

S.D. STANDARD DRILLING PLC

**ANNUAL REPORT
AND CONSOLIDATED
FINANCIAL STATEMENTS 2015**



CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS	3
REPORT ON CORPORATE GOVERNANCE	4
REPORT OF THE BOARD OF DIRECTORS	7
STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE FINANCIAL STATEMENTS	9
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	10
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOWS	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14
INDEPENDENT AUDITOR'S REPORT	32

BOARD OF DIRECTORS AND OTHER OFFICERS

MARTIN NES

CHAIRMAN

NON-EXECUTIVE DIRECTOR

Mr. Martin Nes has been involved with the company since its incorporation in 2010, and has previously held the roles of Chairman and Acting CEO. He is well versed in the company and the shipping and offshore industry and has broad corporate and board experience. Mr. Nes is also a partner and serves as a CEO of Ferncliff TIH II AS, one of Norway's largest investment companies.

Mr Nes has previously worked several years for the Norwegian law firm Wikborg Rein, both in their Oslo and London offices and for the shipping law firm Evensen & Co. He holds a law degree from University of Oslo and a Master of laws' degree from University of Southampton, England. He was reappointed as a Chairman on 25 August 2015.

ARNE HELGE FREDLY

NON-EXECUTIVE DIRECTOR

Arne Helge Fredly is an Independent Professional Investor. Previously Mr. Fredly was a Senior Partner and second largest shareholder of ABG Sundal Collier, an Independent Nordic Investment Bank, where he was Head of Equity Sales and Trading. Mr. Fredly has also worked for Alfred Berg. Mr. Fredly holds a Master of Science in Finance from the Norwegian School of Economics and Business Administration. He was appointed to the Board of S.D. Standard Drilling on 30 December 2015.

GEORGE CRYSTALLIS

INDEPENDENT DIRECTOR

George Crystallis is Managing Director of M.G. Crystallis & Co Limited, a Cyprus trading company. Mr. Crystallis is also the founder and owner of Odos Athinon, Art and Culture Centre in Limassol.

Mr. Crystallis has extensive board experience and serves on the boards of several Cypriot companies. He was appointed to the Board of S.D. Standard Drilling in December 2010. Mr. Crystallis holds a degree in Economics from the University of Freiburg, Germany.

EVANGELIA PANAGIDE

GENERAL MANAGER

Evangelia Panagide has, from 1 September 2013, been appointed as General Manager of the Company. She is based in the Company's headquarter in Cyprus and has run this office since 2011.

ESPEN LUNDAAS

ACTING CHIEF FINANCIAL OFFICER

Espen Lundaas was re-appointed to serve as Acting Chief Financial Officer since September 2013. Mr Lundaas having previously held the role of Acting CFO is well versed in the company. He is also a partner and serves as a CFO of Ferncliff TIH II AS one of Norway's largest investment companies. He holds a Master of Business and Economics from the Norwegian School of Management (1997-2001).

EXCEL-SERVE SECRETARIES LIMITED

COMPANY SECRETARY

Spyrou Kyprianou, 20
Chapo Central, 3rd Floor
1075 Nicosia
Cyprus

REPORT ON CORPORATE GOVERNANCE

As a company incorporated in the Republic of Cyprus, S.D. Standard Drilling Plc (“SDSD” or the “Company”) is subject to Cypriot laws and regulations. Additionally, as a consequence of being listed on Oslo Axess, the Company must comply with certain aspects of Norwegian securities law and has decided to adhere to the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 (the “Code of Practice”) on a “comply or explain” basis.

SDSD’s Board of Directors and management annually review the principles for corporate governance in the Code of Practice and how they are implemented in the Company. Pursuant to the Code of Practice, SDSD hereby gives an account of the Company’s corporate governance principles and practice.

The description below accounts for SDSD’s compliance with the 15 sections in the Code of Practice.

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

As SDSD is a Cyprus registered company, the Company intends to comply with the Code of Practice as long as it is in accordance with mandatory provisions in the Cyprus Companies Law, Cap 113 and Cypriot practice and principles for public limited companies. To ensure adherence to the Code of Practice the Company has adopted specific guidelines such as:

- Rules of procedure for the Board of Directors
- Instructions for the Chief Executive Officer/General Manager
- Guidelines for the duties of the nomination committee
- Guidelines for the auditor’s and associated persons’ non-auditing work
- Code of conduct of business ethics and corporate social responsibility (Code of Ethics)
- Investor relations policy
- Audit committee charter

The Company’s adoption of the Code of Practice and the above guidelines ensures an appropriate division of roles and responsibility and well-functioning cooperation among the Company’s shareholders, the Board of Directors and its senior management, and that the Company’s activities are subject to satisfactory control. An appropriate division of roles, effective cooperation, and satisfactory control contribute to the best possible value creation over time, to the benefit of owners and other stakeholders.

The Company’s Code of Ethics addresses impartiality, conflicts of interests, relations with customers and suppliers, relations with media, insider trading and relevant financial interests of a personal nature. The code of ethics applies to all employees in SDSD.

BUSINESS

The Company and the entity controlled by the Company, hereafter referred to as the “Group”, were established for the purpose of building a premium oilfield services company with superior assets, systems and people. Since its founding in 2010, the Group has ordered seven rigs of the KFELS MOD V B-Class design at Keppel FELS Shipyard (“Yard”) in Singapore. Having sold all initial rig building contracts, the strategy of the Company has changed to being an investment company. Going forward and based on the sound financial position the Company is in a good position to take advantage of any new investment opportunities that may appear.

The objectives of the Company are within the framework of the Memorandum of Association, which is located on the Company’s website, <http://www.standard-drilling.com>. The Company’s Memorandum of Association contains the description of the Company’s objectives and strategies under Cypriot law but does not clearly define the Company’s business as this is not in accordance with Cypriot practice.

The annual report describes the Company’s targets and principal strategies and the market is kept updated through the quarterly reports.

EQUITY AND DIVIDEND

The Board of Directors continuously reviews the capital situation in light of the Company’s targets, strategies and intended risk profile. The Company aims to manage Group resources in a manner which will ensure shareholders a competitive return in the form of dividends and increases in share price relative to comparable investment alternatives. The annual dividend payment will depend on the Company’s financial situation, need for working capital and investments.

Cyprus practice and the Cypriot legal system with issued and authorized capital is different from the Norwegian Company law mandates that are specific to the Board of Directors and the recommendations in the Code of Practice. The Board of Directors’ authorization is therefore not in line with the recommendations in the Code of Practice with respect to limitation in time and defined purposes.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has only one share class, with identical voting rights. All shareholders are treated equally and the Articles of Association do not contain any restrictions on voting rights. Where there is a need to waive the pre-emption rights of existing shareholders this will be justified at the time of approval or where based on an existing mandate justified in the stock exchange announcement in relation to the relevant share increase. Equal treatment of all shareholders is crucial. All information relevant to the share price is published through the notification system of the Oslo Stock Exchange and the Company’s website. Any transactions in own (treasury) shares will be executed on the Oslo Stock Exchange or by other means at the listed price.

All transactions between the Company and its close associates are at arm's length and market prices. If there are material transactions between the Company and a shareholder, Board member, member of senior management, or a party closely related to any of the aforementioned, the Board of Directors will generally ensure that independent valuations are available. The Company has adopted guidelines to ensure that members of Board of Directors and executive personnel notify the Board if they may have any direct or indirect interest in any transaction entered into by the Company.

FREELY NEGOTIABLE SHARES

The shares are listed on the Oslo Axess and are freely negotiable. The Articles of Association include no form of restriction on negotiability.

GENERAL MEETINGS

The Annual General Meeting ("AGM") is the forum for the Company's shareholders to participate in major decisions, and shall be held no later than fifteen months from the date of the previous AGM. The Company's Articles of Associations require 21 days' notice for Annual and Extraordinary General Meetings.

The Company's AGM is open to all the Company's shareholders and the Board of Directors is taking steps as recommended by the Code of Practice ensuring that as many shareholders as possible may exercise their rights by participating in general meetings of the Company.

Shareholders may exercise their vote through a representative or proxy. All shares have equal voting rights. There are no restrictions on ownership or any known shareholder agreements. The AGM minutes are published through the notification system of the Oslo Stock Exchange and on the Company's website, <http://www.standard-drilling.com>.

COMMITTEES

Nomination Committee

At the extraordinary general meeting (EGM) held on 30 May 2012 the shareholders approved the establishment of a Nomination Committee which will operate in accordance with the "Guidelines for the Nomination Committee", which have been posted on the company's website, <http://www.standard-drilling.com>. Nomination Committee is comprised by Glen Ole Rodland (Chairman) and Costas Pantelides (member). The Company's articles of association were also amended in the same EGM to provide that the Company shall have a Nomination Committee. The term of appointment is for two years.

The Nomination Committee submit recommendations to AGMs for the election of members of the Board of Directors. The recommendation will include relevant information on each candidate's background and independence. Furthermore, the Nomination Committee proposes remuneration to the members of the Board of Directors.

It is the Board of Directors' proposal that the composition of the Nomination Committee is in line with the Code of Practice.

Audit Committee

The Board of Directors currently acts as the Audit Committee of the Company.

The responsibilities of the Audit Committee are to monitor the Company's financial reporting process and the effectiveness of its systems for internal control and risk management as well as to review ethics and compliance issues. The Audit Committee shall also keep in regular contact with the Company's auditor regarding the auditing of the annual accounts and evaluate and oversee the auditor's independence. The composition of the audit committee is in line with the Code of Practice.

THE BOARD OF DIRECTORS COMPOSITION

The Company does not have a corporate assembly. According to the Articles of Association, the Company shall have a Board of Directors consisting of a minimum of two and a maximum of ten members. At present, the Board of Directors consists of three members.

The Board members are elected at the AGM. The election is based on a recommendation prepared and presented by the Nomination Committee to be adopted at the AGM. The recommendation is distributed to the shareholders along with the convening letter to the AGM. Decisions on the composition of the Board of Directors require a simple majority and Directors are elected for two-year terms and can be re-elected.

The Company aims to ensure a balanced composition of the Board of Directors in terms of competence, experience and background relevant to the Company's operations. It is also desirable that the Board of Directors reflect both the Company's ownership structure and the need for independent representatives. The current composition of the Board of Directors satisfies the requirements for independence as set forth in the Code of Practice.

THE WORK OF BOARD OF DIRECTORS

The Board annually adopts a plan for its work, emphasizing goals, strategies and implementation. The Board regularly receives financial reports for the Group and all its subsidiaries with the management's comments on the financial status and other relevant issues. The Board of Directors discusses strategy and budgets in extended board meetings.

The Board of Directors holds six to ten board meetings per year and conducts an annual self-evaluation of its work.

As set forth under Section "Implementation and Reporting on Corporate Governance" above, the Board of Directors has adopted guidelines in line with the recommendations in the Code of Practice. The Board of Directors has also adopted committees as recommended, cf. also Section "Committee" above.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control is performed through various processes within the Group, both on a Board level and in daily management of the Company. The Board of Directors receives regular reports from management outlining the financial and operational performance of the Company and its subsidiaries. The Board of Directors evaluates the internal control systems on an ongoing basis and assesses the most important risk factors that the Company will be confronted with. In view of the Company's strategy the Board pays particular attention to ensuring that the internal control systems apply to all aspects of the Company's activities. The Board also considers the need for any further measures in relation to the risk factors identified.

In line with the Code of Practice the Board of Directors has adopted guidelines that encompass the Company's corporate and ethical values and corporate social responsibility, cf. Section "Implementation and reporting on corporate governance" (Code of Ethics).

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration paid to the members of the Committees had been decided at the EGM that took place on 17 September 2015, having considered proposals by the Board of Directors in line with the Code of Practice. Information about the fees paid to the Board of Directors and Committees is stated in the Annual Report.

REMUNERATION OF EXECUTIVE PERSONNEL

As the Company has a limited number of employees, the Company has not considered it necessary to adopt guidelines for remuneration of executive employees in line with the Code of Practice. Information on remuneration for 2015 for members of the senior management is presented in the notes in the annual accounts.

INFORMATION AND COMMUNICATIONS

The Company complies with the Oslo Børs Code of Practice for Reporting IR Information and as well as additional reporting requirements under Cypriot laws and regulations.

TAKEOVERS

The Board of Directors has as part of its Corporate Governance Principles adopted guidelines on how it will act in the event of a take-over bid, in line with the Code of Practice.

The Company will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this. In the event of a take-over bid for the Company's shares, the Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for the Company's shares, SDSD's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board of Director's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board of Directors have excluded themselves from the Board of Directors' statement. The Board of Directors

should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the statement. Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting.

AUDITOR

The Company's and the Group's appointed external auditor is PricewaterhouseCoopers Limited, Cyprus ("PwC"). The auditor participates in meetings of the Audit Committee. The auditor submits a report to the Board of Directors following its audit of the Company's annual financial statements. The auditor participates in the meeting of the Board of Directors in which the financial statements are reviewed and approved. The auditor also participates in the AGM. Information about the fee paid to the auditor is stated in the Annual Report.

The Company has adopted guidelines for the auditor's and associated persons' non-auditing work in line with the Code of Practice.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited consolidated financial statements of S.D. Standard Drilling Plc. ("SDSD" or the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2015.

HISTORY AND PRINCIPAL ACTIVITIES

The Company was incorporated as a private limited liability company under the laws of Cyprus with the name of S.D. Standard Drilling Limited on 2 December 2010. The Company was converted into a public limited liability company on 23 December 2010 and the Company's name was changed to S.D. Standard Drilling Plc. The Company has conducted two Private Placements: the first in December 2010 raised USD 42 million and second in May 2011 raised USD 330 million. The Company is listed on the Oslo Axess exchange under the ticker SDSD.

BUSINESS STRATEGY

The Company was established for the purpose of building a premium oilfield services company through superior assets, systems and people.

Having sold all initial rig building contracts, the strategy of the Company has changed, to being an investment company.

The Company has a sound financial position and the Board of Directors believes that the company is in a good position to take advantage of any investment opportunity that may appear. This includes, but is not limited to, asset play, or investment directly in other companies. The main drivers are maximizing the return and minimizing the risk.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

Mandatory Offer for S.D. Standard Drilling Plc

On 20 May 2015 Saga Tankers ASA ("Saga") purchased 78 338 000 shares in S.D. Standard Drilling Plc ("SDSD") and following this acquisition Saga and associated companies had a total holding of 140 078 869 shares in SDSD, corresponding to 53.5% of the total outstanding shares in SDSD. As a result of this acquisition a mandatory offer obligation was triggered for the purchase of the remaining shares in SDSD.

On 17 June 2015 Saga announced a cash tender offer (the "Offer") to acquire all issued and outstanding shares (the "Shares") in SDSD not already owned by the Offeror or persons acting in concert with the Offeror. The acceptance period started on 17 June 2015 and completed on 15 July 2015.

The Offeror offered a consideration of NOK 1.35 per Share (the "Offer Price"), payable in cash. The Offer Price represented a premium of 3.4 per cent to SDSD's volume weighted average share price for the 3 month period ending on 19 May 2015. On 17 June 2015, the Offeror, and persons acting in concert with it held 157 013 630 shares, corresponding to 59.93% of the total issued and outstanding shares.

On 15 July 2015 the Offeror had received acceptance of the Mandatory Offer for a total of 22 555 800 shares, representing approximately 8.61 per cent of the outstanding shares and votes in SDSD.

Saga Tankers ASA sold 58 212 870 shares corresponding to 22.2% on 26 November 2015 reducing the ownership to 46.2%.

Strike off of subsidiary Company

On 10 December, S.D. Standard Drilling (Singapore) Pte Ltd, a subsidiary incorporated in Singapore, was struck off the Register of Companies. The Company does not have any subsidiaries, associates or joint ventures.

Nomination Committee

In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by an ordinary resolution that Mr. Costas Pantelides is appointed as a member of the Nomination Committee of the Company to replace Mr. Amit Gupta who had resigned on 9 June 2015 with a retrospective effect as from that date.

FINANCIAL RESULTS

The Group's results for the year are set out on page 10. The Group's loss after tax for the year ended 31 December 2015 which is attributable to the equity holders was USD 3.3 million compared to a net loss of USD 16.1 million for the year ended 31 December 2014. The total assets of the Group for 2015 were USD 9.4 million and the net assets were USD 9.4 million, compared to USD 55 million and USD 55 million respectively in 2014. Despite the loss of USD 3.3 million the financial position, development and performance of the Group as presented in these consolidated financial statements are considered satisfactory.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the investment company sector. The Group is also exposed to other financial risks as disclosed in Note 3 of the consolidated financial statements.

The Group has in place systems and procedures to maintain its status in the market and to stay alert to changes in the market place in order to help mitigate market risk. Internal procedures have been and are continuously being developed to help mitigate financial and operational risks.

FUTURE DEVELOPMENTS OF THE GROUP

Having a sound financial position, the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

Going forward, the Board of Directors maintains a policy of continuing to monitor market conditions while seeking to possess maximum flexibility with respect to the future of the Company.

DIVIDENDS

On 25 August 2015, the Board of Directors declared an interim dividend of USD 0,035 per share, amounting to USD 9 170 thousands, out of the profits of the year 2013. The dividend was paid to the shareholders in September 2015.

SHARE CAPITAL AND PREMIUM

In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by a special resolution that the share premium account of the Company to be reduced from USD 39 950 thousand to USD 6 938 thousands. Of this reduction the amount of USD 33 012 thousands has been distributed to the registered shareholders of the Company. The reduction of the share premium became effective late October 2015 following the issue by the Cyprus Registrar of Companies of the certificate of registration of the Court Order and the minutes of the EGM for the reduction of Company's share premium account. The distribution to the shareholders was completed in early November 2015.

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2015 and at the date of this report are shown on page 3.

There were no significant changes in the assignment of responsibilities as well as other changes in the composition of the Board of Directors during 2015, other than the following:

Mr. Martin Nes was re-elected in the position of the chairman on 25 August 2015.

In accordance with the Company's Article of Association, the director Mr. Martin Nes will retire by rotation but he is eligible for re-election at the Annual General Meeting of the Company.

On 30 December 2015 Mr. Arne Helge Fredly was appointed as Director of the Company replacing Mr. Gunnar Hvammen who

had resigned on 18 December 2015. Mr. Fredly shall hold office until the next following Annual General Meeting but being eligible for re-election he has already expressed his willingness to continue in office and offered himself for reappointment.

The remuneration of the Members of the Board of Directors is shown in note 26 of the consolidated financial statements.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

None of the directors holding office at the end of the financial year had any interest in the shares of the Company, except the following indirect shareholdings:

- Martin Nes through Hanekamb Invest AS.
- Arne Helge Fredly through Apollo Asset Limited.

Executive member of the management

- Espen Lundaas through EL Investment AS.

EVENTS AFTER THE BALANCE SHEET DATE

Any material post balance sheet events are described in note 27 to the consolidated financial statements.

BRANCHES

The Group did not operate through any branches during the year.

CORPORATE GOVERNANCE

The Directors of S.D. Standard Drilling Plc, recognize the importance of the corporate governance policies, practices and procedures. Being listed on the Oslo Axess Stock Exchange in Norway, the Company must comply with certain aspects of Norwegian securities law and is also obligated to adhere to the Norwegian Code of Practice for Corporate Governance dated 23 October 2012 (the "Code of Practice") on a "comply or explain" basis.

The Report on Corporate Governance is included on page 4 of this annual report.

INDEPENDENT AUDITORS

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

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

Excel-Service Secretaries Limited

5, Agi Street, Nicosia, Cyprus

18 April 2016

Secretary, Nicosia, Cyprus

18 April 2016

18 April 2016

18 April 2016

18 April 2016

18 April 2016

18 April 2016

18 April 2016

18 April 2016

18 April 2016

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

In accordance with Article 9 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 consolidated financial statements of S.D. Standard Drilling Plc (the "Company"), for the year ended 31 December 2015 we confirm that, to the best of our knowledge:

1. the consolidated financial statements of the Company for the year ended 31 December 2015 which are presented on pages 10 to 31:
 - (i) were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union in accordance with provisions of Article 9, 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 S.D. Standard Drilling Plc, and the business that are included in the consolidated financial statements as a total, and
2. the Directors' report provides a fair review of the developments and the performance of the business as well as the financial position of S.D. Standard Drilling Plc, and the business that are included in the consolidated financial statements as a total, together with a description of the principal risks and uncertainties that they are facing.

Limassol, 18 April 2016



Martin Nes
Chairman



Arne Helge Fredly
Non-Executive Director



George Crystallis
Independent Director



Espen Lundaas
Chief Financial Officer



Evangelia Panagide
General Manager

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

<i>(Amounts in USD 000)</i>		31.12.2015	31.12.2014
	Note	<i>Audited</i>	<i>Audited</i>
Operating Revenue		-	-
Operating Expenses		-	-
Gross profit/(loss)		-	-
Other gains and losses	17	(2 861)	(15 143)
Administrative expenses	18	(677)	(1 068)
Operating profit/(loss) before depreciation		(3 538)	(16 211)
Depreciation and amortization	7, 8	(2)	(8)
Operating profit/(loss)		(3 540)	(16 219)
Finance Income	19	241	227
Finance Costs	19	(15)	(6)
Profit/(loss) for the year before tax		(3 314)	(15 998)
Income tax credit/(charge)	16	-	(71)
Profit/(loss) for the year		(3 314)	(16 069)
Other comprehensive income		-	-
Total comprehensive income for the year		(3 314)	(16 069)
Earnings/(loss) per share			
Basic/diluted earnings/(loss) per share	20	(0,01)	(0,06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015

(Amounts in USD 000)

		31.12.2015	31.12.2014
ASSETS	Note	<i>Audited</i>	<i>Audited</i>
Intangible assets	7	-	2
Equipment and machinery	8	1	1
Total non-current assets		1	3
Trade and other receivables	9	35	104
Available-for-sale financial assets	10	16	26
Current tax asset	16	1	1
Restricted cash at bank	11	-	11
Cash and bank balances	12	9 393	54 782
Assets classified as held for sale	13	-	-
Total current assets		9 445	54 924
Total Assets		9 446	54 927
EQUITY AND LIABILITIES			
Ordinary shares	14	2 620	2 620
Share premium	14	6 938	39 950
Accumulated profits/(losses)		(178)	12 306
Total equity		9 380	54 876
Trade and other payables	15	66	51
Total current liabilities		66	51
Total Equity and Liabilities		9 446	54 927

On 18 April 2016, the Board of Directors of S.D. Standard Drilling Plc authorized these consolidated financial statements for issue.



Martin Nes
Chairman



George Crystallis
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

<i>(Amounts in USD 000)</i>	Note	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
Balance at 01.01.2014		2 620	39 950	28 375	70 945
Comprehensive income					
Profit/(loss) for the year		-	-	(16 069)	(16 069)
Balance at 31.12.2014 (Audited)		2 620	39 950	12 306	54 876
Balance at 01.01.2015		2 620	39 950	12 306	54 876
Comprehensive income					
Profit/(loss) for the year		-	-	(3 314)	(3 314)
Interim dividend paid (note 23)		-	-	(9 170)	(9 170)
Share premium reduction (note 14)		-	(33 012)	-	(33 012)
Balance at 31.12.2015 (Audited)		2 620	6 938	(178)	9 380

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

<i>(Amounts in USD 000)</i>		31.12.2015	31.12.2014
	Note	<i>Audited</i>	<i>Audited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year before income tax		(3 314)	(15 998)
Adjustments for:			
Other gains and losses		2 849	14 547
Depreciation and amortization expense		2	8
Loss from sale of equipment and machinery and intangibles		-	10
Interest income	19	(241)	(227)
Decrease/(increase) in trade and other receivables		70	(4)
Increase/(decrease) in trade and other payables		14	(43)
Income tax paid		-	(26)
Net cash generated from/(used in) operating activities		(620)	(1 733)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from disposal of assets		-	51 601
Net cash outflow from acquisition of investment		-	(66 144)
Decrease in restricted cash	11	11	90
Interest received	19	241	227
Net cash generated from/(used in) investing activities		252	(14 226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium redemption	14	(35 059)	-
Interim dividend paid	23	(9 962)	-
Net cash generated from/(used in) financing activities		(45 021)	-
Net decrease in cash and cash equivalents		(45 389)	(15 959)
Cash and cash equivalents at beginning of year		54 782	70 741
Non-cash transactions		-	-
Cash and cash equivalents at end of year	12	9 393	54 782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 holding company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of S.D. Standard Drilling Plc. have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113 and are expressed in United States Dollars. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial asset. All figures in these consolidated financial statements are in USD'000 unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 GOING CONCERN

In the opinion of the directors, the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore adopt the going concern basis in preparing its consolidated financial statements.

2.1.2 ADOPTION OF NEW AND REVISED IFRS'S

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2015 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

In the current year, the Group 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 2015. The adoption of these Standards did not have a material effect on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 ADOPTION OF NEW AND REVISED IFRS'S (CONTINUED)

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2015:

(i) Standards and Interpretations adopted by the EU

- Amendment to IAS 19 - "Defined Benefit Plans: Employee Contributions" issued on 21 November 2013 and effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2010-2012 Cycle (issued on 12 December 2013 and effective for annual periods beginning on or after 1 February 2015).
- Annual Improvements to IFRSs 2011-2013 Cycle (issued on 12 December 2013 and effective for annual periods beginning on or after 1 January 2015).
- Amendment to IAS 1 - "Disclosure Initiative" (issued on 18 December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012-2014 Cycle (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 27 - "Equity Method in Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 16 and IAS 38 - "Clarification of Acceptable Methods of Depreciation and Amortisation" (issued on 12 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (issued on 6 May 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 16 and IAS 41 - "Bearer Plants" (issued on 30 June 2014 and effective for annual periods beginning on or after 1 January 2016).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 9 "Financial Instruments" (issued on 24 July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for annual periods beginning on or after 1 January 2018).
- Amendment to IFRS 10, IFRS12 and IAS28 "Investment Entities" – Applying the Consolidated Exception (issued on 18 December 2014 and effective for annual periods beginning on or after 1 January 2016).
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealized losses (effective for annual periods beginning on or after 1 January 2017).

The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a material effect on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting right held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 REVENUE RECOGNITION

Revenue earned by the Group is recognised on the following basis:

2.3.1 INTEREST INCOME

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and Presentation currency

Items included in the financial statement of the each entity in the Group are measured using the currency of primary economic environment in which entity operates (functional currency). All entities within the Group have USD as functional currency, and the Group has USD as presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(b) Translations and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing rates at the balance sheet date are recognised in profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'financial income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains-net'.

2.5 EQUIPMENT AND MACHINERY

(a) Measurement

Equipment and machinery are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

(b) Depreciation

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Furniture and Fittings	10
Computer Hardware	20

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

(c) Subsequent cost

Expenditure for repairs and maintenance of equipment and machinery is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(d) Disposal

An item of equipment and machinery is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment and machinery is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 CASH AND CASH EQUIVALENTS

In the statement of cash flows and the balance sheet, cash and cash equivalents includes deposits held at call with banks.

2.7 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.8 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 TRADE RECEIVABLES

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2.11 INTANGIBLE ASSETS

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate benefits exceeding costs beyond one year are recognized as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the computer software. Cost associated with maintenance of computer software programs are recognized as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

a) Disposal

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.12 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2.13 DIVIDENDS

Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the year in which they are approved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale financial assets are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other security prices. For available-for-sale investments, gains and losses arising from changes in fair value are recognized in other comprehensive income and then in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in profit or loss for the period.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognized at cost less impairment.

NOTE 3 - FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTOR

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk. The Group's overall risk management strategy seeks to minimize any adverse effect from the unpredictability of financial markets on the Group's financial performance.

(a) Market risk

(i) Currency risk

The Group's functional currency is US dollars. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Euro and the NOK. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group. Equity securities are susceptible to market price risk arising from uncertainties about future prices of the investments. The investments are classified on the balance sheet as available for sale financial assets.

(iii) Cash flow and fair value interest rate risk

The Group is currently financed by equity, and has no interest bearing debt; hence no interest rate risk is currently present.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the statement of financial position. The Group's major classes of financial assets are bank deposits and trade and other receivables (note 6).

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents as well as securing availability of funding through adequate amount of credit facilities to meet future obligations.

The following are the contractual maturities of financial liabilities:

<i>(Amounts in USD 000)</i>	Carrying amounts	Contractual Cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
2014							
Trade and other payables	51	51	51	-	-	-	-
Total	51	51	51	-	-	-	-
2015							
Trade and other payables	66	66	66	-	-	-	-
Total	66	66	66	-	-	-	-

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 FAIR VALUE ESTIMATION (CONTINUED)

The following tables present the Company's financial assets and liabilities that are measured at fair value:

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
At 31 December 2014				
Assets				
Available for sale financial assets				
- Equity securities	26	-	-	26
Total financial assets measured at fair value	26	-	-	26

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
At 31 December 2015				
Assets				
Available for sale financial assets				
- Equity securities	16	-	-	16
Total financial assets measured at fair value	16	-	-	16

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the critical judgements and estimation, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Income taxes and deferred tax assets

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY

<i>(Amounts in USD 000)</i>	Loans and receivables	Assets at fair value through profit and loss	Available-for sale	Total
2014				
Assets as per balance sheet				
Restricted cash at bank	11	-	-	11
Trade and other receivables (excluding prepayments)	93	-	-	93
Available-for-sale financial asset	-	-	26	26
Cash and cash equivalents	54 782	-	-	54 782
Total at the end of the year	54 886	-	26	54 912

<i>(Amounts in USD 000)</i>	Other financial liabilities	Total
2014		
Liabilities as per balance sheet		
Trade and other payables (excluding statutory liabilities)	51	51
Total at the end of the year	51	51

<i>(Amounts in USD 000)</i>	Loans and receivables	Assets at fair value through profit and loss	Available-for sale	Total
2015				
Assets as per balance sheet				
Trade and other receivables (excluding prepayments)	31	-	-	31
Available-for-sale financial assets	-	-	16	16
Cash and cash equivalents	9 393	-	-	9 393
Total at the end of the year	9 424	-	16	9 440

<i>(Amounts in USD 000)</i>	Other financial liabilities	Total
2015		
Liabilities as per balance sheet		
Trade and other payables (excluding statutory liabilities)	66	66
Total at the end of the year	66	66

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 6 - CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of the main financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Cash at bank and restricted bank deposits (1) Notes 11 and 12	9 393	54 793
Trade and other receivables (excluding prepayments)	31	93
Total at the end of the year	9 424	54 886

(1) The external credit ratings of the main financial institutions with which the Group holds its funds are as follows:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014	Credit ratings	
			Long term rating	Short term rating
DNB Bank ASA (Standard & Poor's)	9 385	54 776	A+	A-1
Bank of Cyprus Public Company Limited (Moody's)	8	17	Caa3	Not Prime

NOTE 7 - INTANGIBLE ASSETS

<i>(Amounts in USD 000)</i>	Computer software	Total
Cost		
At 1 January 2014	15	15
Disposals	(4)	(4)
At 31 December 2014	11	11
At 31 December 2015	11	11
Amortization		
At 1 January 2014	7	7
Charge for the year	4	4
Disposals	(2)	(2)
At 31 December 2014	9	9
Charge for the year	2	2
At 31 December 2015	11	11
Net book amount		
Balance at 31 December 2015	-	-
Balance at 31 December 2014	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 8- EQUIPMENT AND MACHINERY

<i>(Amounts in USD 000)</i>	Furniture, Fixtures and Office Equipment	Computer Hardware	Total
Cost			
At 1 January 2014	10	11	21
Disposal	(8)	(10)	(18)
At 31 December 2014	2	1	3
At 31 December 2015	2	1	3
Depreciation			
At 1 January 2014	4	4	8
Charge for the year	2	2	4
Disposal	(5)	(5)	(10)
At 31 December 2014	1	1	2
Charge for the year	-	-	-
At 31 December 2015	1	1	2
Net book amount			
Balance at 31 December 2015	1	-	1
Balance at 31 December 2014	1	-	1

NOTE 9 - TRADE AND OTHER RECEIVABLES

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Prepayments	4	11
Other receivables	31	93
Total trade and other receivables at the end of the year	35	104

The fair value of trade and other receivables due within one year approximate to their carrying amount as presented above.

NOTE 10 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Balance at the beginning of year	26	32
Impairment charge (note 17)	(10)	(6)
Balance at the end of year	16	26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 11 – RESTRICTED CASH AT BANK

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Balance at the beginning of year	11	101
Transfer to cash and bank balances	(11)	(90)
Balance at the end of year	-	11

NOTE 12 - CASH AND CASH EQUIVALENTS

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Cash at bank	9 393	54 782
Cash and cash equivalents at the end of the year	9 393	54 782

Cash and bank balances are denominated in the following currencies:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
US Dollar - functional and presentation currency	9 233	54 655
Norwegian Kroner	160	123
Singapore Dollar	-	4
	9 393	54 782

NOTE 13 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Investment in Prospector Offshore Drilling S.A (PROS)	-	-
Total assets held for sale at the end of the year	-	-

13.1 Movement of investment classified as held for sale

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Balance at the beginning of the year	-	-
Additions	-	66 144
Derecognised on disposal	-	(66 144)
Balance at the end of year	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 14 - SHARE CAPITAL AND PREMIUM

<i>(Amounts in USD 000)</i>	Number of shares (thousands)	Ordinary shares	Share premium	Total
2014				
Balance at the beginning of the year	262 000	2 620	39 950	42 570
Balance at the end of the year	262 000	2 620	39 950	42 570
2015				
Balance at the beginning of the year	262 000	2 620	39 950	42 570
Share premium reduction (14.1)	-	-	(33 012)	(33 012)
Balance at the end of the year	262 000	2 620	6 938	9 558

All shares issued have the same rights and are of nominal value of USD 0,01 each.

14.1 In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by a special resolution that the share premium account of the Company to be reduced from USD 39 950 thousand to USD 6 938 thousands. Of this reduction the amount of USD 33 012 thousands has been distributed to the registered shareholders of the Company. The reduction of the share premium became effective late October 2015 following the issue by the Cyprus Registrar of Companies of the certificate of registration of the Court Order and the minutes of the EGM for the reduction of Company's share premium account. The distribution to the shareholders was completed in early November 2015.

NOTE 15- TRADE AND OTHER PAYABLES

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Other payables	39	18
Accrued expenses	27	33
Total trade and other payables at the end of the year	66	51

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

NOTE 16 – INCOME TAX EXPENSE

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Current tax:		
Corporate income tax charge	-	71
Total current tax	-	71
Deferred tax:		
Origination of temporary differences	-	-
Total deferred tax	-	-
Income tax expense	-	71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 16 – INCOME TAX EXPENSE (CONT'D)

The total charge for the year can be reconciled to the accounting profit as follows:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Profit/(loss) before tax	(3 314)	(15 998)
Tax calculated at the applicable tax rates	(414)	(2 000)
Tax effect of expenses not deductible for tax purposes	369	1 944
Tax effect of tax loss for the year	45	81
Corporation tax prior year	-	46
Tax charge	-	71

Balance sheet

Current tax asset

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Corporate income tax refundable	1	1
Total current tax asset at the end of the year	1	1

Current tax liability:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Corporate income tax	-	-
Total current tax liability at the end of the year	-	-

NOTE 17 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Loss on disposal of investment in Prospector Offshore Drilling SA (note 17.1)	-	(14 543)
Impairment of available-for-sale financial assets (note 10)	(10)	(6)
Net currency translation differences (17.2)	(2 851)	(594)
Total gains/(losses)	(2 861)	(15 143)

17.1 Loss on disposal of investments in Prospector Offshore Drilling S.A

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Consideration received net	-	51 601
Cost of investment	-	(66 144)
Loss on disposal of shares	-	(14 543)

The loss of USD 14 543 can be further disaggregated to the following elements:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Changes in fair value	-	(11 330)
Exchange difference	-	(3 213)
Loss on disposal of shares	-	(14 543)

17.2 The foreign exchange difference of USD 2 851 thousand arose mainly from the payment of the interim dividend and share premium reduction during the year. This is due to the conversion of bank balances denominated in USD to Norwegian Kroners and the subsequent appreciation of USD against Norwegian Kroner at the date of payment. Both payments have been made in Norwegian Kroner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 18 – ADMINISTRATIVE EXPENSES

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Legal, consulting and professional fees	365	709
Other expenses	107	110
Salary and other employee benefit (note 26)	205	249
Total administrative expenses	677	1 068

During 2015 audit fees of USD 14 thousand (2014: USD 12 thousand), fees of USD Nil (2014: USD NIL) for other assurance services and fees of USD 3 (2014: USD NIL) for tax consultancy services were charged by the Group's statutory audit firm.

NOTE 19 – FINANCE INCOME AND COSTS

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Finance income:		
Bank interest received	241	227
Total finance income	241	227
Finance cost:		
Bank charges	(15)	(6)
Total finance cost	(15)	(6)

NOTE 20 – EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

20.1 Basic/diluted earnings per share

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Profit/(loss) attributable to equity holders of the Company	(3 314)	(16 069)
Weighted average number of ordinary shares for the purposes of basic earnings per share in issue (thousands) Note 14	262 000	262 000
Basic earnings per share	(0,01)	(0,06)

NOTE 21 – DEFERRED INCOME TAX

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that realization of the related tax benefit through future taxable profits is probable. As of 31 December 2015 the Group doesn't have unutilized losses which can be carried forward and used to offset against future taxable income.

NOTE 22 – ACQUISITION AND INCORPORATION AND DISSOLUTION OF SUBSIDIARIES

On 10 December 2015, S.D. Standard Drilling (Singapore) Pte Ltd, a subsidiary incorporated in Singapore, was struck off the Registrar of Companies. The Company does not have any other subsidiaries, associates or joint ventures.

NOTE 23 – DIVIDENDS

On 25 August 2015, the Board of Directors declared an interim dividend of USD 0,035 per share, amounting to USD 9 170 thousands, out of the profits of the year 2013. The dividend was paid to the shareholders in September 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 24 – SHAREHOLDERS INFORMATION

The Company's 20 largest shareholders are as follows:

Owner	31.12.2015		31.12.2014	
	Number of Shares	Ownership interest in %	Number of Shares	Ownership interest in %
SAGA Tankers ASA	120 564 458	46,02	49 680 082	18,96
Bnybe – QVT Fund V LP I	56 922 364	21,73	-	-
Apollo Asset Limited	27 000 000	10,31	-	-
HRF Marine LLC	27 000 000	10,31	-	-
BNYPE – QVT Fund IV LP I	8 754 389	3,34	-	-
Quintessence Fund LP	8 448 377	3,22	-	-
Deutsche Bank AG	4 212 870	1,61	70 656 350	26,97
Park Lane Family Office AS	2 500 000	0,95	-	-
Spontel AS	615 791	0,24	615 791	0,24
Sparebanken Sogn og Fjordane	479 939	0,18	479 939	0,18
EL Investment AS	460 762	0,18	460 762	0,18
Hanekamb Invest AS	410 762	0,16	-	-
Strata Marine & Offshore AS	381 339	0,15	-	-
Oculomotorius AS	346 098	0,13	-	-
Verpentangen AS	340 000	0,13	-	-
Mathias Holding AS	300 000	0,11	-	-
Citibank N.A.	273 550	0,10	-	-
Johansen	250 000	0,10	-	-
Clearstream Banking S.A	213 600	0,08	-	-
Profond AS	128 300	0,05	-	-
Clearwater Capital Partners Fund	-	-	78 338 000	29,90
Gross Management AS	-	-	20 296 726	7,75
Dallas Asset Management AS	-	-	6 575 000	2,51
Nordic Construction Barges I AS	-	-	5 329 607	2,03
Thabo Energy AS	-	-	4 745 000	1,81
Solan Capital AS	-	-	2 680 006	1,02
Haakon Morten Saeter	-	-	2 319 937	0,89
Salto Media AS	-	-	2 113 300	0,81
Nordic Construction Barges II AS	-	-	2 105 000	0,80
Nordea Bank Finland Plc, Markets	-	-	1 442 459	0,55
Six-Seven AS	-	-	1 091 624	0,42
Bjorn Erik Nilsen	-	-	645 216	0,25
Lars Tore Brandeggen	-	-	568 000	0,22
Nortura Konsernpensjonskasse	-	-	440 000	0,17
Marius Horgen	-	-	439 434	0,17
Total 20 largest	259 602 599	99,10	251 022 233	95,83
Others	2 397 401	0,90	10 977 767	4,17
Total	262 000 000	100,00	262 000 000	100,00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTE 25 – RELATED-PARTY TRANSACTIONS

25.1 Management services

<i>(Amounts in USD 000)</i>	Nature of transactions	31.12.2015	31.12.2014
Ferncliff TIH 1 AS	Management fees	240	440
		240	440

The Company had no transactions with shareholders or other related parties other than those disclosed above.

25.2 Ultimate Controlling Party

The Company's ultimate controlling party for the period 20 May to 26 November 2015 was Oystein Stray Spetalen through Saga Tankers ASA.

NOTE 26 – REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

<i>(Amounts in USD 000)</i>	Directors'		31.12.2015	31.12.2014
	Fees	Salary	Total	Total
Executive management:				
Evangelia Panagide – General Manager	-	43	43	49
Total remuneration executive management	-	43	43	49

<i>(Amounts in USD 000)</i>	Directors'		31.12.2015	31.12.2014
	Fees	Salary	Total	Total
Board of Directors:				
Martin Nes (Chairman)	75	-	75	75
Gunnar Hvammen (Non-Executive Director)	49	-	49	50
Glen Rodland (Nomination Committee Chairman)	10	-	10	10
Costas Pantelides (Nomination Committee member)	2	-	2	-
George Crystallis (Independent Director)	2	-	2	2
Total remuneration of Board of Directors	138	-	138	137

NOTE 27 – SUBSEQUENT EVENTS

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



Independent auditor's report

To the Members of S.D. Standard Drilling Plc

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of S.D. Standard Drilling Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 - 555 000, F: +357 - 25 555 001, www.pwc.com/cy

PricewaterhouseCoopers Ltd is a member firm of PricewaterhouseCoopers International Ltd, each member firm of which is a separate legal entity. PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). A list of the company's directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 3 Themistocles Dervis Street, 1066 Nicosia and appears on the company's web site. Offices in Nicosia, Limassol, Larnaca and Paphos.



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read 'Tasos Nolas', with a long horizontal stroke extending to the right.

Tasos Nolas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 18 April 2016

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q1 2016	26 May 2016
Q2 2016	29 August 2016
Q3 2016	28 November 2016

S.D. Standard Drilling Plc

213 Arch. Makarios Avenue
Maximos Plaza
Tower 3, Office 401
CY 3030
Limassol, Cyprus
Tel: +357 25875474

www.standard-drilling.com