

Report of the Board of Directors of S.D. Standard Drilling Plc explaining the reasons for proposing a resolution for the waiving of the pre-emption rights afforded pursuant to section 60B(5) of Companies Law Cap.113

Waiver 1:

The Board of Directors is putting forward the following two resolutions for consideration and approval:

1. **“That the pre-emption rights granted to the existing shareholders of the Company pursuant to section 60B of Companies Law Cap.113 and the Company’s Articles of Association in relation to any new shares to be issued for any future public offering(s) and/or private placement(s) and/or allotment to the existing shareholders and/or new investors and/or convertible bondholders and/or convertible lenders, for an indicative price range in United States Dollars equivalent to NOK0,20 – NOK5,00 per share provided that no issue shall be for a price below the nominal value of the shares, after the increase of the authorized share capital of the Company be and are hereby waived and that such waiving to be valid until the Annual General Meeting of the Company of the year 2019”.**

and

2. **“That the Board of Directors be and is hereby generally authorized and empowered to issue and allot new shares to the existing shareholders and/or new investors and/or convertible bondholders and/or convertible lenders, up to the limit of the authorized share capital as it stands on the day of such new issue, for an indicative price range in United States Dollars equivalent to NOK0,20 – NOK5,00 per share and provided that no issue shall be for a price below the nominal value of the shares, no later than the Annual General Meeting of the Company of the year 2019.”**

Following the increase of the authorized share capital of the Company, as resolved by the Extraordinary General Meeting of the Company that took place on 10 January 2018 and the authorization provided to the Board of Directors to issue and allot new shares to the existing shareholders and / or new investors and / or convertible bondholders and / or convertible lenders up to the limit of the authorized share capital, the Company’s Board of Directors succeeded to complete a private placement in March 2018 raising gross proceeds of NOK 100 million from existing shareholders and selected investors , utilizing an additional 66.666.667 out of the 775.000.000 ordinary shares of authorized share capital. Currently the Company has issued 576.026.424 ordinary shares and the number of authorized, but not issued, shares is therefore 198.973.576 shares of US\$ 0,03 each.

The aim of the above resolutions is to therefore give to the Company’s Board of Directors sufficient flexibility to raise capital quickly in the future and to provide to the Company the ability to proceed and allot additional shares up to the limit of the authorized share capital through future issues and allotments of further new ordinary shares to existing shareholders and / or new investors and/or convertible bondholders and/or convertible lenders within the price range set forth in the resolutions and for a period up to the Annual General Meeting of the year 2019.

The Board of Directors is of the opinion that the above resolutions will maintain the ability of the Company to carry out future private placements in a swift manner and allow a proactive approach

and flexible and swift responses to favorable market conditions for raising equity capital, thus making it more attractive to potential investors to approach the Company for investment. The Board of Directors will continue to pursue to the Company's investment strategy, aiming for investments in oil service opportunities, directly into companies, securities and/or assets, with the aim to control a larger fleet of assets all purchased at low values. Equity financing will provide the Company the lowest possible break even on its investment and thus be suited to provide return on investment even in challenging times for the oil service industry. The raising of equity through private placements enables the Company to raise capital in a timely and cost efficient manner. The Board of Directors considers that this investment and financing strategy is in the best interest of the Company and its shareholders.

In addition to the above, the Board of Directors shall have no right to proceed with the allotment of any of the issued shares to any third party or parties if such allotment is related to take-over situations as described in the Norwegian Securities Trading Act Section 6-17 and therefore we are of the opinion that this restriction provides a sufficient level of protection to the existing shareholders of the Company.

Having taken full consideration of the above, we the members of the Board of Directors of the Company recommend the approval of the said resolutions.

On behalf of the Board of Directors

George Crystallis
Director

Limassol, 19 April 2018

