

S.D. STANDARD DRILLING PLC

FIRST QUARTER REPORT 2014



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STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 10 sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed consolidated financial statements of S.D. Standard Drilling Plc (the "Company") , for the three months ended 31 March 2014 we confirm that, to the best of our knowledge:

- a) The interim condensed consolidated financial statements of the Company for the three months ended 31 March 2014 which are presented on pages 5 to 10:
 - (i) were prepared in accordance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting", as adopted by the European Union in accordance with provisions of Article 10, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Company, and the business that are included in the consolidated financial statements as a total, and
- b) The Interim Management Report provides a fair overview of the information required as per section 6 of article 10 of Law 190(I)/2007.

Limassol, 16 May 2014

Martin Nes
Chairman

Gunnar Hvammen
Non-Executive Director

George Crystallis
Independent Director

Espen Lundaas
Chief Financial Officer

Evangelia Panagide
General Manager

First Quarter Management Report 2014

Selected Financial Information

	Three Months Ended	
	2014 Q1	2013 Q1
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue	-	-
Operating profit/(loss)before depreciation	(309)	41 504
Operating margin, %	-	-
Operating profit/(loss)	(311)	41 500
Profit/(Loss) for the period before taxes	(251)	41 884
Profit/(Loss) for the period	(319)	41 897

Subsequent Events

There have been no material subsequent events that have an impact on these interim condensed consolidated financial statements.

RESULTS

RESULTS FOR FIRST QUARTER 2014

The operating loss for the three months ended on 31 March 2014 was USD 311 thousands. The operating loss includes mainly administration expenses. Net financial income for the period was USD 60 thousands thus a net loss before tax for the period of approximately USD 251 thousands. Earnings per share was USD (0,00) for the quarter.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position at 31 March 2014 was USD 70.5 million.

During the three months of 2014, net cash used in operating activities was USD 314 thousands and net cash generated from investing activities was USD 61 thousands, mainly consisting of interest received. Net cash used in financing activities was USD Nil.

As of 31 March 2014, the Company had 453 shareholders. The share price as of 31 March 2014 was NOK 1,40 (USD 0,23).

RIGS UNDER CONSTRUCTION

After the disposal of the shares held in the subsidiary company Offshore Driller 4 Ltd which owned the rig B340 in 2013, there are no other rigs owned by the Group under construction.

OUTLOOK

Having sold all initial rig building contracts, the strategy of the Company has changed, from building up, to become an operator of rigs, to being an investment company within the oil and gas service sector. Going forward and based on the robust financial position and cash availability, the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

*On Behalf of the Board of Directors of
S.D. Standard Drilling Plc.*

May 16, 2014

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2014

	Note	Three Months Ended	
		2014 Q1	2013 Q1
<i>(Amounts in USD 000)</i>		<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-
Operating Expenses		-	-
Gross profit/loss		-	-
Other gains and losses	3	7	43 821
Administration expenses		(316)	(2 317)
Operating profit/(loss) before depreciation		(309)	41 504
Depreciation and amortization		(2)	(4)
Operating profit/(loss)		(311)	41 500
Finance Income		61	392
Finance Costs		(1)	(8)
Profit/(Loss) for the period before tax		(251)	41 884
Income tax credit/(expense)		(68)	13
Profit/(Loss) for the period		(319)	41 897
Other comprehensive income		-	-
Total comprehensive income for the period		(319)	41 897
Earnings/(loss) per share			
Basic/diluted earnings/(loss) per share	4	(0,00)	0,16

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AT 31 MARCH 2014**

<i>(Amounts in USD 000)</i>	Note	31.03.2014	31.12.2013
		<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Intangible assets		7	8
Equipment and machinery		12	13
Available-for-sale financial assets	5	32	32
Total non-current assets		51	53
Trade and other receivables		109	100
Current tax asset		-	46
Restricted cash at bank	6	67	101
Cash and bank balances		70 522	70 741
Total current assets		70 698	70 988
Total Assets		70 749	71 041
EQUITY AND LIABILITIES			
Ordinary shares		2 620	2 620
Share premium		39 950	39 950
Accumulated profits/(losses)		28 056	28 375
Total equity		70 626	70 945
Trade and other payables		122	96
Current tax liabilities		1	-
Total current liabilities		123	96
Total Equity and Liabilities		70 749	71 041

*On Behalf of the Board of Directors of
S.D. Standard Drilling Plc.*

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2014**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
Balance at 01.01.2013	2 620	359 950	26 982	389 552
Comprehensive income				
Profit/(Loss) for the period	-	-	41 897	41 897
Balance at 31.12.2013 (audited)	2 620	359 950	68 879	431 449
Balance at 01.01.2014	2 620	39 950	28 375	70 945
Comprehensive income				
Profit/(loss) for the period	-	-	(319)	(319)
Balance at 31.03.2014 (unaudited)	2 620	39 950	28 056	70 626

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2014**

	Note	Three Months Ended	
		2014 Q1	2013 Q1
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		(251)	41 884
Other gains and losses		-	(44 237)
Depreciation and amortisation		2	4
Interest income		(61)	(392)
Increase in trade and other receivables		(9)	(53)
Increase/(decrease) in trade and other payables		26	(1 994)
Income tax paid		(21)	(31)
Net cash generated from/(used in) operating activities		(314)	(4 819)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to rigs under construction		-	(526)
Net proceeds from disposal of assets		-	124 425
Advance received for sale of rig B337		-	(10 000)
Interest received		61	338
Net cash generated from/(used in) investing activities		61	114 237
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	(36 680)
Net cash generated from/(used in) financing activities		-	(36 680)
Net (decrease)/increase in cash and cash equivalents		(253)	72 738
Cash and cash equivalents at beginning of period		70 741	321 373
Non-cash transactions		34	-
Cash and cash equivalents at end of period		70 522	394 111

NOTES TO THE FINANCIAL INFORMATION

NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

Country of Incorporation

S.D. Standard Drilling Plc. (the “Company”) is a limited liability Company incorporated and domiciled in Cyprus on 2 December 2010 in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. On 25 March 2011 the Company’s shares were listed on Oslo Axess. The address of the Company’s registered office is 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3rd floor, 3030 Limassol, Cyprus.

Principal Activities

The Company and the entities controlled by the Company, hereafter referred to as the “Group”, were established for the purpose of building a premium oilfield services company through superior assets, systems and people. Having sold all initial rig contracts, the strategy of the Group has changed to being an investment Group within the oil and gas service sector.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2014, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2013. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013.

In the current period the Company has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2014. The adoption of these Standards did not have a material effect on the financial statements.

At the date of approval of these interim condensed consolidated financial statements, a number of accounting standards and interpretations were issued by the International Accounting Standards Board but were not yet effective. The effect of those standards is not expected to be material to the Group.

NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	Three Months Ended	
	31.03.2014	31.03.2013
Gain on disposal of rig under construction B337	-	25 568
Gain on disposal of rig under construction B338	-	18 669
Net currency translation differences	7	(416)
	7	43 821

NOTE 4 – EARNINGS/(LOSS) PER SHARE

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

<i>(Amounts in USD 000)</i>	Three Months Ended	
	31.03.2014	31.03.2013
Basic/diluted EPS		
Profit/(Loss) attributable to equity holders of the Company	(319)	41 897
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000
Basic/diluted earnings/(loss) per share	(0,00)	0,16

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	31.03.2014	31.12.2013
Balance at the beginning of year	32	-
Additions at estimated fair value (note 6)	-	32
Balance at the end of period / year	32	32

On 29 March 2013 the Central Bank of Cyprus has issued Decrees relating to Bank of Cyprus implementing measures for this bank under the Resolution of Credit and Other Institutions Law of 2013. One of the measures provides for a compulsory conversion of part of the deposits held with Bank of Cyprus into shares of Bank of Cyprus. The Company's cash held with Bank of Cyprus as at the relevant date for implementation of the decisions were USD 398 thousands.

On 30 July 2013 the Ministry Finance and the Central Bank of Cyprus announced that 47,5% of the uninsured deposits with Bank of Cyprus will automatically be converted into ordinary shares in Bank of Cyprus. The respective amount for the Company that has been converted into shares is USD 128 thousands.

As of the date of the conversion the management of the Company on the basis of available information and by exercising their judgment has recognized an impairment loss of USD 96 thousands on the bank balances. Furthermore and as of the balance sheet date, the management of the Company on the basis of available information and by exercising their judgment has considered that the fair value of the shares remained at €0,25 while their nominal value is €1 per share .

NOTE 6 – RESTRICTED CASH AT BANK

Restricted cash at bank includes two separate time deposits of nine and twelve months of USD 34 thousands each, respectively. These deposits bear interest and can be renewed at Bank of Cyprus's discretion once for the same time duration.

<i>(Amounts in USD 000)</i>	31.03.2014	31.12.2013
Balance at the beginning of year	101	-
Transfer to cash and bank balances	(34)	-
Additions	-	229
Impairment charge	-	(96)
Transfer to Available For Sale financial assets at estimated fair value (note 5)	-	(32)
Balance at the end of period / year	67	101

On 31 January 2014, the Board of Directors of Bank of Cyprus Public Company Limited ("Bank of Cyprus") has resolved to release the six month time deposit of USD 34 thousand that were blocked as per the decrees relating to the recapitalization of the bank in July 2013 which matured on that date.

On 30 April 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the nine-month time deposit that were blocked as per the same decrees and mature on 30 April 2014, as follows:

- One third of nine-month time deposit is immediately released and become available;
- One third of nine-month time deposit is converted into a three-month time deposit maturity and automatically released at 31 July 2014;
- One third of nine-month time deposit is converted into a six-month time deposit maturity and automatically released on 31 October 2014.

NOTE 7 – APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 16 May 2014.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q2 2013	29 August 2014
Q3 2013	28 November 2014

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