



Private placement of shares in Thule Drilling ASA

Subsequent application for listing at
the Oslo Stock Exchange

8 April 2005



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Transaction: - To raise USD 40 million in new equity



The offering is exempt from Norwegian prospectus regulations as securities are offered only in lots exceeding EUR 40,000.

Equity

- **Issuer:** Thule Drilling AS (to be converted into Thule Drilling ASA), ISIN NO 001 0263056
- **Share offering:** 12-15,000,000 shares, par value NOK 0.20 per share, at an issue price of NOK 19 per share (gross proceeds NOK 228-285m, equivalent to USD 36-45m)
- **Order period commences on 11 April 2005 and will close on 15 April 2005, with the company reserving the right to close earlier or later**
- **Shares to trade on OTC market; will apply for listing on Oslo Stock Exchange**
- **Founders and key personnel will have warrants to subscribe for shares equivalent to 12.5% of share offering for a period of two years at a price of NOK 21.85 (offering price + 15%)**

Debt – summary terms

- **NOK 250,000,000 (equivalent to USD 39.4m) bond financing**
- **Has been fully subscribed**
- **Interest rate: 10% p.a.**
- **To be fully repaid two years from issuance**
- **Security: First priority mortgage in hull and equipment; pledge in cash**
- **Warrants: For each NOK 1,000,000 of bonds, bond holders will have warrants to subscribe for 14,000 shares for a period of two years at a price of NOK 23.75 (offering price + 25%)**

Transaction: - Thule Drilling in a nutshell



- An investment in Thule is a bet on a strong rig market
- An investment in Thule is a bet on that the Thule team can complete the building project as planned
- If these bets come true, an investment in Thule has the potential to become very profitable

Transaction: - Presentation team



- **Thule Drilling:**
 - Kai Solberg-Hansen, CEO from June 2005
 - Tore Berg, technical advisor
- **Noble Denton, project managers:**
 - David Sutton, Group Managing Director & Regional Director Middle East

Investment case: - Background and business case



- **Background**
 - Through his business in the Teco Group, Tore Enger has located a 1982 built jack-up rig hull located in the United Arab Emirates
 - The rig was damaged in an accident in 2002 but the hull is in reasonable condition
 - The hull is acquired at low cost of \$2.5m and key persons are compensated with a carried interest of \$1.5m in the project
- **An organisation has been built for the reconstruction into a drilling rig**
 - Will be built into a first-class rig, all brand new equipment, suitable for operation in water depth up to 250ft and drilling depth up to 30,000ft – well suited for Middle East oil and gas drilling
 - Cost advantage – budget is \$76m (including financing, fees and yard success fee) while a similar newbuilding would cost \$120-125m
 - Time advantage – ready to drill in 14 months while a newbuilding would take around 28 months – could translate into another \$18-20m in earnings advantage
- **The rig will be fully financed with a \$5m cost overrun buffer**

Investment case: - Asset valuation is key value driver



	(figures in USD million)	Building cost	Est. newbuilding	Est. implied value*
Asset value		76	125	139
Net debt after warrant conversion**		35	16	16
Equity value		41	109	123
Number of shares, fully diluted		13.7	18.9	18.9
Value per share, NOK		19.0	36.6	41.3
Equity upside, fully diluted			93 %	117 %

* Implied value, based on stock market valuation of jack-up drilling companies:

Sinvest, Odfjell Invest, Petrojack	
Average, 375/30,000ft rigs:	161
Est. fully delivered newbuilding price:	145
Stock market valuation premium:	11 %

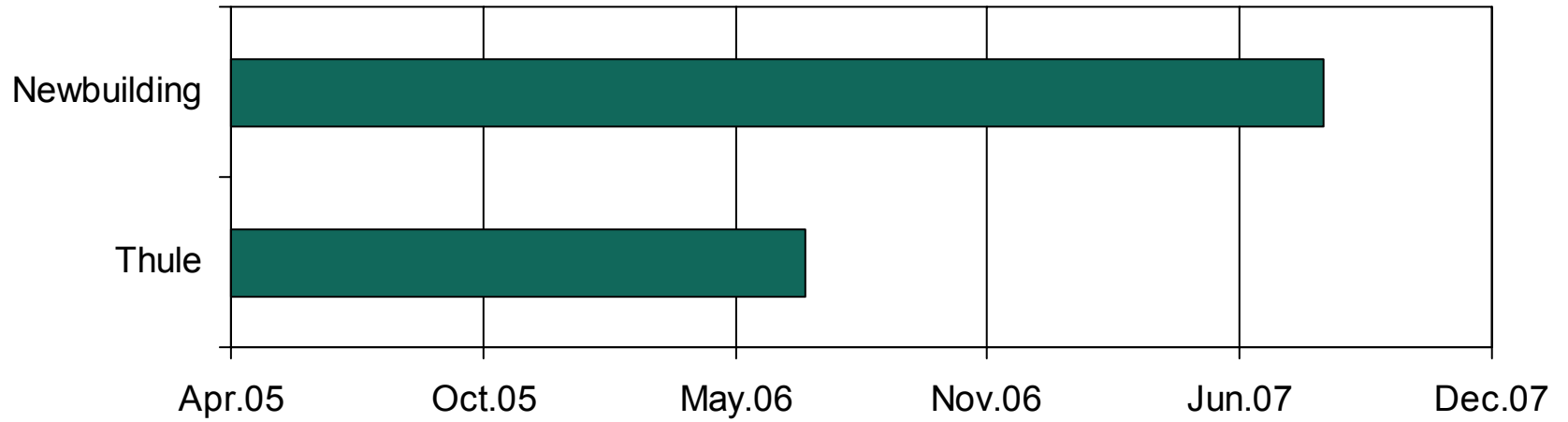
* Fearnley Fonds estimates

** Includes warrants to key persons and bond owners

Investment case: - Time to market



Average delivery period of 5 last newbuildings is 28 months



- Time advantage could be 14 months
- At a rate of \$75,000 and cost of \$25,000, the value of the time advantage would be \$21m

Investment case: - Relative pricing will be favourable



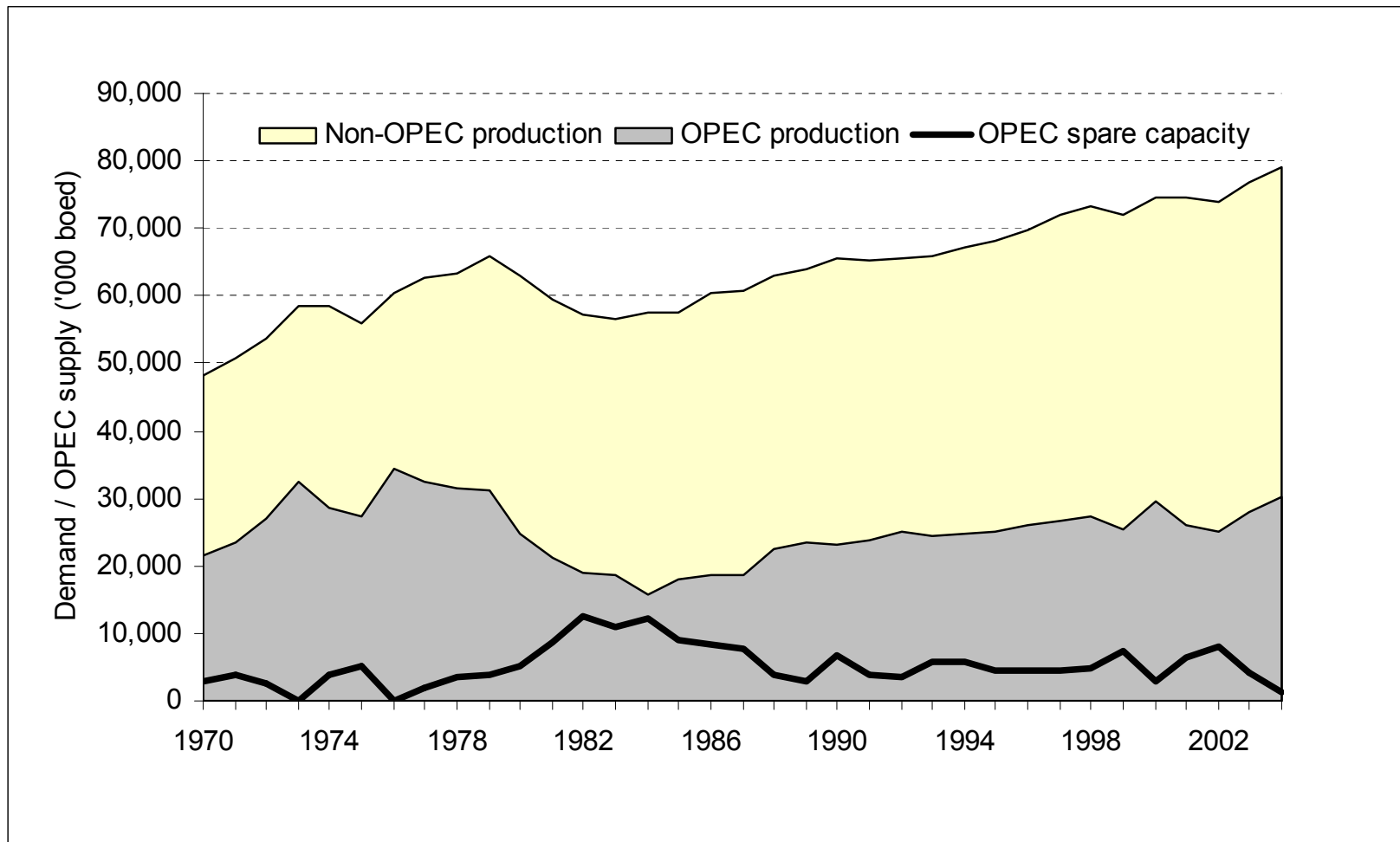
VALUATION SUMMARY (USDm)	THULE	SIN	OIL	JACK	
Equity value *	40	354	156	67	
Net debt (proforma, fully financed)	36	553	159	108	
EV	76	907	314	176	
No of units	1	5	2	1	
Rate assumption	75000	90000	90000	90000	
Cost assumption	25000	25000	25000	25000	
Revenues	26	156	62	31	
OPEX	9	43	17	9	
G&A	2	5	3	2	
EBITDA	16	108	42	21	
Depreciation	3	23	9	5	
Interest cost	3	28	8	5	
Net profit pre tax	10	58	25	11	
P/E	5.6	6.1	6.2	6.3	US peers** 12.0
EV/EBITDA	4.8	7.7	7.5	8.6	7.0

* Equity ownership after warrant conversion 70 %

**Average US jackup players (ENSCO, Rowan, GlobalSantaFe). Based on mark-to-market rates.

Market overview:

- E&P spending is driven by a low level of spare production capacity for oil



Source: EMC, BP

Market overview: - Middle East is the fastest-growing drilling region



- *Some of the highest recent jack-up fixtures have been made in the Middle East*
- *Several large programmes have been announced*
- *Saudi officials recently quoted to double its rig demand from currently 10 rigs*
- *LNG adds new dimension in offshore – Qatar will become large user*

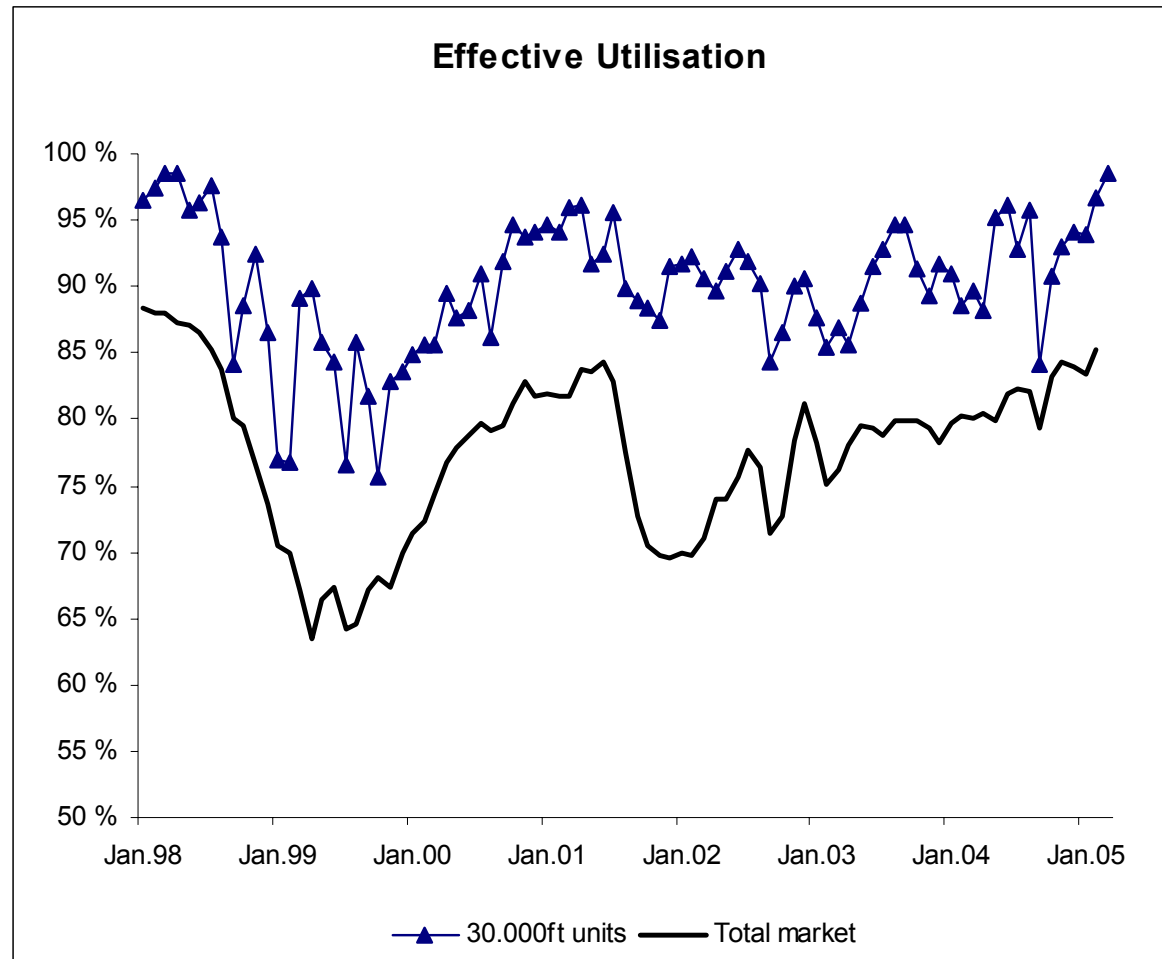
Jack-up demand is rising rapidly in Middle East and Asia



Source: ODS-Petrodata, Fearnley Fonds

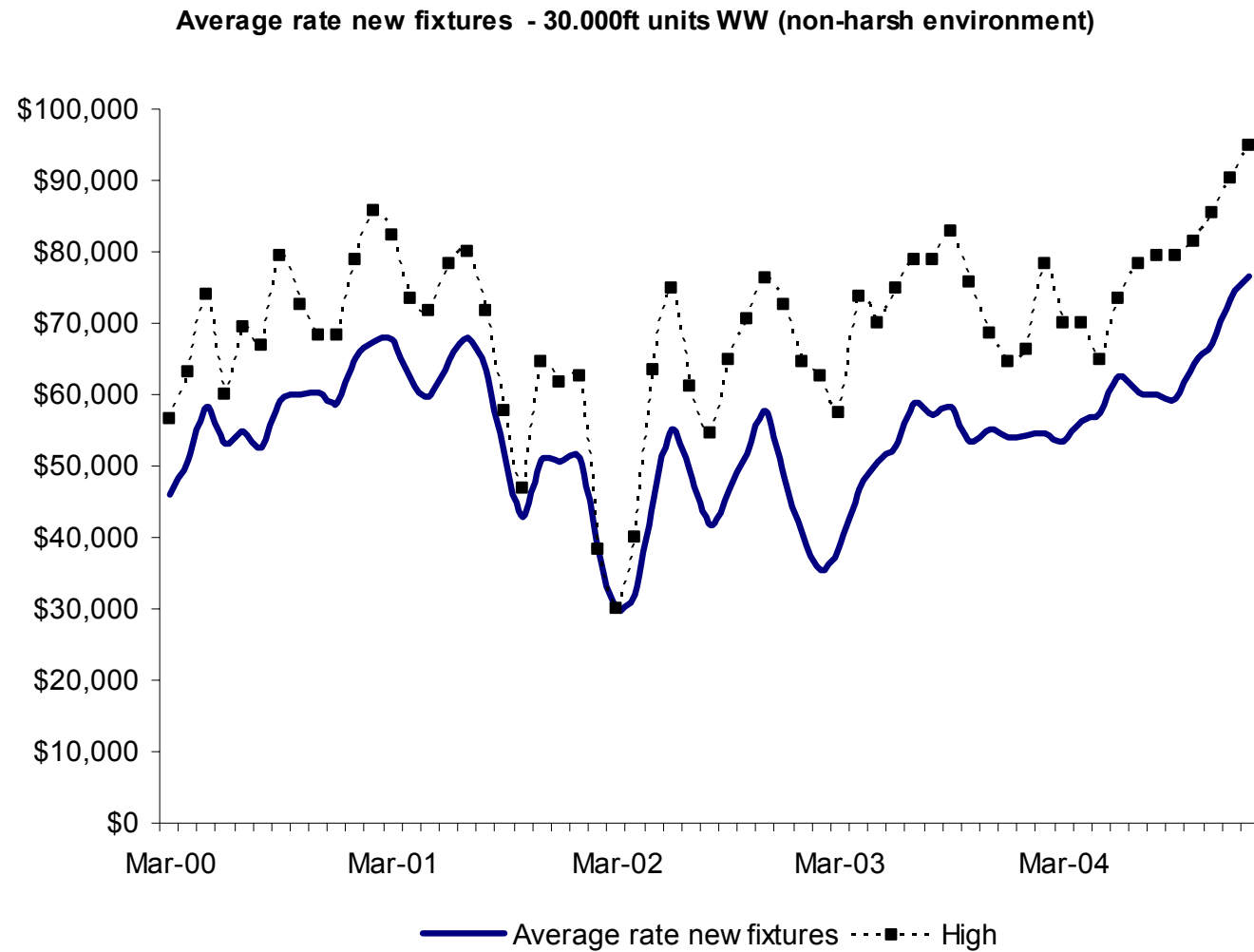
Market overview:

- Jack-up rig utilisation is high; deep drilling capability is favoured



Source: ODS-Petrodata, Fearnley Fonds

Market overview: - Jack-up drilling rig rates are on a rising trend

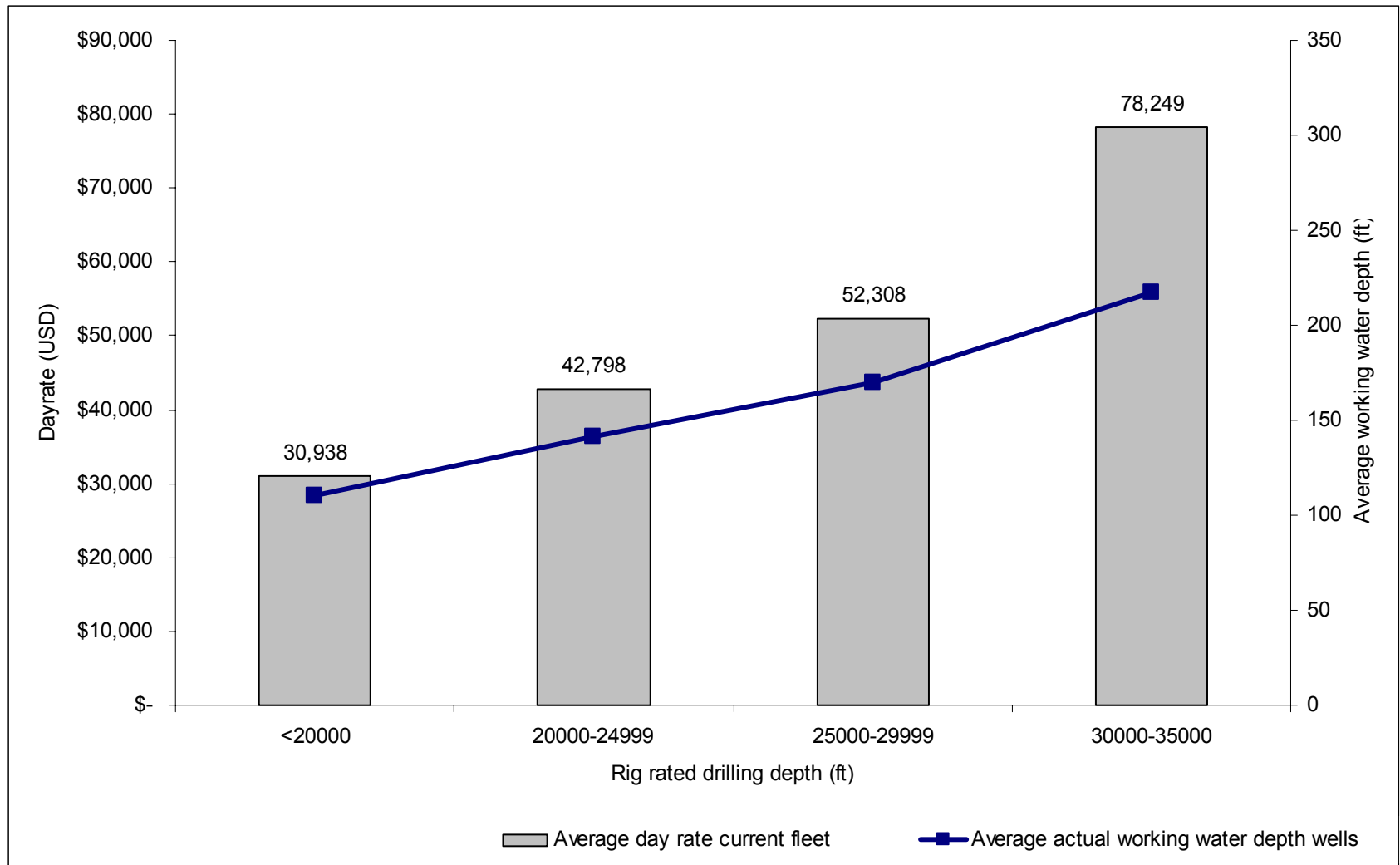


Source: ODS-Petrodata, Fearnley Fonds

Market overview: - Drilling depth, water depth, and rate correlation



85% of global jack-up drilling takes place in water depths of 250ft or less



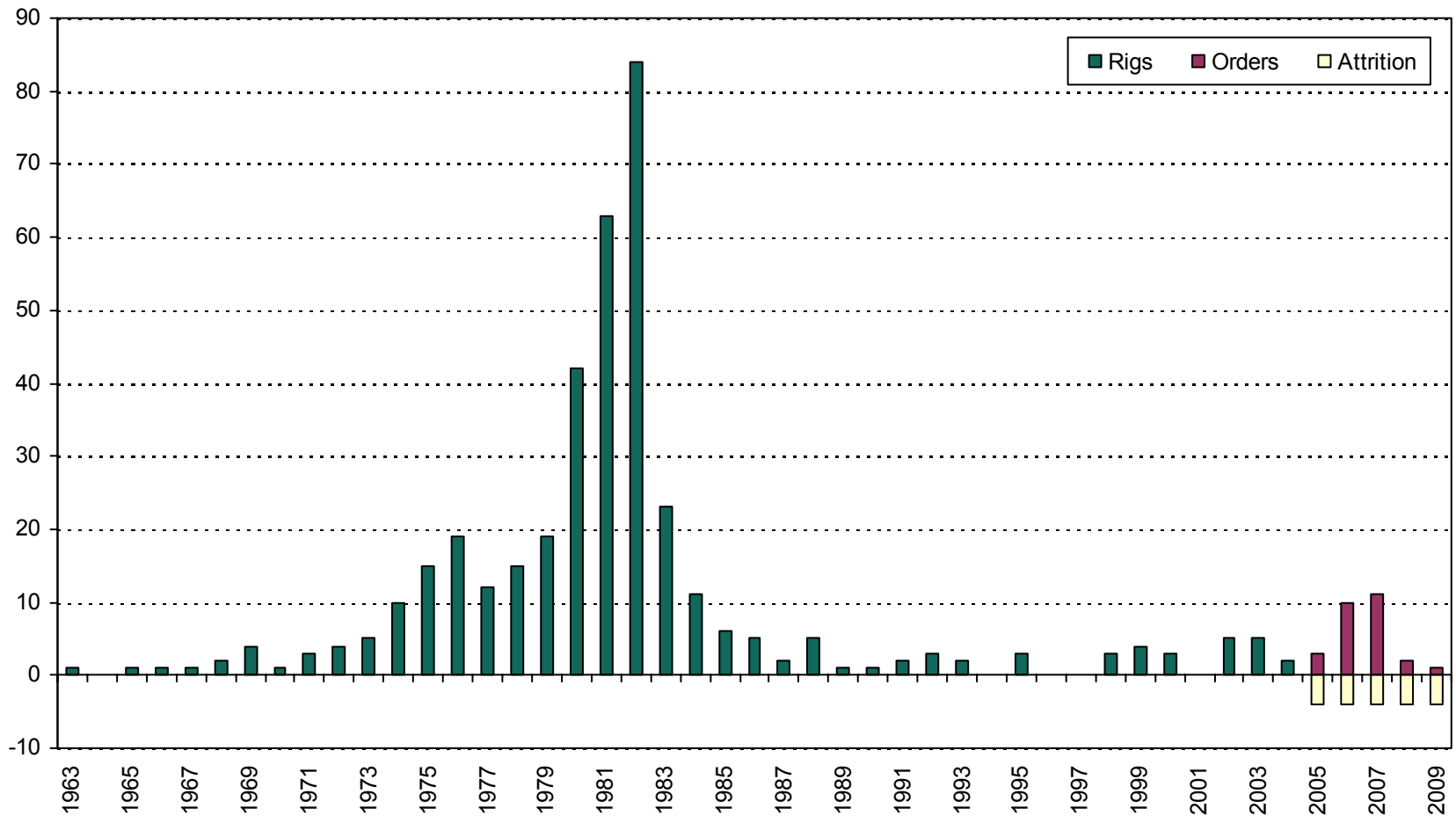
Source: ODS-Petrodata, Fearnley Fonds

Market overview:

- Jack-up fleet is old and newbuildings give little net fleet growth



Over the last 10 years, normal attrition has been 4 rigs per year – based on wear and tear, weather damage, etc



Thule Drilling: - All major pieces in place for reconstruction



Overview of contract status - Thule Drilling

Purchase of rig

- Thule has signed a sale and purchase agreement with Arabian Drilling Company for the purchase of the cantilever jack-up rig Arabdrill 19.

Management services

- Thule has signed management agreements with Noble Denton Middle East LLC (www.nobledenton.com) and TECO Management AS.

Thule Drilling ASA

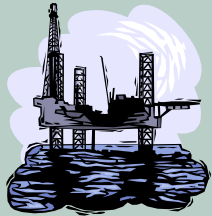
Rebuilding of jack up rig

- Thule has signed a construction agreement with QGM Group LLC for rebuilding of the rig. The rig is presently alongside QGMs yard facilities in Hamariyah Free Zone, UAE – (www.qgmgroup.ae). Success fee to QGM of USD 2.75 million is contingent on completion on time and on budget.

Condition and feasibility study

- London Offshore Consultants have carried out a "Condition Survey and Feasibility study of the rig stating that the rig can be rebuilt as a Cantilever Jack-up Drilling Unit. Report from February 2005

- Ernst & Young are appointed as auditors.
- Wiersholm, Mellbye & Bech are legal advisors and have assisted in all contracts



Management and board

- **Kai Solberg-Hansen (1947) – CEO from June 2005**
 - Formerly with Ocean Rig (CEO 2002-2005), Northern Offshore (CEO 1999-2002, CFO 1998), Kværner Maritime (finance manager 1995-1998), Wilrig (CFO 1994-1995), Ross Offshore (CFO 1990-1994), Seatec (finance manager 1988-1990), Dyvi Offshore (finance manager 1980-1988), Jepsen Drilling (finance manager 1974-1980)
- **Tore Berg (1941) – Technical advisor**
 - Independent consultant since 1995, Wilhelmsen/Wilrig (1967-1995)
- **Teco Management AS**
 - Management services, NOK 300,000/month from February 2005
 - Part owned by Tore Enger through Teco Invest AS
- **Board of directors**
 - Tore Enger (Chairman), Henrik A. Christensen, Johan Friis
 - Board will be reconsidered in light of shareholder structure following the offering

Project managers

- **Noble Denton**
 - One of the world's leading companies within marine and engineering consultancy and surveying service
 - Broad experience within most phases of exploration and production of oil since the 1950s
 - Headquartered in London – worldwide locations – strong presence in the Middle East
 - More than 200 employees worldwide and annual turnover of GBP 16-20 million
 - Will provide to Thule:
 - ♦ technical review of the reconstruction
 - ♦ supervision and administration of the yard with a site team averaging four persons; six persons at peak
 - ♦ support when the rig commences operation

Reconstruction of the rig: - Overview



Donor vessel

- Originally built by Promet, Singapore in 1982 as SEDNETH 202 (Latterly Arabdrill 19)
- Unit has seen service principally in the Arabian Gulf with a four year assignment offshore Nigeria.
- Unit suffered a “punch-through” which led to capsize in 2002. Unit categorized as a “Constructive total loss” by insurance underwriters.

Structural repairs

- Structural repairs are limited to
 - Main Deck area (Midships and aft)
 - Transom
 - Port/Stbd. sideshells
 - Associated internal bulkheads
 - Port legwell
 - Legs (replace 40%)



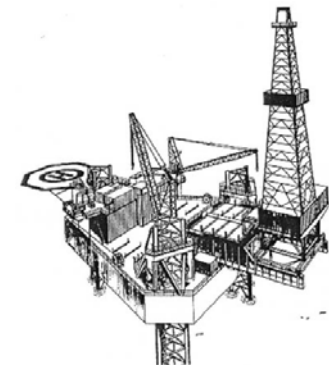
In operation



Capsized

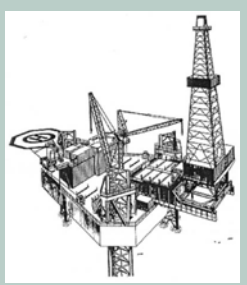


After cleanup



After reconstruction

Reconstruction of the rig: - "Thule Power" – the reconstructed rig



- **A "brand new" rig**
 - State of the art equipped
 - A versatile high efficiency drilling package
 - Suitable for use in all major jack-up drilling regions
 - ◆ Ex. harsh environment regions
 - Well positioned to the Middle East Gulf market – the fastest growing drilling region
- **Early delivery, low cost**
- **Usage**
 - 250 ft water depth – all major jack-up drilling regions (85% of all drilling jobs)
 - 30,000 ft drilling depth – complex/deep wells – horizontal drilling
 - HPHT – high flexibility

Reconstruction of the rig: - Key specifications after reconstruction



- *To provide operational flexibility and minimise investment, BOP and downhole equipment will be leased for each assignment.*
- *The typical cost of leasing such equipment is USD 60,000 per month.*
- *Equipment is readily available from third parties in the major drilling regions.*

Technical overview of rig

- Cantilever type Jack-Up rig
- Design: Baker Marine, 200 IC (Enhanced to 250 IC)
- ABS class: +A1 SEDU (Self elevating drilling unit)
- Max water depth: 250 feet, max drilling depth: 30.000 feet
- All original equipment to be replaced by latest technology new components.
 - All new pipe work, electrical/instrumentation cabling, accommodation, safety systems, drilling package, utility systems
- Quarters for up to 105 persons
- Offset rotary technology
- Power generation system: 4 x 1750 KW

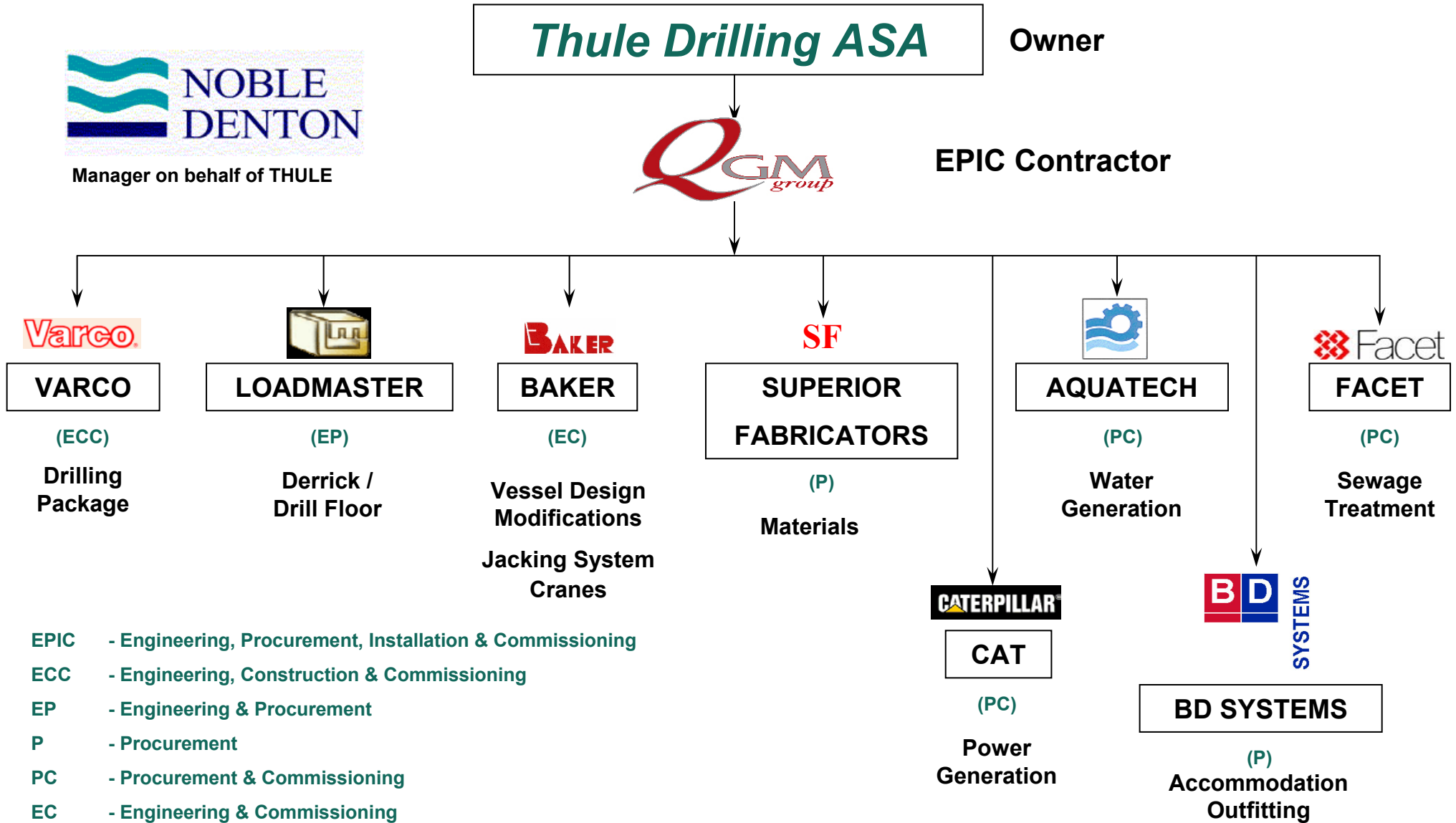
Source: Thule Drilling

Technical overview of rig

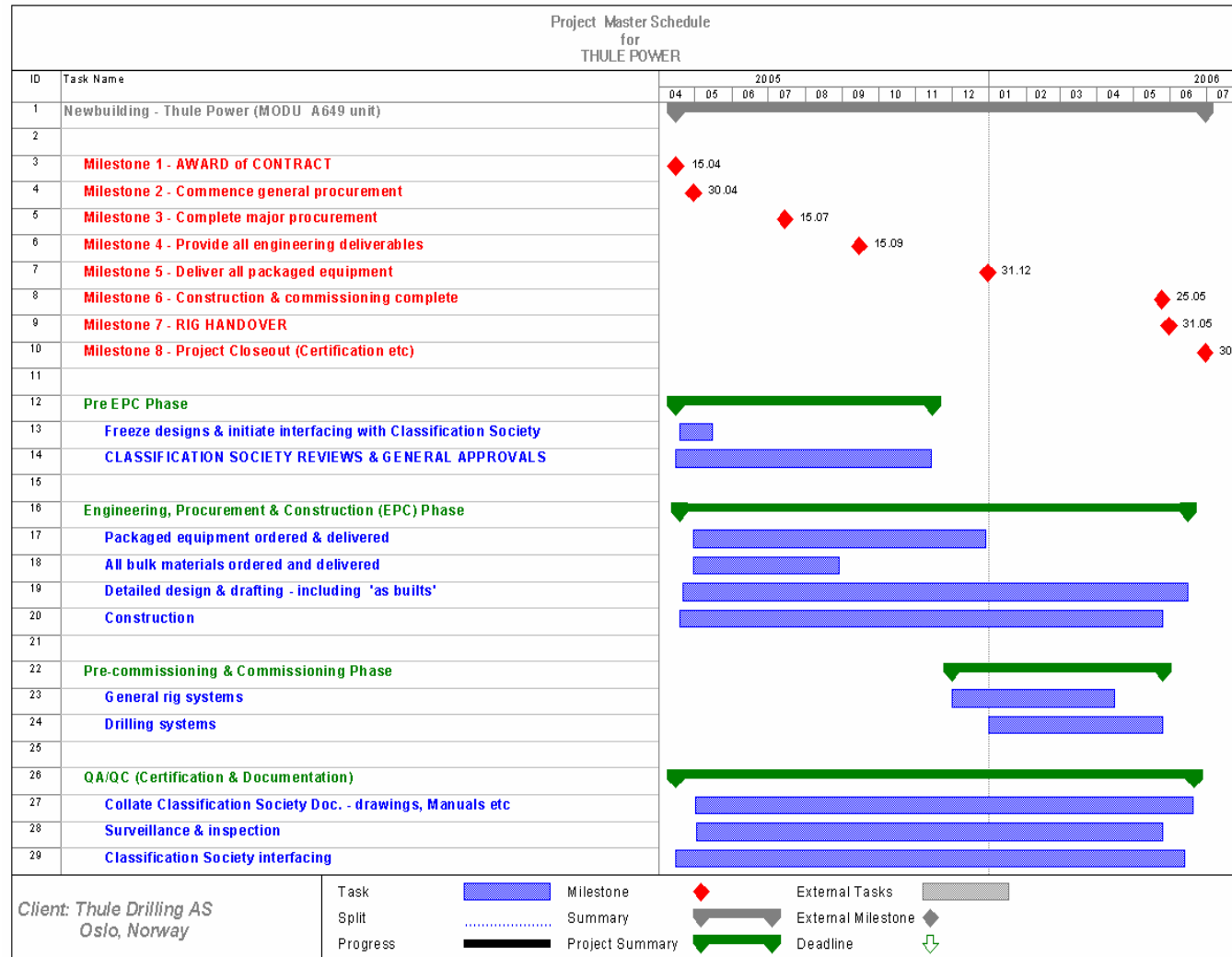
- Maximum cantilever outreach – 40 feet (+ an additional 5 feet utilizing Loadmaster derrick with offset rotary design – this approach will be subject to the conclusion of final engineering studies. The target is to provide +/- 30,000ft of drilling capacity with 5 1/2" pipe)
- BOP Stack & Diverter – NL Shaffer
- HPHT Capabilities – Rig will be equipped for HPHT applications which are relevant to some of the deeper wells in areas of Saudi Arabia. The rig will also be equipped with a breathing air cascade system to deal with H2S (Sour Gas) which is found to quite an extent in Qatar, UAE and Saudi Arabia.
- Mud Pumps - 3 x Varco (Model VNP-2214M 2200hp)
- Liquid mud cap. – 200bbls (an enhanced tank design with greater volumetric capacity is being considered)
- Drawworks – Varco (Model ADS-10T)
- Top Drive – Varco (Model TDS-8SA)
- Main Power – 4 x Caterpillar Model 3516B + 1 x Caterpillar Model 3512/3508B Emergency Generator. These units will be ex Caterpillar rental units fully inspected to Class standards, completely refurbished and returned to zero hours.
- Derrick Pipe Handling System– Varco Compact Racker – VCR robotic racker arm

Source: Thule Drilling

Reconstruction of the rig: - Letters of intent with major vendors



Reconstruction of the rig: - Timeline



Reconstruction of the rig: - Upgrading project involves risks but is feasible



- **The hull**
 - Has been inspected by QGM Group, Noble Denton and London Offshore Consultants
 - Still, detailed inspection of hull may reveal additional requirements
 - Lifting on land may be a hazard
- **The reconstruction**
 - Detailed engineering may reveal unforeseen problems
 - This is a large project for the yard but complexity should be limited
 - Timing of supplies and deliveries is critical
 - Proper project management will be important – Noble Denton will have an on-site team averaging four persons
- **Overall**
 - Noble Denton: "there are no 'showstoppers' and the project is feasible"
 - Potential for cost growth – allowance has been made in funding for \$8.5m which in the opinion of Noble Denton should be adequate

Allowance includes overrun buffer (\$5m), yard success fee (\$2.75m) and yard guarantee (\$0.75m)

Funding and IPO: - Financing requirements



Financing requirements (USDm)	Value	Vendor
Project Management & Engineering	4.2	QGM
Construction	5.4	QGM
General Procurement	13.7	QGM
Rig WIP payment	2.0	QGM
Work on rig	25.3	
Classification Society	0.7	ABS
Design Modifications, Jacking System, Cranes	7.8	Baker
Materials	4.3	Superior Fabricators
Derrick / Drill Floor	2.7	Loadmaster
Drilling Package	18.0	Varco
Purchase of rig	2.5	Arabian Drilling Co.
Equipment	36.0	
Contract price	61.3	
Project Management	1.8	Noble Denton
Management services	0.8	TECO Management
Company management	0.4	
Financing costs in building period	4.7	10% coupon
Fee to financial advisors	3.9	First and Fearnley
Success Fee - rig completion	2.8	QGM
Cost overrun buffer	5.0	
Other project cash requirements	19.3	
Total project cost/financing requirements	80.6	

- **In addition to the risks associated with the reconstruction of the rig, any prospective investor should carefully consider the risks involved with an investment in this project, including but not limited to:**
 - Risks associated with the market for jack-up rigs; chartering; charters and off-hire; counterparty risks; etc.
 - Technical and operational risks, including service life rigs; environmental risks; regulatory risks; etc.
 - Financial risks, including currency fluctuations, interest rates, availability of financing, etc.
 - Availability of management resources
 - Share liquidity and investment risks

Funding and IPO: - Summary investment considerations



- Reconstruction provides favourable “newbuilding” cost compared to the prices quoted by already busy yards
- Competitive early delivery
- Rig will be positioned in, and adapted to the requirements of, the large and rapidly growing Middle East drilling region
- Experienced management and consultant team