited reactivation cost required

Strategy



Disciplined approach to investments



Clear monetization strategy

- Bareboat
- M&A
- Downside protection



Low cost

- No operational organization to be established

Indicative sources and uses

Sources	USDm	Uses	USDm
Founding Investors	15.0	Purchase of rig	65.0
Pre-committing Investors	16.8	Project execution plan	3.5
Private placement	53.3	18 months of stacking cost ¹	11.0
		Gen. corporate purposes	5.5
Total	85.0	Total	85.0

Experienced management and originators with track record of value creation

Management



Svend Anton Maier | CEO

- More than 20 years' experience from international Executive Management positions in Publicly Listed Companies, including CEO at Borr Drilling and several executive operational roles at Transocean and Seadrill
- Experience includes senior positions in key energy locations, including US, UK, Middle East, West Africa, Far East, South America, Russia and Northern Europe
- Proven experience with company development and projects
- Has served on Board of Directors of companies in the offshore and energy Sector, including Prosafe, Sevan Drilling, Sapura, Atlantica Drilling

Rig management

- Will not build an operational drilling organization, but rather use external services

Board of Directors¹



Einar J. Greve (Chair)

- Works as a strategic advisor in Cipriano AS
- Previously worked as partner of Wikborg Rein & Co for 15 years and as partner of Arctic Securities ASA
- Has held and holds various positions as board member and chairman in Norwegian and international listed and unlisted companies
- Holds a degree in law (cand.jur) from the University of Oslo



Gunnar Hvammen

- Works as an active owner/founder through his different companies organized under the holding company Lauvheim Holding AS within the oil service, real estate business and technology
- Previously worked for Fondsinans and Normarine Offshore Consultants (today Pareto Offshore)
- Held and holds various positions as board member/chairman in Norwegian unlisted companies – previously also listed companies, and went to BI Norwegian Business School



Espen Western

- 18 years buy side experience predominantly from London
- Held several senior portfolio management positions at various hedge funds and family offices
- Held various positions as board member in Norwegian and internationally listed and unlisted companies
- MPhil Economics degree from the University of Cambridge

Governance

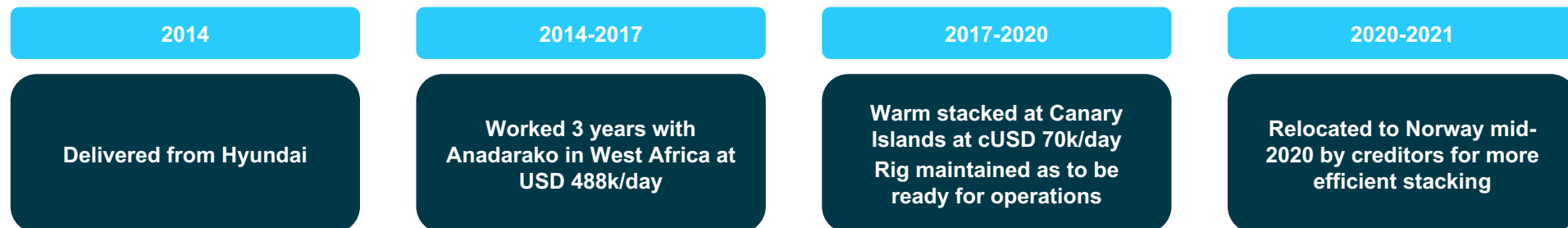
- Norwegian corporate governance standards to be followed
 - E.g. no staggered board, no anti-takeover and no blank check preferred shares provisions in the articles of association or otherwise
- Lock-up: 6 months from listing on Euronext Growth for the CEO, management and Founding Investors
- Board of Directors compensated through warrants (no cash fee), implying full alignment with shareholders

Lean asset play vehicle with no legacy costs, and focus on low overhead

Note (1): Company intends to add one or more members to the Board of Directors

Well maintained and manageable stacking and reactivation costs

History



Current status

- Warm stacked with shore power, and crew on board to run equipment on a regular basis
 - Classing status: DNV layup status
- Daily stacking cost: Expected to be reduced to USD 20k, from current level of USD 25k/d
 - Current management arrangement will be canceled, crew need during stacking period to be adjusted, stacking contracts to be renegotiated with vendors, and potential savings from class, insurance and fees
- Capital raised allows for rig being stacked for 18 months

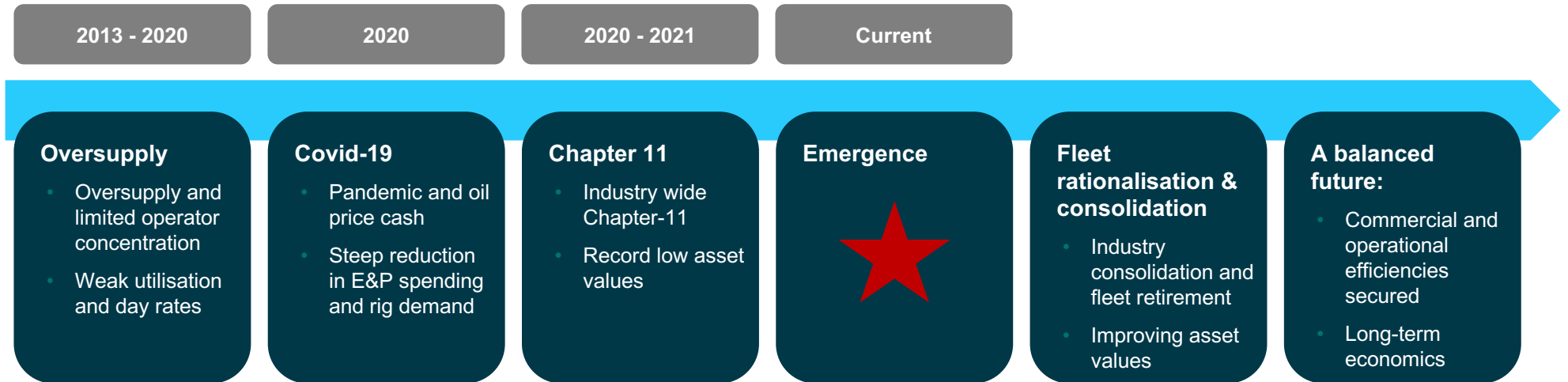
Fully funded for 18 months of stacking

Reactivation budget

- Overall reactivation cost is estimated to be ~USD 45m (only to be incurred after rig has been contracted, and costs depends on type of contract and location), including crewing and training
 - Rig provides a large inventory of spare parts totalling USD 28m to be consumed as part of the reactivation, reducing the overall cost
- Reactivation scope and budget is well prepared and managed, and agreed scope include:
 - NOV package¹
 - ABB package¹
 - Well control equipment (full re-certification required)
 - Hull and structure / class renewal
- If contract opportunity only assumes one BOP, the reactivation cost will be reduced by ~USD 6 to 8m, subject to negotiation with client

Well planned and manageable reactivation budget

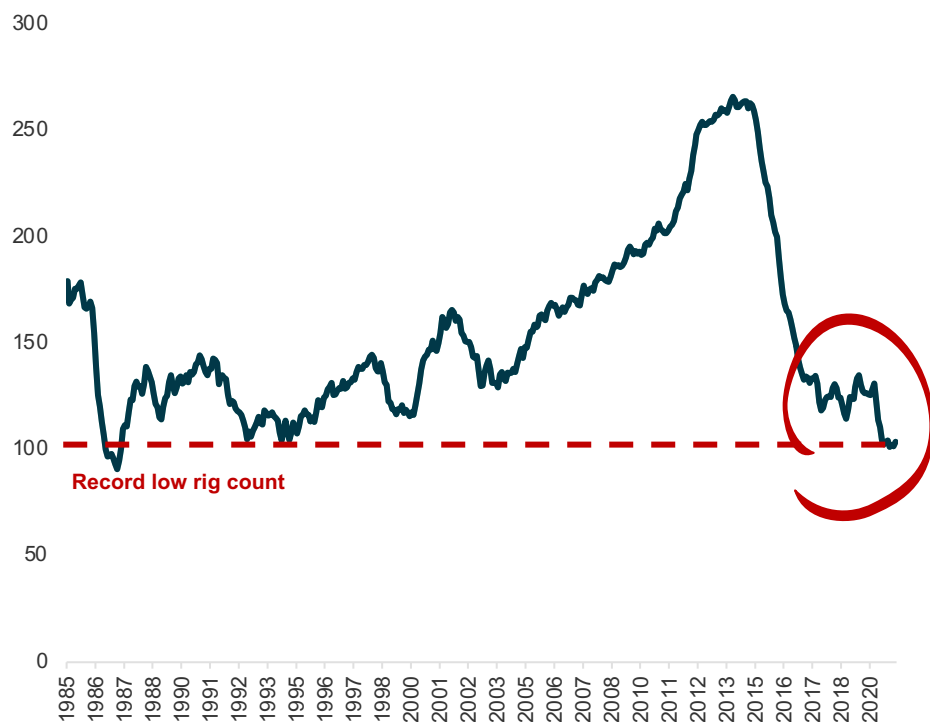
Why now? - Offshore Drilling industry set to be reshaped



Rig count bottoming

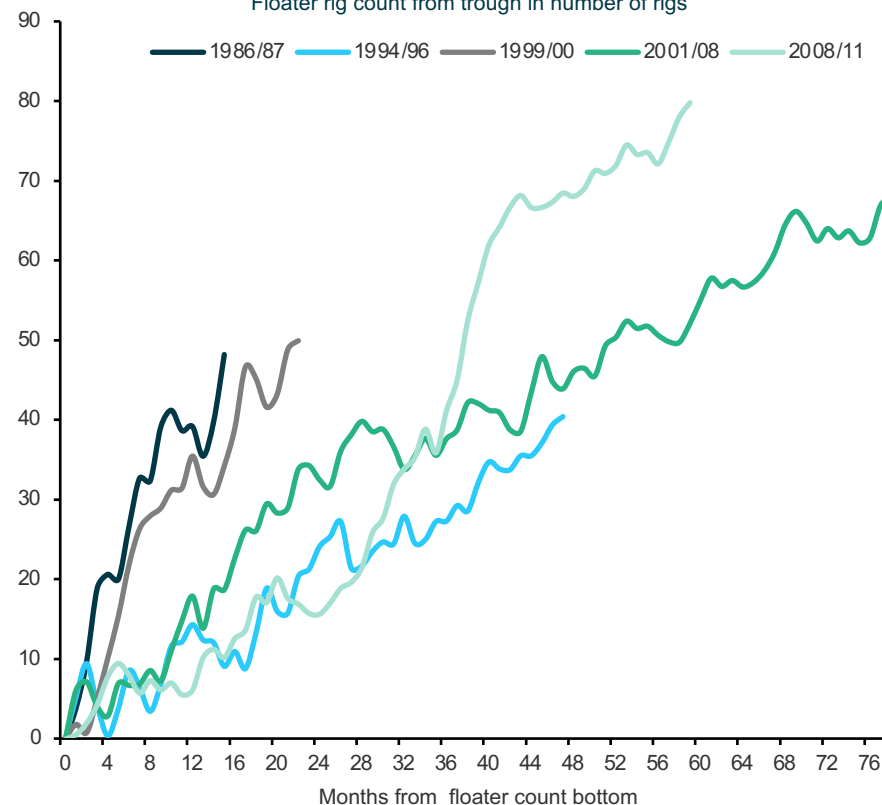
Floater rig count

Number of contracted floaters, globally



Rig count recovery from trough

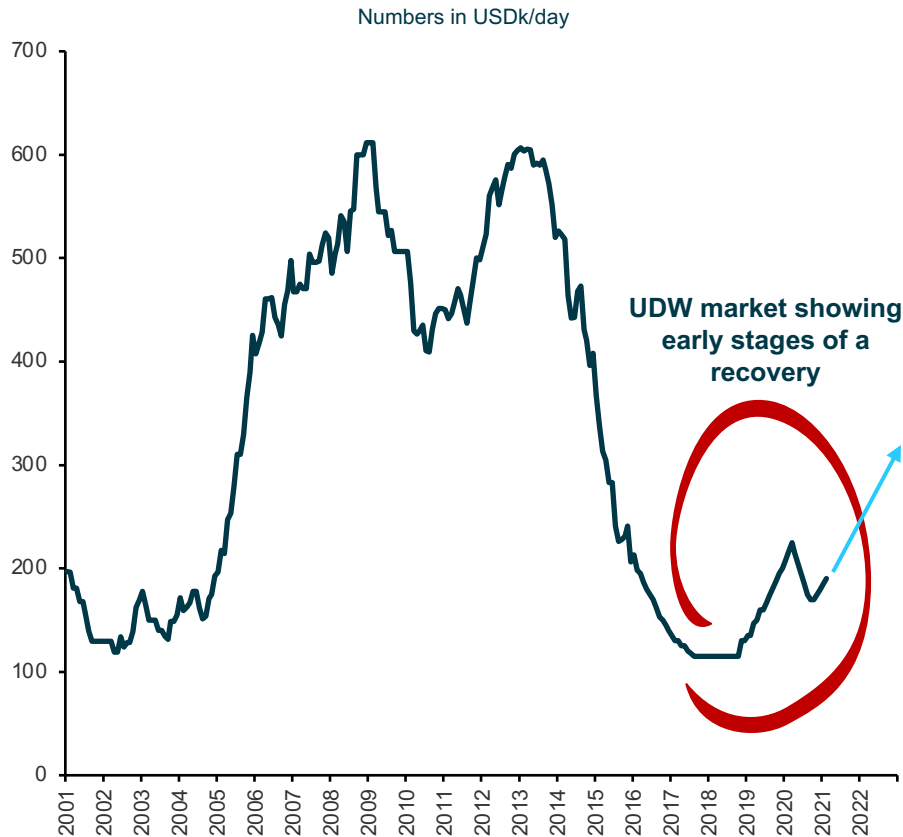
Floater rig count from trough in number of rigs



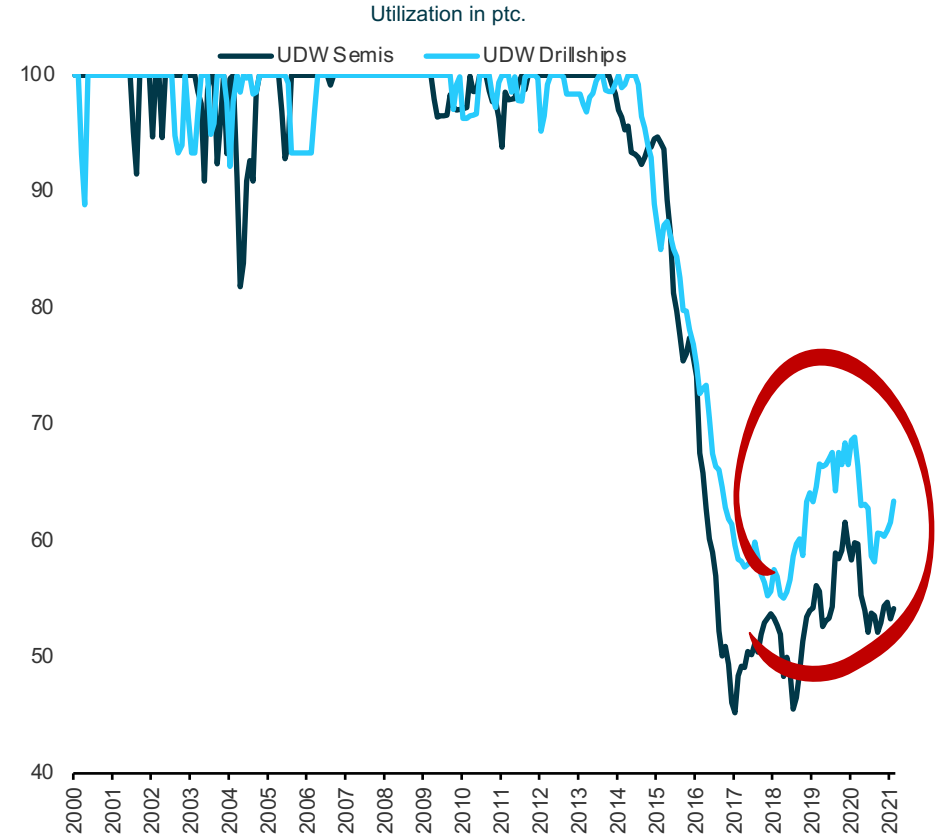
Current strong oil price sentiment could trigger an accelerated rig count recovery

Meanwhile fundamentals are improving

Ultra-deepwater day-rates



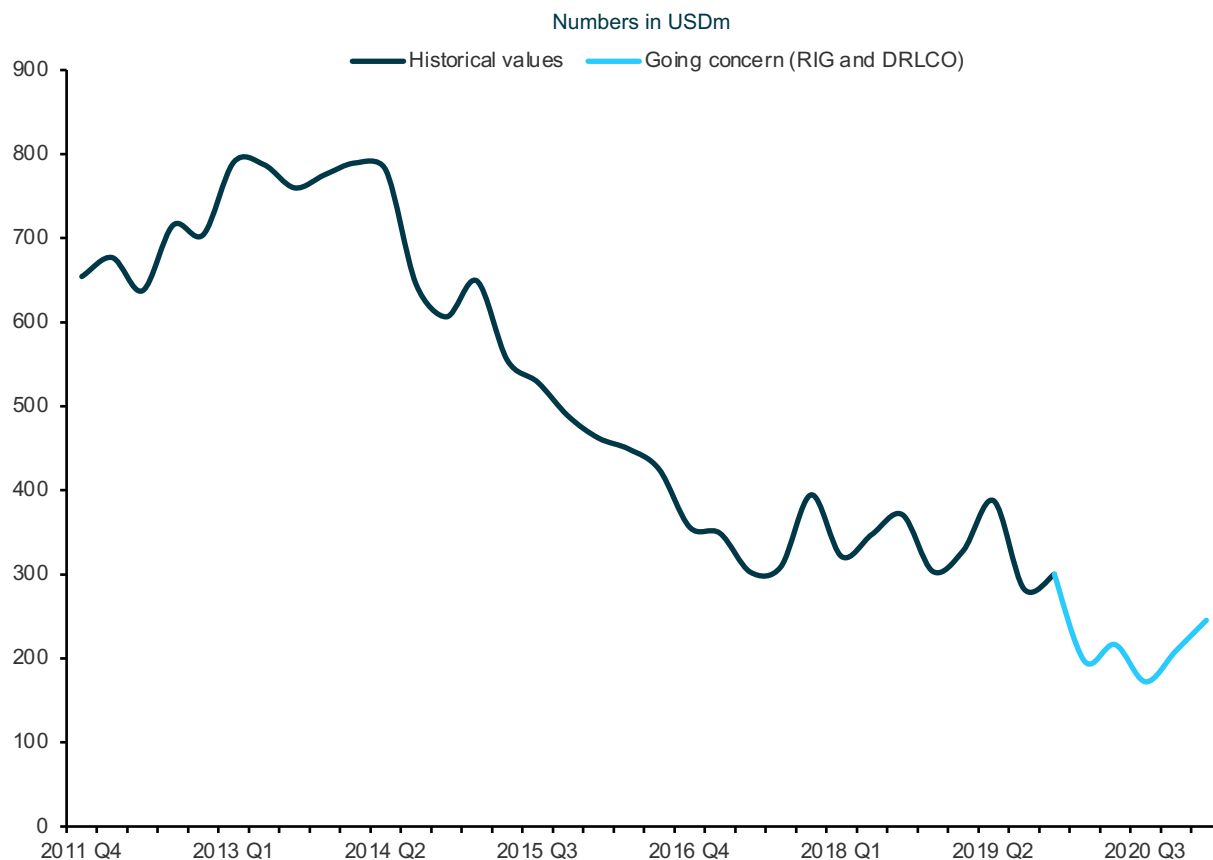
Ultra-deepwater utilization



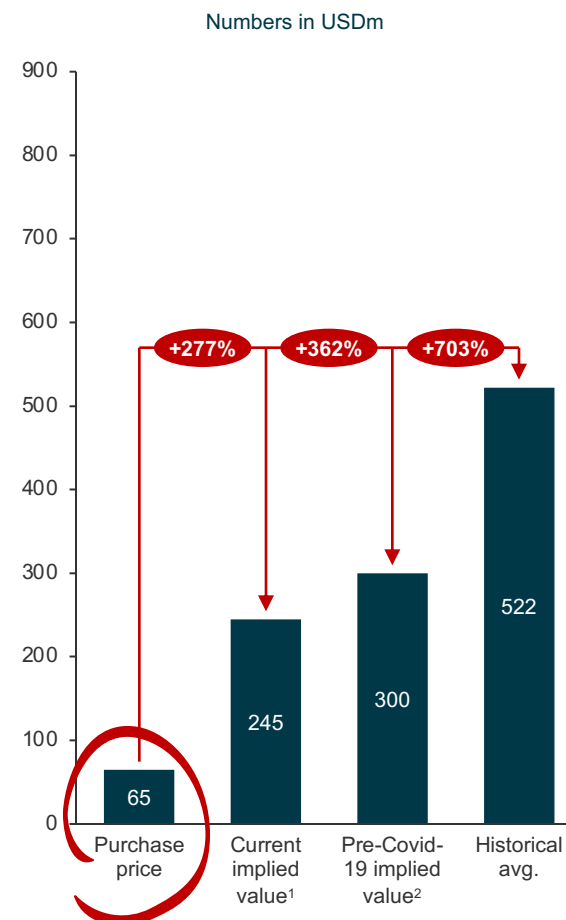
Recovery in day-rates and utilization halted by the Covid-19 outbreak, but has now started to move upwards again

Asset values at all-time low vs. historical capital markets valuations

Historical implied values per modern UDW rig



Reference values



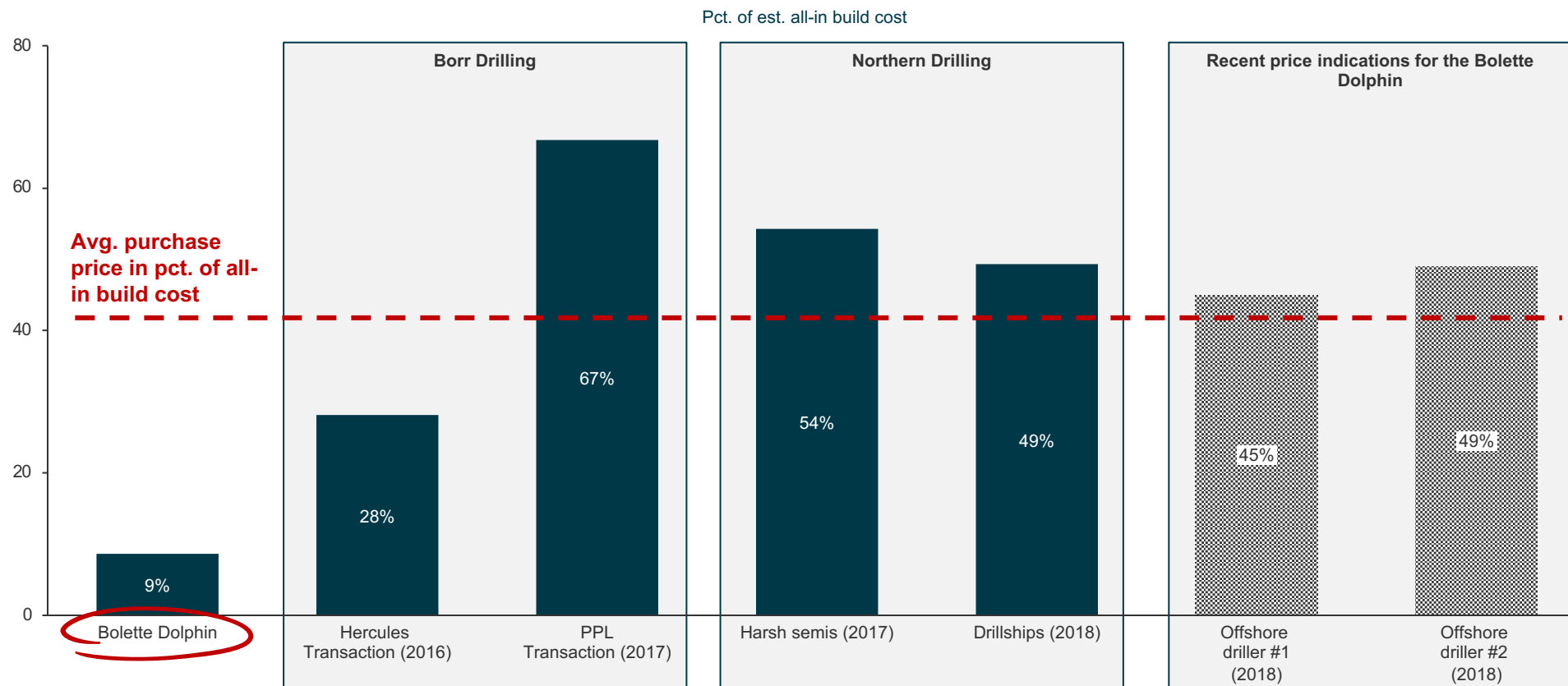
Source: Bloomberg (underlying data), DNB Markets (further calculations)

Note (1): Going concern (RIG and DRLCO, data per February 2021)

Note (2): Q4 2019 implied values

The most attractive distressed asset transaction

Rig purchased at 9% of original construction cost



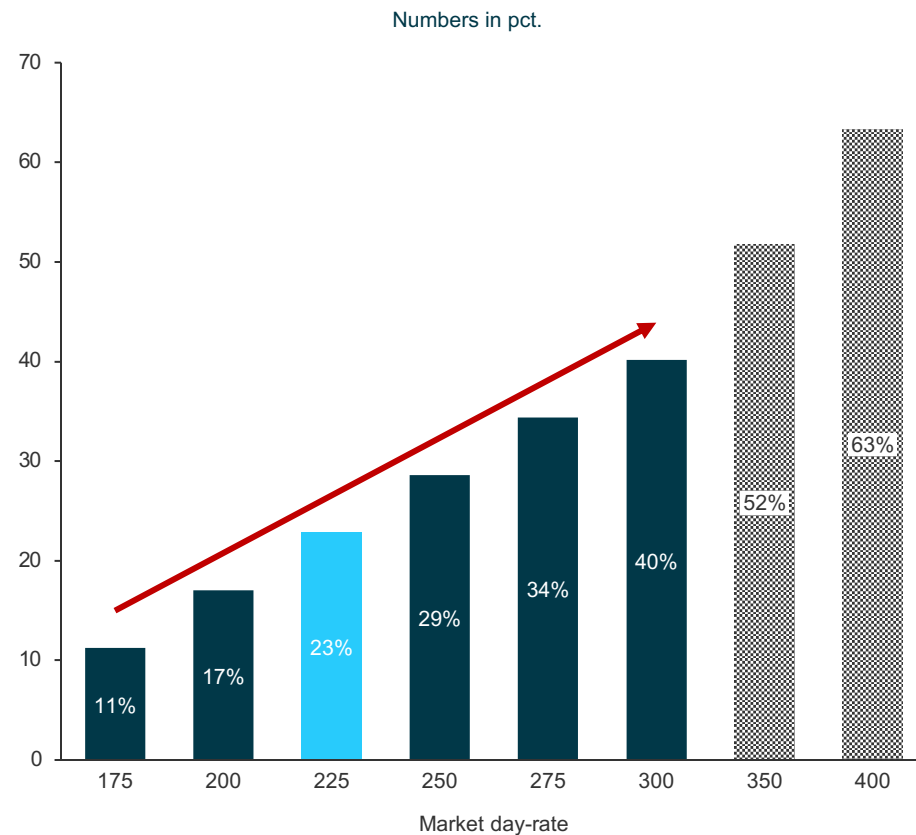
Purchase price vs. build cost significantly below precedent transactions

Strong cash dividend potential

DVD will distribute excess free cash flow

Day-rate	USDk/d	175	200	225	250	275	300
Utilization	Pct.	95%	95%	95%	95%	95%	95%
Cost	USDk/d	140	140	140	140	140	140
EBITDA	USDk/d	26	50	74	98	121	145
Fixed bareboat charter element	USDk/d	20	20	20	20	20	20
Assumed profit split (50%)	"	3	15	27	39	51	63
Current market							
Cashflow to asset owner	USDm	8.4	12.8	17.1	21.4	25.8	30.1
EV¹/EBITDA	X.	8.9	5.9	4.4	3.5	2.9	2.5

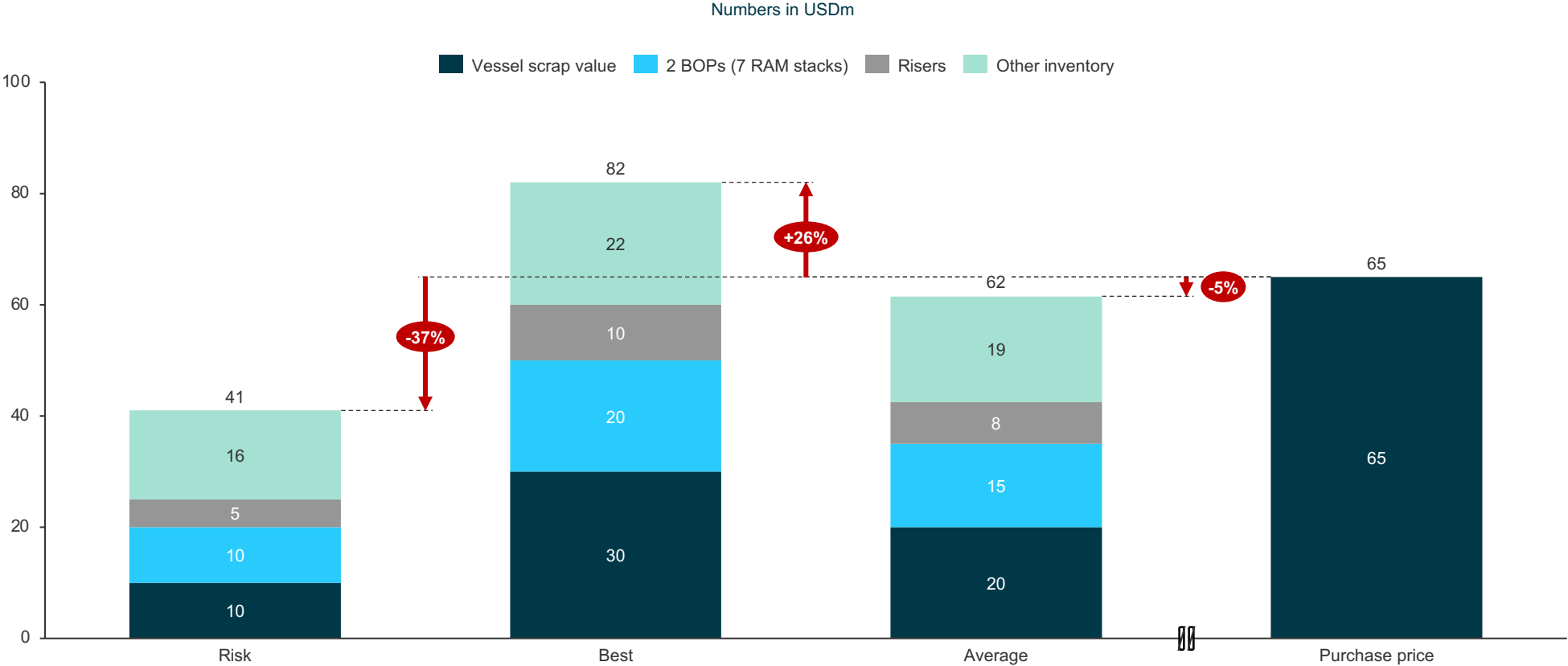
Illustrative cash flow yield



All equity structure with attractive entry point ensures strong cash flow yield and dividend potential

Downside protection from meaningful breakup value

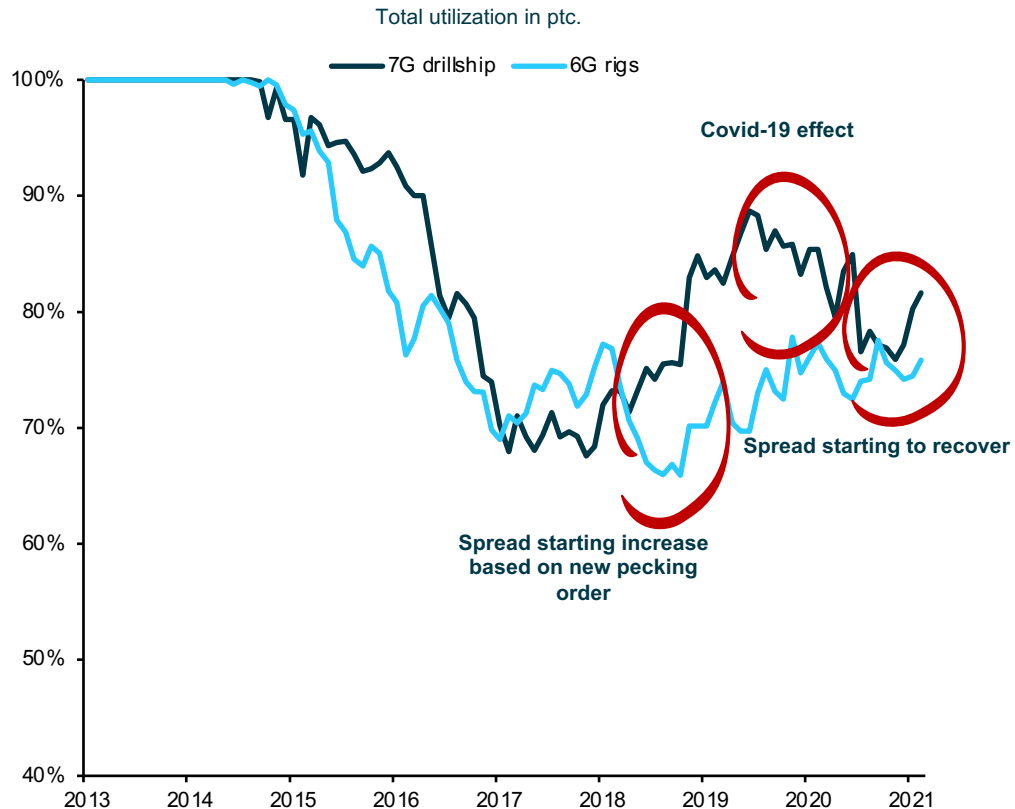
Breakup value vs. purchase price



Limited risk in breakup value, ranging from an estimated positive 26% to negative 37%

Clear preference for the best drillships

Utilisation for 7G versus 6G rigs

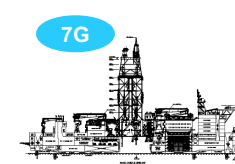


7G drillships preferred choice for long-term contracts

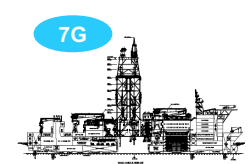
Tullow in Ghana



Equinor in Brazil



Total in Mozambique



Rig	Maersk Venturer	Not awarded yet	Not awarded yet
Type of work	Development work at Jubilee/TEN	Development work at Bacalhau	Golfoinho/Atum (LNG)
Duration	4 years	4 years plus 4x1 year options	900 days plus 700 days of options
Rig need	7G drillship requested	7G drillship with MPD	Preference for high-capacity drillship

Bifurcation is happening in the drillship market

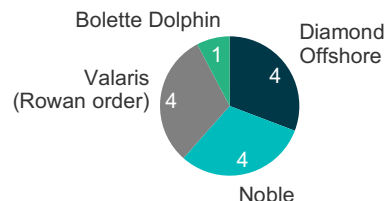
GustoMSC P10,000 is a Superior design

Superior base design

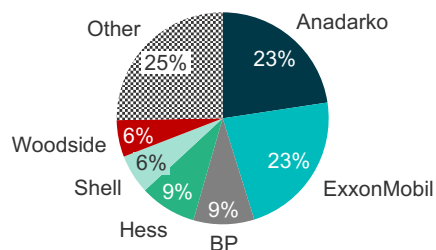
- Drilling operations integrated in design (most other drillships are based on tanker vessels)
- Large deck area and riser storage inside the hull
- Efficient layout makes it preferred choice for development drilling

Preferred by quality drilling contractors

- Diamond, Noble and Rowan ordered four GustoMSC P10,000 vessels each as their entry to 7G drillships



Favoured by key clients



Superior utilization proven

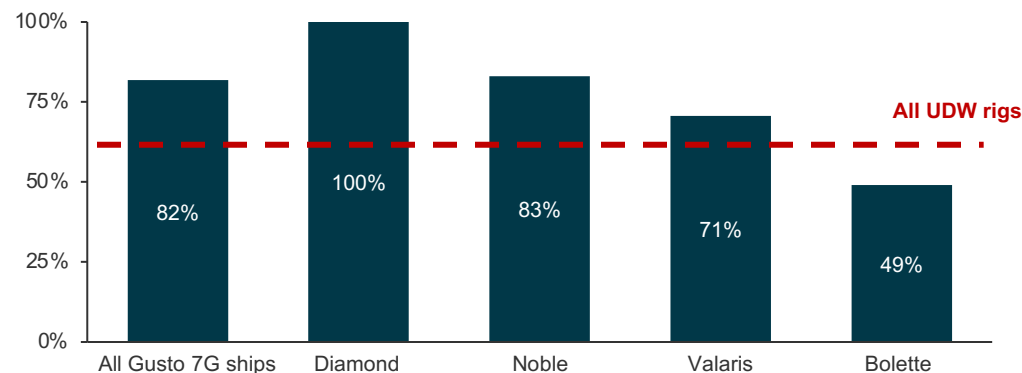
- Achieved above-industry utilization
- Both Noble and Diamond have long-term commitments for all their drillships with Exxon, BP and Woodside
- Valaris currently have committed two of four drill ships

Long-term contracts with key oil companies

Backlog for GustoMSC P10,000 rigs

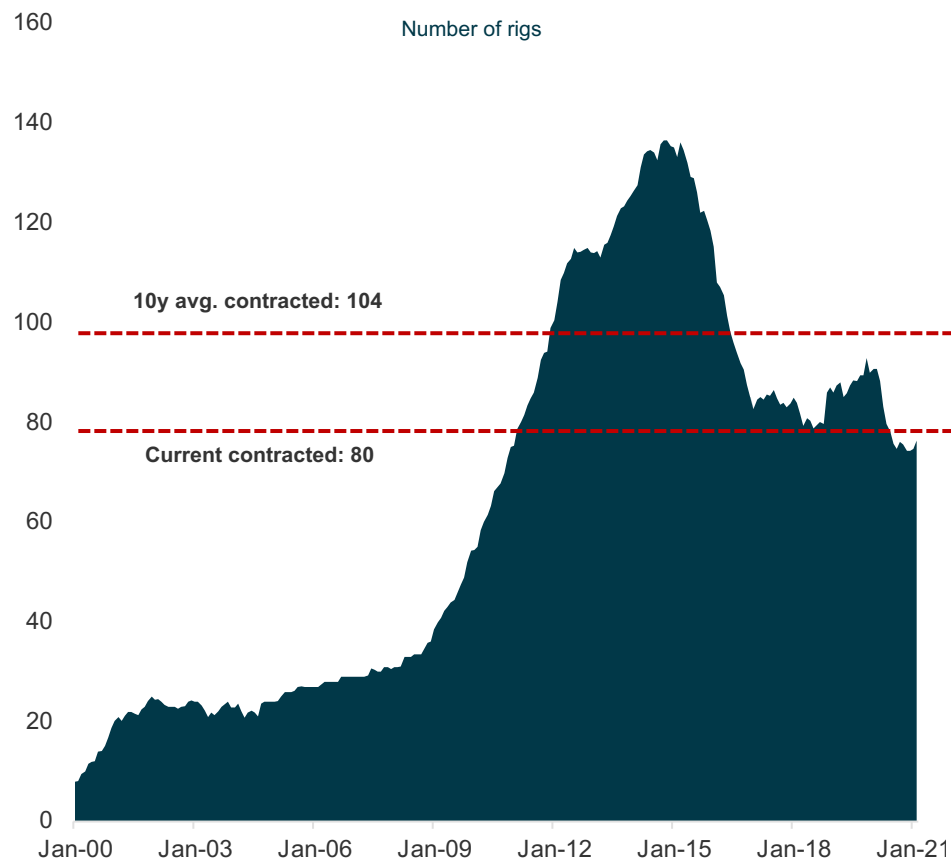
Country	Oil Company	Name	2021				2022				2023			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Canary Islands		Valaris Reliance												
Norway		Bolette Dolphin												
Canary Islands		Valaris Resolute												
Guyana	ExxonMobil	Noble Sam Croft												
Guyana	ExxonMobil	Noble Bob Douglas												
Guyana	ExxonMobil	Noble Don Taylor												
Mexico	Chevron	Valaris Relentless												
Brazil	Total	Valaris Renaissance												
Senegal	Woodside	Ocean BlackHawk												
USA	BP	Ocean BlackHornet												
USA	BP	Ocean BlackLion												
Senegal	Woodside	Ocean BlackRhino												
Guyana	ExxonMobil	Noble Tom Madden												

Gusto 10,000 utilization in ptc., average 2014 - 2021

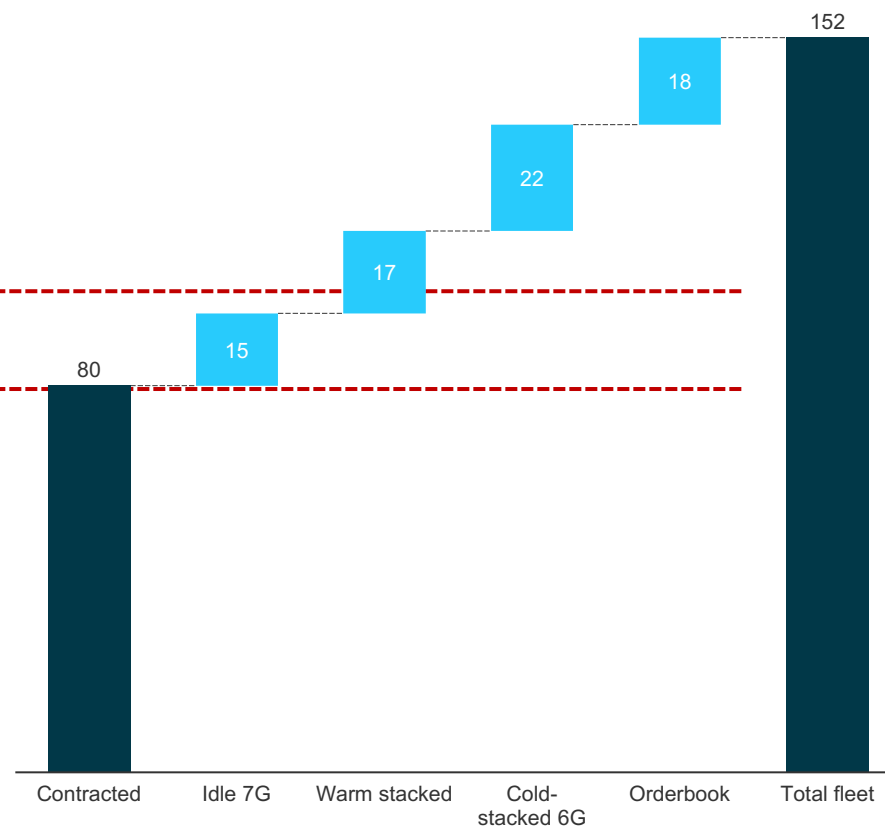


A large part of the fleet is deemed non-competitive

Historical number of contracted benign UDW's



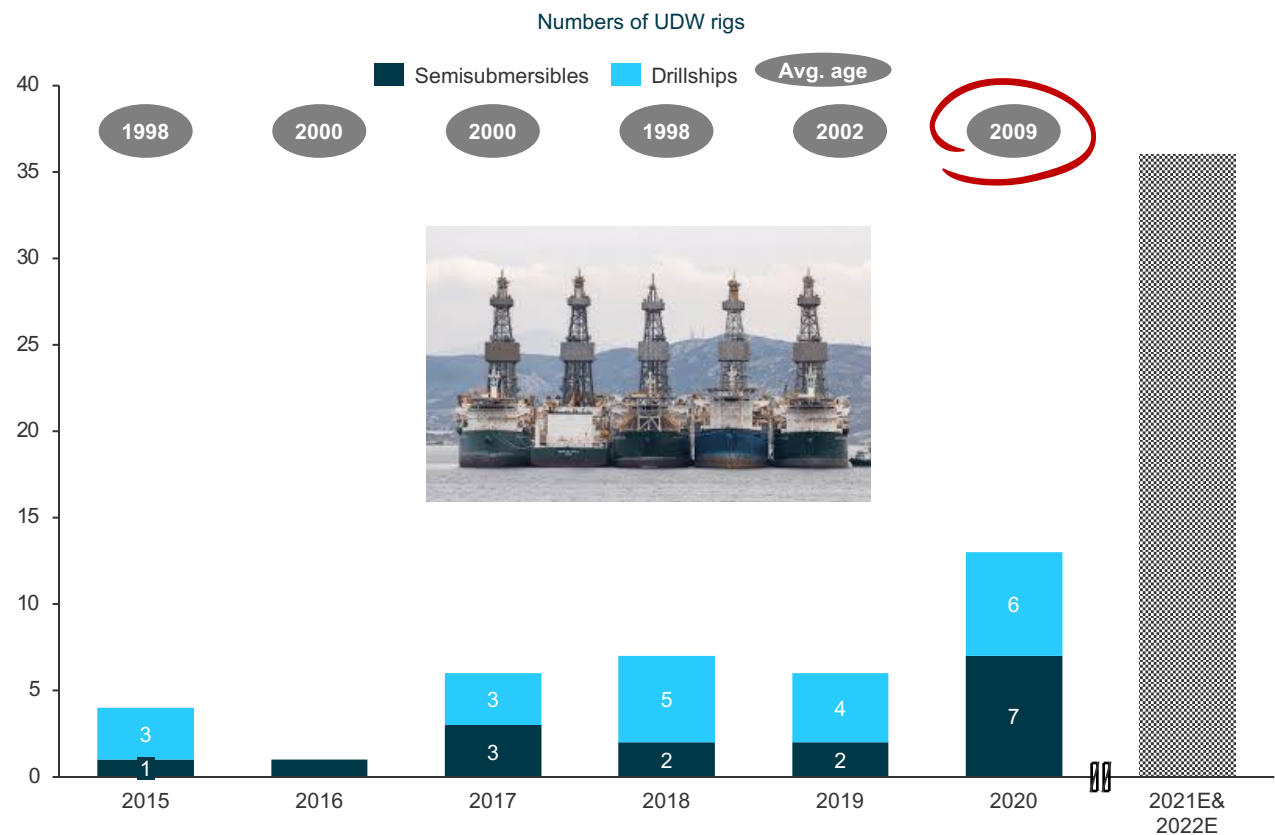
Breakdown of the current fleet of benign UDW's



Almost 50% of the fleet needs significant higher rates to come back – scrapping will continue

UDW fleet retirement accelerated in 2020

UDW rigs retired

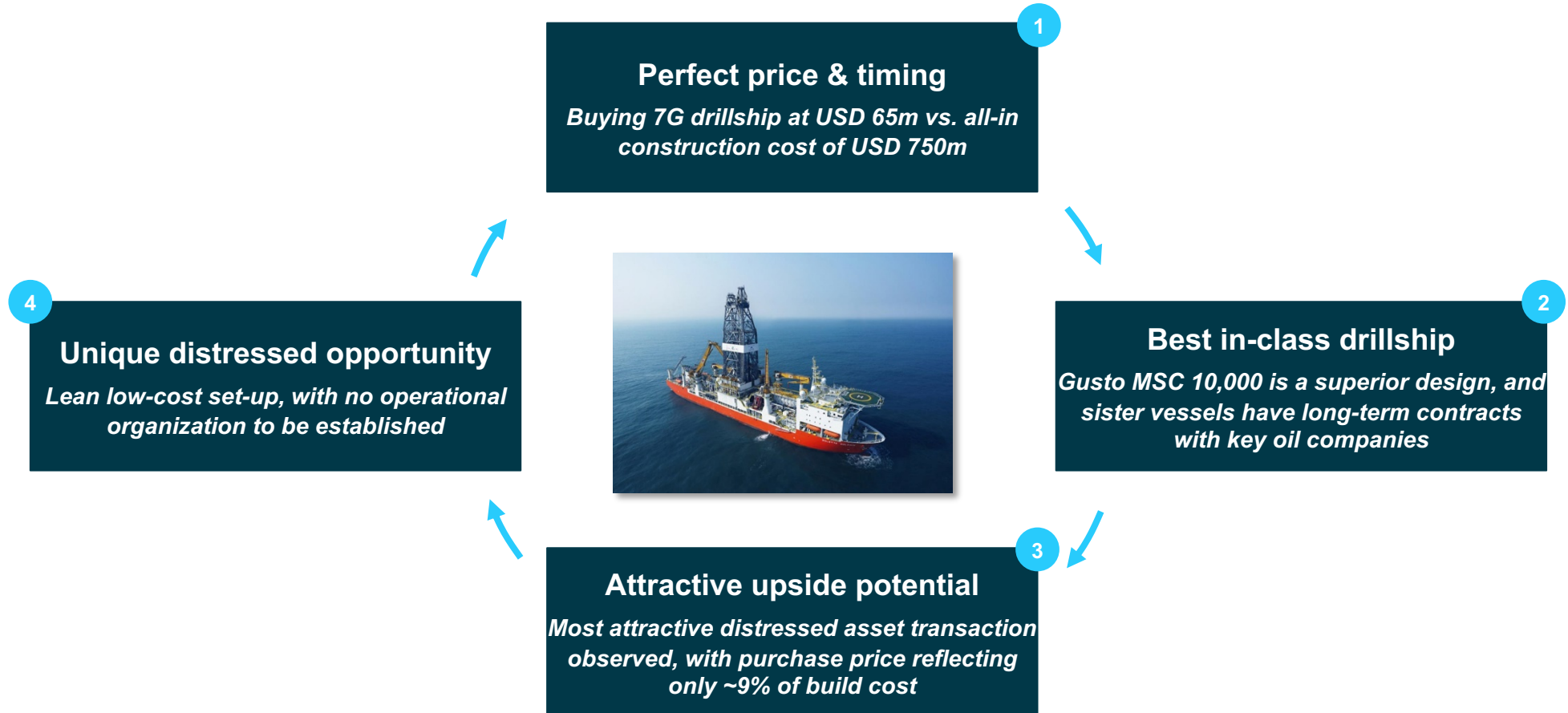


Selected scrapped drillships

Valaris DS-6 (2012)	
Valaris DS-5 (2011)	
Titanium Explorer (2012)	
Noble Bully II (2011)	

Modern UDW rigs being retired

Perfect timing enables a truly unique transaction



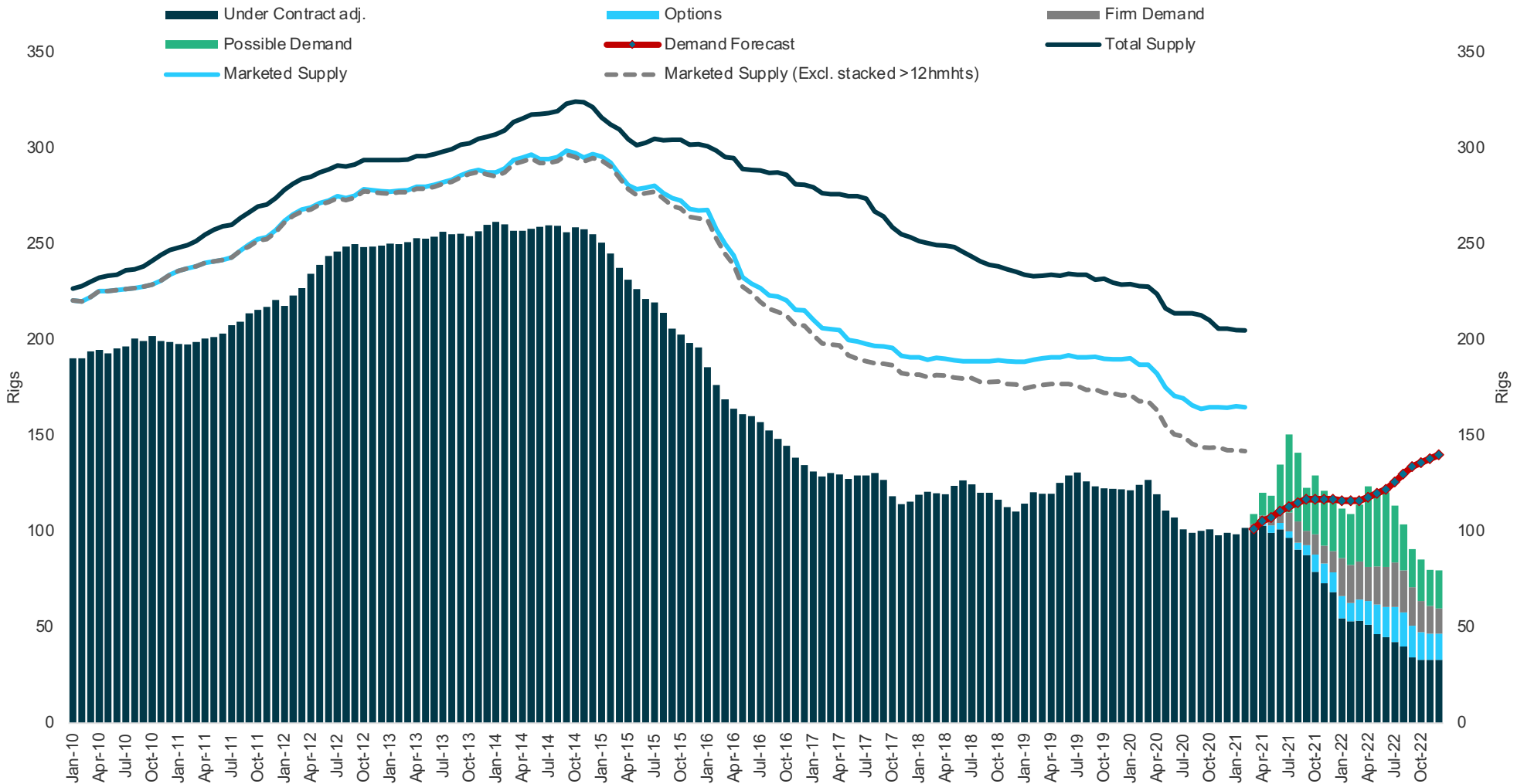


Appendix

Most recent UDW contracts

Rig name	WDR (ft)	Manager	Operator	Region	Contract start	Contract description	Dayrate (USD)	Fixture date	Est. rig EBITDA margin
Maersk Venturer	12,000	Maersk Drilling	Tullow Oil	W Africa	4/1/2021	4 years	253,000	2/4/2021	40%
Platinum Explorer	10,000	Vantage Drilling	ONGC	Indian Ocean	6/19/2021	5 wells + 4 completions in 2 years	149,300	2/1/2021	40%
Stena DrillMAX	7,500	Stena	ExxonMobil	S America	5/21/2021	5 wells	190,000	1/22/2021	25%
Valaris Renaissance	12,000	Valaris	Total	S America	4/15/2021	2 wells + 4 option wells	190,000	1/20/2021	25%
Pacific Khamsin	10,000	Pacific Drilling	Petronas Carigali	Mexico	8/1/2021	1 well + 4 x 1-well options	192,000	1/14/2021	28%
Norbe VIII	10,000	Ocyan	Petrobras	S America	7/30/2021	425-day extension	190,000	1/8/2021	35%

Floater demand expected to increase



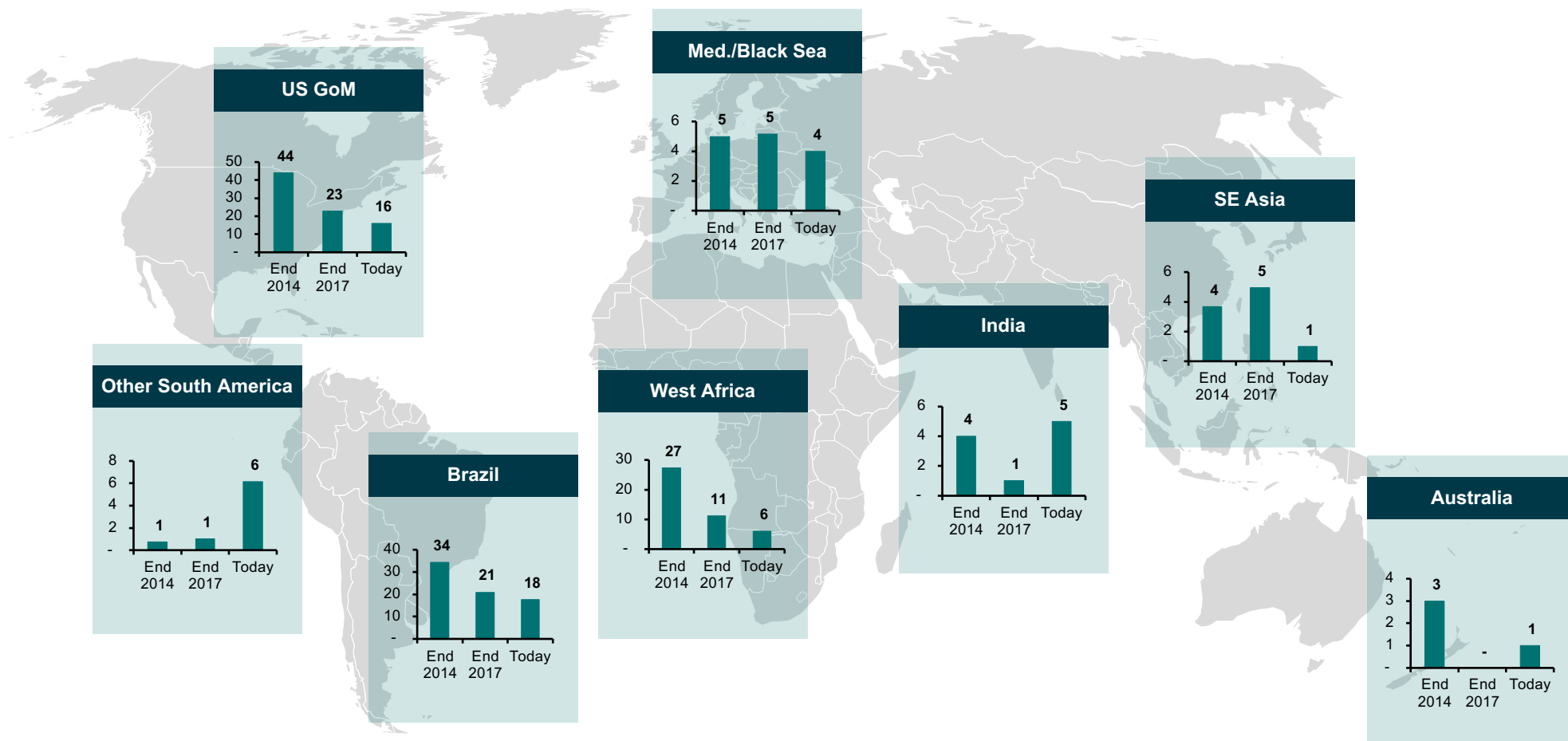
Source: IHS (underlying data), Fearnley Securities (further calculations)

Technical specification slide

General description		BOP & subsea equipment	
Design	7th Generation GustoMSC P10000	BOP	Two GE 18 ¾", 15,000 psi, 7 ram, dual annular, Super HD-H4, H2S service wellhead connector, API S53 compliant
Shipyard	Hyundai Heavy Industries (South Korea)	Marine Riser	Vetco HMF-H 21" OD riser (75 ft long joints), 4 ½ " ID choke and kill lines (15,000 psi), 4" ID booster line (7,500 psi)
Year in-service	2014	BOP Handling	NOV gantry crane, 2 x 240 mt and 2 x 35 mt
Classification	DNV 1A1, Ship Shaped Drilling Unit, BIS, E0, DYNPOS AUTRO, DRILL, HELDK-SH, COAT-PSPC(B), CLEAN	Tensioners	4,000,000 lbs capacity, 8 x dual NOV SWRT-250-50 (wireline) rated at 250,000 lbs each, stroke length 12½ ft, 50 ft line travel
Flag	Singapore	Diverter	GE KFDS-CSO 72", 500 psi
Dimensions	752 ft (229 m) long x 118 ft (36 m) wide x 59 ft (18 m) deep	Tree Handling	Xmas moonpool trolley, 200 mt; Xmas gantry crane, 2 x 40 mt + 1 x 5 mt with guiding; Xmas gantry crane, 2 x 40 mt + 1 x 5 mt with guiding system; Overhull guiding system (Aux. well centre)
Drafts	36 ft (10.97 m) operating / 11 ft (3.35 m) survival / 31 ft (9.45 m) transit	Moonpool	73.5 ft (22.4 m) x 42 ft (12.8 m) at baseline
Accommodation	210 (22 single + 94 double)		
Displacement	70,052 mt operating / 64,026 transit		
Variable Deck	20,000 mt operating / 20,000 mt transit		
Transit Speed	12 knots (historical avg.)		
Maximum WDR	12,000 ft designed / 10,000 ft outfitted		
Drilling equipment		Power & machinery, station keeping / propulsion system, cranes etc.	
Derrick	Dual Derrick, NOV Type DDBN 1250, 210 ft, (48.77 m) high, with 80 ft (12.2 m) x 60 ft (10.7 m) base, 1,587 mt racking capacity	Main Power	6 x HHI Himsen 16/H32/40V, 6 x 8,000 kW
Hookload capacity	Main: 2,5 Mlbs (1,250 st), Aux: 1,5 Mlbs (750 st)	Emergency Power	1 x STX QSK60DMGE, 1,500 kW
Drawworks	Main: NOV Active Heave, 1,250 st, 9,000 hp, Aux: NOV Active Heave, 750 st, 5,750 hp	Power Distribution	6 x ABB 3,400 KVA, 4 x ABB 4,500 KVA, 12 x ABB 2,500 KVA
Compensator	Main: NOV Crown Mounted Compensator, Capacities: 1,250 st static, 500 st compensated, 38.5 st active, Stroke: 25 ft (7.62 m)	DP	Kongsberg Maritime triple redundant (DP3)
Rotary Table	Main: NOV RST-75.5", 1,250 st, Aux: NOV RST-60.5", 750 st	Thrusters	6 x 5.5 MW Rolls Royce UUC 455 fixed pitch fully azimuthing thrusters with monitoring system
Top Drive	Main: NOV TDX-1250, 1,250 st, 105,000 ft.-lbs continuous torque, Aux: NOV TDS-8SA, 750 st, 62,250 ft.-lbs continuous torque	Mooring System	x Rolls Royce CU92K3E anchor windlasses (Fwd), 2 x Rolls Royce Capstan CH150E (Aft)
Tubular Handling	NOV Dual Hydraracker (3 1/2" – 14"), 2 x NOV Catwalk machines and knuckle boom rig cranes with tubular gripper yoke (5 1/2" – 30")	Cranes (5)	NOV: 1x Knuckle boom, Active heave compensated, 165 mt 1x Knuckle boom, 100 mt; 2x Knuckle boom, 85 mt; Oriental: Single boom, 20 mt
Iron Roughneck	2 x NOV Hydratong MPT-200 w. 3 point jaw system (3 ½" - 9 ¾" Tubular)	MPD	Managed Pressure Drilling (MPD) ready
Mud Pumps	5 x NOV 14-P-220 triplex pumps	Riser storage	Below deck riser storage
HP Mud System	Rated for 7,500 psi	Nitrogen/Oxygen	Nitrogen and oxygen generator systems
Solids Control	8 x NOV VSM 300 shale shakers	Zero pollution	Westfalia zero pollution unit – minimizing waste to shore
		Lifeboats	4 x Norsafe JYN100

UDW activity by region

UDW rig count by region¹





Deep Value Driller AS