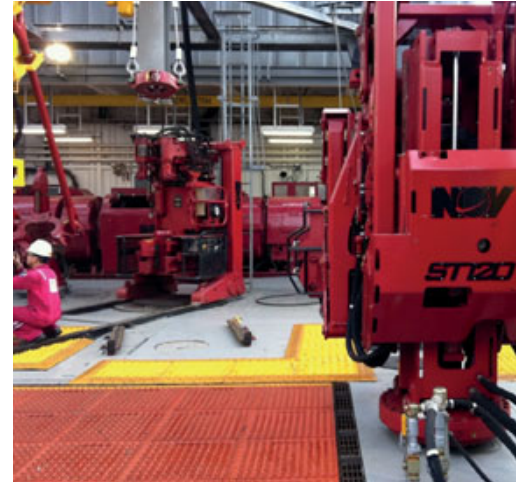


## Listing Prospectus



Listing of all issued common Shares of  
S.D. Standard Drilling Plc on Oslo Axess.

Date

21 March 2011

Managers:



---

## IMPORTANT NOTICE

This prospectus (the "**Prospectus**") has been prepared by the Cypriot company S.D. Standard Drilling Plc ("the **Company**") in connection with the Listing for the sole purpose of enabling prospective investors to consider the purchase of the Shares described herein. The Prospectus has been prepared to comply with chapter 7 of the Securities Trading Act of the Kingdom of Norway of June 29, 2007 No. 75 (the "**Securities Trading Act**") and the related regulations, including the European Commission Regulation EC/809/2004. The Prospectus has been reviewed and approved by the Norwegian Financial Supervisory Authority (the "**FSA**"). The Prospectus has been prepared in English language only. The Prospectus has not been passported into any other country in the European Economic Area.

S.D. Standard Drilling Plc is incorporated and existing under the laws of Cyprus.

The Company is not taking any action to permit a public offering of the Shares in any jurisdiction outside of Norway. The Shares have not been and will not be registered under the United States Securities Act of 1933 (the "**US Securities Act**"), or any securities laws of any state in the United States. Accordingly, the Shares may not be offered or sold within the United States, except in transactions exempt from registration under the US Securities Act, or in any other jurisdiction in which it would not be permissible to offer the shares. All offers and sales outside the United States will be made in reliance on Regulation S under the US Securities Act. This Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or issue, or an invitation to buy or subscribe for, any securities in or into Australia, Canada, Japan, the United States or any other jurisdiction in which it would not be permissible to do so.

The information contained herein is only updated as of the date hereof and subject to change, completion or amendment without notice. In accordance with the Securities Trading Act Section 7-15, any new factor, significant error or inaccuracy that might emerge between the date of the Prospectus and the Listing will be included in a supplement to the Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that the information herein is correct as of any date subsequent to the date of the Prospectus.

All inquiries relating to this Prospectus should be directed to Arctic Securities ASA and First Securities AS (the "**Managers**"). Copies of this Prospectus can be obtained from the Company or one of the Managers.

The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Prospective investors should consult their own legal, business and tax advisors as to legal, business and tax matters. In making a decision on investing in the Company, investors must rely on their own examination of S.D. Standard Drilling Plc, including the merits and risks involved. For a description and discussion of certain risk factors relevant to an investment in the Company, see "Risk factors." Prospective investors should inform themselves of any legal requirements for, and any tax consequences of, the purchase, holding, transfer, redemption or other disposal of the Shares in their country. Neither the Company nor the Managers make any representation with respect to the legality of any investor's purchase of Shares.

The Managers do not accept any responsibility for any legal or financial liability related to the completeness or accuracy of this Prospectus or investment decisions based on information presented in this Prospectus. Prospective investors acknowledge that they have not relied on the Managers in connection with their investigation of the accuracy of this information. Each of the Managers has engaged in investment banking transactions with S.D. Standard Drilling Plc in the ordinary course of their business, and may in the future engage in investment banking transactions with the Company. As of the date of this Prospectus, First Securities AS is registered with 78,700 shares and Arctic Securities ASA with 196,600 shares in the Company.

Any disputes that might arise regarding this Prospectus are subject to Norwegian law and the exclusive jurisdiction of the Norwegian courts.

**TABLE OF CONTENTS**

<b>1. Summary.....</b>	<b>3</b>
<b>2. Risk factors .....</b>	<b>12</b>
<b>3. Responsibility for the Prospectus.....</b>	<b>17</b>
<b>4. Presentation of S.D. Standard Drilling Plc.....</b>	<b>18</b>
<b>5. Market overview .....</b>	<b>26</b>
<b>6. Board of Directors, management and corporate governance .....</b>	<b>35</b>
<b>7. Financial information.....</b>	<b>43</b>
<b>8. Share capital and shareholder information .....</b>	<b>53</b>
<b>9. Legal issues.....</b>	<b>64</b>
<b>10. Taxation issues .....</b>	<b>65</b>
<b>11. Additional information .....</b>	<b>69</b>
<b>12. Cautionary note regarding forward-looking statements.....</b>	<b>70</b>
<b>13. Definitions.....</b>	<b>71</b>
<b>Appendix 1 Bye-Laws of the Company as per the date of the Prospectus.....</b>	<b>A1</b>
<b>Appendix 2 Annual report for 2010.....</b>	<b>A16</b>

# 1. Summary

*The following summary should be read as an introduction to the Prospectus and in conjunction with it, and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus and in the appendices to this Prospectus. Any decision to invest in S.D. Standard Drilling Plc should be based on a consideration of the Prospectus as a whole.*

*The Prospectus has been prepared in the English language only.*

*Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might under the applicable legislation have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.*

*For the definitions of terms used throughout this Prospectus, see Section 13, “Definitions”.*

## 1.1 About S.D. Standard Drilling Plc

### 1.1.1 Overview

The Company was incorporated as a private limited liability company under the laws of Cyprus under the name of S. D. Standard Drilling Limited on 2 December 2010.

The registered address of the Company is:

213, Arch. Makarios Avenue  
Maximos Plaza, Tower 1, 3<sup>rd</sup> floor  
P.C. 3030 Limassol  
Cyprus

and the business address of the Company is;

Maximou Michaelidi Street  
Maximos Plaza Tower 3  
Office 401  
CY 3106 Limassol  
Cyprus

The Company’s registration number with the Cyprus Registrar of Companies is HE 277936.

The Company was converted to a public limited liability company on 23 December 2010, and the Company’s name was changed to S. D. Standard Drilling Plc.

The most recent Bye-Laws of the Company are dated 11 March 2011 and are enclosed to this prospectus as Appendix 1.

### 1.1.2 Construction Contract and Option Agreements

The Company has entered into a Construction Contract with Keppel FELS Limited regarding the latter’s construction of a KFELS B-Class Jack-up rig (the “**Rig**”), to be delivered in July 2012. The agreed purchase price for the Rig is USD 179.3 million, of which 20 % was paid following execution of the Construction Contract and the remaining 80 % is due upon delivery. The Rig is of the KFELS B-Class design with 400 feet water depth and 30,000 feet maximum drilling depth. The Rig is equipped with a 15,000 psi BOP and 1.5 million lbs hook load. The yard, Keppel FELS, has extensive

experience in building the Mod V B Jack-up rigs having received more than 30 orders for virtually the same Jack-up rig design since 2000.

Further, Keppel FELS and the Company has entered into two option agreements, each giving the Company an independent option to purchase an additional KFELS B-Class Jack-up rig, with exercise dates in late May and August 2011. The initial Contract Price for these two rigs is USD 183.3 million and 185.3, respectively, subject to an agreed adjustment based on changes in steel prices, equipment prices and the exchange rate between USD and Singapore dollar. The adjustment shall not be negative.

For more details on the above contracts, see Section 4.5.2 and 4.5.3.

### **1.1.3 Legal structure**

The Company has no subsidiaries and is not part of a group. For more details on the Company's legal structure, see Section 4.2.

### **1.1.4 Market overview**

The Jack-up rig market is global, but considering the latest tender activity, Middle East, Mediterranean, SE Asia and West Africa will be the most probable market for the Company's Jack-up rig.

The massive increase in the global Jack-up rig fleet between the mid 1970s to the beginning of the 1980s, together with a steep drop in commodity prices, made the market unbalanced and oversupplied for a long period of time. Not until the mid 1990s the market reached balance, when day rates finally started to rise again and new orders started to pick up. Since then, there has been a more healthy and balanced market with increasing day rates and a more moderate annual net fleet growth. The Jack-up rig market was not unaffected by the financial crisis in 2008 and day rates again started to drop. Despite a relative steep drop in late 2008, day rates stabilized in 2009 and a new trend became prevalent; Jack-up rigs with legs exceeding 300 feet achieved higher day rates than rigs with legs at 300 feet length.

The premium day rates achieved by Jack-up rigs above 300 ft have on average been about USD 20,000 since the drop in 2008. This is related to the tighter market balance for high capacity and - efficiency rigs, which to a large degree is represented in the above 300 ft segment. Jack-up rigs built in 2000 or after currently achieve 92% utilization, while older Jack-up rigs built before 2000 currently achieves only 64% utilization. As long as there is available rigs in the market, high-end rigs will be preferred relative to older and second rated rigs.

Today, 28 % of the global Jack-up rigs are older than 30 years, including rigs under construction. As a large percentage of today's rigs were built in the beginning of the 1980s, this share is expected to increase to 64 % in 2015. The new build activity we see in today's market is thus driven by a need for a global fleet renewal which is expected to increase in the future.

## **1.2 Board, senior management and employees**

### **1.2.1 Board of Directors**

As at the date of this Prospectus, the Board of Directors of the Company consists of Martin Nes, Glen Rødland, Gunnar Hvammen, Angela Papadopoulou and George Crystallis.

Further information about the Board of Directors and the Management of S.D. Standard Drilling Plc is set out in Section 6 in this Prospectus.

### 1.2.2 Senior management/employees

Until the Rig is delivered in July 2012, the Company's need for employees is limited.

Karina Irgens Hagevik serves as CEO of the Company. The CFO of the Company, Espen Lundaas, is hired from Ferncliff TIH AS.

Please refer to Section 4.2 below for further details in this respect.

## 1.3 Selected financial information

### 1.3.1 Income Statement

Below is the audited income statement for the Company for the accounting year 2010. Due to the brief existence of the Company the accounts also apply as the income statement for Q4 2010. The financial information is presented in accordance with IFRS as adopted by EU and the requirements of the Cyprus Companies Law Cap 113 and derived from the Company's historical financial statements included as Appendix 2.

<u>Exhibit 1.1 Income Statement</u>	Audited
	For the period from 2 December to 31 December
<i>(USD1,000)</i>	2010
Administrative expenses	-86
<b>Operating loss</b>	<b>-86</b>
Finance income	-
Finance costs	-
Finance costs – net	-
<b>Loss before income tax</b>	<b>-86</b>
Income tax expense	-
<b>Loss for the period</b>	<b>-86</b>
Other comprehensive income for the period, net of tax	-
<b>Total comprehensive income</b>	<b>-86</b>
<b>Basic/diluted earnings per share (USD/share)</b>	<b>-0.00</b>

### 1.3.2 Balance sheet

Below is the audited balance sheet for the Company as of 31 December 2010. The financial information is presented in accordance with IFRS as adopted by EU and the requirements of the Cyprus Companies Law Cap 113 and derived from the Company's historical financial statements included as Appendix 2.

Exhibit 1.2 Balance Sheet

Audited

*(USD 1,000)*

As at 31 December 2010

**ASSETS***Non-current assets*

Rig - Capitalized expenses	37,308
<b>Total non-current assets</b>	<b>37,308</b>

*Current assets*

Cash and cash equivalents	6,140
<b>Total current assets</b>	<b>6,140</b>

**Total assets****43,448***Equity and liabilities**Equity*

Ordinary shares	420
Share premium	40,530
Accumulated losses	-86
<b>Total equity</b>	<b>40,864</b>

*Liabilities**Non-current liabilities*

Provisions for other liabilities and charges	1,378
<b>Total non-current liabilities</b>	<b>1,378</b>

*Current liabilities*

Trade and other payables	1,207
<b>Total current liabilities</b>	<b>1,207</b>
<b>Total liabilities</b>	<b>2,585</b>

**Total equity and liabilities****43,448****1.3.3 Significant changes and trend information**

There have not occurred any significant changes in the financial or trading position of the Company since the last audited financial information has been published and until the date of this Prospectus.

**1.3.4 Capitalization and indebtedness**

The table below gives an overview of the Company's capitalization and indebtedness per 31 December 2010.

Exhibit 1.3 Capitalization per 31 December 2010

(USD 1,000)

As at 31 December 2010

<b>Total current debt</b>	
<i>Guaranteed (description of types of guarantees)</i>	0
<i>Secured (description of assets secured)</i>	0
<i>Unguaranteed/unsecured *</i>	0
Guaranteed (description of the types of guarantees)	0
Secured ( description of the assets secured) **	0
Unguaranteed/ unsecured	0
<b>Shareholder's equity</b>	
a Share capital	420
b Legal reserve	40,444
c Other reserves	0
<b>Total</b>	<b>40,864</b>
A. Cash	6,140
B. Cash equivalents (detail)	0
C. Trading securities	0
<b>D. Liquidity (A+B+C)</b>	<b>6,140</b>
<b>E. Current financial receivables</b>	<b>0</b>
<b>F. Current bank debt</b>	<b>0</b>
G. Current portion of non-current debt	0
<b>H. Other current financial debt</b>	<b>0</b>
<b>I. Current financial debt (F+G+H)</b>	<b>0</b>
<b>J. Net current financial indebtedness (I-E-D)</b>	<b>-6,140</b>
K. Non-current bank loans	0
L. Bond issues	0
M. Other non-current loans	1,378
<b>N. Non-current financial debt (K+L+M)</b>	<b>0</b>
<b>O. Net financial indebtedness (J+N)</b>	<b>-4,762</b>

**1.3.5 Changes in equity**

The following table present the statement of changes in shareholders equity in the period 2 December to 31 December 2010.



<u>Exhibit 1.4 Statement of changes in equity</u>	Audited			
<i>(USD 1,000)</i>	Share capital	Share premium	Accumulated losses <sup>1</sup>	Total equity
Balance at 2 December 2010	-	-	-	-
<i>Comprehensive income</i>				
Loss for the period	-	-	-86	-86
<i>Other comprehensive income</i>				
Total comprehensive income for the year, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-86</b>	<b>-86</b>
<i>Transactions with owners</i>				
Proceeds from shares issued (formation of the Company)	-	-	-	-
Debt conversion	359	35,501	-	35,860
Proceeds from shares issued (share capital increase)	61	6,079	-	6,140
Share issue costs	-	-1,050	-	-1,050
<b>Total contributions by and distributions to owners</b>	<b>420</b>	<b>40,530</b>	<b>-</b>	<b>40,950</b>
<b>Balance at 31 December 2010</b>	<b>420</b>	<b>40,530</b>	<b>-86</b>	<b>40,864</b>

## 1.4 Share capital and major shareholders

As of 16 March 2011 the Company had 131 shareholders, of whom 118 (owning 73.3% of the total shares outstanding) were Norwegian and 13 (owning 26.5% of the total shares outstanding) were non-Norwegian, registered in the VPS.

In the extraordinary general meeting of 11 March 2011, it was resolved to increase the authorized share capital of the Company with USD 1,000,000 by issue of 100,000,000 new shares, each with a par value of USD 0.01. The Board of Directors was authorized to issue and allot the said shares to any third party or third parties. The Board of Directors should take the market price in consideration when deciding the issue price for new shares.

<b>Name</b>	<b>Shares</b>	<b>%</b>
Tymar As	11,249,994	26.8%
Thabo Energy As	4,745,000	11.3%
Sabaro Investment Ltd	4,000,000	9.5%
Gross Management As	3,000,000	7.1%
Shenga Trading Company Limited	2,746,717	6.5%
Rbc Trust Company (Jersey) Limited	1,782,800	4.2%
Warrenwicklund Norge	1,152,900	2.7%
Alden As	1,000,000	2.4%
Mp Pensjon Pk	1,000,000	2.4%
Terra Norge	690,000	1.6%
<b>10 LARGEST SHAREHOLDERS</b>	<b>31,367,411</b>	<b>74.7%</b>
<b>OTHERS</b>	<b>10,632,589</b>	<b>25.3%</b>
<b>Total</b>	<b>42,000,000</b>	<b>100.0%</b>

## 1.5 Lock up agreements

Each of Tymar AS, Thabo Energy AS and Gross Management As, jointly holding 45.2 % of the shares in the Company has given an undertaking to each of the Managers with respect to tag along rights for the remaining shareholders upon sale of shares in the Company. Please refer to Section 8.6 for further details.

## 1.6 Related party transactions

The Company has entered into two agreements with related parties; a Management Agreement and a Commission Agreement, both with parties being closely related to one or several of the Company's major shareholders, Tymar AS, Gross Management AS and Thabo Energy AS. Please refer to Sections 6.4.1 and 6.4.2 for further details.

## 1.7 Listing

At the date of the Prospectus none of the Company's Shares are listed on any regulated market, and no application for Listing of the Shares on a regulated market has been filed, other than the application for Listing as described herein.

On 18 February 2011 the Company filed for Listing, which is conditional upon that the board of directors of Oslo Børs approves the Listing in its meeting on 23 March 2011. The first day of Listing is expected to be 25 March 2011. The ticker code will be SDSD. No assurance can, however, be given with respect to the date of Listing, or that the Listing will be completed at all.

Since 17 December 2010 the Company's Shares have been traded on the OTC market in Norway under the ticker SDSD. Trading of the Shares on the OTC market will discontinue upon Listing, and trading of the Shares on Oslo Axess will commence. The 42,000,000 Shares to be listed will be priced on the basis of the last trading price of the Shares on the OTC market prior to Listing.

## 1.8 Reasons for the Listing

S.D. Standard Drilling Plc is seeking the Listing to (i) facilitate the raising of capital for future projects of the Company; (ii) increase the Company's visibility and credibility in both the financial markets and the industry market; and (iii) create a liquid market for the Company's shares.

## 1.9 Expenses

Costs attributable to the listing will be borne by the Company. The total costs of the Listing is expected to amount to approximately USD 400,000 which include costs related to fees to the Managers and Oslo Børs, printing and distribution of this Prospectus, costs to legal advisors, financial advisors and the Company's auditor as well as fees to the Financial Supervisory Authority.

## 1.10 Advisors

Arctic Securities ASA and First Securities AS have acted as financial advisors in connection with the Listing.

Law Firm CLP DA and Deloitte Advokatfirma AS have been engaged by the Company as legal advisors in connection with the Listing.

The Company's statutory auditor is PricewaterhouseCoopers Limited, Cyprus.

As of the date of this Prospectus, First Securities AS is registered with 78,700 shares and Arctic Securities ASA with 196,600 shares in the Company.

## 1.11 Summary of risk factors

A number of risk factors may materially adversely affect the Company. Below is a brief summary of the most relevant risk factors described in Section 2 of this Prospectus. Neither this summary nor the risk factors described in Section 2 are the only risks that may affect the Company and/or the value of the Shares. Additional risks not presently known to the Company or currently considered immaterial may also impair its business operations and prospects. The actual results of the Company could differ materially from those anticipated as a consequence of many factors, including the following:

- (i) Political, regulatory and market risks
  - Macroeconomic fluctuations
  - Industry risks
  - Commodity prices
  - Regulations governing operations
  - Impact of the Macondo incident
  - Risk of war, other armed conflicts and terrorist attacks
- (ii) Operational Risk
  - Newly established company with execution risk and no operating history
  - The Company may assume substantial responsibilities
  - Intellectual Property Rights
  - Dependence on senior management and other key personnel
  - Dependence on charter contracts and employment of the Rig
  - Risks associated with upgrade, refurbishment and repairs
- (iii) Risk related to regulations and needs of potential future customers
  - Acceptance tests
  - Variation orders/amendments
- (iv) Risk related to the construction contract
- (v) Financial Risk
  - Lack of historical financial information
  - Reliance on future funding
  - Liquidity risk
  - Covenant compliance
  - Interest rate and currency fluctuations
- (vi) Tax risks
  - Tax risks for the Company
  - Tax risks for Norwegian investors
  - Overall tax structure
- (vii) Risks related to the share price
  - Volatility of the share price
  - Risks for dilution and substantial future sell-off by current shareholders
- (viii) Other Risks
  - Risks associated with disputes
  - Requisition or arrest of assets

## **1.12 Documents on display**

For the life of the Prospectus, the Memorandum of Incorporation and Bye-Laws and other documents listed in Section 11.1 , will be available for inspection at the offices of S.D. Standard Drilling Plc at: 213, Arch. Makarios Avenue Maximos Plaza, Tower 1, 3rd floor P.C. 3030 Limassol Cyprus. Further information regarding documents on display can be found in Section 11.1.

The documents will also be available at the website: <http://www.standard-drilling.com>

## **1.13 Legal Issues/Disputes**

As per the date of this Prospectus the Company is currently not the subject of any pending material litigation, nor is it aware of any threatened material claims at this point.

## 2. Risk factors

*Before investing in the Company, investors should carefully consider all of the information contained in this Prospectus, and in particular the following risk factors, which may affect the Company's activities, the industry in which it operates and the Company's Shares. Such information is presented as at the date hereof and is subject to change, completion or amendment without notice.*

*If any of the following risks actually materialise, the Company's business, financial position and operating results could be materially and adversely affected. The risks described below are not exhaustive as additional risks not presently known to the Company, or which the Company currently deems immaterial, may also impair its business operations and adversely affect its share price.*

*An investment in the Company's Shares is recommended only for investors who understand the risks associated with this type of investment and who can afford a loss of all or part of their investment and prospective investors should consult expert advisors as to the suitability of an investment in the Company.*

### 2.1 Political, regulatory and market risks

#### 2.1.1 Macro economic fluctuations

The Company is exposed to economic cycles and changes in the general economic situation could adversely affect the demand for the Company's Rig and services.

#### 2.1.2 Industry risks

The offshore premium Jack-up rig market is characterized by strong competition among a limited number of customers and suppliers, where contracts are awarded on a competitive bid basis. The Company's agreement with Keppel FELS for construction of the Rig and the First Option and the Second Option, is based on an expectation of an increasing number of orders at high-end rig yards and a strong demand in the market for premium Jack-up rigs with technology and design such as the Rig. The market for the Rig may not develop positively as anticipated by the Company and technological developments may make the Rig obsolete or less attractive, affecting both the value of the Rig and the Company's financial performance negatively.

#### 2.1.3 Commodity prices

The profitability and cash flow of the Company's operations will be dependent upon the market price of oil and gas, as the Company's customers are expected to be oil companies or oil drilling companies. The price of oil and gas is known to fluctuate and are affected by numerous factors beyond the Company's control, including economic and political conditions, levels of supply and demand, the policies of the Organization of Petroleum Exporting Countries (OPEC), currency exchange rates and the availability of alternate energy sources. If the price of oil and gas products should drop significantly, the profitability and cash flow from the Rig would be significantly reduced.

#### 2.1.4 Regulations governing operations

The Company is subject to the laws and regulations governing the oil and gas industry. The Company is required to comply with the various regulations introduced by the authorities where the operations of the Rig take place, various flag states and the guidelines introduced by the International Maritime Organisation (IMO) where applicable.

In the event that the Company or its customer is unable at any time to comply with the existing regulations or any changes in such regulations, or any new regulations introduced by local or international bodies, the operations may be adversely affected. Any change in or introduction of new regulations, may increase the costs of operations, which could have an adverse effect on the Company's profitability. Furthermore, if the Rig does not comply with the extensive regulations

applicable from time to time, the consequence may be that Rig is refused to continue its operations.

### **2.1.5 Impact of the Macondo incident**

On 20 April, 2010, the Ultra-Deepwater Floater “Deepwater Horizon” sank after a blowout of the Macondo well caused a fire and explosion on the rig. The rig was declared a total loss. Following this incident, the US government implemented a moratorium on certain drilling activities in the US Gulf of Mexico for a period May 30, 2010 until November 30, 2010. However, on 12 October, 2010 the moratorium was lifted. In order to obtain drilling permits and resume drilling activities, which now require among other things independent third-party inspections and certification of well design and well control equipment. Although the new compliance regulations are only related to drilling operations in the US Gulf of Mexico, it is possible that the new regulations may impact drilling operations in other regions. There could therefore be additional equipment or procedure requirements imposed worldwide by either oil and gas customers or industry regulators. These additional requirements could impact the capital cost of the Rig, or could impact the operating costs of the Company.

### **2.1.6 Risk of war, other armed conflicts and terrorist attacks**

War, military tension and terrorist attacks have among other things caused instability in the world’s financial and commercial markets. This has in turn significantly increased political and economic instability in some of the geographic markets in which the Company operates (or may operate in the future) and has contributed to high levels of volatility in prices for among other things oil and gas.

Continuing instability may cause further disruption to financial and commercial markets and contribute to even higher level of volatility in prices. In addition, acts of terrorism and threats of armed conflicts in or around various areas in which the Company or its customers operates (or may operate in the future) could limit or disrupt the Company’s markets and operations, including disruptions from evacuation of personnel, cancellation of contracts or the loss of personnel or assets. Armed conflicts, terrorism and their effects on the Company or its markets may have a significant adverse affect on the Company’s business and results of operations in the future.

## **2.2 Operational risks**

### **2.2.1 Newly established Company with execution risk and no operating history**

The Company was incorporated in 2010 and has mainly focused on setting up its business organization, and procuring agreements with the yard, while the Company’s main operating activity is not expected to start before the delivery of the Rig takes place in July 2012. As a result, the Company has a limited operating history.

### **2.2.2 The Company may assume substantial responsibilities**

Contracts in the offshore sector of the nature that the Company expects to enter into in respect of the Rig require high standards of safety, and all offshore contracts are associated with considerable risks and responsibilities. These include technical, operational, commercial, environmental and political risks. The Company will seek to obtain insurances deemed adequate for its business, but it is not possible to insure against all applicable risks and liabilities. For instance, under its charter contracts the Company will generally have unlimited liability for losses caused by its own gross negligence, whereas such liability in general will not be covered by the Company’s insurance policies. The Company may also incur liability for pollution and other environmental damage or harm to persons or property, without being able to recover said liabilities through insurances or contractual indemnity rights. The Company’s operations may have an adverse effect on the environment due to unpredictable events such as blowouts, fires, explosions and other loss of well control events.

### **2.2.3 Intellectual property rights**

The Company must observe third parties' patent rights and intellectual rights. There is always an inherent risk of third parties claiming that the technology being utilized in the construction or updates of the Company's Rig or in its operations infringes third parties' patents or intellectual property rights, and any such claim, if successful, could have a material adverse effect on the Company's results of operations.

### **2.2.4 Dependence on senior management and other key personnel**

The Company's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel and the Company's ability to attract and retain highly qualified personnel when needed. There is always a risk that members of the senior management or key employees may decide to leave the Company. The loss of the services of members of the management or key employees could have a negative impact on the operations and financial performance of the Company. Competition for qualified personnel is intense and the Company may be unable to recruit such personnel if and when needed on short notice. Failure to do so may have an adverse impact on the Company.

### **2.2.5 Dependence on charter contracts and employment of the Rig**

The Company's income will be dependent on charter contracts and employment of the Rig. As of the date of this Prospectus, the Company has no employment for the Rig and there is a risk that it may be difficult for the Company to achieve new charter contracts, or charter contracts on terms projected by the Company, resulting in a material adverse impact on the financial condition of the Company and its ability to serve its debts when due.

The duration of charter contracts may be uncertain where the agreements may give the operator both extension and early cancellation options. The Rig may work in environments where the season makes it difficult for oil companies to conduct their normal work and operations. Consequently, the Rig may be idle during such periods. There may also be off-hire periods between charter contracts and as a consequence of defects and non-performance. There are also risks relating to transport of the Rig between various exploration and production fields worldwide including damage to the Rig during transport or delays during the transportation.

As the Company as of this Prospectus only has confirmed the order for one Rig, a cancellation or postponement of a charter contract will most likely have a material adverse impact on the profitability and cash flow of the Company.

### **2.2.6 Risks associated with upgrade, refurbishment and repairs**

The Company will incur upgrade, refurbishment and repair expenditures for the Rig from time to time, including when repairs or upgrades are required by law, in response to an inspection by a governmental authority, or when damaged. These upgrades, refurbishment and repair projects are subject to risks, including delays and cost overruns, which could have an adverse impact on the Company's available cash resources and results of operations.

## **2.3 Risk related to regulations and needs of customers**

### **2.3.1 Variation orders / amendments**

The Company may need to make changes to the Rig in order to comply with regulations and requirements and needs of its customers. Such changes could result in additional construction costs and additional capital needs for the Company.

### **2.3.2 Acceptance tests**

When commencing charters, the Rig will generally need to comply with certain technical and operational acceptance criteria. Failure to meet such requirements may adversely impact the profitability and cash flow of the Company.

## 2.4 Risks related to the construction contract

Any delays related to the construction contract could have a material adverse effect on the Company and its financial position. Furthermore, even though the Company and the yard have agreed on a fixed all-in cost for the Rig under order, cost overruns and technical problems may be experienced during construction which may impact the expected delivery of the Rig as well as the Company's expected financial performance. The rights of the Company under the construction contract may not be fully protected against losses which incur if the yard is not able to deliver the Rig in accordance with the agreed delivery schedules. Although the yard is a world leader in the design, construction, repair and conversion of the Rig, assurance cannot be given that the yard will be able to deliver in accordance with agreed delivery schedules.

## 2.5 Financial risks

### 2.5.1 *Lack of historical financial information*

As the Company was incorporated in 2010, the Company lacks useful financial information for the estimation of the Company's future financial results.

### 2.5.2 *Reliance on future funding*

The Company relies on future funding for payment of 80% of the construction cost for the first Rig upon delivery in July 2012 and for payment of both the first (20%) and second instalment (80%) of the Contract Price for an additional Rig if the Company exercises the First Option or the Second Option. If the Company exercises the First Option, the Company will have to secure financing of at least USD 36.7 million to cover the first instalment (20%) of the construction until delivery. If the Company exercises the Second Option, the Company must secure financing of at least USD 37.1 million<sup>1</sup> to cover the first instalment (20%) of the construction until delivery. The Company cannot give assurances that it will be able to secure sufficient debt or equity financing for such payments.

### 2.5.3 *Liquidity risk*

The Company will be highly dependent on cash flow from its operations in order to be able to meet any future debt obligations as and when they fall due and the Company may be exposed to delays in payments from clients.

### 2.5.4 *Covenant compliance*

The Company's ability to comply with covenants in future debt financing will depend on the Company's results, which will be dependent on the prevailing economic and competitive conditions in addition to financial, operational and other factors outside the control of the Company. There can be no guarantee given that the Company will be able to fulfil all conditions in the loan agreements associated with future debt or that its lenders will waive or amend the conditions in order to avoid a breach of the Company's debt commitments.

### 2.5.5 *Interest rate and currency fluctuations*

The Company is exposed to changes in interest rates and currencies, which may negatively affect the Company's financial result and liquidity.

## 2.6 Tax risks

### 2.6.1 *Tax risks for the Company*

The Company is generally taxable in Cyprus and subject to an income tax rate of currently 10%. To

---

<sup>1</sup> There may be an adjustment for the change in cost of steel, equipment and USDSGD exchange rate as at the time of the option exercise notice. The aggregate shall not be negative.



the extent the company should move (for any reason) to another jurisdiction, the whole or parts of the Company's income could become subject to a higher tax rate.

### **2.6.2 Tax risks for Norwegian investors**

It is expected that Norwegian investors will not be subject to Norwegian NOKUS taxation and that the shares in the Company will fall under the Norwegian exemption method for Norwegian corporate investors. This is based on that the Company will be properly established in Cyprus with effective management and control being exercised in Cyprus. To the extent such establishment should not be adequately maintained, the shares in the company could fall outside the Norwegian exemption method. Moreover, Norwegian investors could become subject to NOKUS taxation on their investment.

### **2.6.3 Overall tax structure**

The Company is a Cyprus company and may directly or indirectly operate in numerous countries throughout the world. Consequently, the Company and/or any subsidiaries will be subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in a various of jurisdictions. Tax laws and regulations are highly complex and subject to interpretation. The Company's income tax expense will be based upon its interpretation of the tax laws in effect in various countries at the time that the expense will be incurred. If applicable laws, treaties or regulations change or other taxing authorities do not agree with the Company's and/or any subsidiaries' assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on the Company and the trading price of the Shares.

## **2.7 Risks related to the Share price**

### **2.7.1 Volatility of the Share price**

The trading price of the Shares could fluctuate significantly in response to general market and segment fluctuations, quarterly variations in operating results, adverse business developments, interest rates, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors, changes to the regulatory environment in which the Company operates, or a variety of other factors outside the control of the Company.

### **2.7.2 Risks for dilution and substantial future sell-off by current shareholders**

The Company is unable to predict whether significant amounts of its Shares will be sold by its current holders. Any sales of substantial amounts of Company shares in the public market by its current holders or the perception that these sales might occur, could lower the market price of the Company's shares. Further, if the Company issues additional equity securities to raise additional capital, potential investors' ownership interest in the Company may be diluted and the value of potential investors' investment may be reduced.

## **2.8 Other risks**

### **2.8.1 Risks associated with disputes**

The Company might become subject to disputes with its suppliers, contractors and other third parties that could result in a loss of revenue and/or claims from such third parties.

### **2.8.2 Requisition or arrest of assets**

The Rig could be requisitioned by a government in the case of war or other emergencies or become subject to arrest. This could significantly and adversely affect the earnings of the Company as well as the Company's liquidity.

### 3. Responsibility for the Prospectus

This Prospectus has been prepared by S.D. Standard Drilling Plc in connection with the Listing described herein.

The Board of Directors of S.D. Standard Drilling Plc hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Limassol, 21 March 2011

Martin Nes  
Chair

Glen Rødland  
Director

George Crystallis  
Director

Gunnar Hvammen  
Director

Angela Papadopoulou  
Director

## **4. Presentation of S.D. Standard Drilling Plc**

### **4.1 Incorporation, registered office and registration number**

The Company was incorporated as a private limited liability Company under the laws of Cyprus under the name of S. D. Standard Drilling Limited on 2 December 2010.

The registered address of the Company is:

213, Arch. Makarios Avenue  
Maximos Plaza, Tower 1, 3<sup>rd</sup> floor  
P.C. 3030 Limassol  
Cyprus

and the business address of the Company is;

Maximou Michaelidi Street  
Maximos Plaza Tower 3  
Office 401  
CY 3106 Limassol  
Cyprus

The Company's registration number with the Cyprus Registrar of Companies is HE 277936.

The Company was converted to a public limited liability company on 23 December 2010, and the Company's name was changed to S. D. Standard Drilling Plc.

### **4.2 Legal and operational structure**

The Company is owned by a number of investors, as given account for in Section 8.5. The Company is not part of a group and has no subsidiaries.

As the Company's operational business will be limited until the delivery of the Rig in July 2012, the Company has a limited requirement for managerial capabilities. The amount of information to be provided to Oslo Axess will be substantially more limited than for active companies, as the latter will have circumstances that should be communicated on a daily basis.

In February 2011, Karina Irgens-Hagevik was appointed as CEO of Standard Drilling. The CEO will be the Company's contact person towards Oslo Axess together with the CFO.

Espen Lundaas is hired from Ferncliff TIH AS as the CFO of the Company. Espen Lundaas will be responsible for information handling towards Oslo Axess, jointly with the CEO.

The Company secretary is CQS Secretarial Limited. They will perform various secretarial services for the Company in Cyprus. The registered office of CQS Secretarial Limited is:

213, Arch. Makarios Avenue  
Maximos Plaza, Tower 1  
3030 Limassol  
Cyprus

### **4.3 History and development of S.D. Standard Drilling Plc**

The Company was founded on 2 December 2010 based on the business idea of the three Norwegian investors Øystein Stray Spetalen, Glen Ole Rødland and Gunnar Hvammen. The Company was

incorporated by Tymar AS. At the date of the Prospectus, Tymar AS is the Company's largest shareholder holding 26.8 % of the Shares.

The registered address of the Company is:

213, Arch. Makarios Avenue  
Maximos Plaza, Tower 1, 3<sup>rd</sup> floor  
P.C. 3030 Limassol  
Cyprus

Company's history:

**November 2010:**

- Through a Power of Attorney given by the subscribers of the Company's shares to Mr. Martin Nes, the Company entered into agreements with Keppel FELS in Singapore ordering one KFELS B-Class Jack-up rig and were granted options for two additional rigs.

**December 2010**

- Mr. George Crystallis was appointed by the subscribers to the Company's Memorandum of Association as the sole Director of the Company
- The sole Director of the Company Mr. George Chrystallis fully ratified, approved and confirmed the agreement with Keppel FELS on 2 December 2010.
- Private placement of USD 42 million completed
- Directors Martin Nes, Angela Papadopoulou, Glen Rødland and Gunnar Hvammen were appointed by the sole Director of the Company on 21 December 2010
- The Company was converted to a public limited company and the name changed from S.D. Standard Drilling Ltd. to S.D. Standard Drilling Plc

**February 2011**

- Karina Irgens-Hagevik was appointed CEO of the Company
- The Company applied for listing on Oslo Axess

**March 2011**

- The first day of Listing is expected to be 25 March 2011. Listing is conditional upon Oslo Børs approval on 23 March 2011.

## 4.4 Vision and strategy

The principal activities of the Company are to own and finance one rig under construction, and options for two additional rigs currently not executed, for future sale in any form, or operation through charter.

## 4.5 Business overview

### 4.5.1 *The Rig*

The Rig is of the KFELS B-Class design with 400 feet water depth and 30,000 feet maximum drilling depth. The Rig is equipped with a 15,000 psi BOP and 1.5 million lbs hook load. The yard, Keppel FELS, has extensive experience in building the Mod V B Jack-up rigs having received more than 30 orders for virtually the same Jack-up rig design since 2000.

**Main particulars of the Newbuilding:**

- |                   |                      |
|-------------------|----------------------|
| • Design:         | 400 ft KFELS B-Class |
| • Registration:   | TBA                  |
| • Classification  | ABS MODU             |
| • Length overall  | 234 ft               |
| • Breadth overall | 208 ft               |

• Depth of hull at side	25 ft
• Total length of legs	517 ft
• Diameter of pud cranes (flat to flat)	47 ft – 2 inches
• Center of fwd leg to CL of aft legs	129 ft
• Variable load incl. drilling load (kips)	7,500
• Steel design operating temperature	-10 °C
• Cantilever maximum outreach @ 60 ft (kips)	2,500
• Cantilever maximum outreach @ 70 ft (kips)	1,640
• Heliport designed for service by	Sirkovsky S-61N and S92
• Number of pinions	36
• Maximum lifting capacity (kips)	46,800
• Elevating speed at lifting capacity (ft/min)	1.4
• Preload holding capacity (kips)	67,284
• Fixation system	OTD FS 33G

### Design Storm Survival Conditions

	Water depth (ft)		
	400	350	300
Variable load (kips)	5,000	5,000	5,000
Leg length (ft)	517	517	517
Max wave height (ft)	39	49	55
Corresponding wave period (sec)	14	14	15
Max wind velocity (knot)	100	100	100
Current (knot)	1	1	10
Air gap (ft)	34	40	52
Penetration (ft)	15	15	15

#### 4.5.2 Construction Contract for Keppel FELS Class-B Jack-up rig

The Company entered into the construction contract with Keppel FELS Limited (Keppel FELS) on 23 November 2010, regarding Keppel FELS' construction and delivery of a KFELS B-Class Jack-up rig to the Company (the "**Construction Contract**"). The Construction Contract was entered into while the Company was under incorporation.

The contract price for the Rig is USD 179.3 million (the "**Contract Price**"), with the addition of potential work on basis of variation orders. Following execution of the Construction Contract, Tymar AS made a payment of 20 % of the Contract Price (the "**First Instalment**"), on behalf of the Company under incorporation. The debt established was converted to equity on 2 December 2010. The remaining Contract Price shall be paid upon delivery (the "**Second Instalment**").

In addition to the Contract Price of the Rig and other estimated costs directly attributable to the Construction Contract of USD 2.6 million, other costs of USD 3.4 million is expected for the period until delivery of the Rig. The Company's calculated all-inn costs are USD 185.4 million.

The delivery date of the Rig is on or before 20 months after the date of irrevocable payment of the First Instalment (the "**Effective Date**"), meaning 24 July 2012. If Keppel FELS fails to deliver the Rig by the delivery date, S.D. Standard Drilling Plc will have the right to receive liquidated damage of USD



40 000 for each day of delay from the 30th day of delay. The total amount payable by Keppel FELS is USD 6 million. There is also a bonus agreement in case of early delivery amounting to USD 15,000 for each day of early delivery with a maximum of USD 900,000, subject to the Company having entered into an unconditional charter contract with a third party and the charterer agrees to take early delivery of the Rig.

Upon payment of each installment to Keppel FELS, 1 % of each installment, and in total 1 % of the Contract Price, shall be refunded to the Company. In effect, net payment to Keppel FELS amounts to 99 % of the Contract Price.

Original Due Date	%	Amount excl. discount (USD)	Discount (USD)	Amount incl. discount (USD)	Status
24 November 2010	20%	35,860,000	-358,600	35,501,400	Installment fully paid
24 July 2012	80%	143,440,000	-1,434,400	142,005,600	Financing to be secured
<b>Total</b>	<b>100%</b>	<b>179,300,000</b>	<b>-1,793,000</b>	<b>177,507,000</b>	

The Company is entitled to assign, transfer or novate the Construction Contract to any other third party, subject to the consent of Keppel FELS, such consent not to be unreasonably withheld.

The Construction Contract is governed by English law.

#### 4.5.3 Option agreements with Keppel FELS

Keppel FELS and the Company have entered into two option agreements, each giving the Company an independent option to purchase an additional KFELS B-Class Jack-up rig.

The minimum strike prices for the First and Second Option are USD 183.3 million and USD 185.3 million, respectively, subject to an agreed adjustment based on changes in steel prices, equipment prices and the exchange rate between USD and Singapore dollar. The adjustment shall not be negative. The strike prices shall be paid in two instalments; 20 % upon exercise and the remaining upon delivery. Upon payment of each installment to Keppel FELS, 1 % of each installment, and in total 1 % of the Contract Price, shall be refunded to the Company. In effect, net payment to Keppel FELS amounts to 99 % of the Contract Price. The exercise dates for the options are 6 and 9 months after the Effective Date of the Construction Contract, meaning 24 May and 24 August 2011. The delivery date for the rig in the First Option is at the earliest 26 months (January 2013) after the Effective Date of the Construction Contract and at the latest 32 months (July 2013) after the Effective Date of the Construction Contract. The delivery date for the rig in the Second Option is at the earliest 26 months (January 2013) after the Effective Date of the Construction Contract and at the latest 35 months (October 2013) after the Effective Date of the Construction Contract.

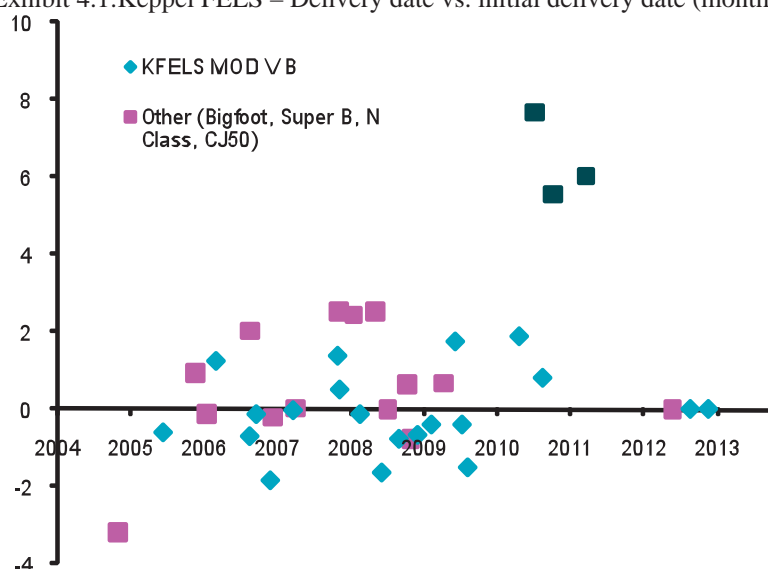
Financing for the option rigs is to be secured once the decision on whether or not to exercise the options are made. At the date of this Prospectus the Company has no intention to exercise neither of the options.

#### 4.5.4 The yard, Keppel FELS

Keppel FELS and its network of offshore yards have successfully delivered almost half of the world's newbuild Jack-up rigs and semisubmersibles in the past decade. Growing from a local shipyard into a global offshore group, Keppel FELS is perceived to be one of the global leaders in the design, construction and repair of mobile offshore rigs.

Keppel FELS is perceived in the market as a leading shipyard for building Jack-up rigs. Keppel FELS is well known for their ability to deliver quality products and services safely, on time and within budget. History shows that out of the B Class Jack-up rigs being ordered since 2000, most units have been delivered on time/before and within budget.

Exhibit 4.1: Keppel FELS – Delivery date vs. initial delivery date (months)



Source: ODS Petrodata

Note: The three N-Class SKDP (now Rowan) Jack-up rigs (dark green brackets) were delayed as part of a mutual agreement between SKDP and Keppel FELS due to a company restructuring of the former.

### Design & Engineering – Jack-up rigs

Through their technology arm, Offshore Technology Development (OTD), Keppel design and offer a versatile fleet of new-generation Jack-up rig designs.

Keppel's series of high-specification Jack-up rigs include:

- KFELS A Class
- KFELS B Class
- KFELS C Class
- KFELS G Class
- KFELS N Class

Constantly innovating to stay ahead of competition, Keppel provide cost-effective and state-of-the-art solutions to meet their clients' current and future needs.

### Yard Facilities

Keppel FELS is ISO 9000 and OHSAS certified, and has been recognized with the Singapore Quality Class, amongst others.

	Area (sm)	Length (m)	Outfit Quay Depth (m)
Pioneer Yard	280,000	1,400	8-11
Pioneer Yard IIO	140,000	350	4.5-6
Main Yard	80,000	500	4.5
Crescent Yard	93,000	740	6

### Other Facilities

- Admiral Dock (380 m x 80 m x 13 m) - 400,000 dwt dry dock with intermediate dock gates
- Total covered shops - 42,500 sm
- Total open fabrication areas - 14,900 sm

### Equipment

- Goliath Gantry Crane, 500 T (100 m span x 57 m hook height)
- More than 40 mobile and overhead cranes of various descriptions and capacities of up to 300 T

**Blasting Facilities**

- 9 enclosed blasting and painting halls of between 1,680 sm and 1,800 sm

**Cutting Facilities**

- CNC cutting machines equipped with oxy-fuel triple rotating cutting torches
- CNC underwater plasma cutting machines

**4.5.5 New products introduced**

Other than the Construction Contract, the Company has not recently introduced new products or services, and no new products or services are under development.

**4.6 Construction supervision agreement with GL Noble Denton**

The Company has entered into an agreement for construction supervision with GL Noble Denton. Key project control activities at the shipyard will minimum include:

- Kick-off meeting with shipyard personnel
- Development and implementation of project execution plans
- Internal project team meetings
- Meetings with the shipyard to discuss ongoing work, schedules, quality and safety
- Monitoring of work progress and testing activity
- Monitoring of work plan against actual construction activity
- Monitoring of quality control throughout the construction
- Attendance at formal safety meeting with the shipyard and their relevant subcontractors
- Audits of subcontractors facilities if required
- Attendance during sea trials and inclining experiment
- Reporting to the Company on a weekly and monthly basis
- Tracking of site queries, observe safety policy, monitor quality control measures and maintain electrical and mechanical completion and commissioning records and database
- Monitor and report on extras and credits with details of affects on rigs changes, price and contractual obligations

The Company has fixed prices with GL Noble Denton to complete yard supervision. If no options are exercised, the price is USD 2.61 million. If one option is exercised the total price is USD 4.40 million (i.e. USD 2.20 million per rig). If both options are exercised, the total price is USD 5.91 million (i.e. USD 1.97 million per rig).

GL Noble Denton's project team will be based in Singapore and comprises minimum:

- Project Director – Mr. Bjørn Bakken
- Project Manager – Mr. Ognian Todorov
- Necessary construction inspection personnel
- Secretary /document controller

**4.6.1 About GL Noble Denton**

GL Noble Denton is the oil and gas segment of the German Company Germanischer Lloyd (GL). Effective February 2010, GL's oil and gas activities were merged with Noble Denton into a new business unit named GL Noble Denton. GL Noble Denton is an independent advisor providing consulting, design, assurance and project execution services to the upstream, mid-stream and downstream sectors of the oil and gas business. GL Noble Denton employs more than 3,000 engineers and experts in 80 countries

GL Noble Denton have strong expertise in complex oil & gas assets such as MODUs, FPSOs, pipelines, subsea systems, OSVs - and assurance, asset integrity, safety & risk, marine operations,



project management and software services to match. The scope of technical services includes safety, integrity, reliability and performance management.

## 4.7 Principal markets

Apart from having one KFELS B-Class Jack-up rig under construction the Company's operations are limited. Accordingly, the Company has not prepared and presented any isolated breakdown of total revenues by category of activity and geographic market information.

### 4.7.1 *Competitive universe*

The Jack-up rig market consists of a very large number of players. Contracts are traditionally awarded on a competitive bid basis. Governing factors for a successful bid are in most cases based on; price, availability, technical compliance and operators experience and performance record.

Competition for contracts is on a worldwide basis; however the competition may vary significantly from region to region at any particular time. Competing contractors may be able to relocate rigs from areas with low utilisation and day rates to areas with greater activity and relatively higher day rates. Orders of new rigs, upgrades of existing rigs and new technology could also increase the competitive universe.

Jack-up rigs with legs above 300 ft have achieved higher day rates than rigs with legs at 300 ft over the last two years. The premium day rates achieved by Jack-up rigs above 300 ft have on average been about USD 20,000. This is related to the tighter market balance for high capacity and -efficiency rigs, which to a large degree is represented in the above 300 ft segment. For more details, please see Section 5.2.2 and 5.4.

## 4.8 Dependence on research and development, patents, licences and agreements

The Company is not dependent upon research and development, or patents and licences, industrial, commercial or financial contracts or new manufacturing.

## 4.9 Property, plant and equipment

As of 31 December 2010 the Company had non-current assets of USD 37,308 million. The Company does not own nor lease any other property. The table below gives an overview of key non-current assets in the Company:

<b>Equipment</b>	<b>Description</b>	<b>Book Value (MUSD)</b>
KFELS B-Class Jack-up rig	Jack-up rig under construction at the Keppel FELS yard in Singapore	37,308
<b>Total book value</b>		<b>37,308</b>

The Second Instalment, totalling USD 142 million net off the 1% refund from Keppel FELS, shall be paid upon delivery of the Rig in July 2012. For further details please see Section 4.5.2 "Construction Contract for Keppel FELS Class-B Jack-up rig" above.

Environmental issues that may affect the utilization of the Company's assets are discussed in section 2 "Risk Factors".

The title of the Rig will pass from Keppel FELS to S.D. Standard Drilling Plc upon full payment of

the contractual payment plan and delivery of the Rig. If the Company should fail to meet its obligations, the consequence could in worst case scenario, be the loss of the first instalment.

#### **4.10 Trend information**

The Company has not experienced any changes or trends that are significant to the Company since the end of the last financial year, and as of the date of this Prospectus.

#### **4.11 Material contracts**

The Company has not entered into any material contracts, other than contracts entered into in the ordinary course of business, since incorporation 2 December 2010 to the date of publication of this Prospectus.

## 5. Market overview

*Market data and certain industry forecasts used in this Prospectus have been obtained from internal surveys, reports and studies, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. S.D. Standard Drilling Plc has not independently verified such information and therefore cannot guarantee its accuracy and completeness. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.*

*In this Prospectus, S.D. Standard Drilling Plc makes some statements regarding its own competitive and market position. While the management believes that its internal surveys, estimates and market research are reliable, the Company has not independently verified this information.*

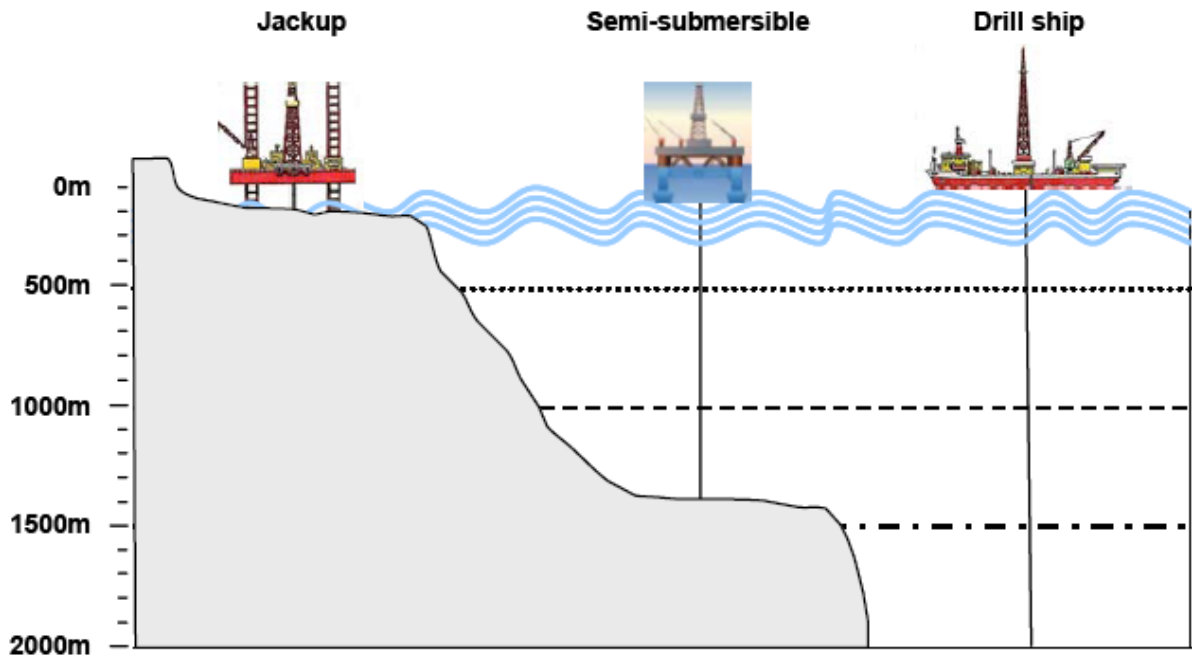
### 5.1 Introduction

The Company has one Jack-up rig under construction and will consequently operate in the oil service industry within the Jack-up rig segment. The Rig will operate in shallow water. The Jack-up rig market is global, but considering rig specifications and latest tender activity, Middle East, Mediterranean, SE Asia and West Africa will be the most probable markets for the Company's Jack-up rig.

### 5.2 Offshore rig market

Offshore oil and gas production is more challenging and expensive than onshore production due to the remote and often harsh environment in which the resources are located. During drilling the offshore well needs to be extended from the seabed to the rig floor. Due to the higher complexity of offshore drilling versus onshore operations, required rig time is significantly higher.

Within offshore rigs there are two main categories; Jack-up rigs and floaters (Semi-submersibles and Drill ships). Jack-up rigs do not float during operation, they simply stand on retractable legs (usually three) and hence provide a stable platform from which to drill.



Source: Deutsche Bank - Oil and Gas for Beginners – Sept 2010, <http://globalmarkets.db.com/>

**Jack-up rigs** – A self-contained combination drilling rig and floating barge, fitted with long support legs that can be raised or lowered independently of each other. Upon arrival at the drilling location, the legs are jacked down onto the seafloor, preloaded to securely drive them into the sea bottom, and then all three legs are jacked further down. Since the legs have been preloaded and will not penetrate the seafloor further, this jacking down of the legs has the effect of raising the jacking mechanism, which is attached to the barge and drilling package. In this manner, the entire barge and drilling structure are slowly raised above the water to a predetermined height above the water, so that wave, tidal and current loading acts only on the relatively small legs and not the bulky barge and drilling package. A Jack-up rig can naturally only work in water depths that are less than the length of its legs, and typically this limits operations to less than 400 feet of water depth. When moving the rig between different locations rig jack itself down to the water until it floats, and the hull is then usually towed by tugs or carried by a specialist vessel, with the legs sticking high into the air. Ultra premium Jack-up rigs have enhanced operational capabilities which make them able to work in water depths exceeding 300 feet.

**Semi-submersibles** – A particular type of floating vessel that is supported primarily on large pontoon-like structures submerged below the sea surface. The operating decks are elevated perhaps 100 or more feet above the pontoons on large steel columns. This design has the advantage of submerging most of the area of components in contact with the sea and minimizing loading from waves and wind. Semisubmersibles can operate in a wide range of water depths, including deep water. They are usually anchored with six to twelve anchors tethered by strong chains and wire cables, which are computer controlled to maintain station keeping. Semi-submersibles can be used in different operations, such as drilling, workover operations and production, depending on the equipment with which they are equipped.

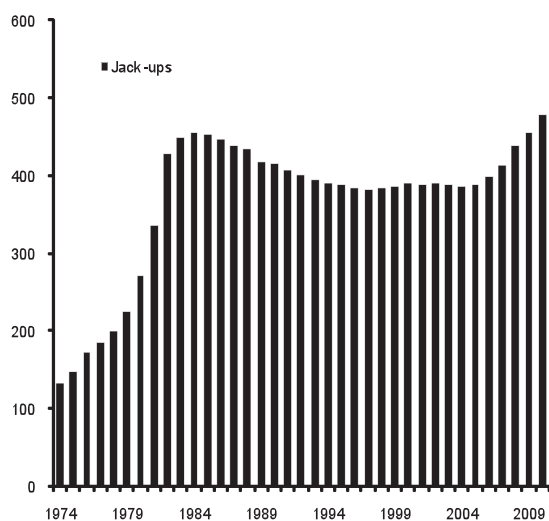
**Drill ships** – A maritime vessel modified to include a drilling rig and special station-keeping equipment. The vessel is typically capable of operating in deep water. A drillship must stay relatively stationary on location in the water for extended periods of time. This positioning may be accomplished with multiple anchors, dynamic propulsion (thrusters) or a combination of these. Drill ships typically carry larger payloads than semisubmersible drilling vessels, but their motion characteristics are usually inferior.

### 5.2.1 The global Jack-up rig fleet

Jack-up rigs have been a part of the offshore oil exploration industry since the 1950's. They have been used for exploration drilling, tender assisted drilling, production, accommodation, and work/maintenance platforms.

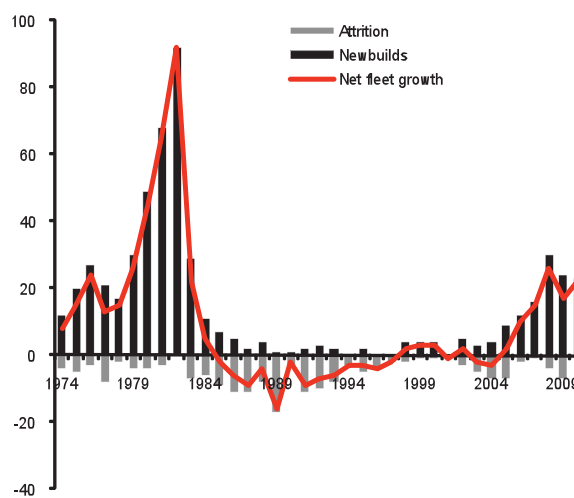
We saw a rapid growth in the global Jack-up rig fleet from the mid 1970s to the beginning of the 1980s, mainly driven by an accelerating oil price. The fleet growth peaked in 1982 with a y.o.y fleet increase of 92 Jack-up rigs. In the ten-year period from 1974 to 1984 the Global Jack-up rig fleet went from 133 to 455 units, giving a CAGR of 13.1 %.

Exhibit 5.1: Jack-up rig fleet development



Source: ODS Petrodata database<sup>2</sup>, First Securities Research

Exhibit 5.2: Y.O.Y Jack-up rig fleet development



Source: ODS Petrodata database<sup>2</sup>, First Securities Research

The massive net increase in the fleet together with a steep drop in commodity prices led to a significant oversupply of Jack-up rigs that lasted from the mid 1980s to the mid 1990s. Consequently, the yearly net fleet growth was negative in all thirteen years in the period from 1985 to 1998. Since 1998 we have seen a net fleet growth with small fluctuations in both a positive and negative direction, until a new, but far more conservative construction cycle were commenced in 2004. The number of Jack-up rigs in the global market first exceeded the levels from the beginning of the 1980s in 2009 and the fleet is expected to continue a more healthy growth in the years to come, from a current level of 478 units<sup>3</sup>.

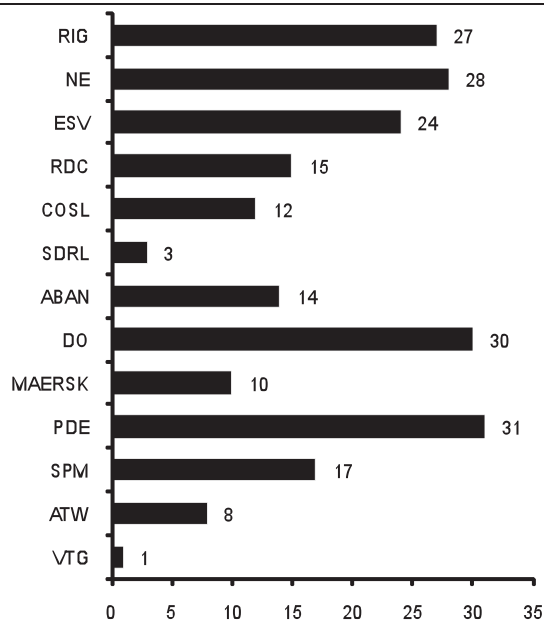
### 5.2.2 Key Jack-up rig market players

The Jack-up rig market is dominated by U.S. companies, where Transocean is the market leader and owner of 65 Jack-up rigs. This is more than 50 % above Noble, the second largest player with a fleet of 43 units.

<sup>2</sup> www.ods-petrodata.com

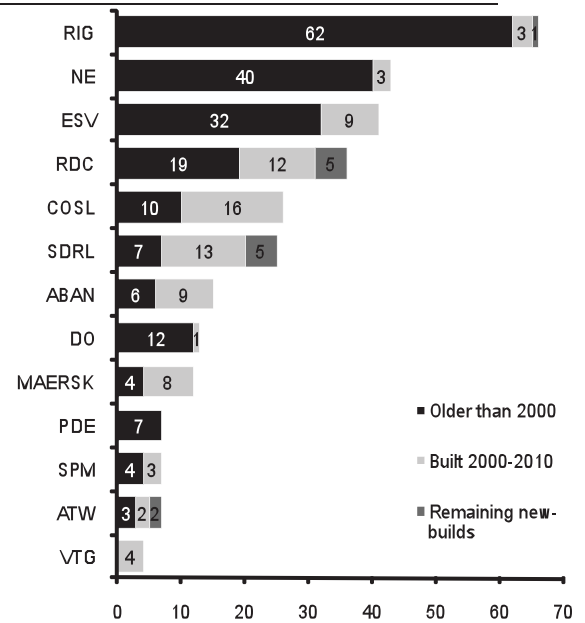
<sup>3</sup> ODS Petrodata database (www.ods-petrodata.com)

Exhibit 5.3: Jack-up rig fleet by rig age



Source: ODS Petrodata database<sup>4</sup>, First Securities Research

Exhibit 5.4: Average age Jack-up rig fleet per Company



Source: ODS Petrodata database<sup>4</sup>, First Securities Research

Today, 28 % of the global Jack-up rigs are older than 30 years, including rigs under construction. As a large percentage of today's rigs were built in the beginning of the 1980s, this share is expected to increase to 64 % in 2015<sup>5</sup>.

As mentioned in Section 5.2.1 there has been a modest fleet growth since the mid 1980s, and this is reflected in the average age of the fleet to most market participants. As displayed in Exhibit 5.3, the vast majority of the market players have a fleet with an average age above 10 years. In fact, all top three players have an average fleet age that exceeds 24 years. A natural consequence of this is that it is necessary with a fleet renewal in the years to come, putting pressure on available yard capacity with increasing construction costs as a result.

### 5.3 Demand for Jack-up rigs

In addition to the technological developments which affect the cost and operational efficiency of offshore drilling, demand for offshore drilling is strongly influenced by two factors; oil and gas demand and E&P spending.

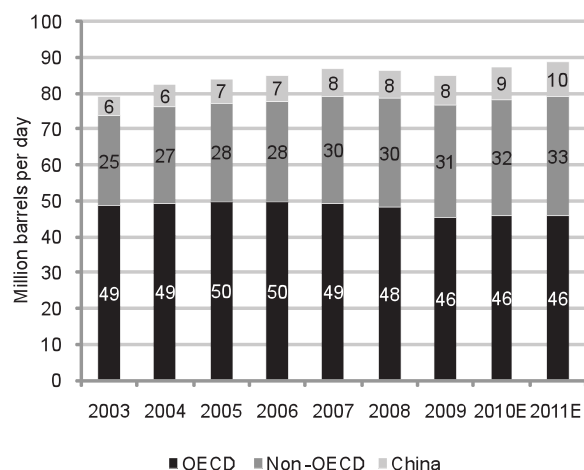
#### 5.3.1 Oil & Gas demand

As economic growth occurred in most parts of the world, demand for energy grew significantly during the period 2003 to 2008. China was the main engine for this rapid growth, with significant contributions from other emerging markets. In parallel many of the large oil and gas fields in the world discovered in the 1970s and 1980s have or are reaching a peak production, and in some cases are now in decline. The combination of these factors resulted in a peak oil price in the beginning of 2008.

<sup>4</sup> www.ods-petrodata.com

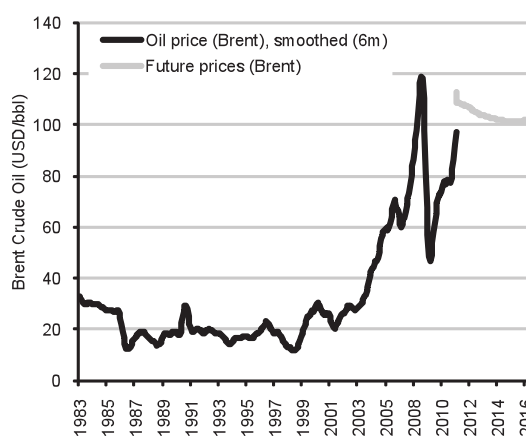
<sup>5</sup> ODS Petrodata database (www.ods-petrodata.com)

Exhibit 5.5: World oil demand by region



Source: IEA World Energy Outlook 2010<sup>6</sup>

Exhibit 5.6: Brent Crude Oil Price



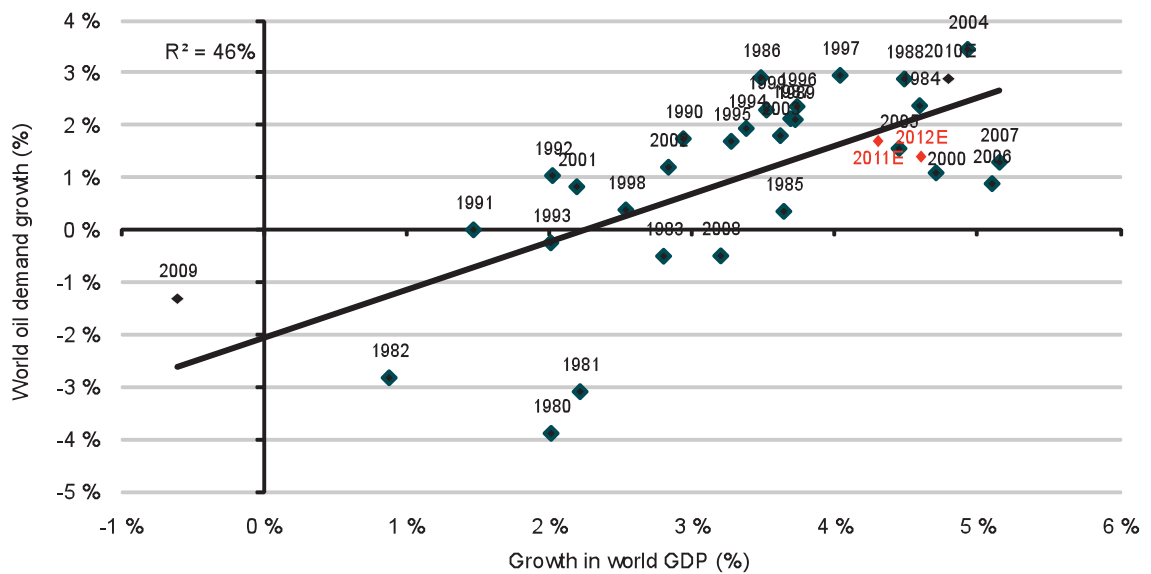
Source: Ecwin database, Bloomberg

Following the sharp decline in the oil price that occurred during the second half of 2008, the global oil market has stabilized and the oil price is back to historically high levels above USD 100 per barrel. This level is also supported by the Brent forward curves going forward to 2017. In World Energy Outlook 2010<sup>6</sup>, the price needed to balance oil demand is forecasted to be USD 120 per barrel in 2025 and USD 135 per barrel in 2035, both in real terms, assuming no change in government policies.

First Securities Macroeconomic Research forecasts World GDP to grow by 4.3% and 4.6% in 2011 and 2012, respectively. This implies a growth in oil demand of 1.9% and 2.2% in 2011 and 2012, respectively, based on a trend line on the basis of historical observed data shown in Exhibit 5.7. IEA forecasts growth in oil demand to be 1.7% in 2011 (monthly update January 2011) and 1.4% in 2012 (monthly update December 2010).

<sup>6</sup> Published by IEA ([www.iea.org](http://www.iea.org)) 9 November 2010

Exhibit 5.7: World Oil Demand Growth



Source: IEA <sup>7</sup> (oil demand growth), First Securities Macroeconomic Research <sup>8</sup> (growth in world GDP)

### 5.3.2 E&P spending

In the period 2003 to 2007 a strong growth in oil demand with rising oil prices fuelled E&P spending. The average annual growth in E&P spending was as high as 14% in the period 2003 to 2008. When the financial crises hit in 2008, the growth in oil demand turned and was reported negative in 2008 and 2009 (0.4% and 1.3%, respectively). As a consequence of the fall in demand and oil price, oil companies cut their E&P spending in 2009 by 16%. For more details on E&P spending, please see Exhibit 5.8.

In April 2010 there was an explosion on the rig Deepwater Horizon in Gulf of Mexico causing an oil spill which flowed for three months. As a consequence of the oil spill, the US government imposed a drilling ban for the US Gulf of Mexico while a commission investigates the causes of the disaster. It is still not given a specific date for when this ban will be lifted. The drilling ban will have a negative effect on exploration activities in the US Gulf of Mexico and global E&P spending in 2011 with an expected catch up in 2012.

First Securities Equity Research estimates a forecast for E&P spending. This forecast is based on interviews with 15 international oil companies. While annual growth in E&P spending dropped significantly in 2009, it bounced back in 2010 and is estimated to be 12%. Going forward, First Securities Equity Research estimates a growth in E&P spending of 15% in 2011 and 11% in 2012. E&P spending is supported by strong oil demand and a historically high oil price, and there might be the case that oil companies raise their spending budgets even further.

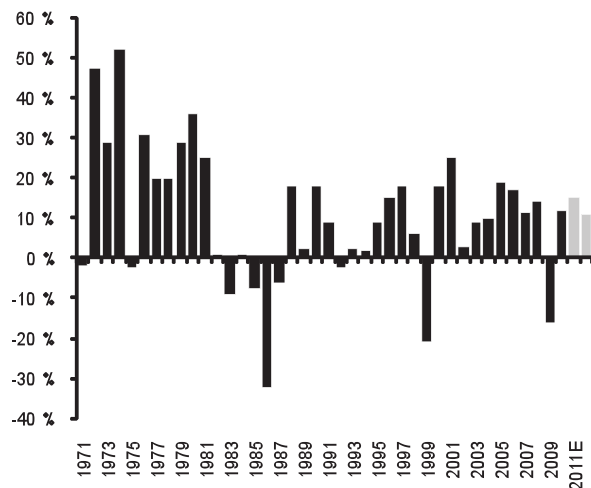
<sup>7</sup> [www.iea.org](http://www.iea.org) (historical data tracked by First Securities Research based on historical IEA World Energy Outlooks and monthly reports)

<sup>8</sup> [www.first.no](http://www.first.no)



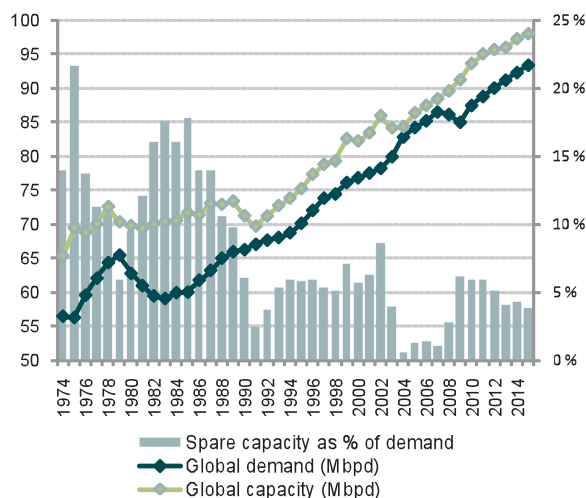
Currently, non-OPEC countries have no spare oil production capacity. Hence, all reported spare capacity, based on IEA research, is held by OPEC countries. IEA expects that spare capacity as a percentage of demand, represented by OPEC's spare capacity, will fall from 5.9% in 2010 to 3.9% in 2015.

Exhibit 5.8: Growth in E&amp;P Spending



Source: Historic data up to 2008 based on data from Citigroup given in Schlumberger's 2008 Investor Conference, Houston, First Securities Equity Research (forward looking estimates based on data from 15 international oil companies)

Exhibit 5.9: World oil production capacity vs. demand



Source: IEA World Energy Outlooks with inputs on OPEC production capacity from KBC and CERA, First Securities Research

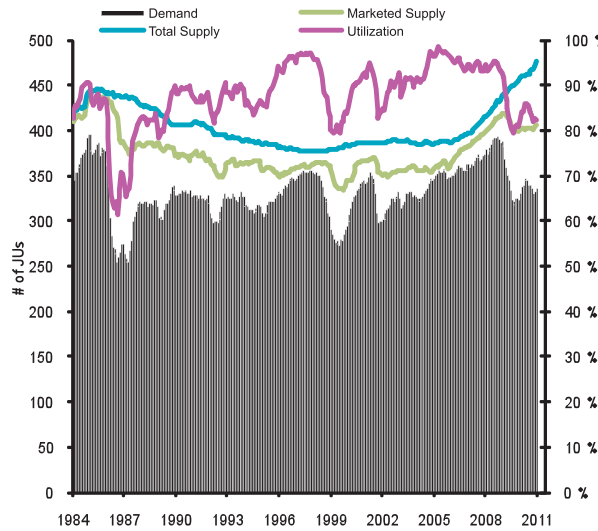
## 5.4 Jack-up rig market balance and market trends

Global utilization for Jack-up rigs has been reported in the range 80-85% for the last couple of years after operating in the range 95-100% in the period 2005-2008. In historical down-cycles, illustrated by the drop of utilization in 1986 with utilization reported as low as 62%, a construction boom in combination with a fall in demand hit Jack-up rig utilization hard. In the latest down-cycle, at the wake of the financial crises which hit in 2008, utilization fell to just below 80%.

When considering fleet utilization, newer rigs are achieving higher utilization than older rigs. This is also the case for Jack-up rigs where units built in 2000 or after currently achieves 92% utilization, while older Jack-up rigs built before 2000 currently achieves only 64% utilization. The main reason for this major difference is the higher efficiency and capacity offered by newer rigs. As long as there is available rigs in the market, high-end rigs will be preferred relative to older and second rated rigs.

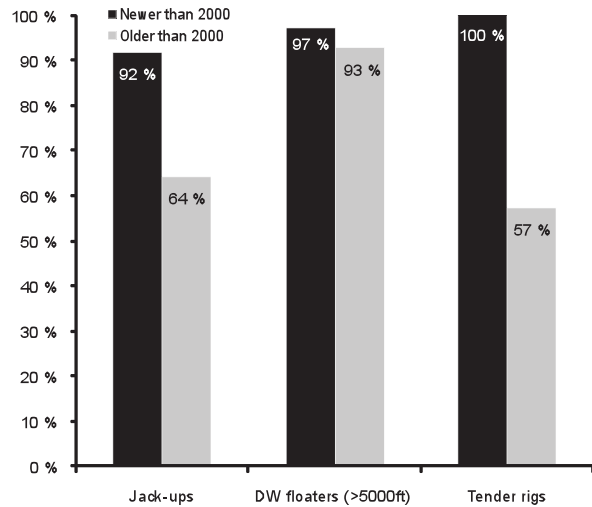
<sup>9</sup> [http://media.corporate-ir.net/media\\_files/irol/97/97513/IE2008\\_Gould\\_Final\\_3.pdf](http://media.corporate-ir.net/media_files/irol/97/97513/IE2008_Gould_Final_3.pdf)

Exhibit 5.10: Global JU utilization



Source: ODS Petrodata database<sup>10</sup>, First Securities Research

Exhibit 5.11: Fleet utilization new/old rigs



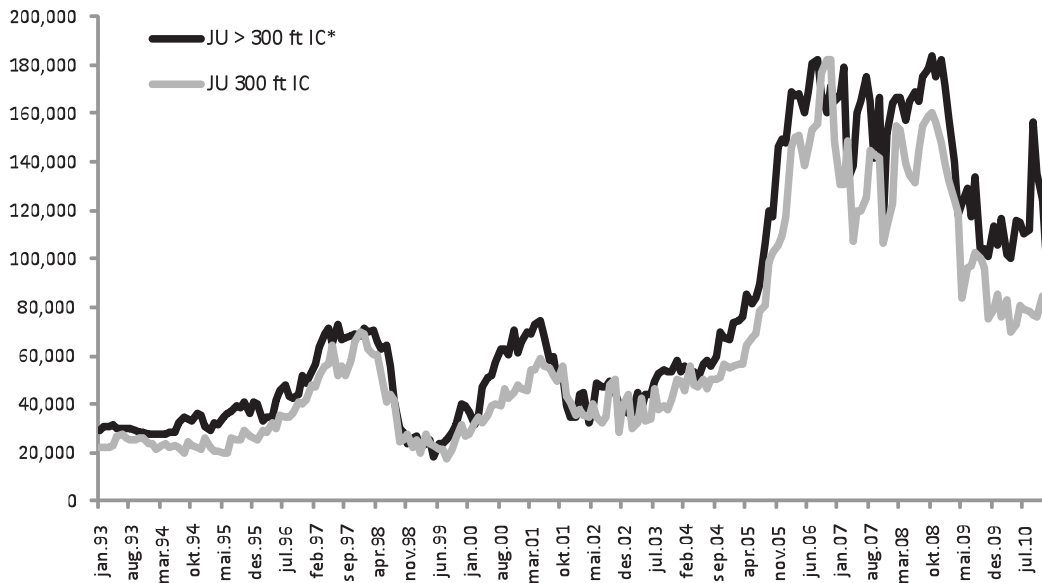
Source: ODS Petrodata database<sup>10</sup>, First Securities Research

In the period 2004 to 2006 there was a strong development in day rates for Jack-up rigs based on a tight market balance. At the wake of the financial crises in 2008, there was a drop in day rates. Currently, day rates are reported at the same levels as after the drop in 2008. In Exhibit 5.12 day rates for Jack-up rigs above 300 ft and at 300 ft are shown. Multiple high-spec long term contracts were reported in September 2010, which made a spike in the day rate development. This is not representative for the overall Jack-up rig market and we have included a normalised day rate development to take this matter into account.

Jack-up rigs with legs above 300 ft have achieved higher day rates than rigs with legs at 300 ft since the drop in 2008. Premium day rates achieved by Jack-up rigs above 300 ft have on average been about USD 20,000 since the drop. This is related to the tighter market balance for high capacity and -efficiency rigs, which to a large degree is represented in the above 300 ft segment.

<sup>10</sup> ODS Petrodata database (www.ods-petrodata.com)

Exhibit 5.12: Historical day rates – Jack-up rigs >300 ft vs. 300 ft



\*Abnormally high degree of high-spec fixtures on long term contract in September

Source: ODS Petrodata database<sup>11</sup>, First Securities Research

<sup>11</sup> ODS Petrodata database (www.ods-petrodata.com)

## 6. Board of Directors, management and corporate governance

### 6.1 Board of Directors

#### 6.1.1 Current Board of Directors

The current Board of Directors comprises five members (of whom one member was appointed upon the Company's incorporation and the remaining four members were appointed on 21 December 2010). All Directors were appointed until the first annual general meeting of the Company which was held on 11 March 2011. At the Company's first annual general meeting, all the Directors have retired from their office but being eligible and offered themselves for re-election, have been re-elected by the members in their office.

The following table lists the members of the Board of Directors as at the date of this Prospectus and gives details of their titles, their principal position, their business address and the number of Shares held by them personally or through associated companies as of the date of the Prospectus.

#### COMPANY'S CURRENT BOARD OF DIRECTORS

Name	Position	Number of shares	Has served since
Martin Nes	Director	50,000	21 Dec 2010
Glen Rødland	Director	3,000,000	21 Dec 2010
Gunnar Hvammen	Director	4,745,000	21 Dec 2010
George Crystallis	Director	0	2 Dec 2010
Angela Papadopoulou	Director	0	21 Dec 2010

At the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors that retire are eligible for re-election by the general meeting.

#### **Martin Nes – Director (Born 1969)**

Mr. Nes serves as CEO of Ferncliff TIH AS. Mr. Nes has a law degree from University of Oslo and also holds a Master of laws' degree from University of Southampton, England. He 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. Mr. Nes has broad corporate experience, especially within the shipping and offshore industry where he has been involved in and also led a number of projects. He is also a director in several other companies. Mr. Nes joined Ferncliff TIH AS on 1 March 2008, and is a Norwegian citizen. The business address of Mr. Nes is Sjølyst Plass 2, 0278 Oslo, Norway.

#### **Glen Rødland – Director (Born 1964)**

Mr. Rødland is a Director and co-investor in Direct Active Investments in Ferncliff TIH AS. Mr. Rødland has PhD studies in Finance from NHH and UCLA. He has worked as a management consultant in PWC and research assistant at NHH. Mr. Rødland has also worked as a market and investment analyst at JEBSENS, a shipping company based in Bergen. Mr. Rødland has worked 15 years with portfolio management and investment banking for Vital (2 years) and First Securities (formerly Elcon Securities) (13 years). Mr. Rødland's experience is mainly in Energy, Basic Materials and Shipping, where he has led a number of IPOs, M&A processes and restructurings. Mr. Rødland joined Ferncliff TIH AS in early 2006 as a partner and is a Norwegian citizen. The business address of Mr. Rødland is Sjølyst Plass 2, 0278 Oslo, Norway.

**Gunnar Hvammen – Director (Born 1963)**

Mr. Hvammen is part of the founding group of S.D. Standard Drilling Plc. He is an independent founder and investor in several oil service related companies, among others Songa Offshore ASA and Offshore Heavy Transport ASA – where his role has been CEO and/or board member in addition to equity participating. Previously Mr. Hvammen has been a Senior Corporate Partner in Fondsfinans ASA, and been a rig S/P broker in Normarine Offshore Consultants (today Pareto Offshore) – which he co – founded. He started in oil service as a rig S/P broker in PF Bassøe/Loosbrock in 1989. Mr. Hvammen has served on the Board of several companies within the offshore and oil service industry, including Songa Offshore, Offshore Heavy Transport, Global Tender Barges, Songa Floating, Aquanos. Mr. Hvammen is a Norwegian Citizen. The business address of Mr. Hvammen is Haakon Vii's gate 1, C/O Nrp Investorservice AS, 0161 Oslo, Norway.

**George Crystallis – Director (Born 1956)**

Mr. Crystallis is Managing Director of M.G. Crystallis & Co Limited, a Cyprus trading company.. Mr. Crystallis has also been the founder and owner of Odos Athinon, Art and Culture Centre in Limassol. Mr. Crystallis holds an Economics degree from the University of Freiburg, Germany. He serves as director of several Cypriot companies and has extensive board experience. Mr. Crystallis is a Cypriot citizen. The business address of Mr. Crystallis is 213, Arch. Makarios Avenue, Maximos Plaza, Tower 3, 4th floor, 3030 Limassol, Cyprus.

**Angela Papadopoulou – Director (Born 1959)**

Mrs Papadopoulou is Sales Director of Nicos Papadopoulou & Son Limited, a family business engaged in the production and trading of marbles and other building materials. She holds a university degree in Political Science and Public Law from Athens University. Prior to joining Nicos Papadopoulou in 1998 she acted as Managing Director Divus Clothing Limited. She serves as director of several Cypriot companies and has extensive board experience. Mrs Papadopoulou is a Cypriot citizen. The business address of Mrs Papadopoulou is 213, Arch. Makarios Avenue, Maximos Plaza, Tower 3, 4th floor, 3030 Limassol, Cyprus.

The remuneration to the Board of Directors in 2010 was a total of NOK 0. The remuneration to the directors for 2011 will be set by the general meeting of the Company in 2012.

**6.1.2 Consultancy agreements with Board members**

The Company does not have consultancy agreements with the current members of the Board of Directors.

**6.1.3 Board of Directors from the time of Listing**

All the members of the Board of Directors were initially appointed during the month of December 2010 and were re-elected in their office at the Company's first annual general meeting held on 11 March 2011.

**6.2 Management**

The Company's operations will be limited up until delivery of the Rig in July 2012. Thus, the need for managerial capabilities is also limited.

In February 2011 Karina Irgens-Hagevik was appointed CEO of the Company. The CEO is intended to be the Company's contact person towards Oslo Axess together with Espen Lundaas, who is hired from Ferncliff TIH AS and serves as CFO of the Company. The agreement ("**Management Agreement**") between the Company and Ferncliff TIH AS is further described in Section 6.4 below.

The description below sets out details of the members of the Company's Management, including their title, management expertise and experience, business address and the number of Shares held by them as at the date of this Prospectus.

---

**COMPANY'S CURRENT MANAGEMENT**


---

Name	Position	Number of shares	Post-termination salary (months)
Karina Irgens-Hagevik	Chief Executive Officer	0	0
Espen Lundaas	Chief Financial Officer (Acting)	100,000	0

**Karina Irgens-Hagevik – CEO (Born 1965)**

Mrs. Irgens-Hagevik has served as CEO of the Company since February 2011. She has experience from Songa Offshore ASA where she worked as HR manager/administrator in both Singapore and Australia. She has also worked for Transocean ASA as a purchaser and for Transocean Petroleum Technology AS as purchasing/logistics manager. Mrs. Irgens-Hagevik is a Norwegian citizen. The business address of Mrs. Irgens-Hagevik is Maximou Michaelidi Street, Maximos Plaza Tower 3, Office 401, CY 3106 Limassol, Cyprus.

**Espen Lundaas – Acting CFO (Born 1977)**

Mr. Lundaas serves as CFO and Partner of Ferncliff TIH AS, where he has been employed since 1999. He is board member in different entities in the organization and has also worked with developing different companies acquired by Ferncliff TIH AS. He holds a Master of Business and Economics from the Norwegian School of Management. Mr. Lundaas is a Norwegian citizen. The business address of Mr. Lundaas is Sjølyst Plass 2, 0278 Oslo, Norway.

The total remuneration to the existing members of the Management in 2010 was as follows:

Name	Ordinary salary and benefits		Pension benefits / premiums	
	(NOK)	Other (NOK)	(NOK)	Total (NOK)
Karina Irgens-Hagevik	0	0	0	0
Espen Lundaas	0	0	0	0

From 2011 remuneration for Karina Irgens-Hagevik is set to EUR 48,000 per year. Remuneration to Ferncliff TIH AS for the services rendered by Espen Lundaas is set to NOK 85, 000 per month plus VAT.

**6.2.1 Directorship, partnerships and management positions**

The table below gives an overview of companies and partnerships of which the Directors and the Management have been members of the administrative, management and supervisory bodies in the previous five years.

Name	Position(s) in Standard Drilling	Current directorships/partnerships/management positions	Directorships/partnerships/management positions last five years
<b>Board of Directors:</b>			
Martin Nes	Director	Ferncliff TIH AS Tycoon Industrier AS Hanekamb Invest AS Ricin Invest AS Allum Holding AS Strata AS AS Simask	

Name	Position(s) in Standard Drilling	Current directorships/partnerships/management positions	Directorships/partnerships/management positions last five years
		Ferncliff Asset Management AS RigInvest Ferncliff Investment Funds PLC	
<b>Glen Rødland</b>	Director	AS Ferncliff Ferncliff Asset Management Holding AS Ferncliff Drilling Management AS Corona Maritime AS Nordic Construction Barges I Nordic Construction Barges II Nordic Construction Barges III Nordic Construction Barges IV Strata Marine & Offshore AS Gross Management AS Skeie Capital Investment AS Namdal Skoger AS Namdal Transitt Spectrum ASA Namdal Kraft AS Namdal Bruk AS Tymar AS Dasut AS Akland Eiendom AS	Akland Eiendom AS Akland Property AS Gerox AS Standard Investering AS Strata Key Invest AS Dasut AS Tycoon Trading 2 AS Amek Holding AS Akland Eiendom AS Akland Property AS Gerox AS Standard Investering AS Strata Key Invest AS Dasut AS Tycoon Trading 2 AS Amek Holding AS Breivik Engineering AS Liaaen Teknologi AS Noble Denton Group First Securities ASA Norge Finansanalytikeres Forening Standard Drilling ASA GGs Invest Ferndrill Management AS Standard Holding AS
<b>Gunnar Hvammen</b>	Director	Spermatech AS Solana Capital AS Weboden AS Wedel Eiendom AS Thabo Energy AS Lauvheim Holding AS Wedel Eiendom AS	Songa Offshore ASA Songa Drilling ASA Offshore Heavy Transport ASA Rem Songa Rem Odin Rem Norway Deep Sea Drilling I and II Plutolife Aquanos Nortechs FPSO AS Songa FPSO AS Global Tender Barges ASA 3D Holding AS Radsoft AS
<b>George Crystallis</b>	Director	M.G. Crystallis & Co Limited Several local companies in Cyprus	Several local companies in Cyprus
<b>Angela Papadopoulou</b>	Director	Nicos Papadopoulou & Son Limited Several local companies in Cyprus	Several local companies in Cyprus
<b>Management :</b>			
<b>Karina Irgens-Hagevik</b>	CEO	Managing property renovations through personal companies in Cyprus	
<b>Espen Lundaas</b>	Acting CFO	Ferncliff TIH AS Ferncliff Dai 1 AS Ferncliff Property AS Ferncliff Invest AS El Investment AS Ricin Invest AS Dasut AS Tycoon Industrier AS Tycoon Trading 1 AS AS Simask Hegdehaugsveien 25 AS Verdane Capital II AS Strata AS	

Name	Position(s) in Standard Drilling	Current directorships/partnerships/management positions	Directorships/partnerships/management positions last five years
		Allum Holding AS Bygdøyenesveien 33-37 AS Gardermoen Media AS Vallhall Fotballhall KS Vallhall Fotballhall AS Vallhall Fotballhall Drift AS Akland Eiendom AS	

### 6.2.2 Employees

As of the date of this Prospectus, the Company has 1 employee. As of 31 December 2010 the Company had 0 employees. Towards the end of the construction period, the Company will take the necessary measures to build up an organization to fit the nature of the contract entered into for the Rig. The Company has no loans outstanding to its employee.

## 6.3 Board Sub-Committees

### 6.3.1 Audit committee

The Company is not required under Cypriot law to have an audit committee. The Company has considered establishment of an audit committee, but finds that the practical need for such committee at this point of time is limited. The Company will assess the Company's requirement for such committee upon future audits.

### 6.3.2 Remuneration committee

The Company is not required to have a remuneration committee under Cypriot law, and the Company has not considered it necessary to establish a remuneration committee at this point of time. Upon expansion of the number of employees in the Company, the Company will assess the necessity for such committee.

### 6.3.3 Nomination committee

As all the Company's members of the Board of Directors which have been appointed during the month of December 2010 have been re-elected in their office at the Company's first Annual General Meeting held on 11 March 2011, the Company does not consider it necessary to establish a nomination committee at this point of time. It is the Company's intention to establish a nomination committee before the next board election.

## 6.4 Management Agreements / Related Party Transactions

### 6.4.1 Management Agreement

The Company has entered into a Management Agreement with Ferncliff TIH AS, whereby Espen Lundaas is hired as CFO of the Company. Espen Lundaas shall together with the Company's CEO be the contact person towards Oslo Axess and shall also procure that the Company fulfils its obligations towards Oslo Børs pursuant to the Continuing Obligation, the Stock Exchange Act Section 24 (7), the Norwegian Securities Trading Act and other applicable rules. Ferncliff TIH AS shall receive NOK 85,000 per month plus VAT and reimbursement of out of pocket expenses, for the services rendered by Espen Lundaas.

### 6.4.2 Related party transactions

The Management Agreement given account for under item 6.4.1 above is entered into with Ferncliff TIH AS, which indirectly holds 30.3% of the shares in the Company through its part ownership in



Tymar AS and Gross Management AS. Tymar AS holds 26.8 % of the shares in the Company, while Gross Management AS holds 7.1% of the Shares in the Company.

The Company has entered into a commission agreement (the “**Commission Agreement**”) with Ferncliff Drilling Management AS (“**FDM**”), a company affiliated to the Company’s main shareholder, Tymar AS. Gross Management AS holds 40 % and AS Ferncliff holds 30% of FDM. Other shareholders are Thabo Energy AS (20%), Espen Lundaas (5% indirectly) and Martin Nes (5% indirectly). (Thabo Energy AS is controlled by Gunnar Hvammen).

The Commission Agreement governs FDM’s right to commission in relation to any sale of assets or any charter entered into by the Company, in connection with any of its rigs to be constructed by Keppel FELS.

For each charter contract signed by the Company for any of its rigs, FDM shall be entitled to a charter commission equal to 1 % of the revenues generated by the Charter Contract payable within 14 days after the Company has received payment under the relevant charter contract (the “**Charter Commission**”).

Further, in case of any rig transaction involving any or all of the rigs, either by way of sale of asset, sale of company (including the Company) or by way of merger, FDM shall be entitled to a transaction fee of 1 % of the transaction price (the “**Transaction Fee**”). The Transaction Fee shall only be payable if the Transaction makes a profit for the Company, meaning that the implicit price for the rig shall be above the aggregate of the agreed price under the Construction Contract for the respective rig and the Company’s direct cost in relation to such rig. The Transaction Fee is payable within 14 days after the closing of the transaction. If any of the options are exercised with Keppel FELS, FDM shall be entitled to an option fee equal to 0.25% of the turnkey price for the option exercised payable within 14 days after the exercise of the relevant option (the “**Option Fee**”).

### 6.4.3 Shares and share options held by Directors and Management

Below is an overview of the Shares and Share Options held by the Directors and the Management of the Company as of the date of the Prospectus.

#### SHARES AND STOCK OPTIONS HELD BY MANAGEMENT AND BOARD AT DATE OF PROSPECTUS

<b>Board:</b>	<b>Position:</b>	<b>Common shares:</b>	<b>Share Options:</b>
Martin Nes	Director	50,000	0
Glen Rødland	Director	3,000,000	0
Gunnar Hvammen	Director	4,745,000	0
George Crystallis	Director	0	0
Angela Papadopoulou	Director	0	0
<b>Management:</b>	<b>Position:</b>	<b>Common shares:</b>	<b>Share Options:</b>
Karina Irgens-Hagevik	CEO	0	0
Espen Lundaas	Acting CFO	100,000	0
<b>Total held by management and board</b>		<b>7,625,000</b>	<b>0</b>

As of the date of this Prospectus no restrictions are agreed on the disposal of Board of Directors’ or Managements’ holdings in the Company’s securities (except as set out in section 8.6 in relation to companies related to Glen Ole Rødland and Gunnar Hvammen). There is no option programme for the Board of Directors or Management as of the date of this Prospectus and no member of the Board of Directors or Management holds any options in the Company.

## 6.5 Interest of natural and legal persons involved in the Company

The Company's CFO Espen Lundaas, is hired from Ferncliff TIH AS, by way of the Management Agreement as given account for under Section 6.4.1 above. The Company's Chairman Martin Nes and CFO Espen Lundaas holds 10% of the Shares in FDM as given account for under Section 6.4.2. Ferncliff TIH AS indirectly holds 30.3% of the shares in the Company through Tymar AS and Gross Management AS.

Apart from the above, there are, to the Company's knowledge, currently no actual or potential conflicts of interest between the Company or the duties to the Company of any of the mentioned members of the Company's Management or Board of Directors and their respective private interests or other duties, nor are there any family relationships between any such persons. If any such conflicts arise, they will be dealt with in the manner prescribed by applicable Cyprus and Norwegian law, the Company's Bye-Laws and in accordance with the Company's corporate governance code.

Member of the Board of Directors, Gunnar Hvammen, acted as Director of Songa Floating Production ASA when it filed for bankruptcy in March 2010. At the time Songa Floating Production ASA was unsuccessful in securing further financing of their business and was therefore unable to fulfil its payment obligations to its creditors. As a consequence Songa Floating Production ASA was forced to file for bankruptcy.

Other than Mr. Hvammen no members of the Board of Directors and the Management have been associated with any bankruptcies, receiverships, or liquidations for the last five years. None of the managers or the directors have been convicted in relation to fraudulent offences, subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer, the last five years.

There are no family relationships between any members of the Board of Directors and/or the Management.

## 6.6 Corporate governance

The Company is subject to the Norwegian Code of practice for corporate governance (the Code). As per the date of this Prospectus, the Company is not fully compliant with the Code. The Company intends to comply with the Code, unless such comply is in conflict with mandatory Cypriot law and/or Cypriot practice and principles for public limited companies. There are no corporate governance principles under Cypriot law that the Company has to comply with.

In the following, the status of non-compliance is given account for.

As this is not in accordance with Cypriot practice, the Company's business is not clearly defined in the Company's Bye-Laws (ref Code provision 2).

There are no provisions regarding pre-emptive rights in the Company's Bye-Laws, however, there are mandatory provisions regarding pre-emptive rights under Cyprus Law, meaning that new shares first have to be offered to existing shareholders, in proportion to their respective shareholdings. The pre-emptive rights may be waived by an ordinary resolution of the general meeting. Such waiver has been given for the 100,000,000 new authorized shares which the Board of Directors may issue and allot.

In the event of any immaterial transactions between the Company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such party, the board should, in accordance with the Code art 4, obtain a valuation from an independent third party. As given account for above under item 6.4.1 and 6.4.2 the Management

Agreement and the Commission Agreement are both entered into with related parties to the Company's major shareholder, Tymar AS. As for the Management Agreement, the Company is of the opinion that it is on market terms and as it is deemed immaterial in respect of the economic contribution from the Company, no valuation has been obtained. The Commission Agreement is not deemed immaterial, but an independent valuation will not be obtained as the agreement was entered into before the listing process took place and the Company is confident that the agreement is entered into on market terms based on a review of similar agreements in the market. . The Company is not required under Cyprus law to provide an independent valuation in connection with the Company entering into the Management Agreement and Commission Agreement. In the future, the Company will obtain an external valuation upon potential entering into of agreements between the Company and its shareholders.

Please refer to Section 6.3 regarding nomination committee, audit committee and remuneration committee.

## **6.7 Remuneration, benefits, pension, etc.**

### **6.7.1 *Remuneration and benefits***

As the Company was incorporated in December 2010, no remuneration or benefits have been yielded to the Board of Directors so far. The remuneration to the directors for 2011 will be set by the annual general meeting of the Company in 2012.

### **6.7.2 *Pensions***

There is no requirement to have any pension schemes under Cypriot law, and the Company does presently not have any such scheme for its employees. Upon hiring of further employees, the Company will assess the necessity of establishment of a pension scheme.

### **6.7.3 *Benefit upon termination of employment***

The employment contracts with the Management of the Company can be terminated with 3 months notice. In the event of change of control of the Company, the employment contracts with the Management of the Company can be terminated with 1 month notice. If the Company terminates the appointment of an executive manager, the executive manager is not entitled to any form of remuneration after the notice period.

No members of the Management have stock options rights or any other instruments exchangeable into shares in their employment conditions.

No member of the Board of Directors has service contracts with the Company providing for benefits upon termination of employment.

### **6.7.4 *Loan to employees and Directors***

No loans, guarantees or other commitments to any member of the executive management or Board of Directors have been granted.

### **6.7.5 *Bonus plan***

There is currently no bonus scheme for the members of the Management.

### **6.7.6 *Share Option Program***

None of the members of the Board of Directors or the Management hold stock options in respect of the Company's stock.

## 7. Financial information

### 7.1 Summary of significant accounting policies

#### 7.1.1 *Basis of preparation*

The 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. The financial statements have been prepared under the historical cost convention.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

The Company’s audited Financial Statements for the period 2 December-31 December 2010 is attached to this Prospectus as Appendix 2

#### 7.1.2 *Going concern*

The Company was established via the conversion of the loan from Tymar AS to equity. The instalment to Keppel FELS Ltd on 24 November 2010 was paid by Tymar AS, on behalf of the Company under incorporation. The debt established was converted to equity on 2 December 2010, when the Company issued 35,860,000 shares. The related transaction costs amounting to USD 1 million for the shares issued have been netted off with deemed proceeds.

The Company has sufficient funding in order to operate until delivery of the Rig under construction. At delivery in July 2012 the final payment for construction, 80% of the contract is due. Additional funding will then be required. Additional funding will also be required if the Company choose to exercise any of the two options for additional rigs. The Company has therefore sufficient liquidity and equity to meet its obligations until it either decides to order additional rigs, or is to receive an asset that will create an ingoing cash flow trough sale or operation.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopt the going concern basis in preparing its financial statements.

#### 7.1.3 *Changes in accounting policy and disclosures*

New standards, amendments and interpretations issued but not effective for the financial period beginning 2 December 2010 and not early adopted:

- **IFRS 9, ‘Financial instruments**, issued in November 2009. This standard is the first step in the process to replace IAS 39, ‘Financial instruments: recognition and measurement’. IFRS 9 introduces new requirements for classifying and measuring financial. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.
- **Revised IAS 24 (revised), ‘Related party disclosures’**, issued in November 2009. It supersedes IAS 24, ‘Related party disclosures’, issued in 2003. IAS 24 (revised) is mandatory

for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party.

- **Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement** (effective for annual periods beginning on or after 1 January 2011).
- **Annual Improvements 2010** (effective for annual periods beginning on or after 1 July 2010 to 1 January 2011). However, the standard has not yet been endorsed by the EU.
- **Amendments to IFRS 7 Financial Instruments: Disclosures** (effective for annual periods beginning on or after 1 July 2011). However, the standard has not yet been endorsed by the EU.

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 Company.

#### ***7.1.4 Critical accounting estimates and assumptions***

Estimates and judgments 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities.

There were no critical accounting estimates and assumptions during the period.

#### ***7.1.5 Transaction with related parties***

A person is considered as a related party if it, directly or indirectly, has the possibility to exercise control or influence another party in relation to the Company's financial and operational decisions. Parties are also considered related if they are under control or significant influence. Transactions with related parties are based on arm's length principle.

#### ***7.1.6 Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The Company's operations consist of having one turnkey construction contract with Keppel FELS Limited for one Jack-up rig that is under construction. The entire operations are therefore reported as one segment.

#### ***7.1.7 Foreign currency translation***

##### *(a) Functional and presentation currency*

The Company's accounts are measured in USD which is the currency that is used primarily in the economic area where the unit operates (functional currency). The Company's accounts are presented in USD.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end

exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, 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 and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

### **7.1.8 Property, plant & equipment**

The Company has one Jack-up rig under construction at Keppel FELS. The contract is recognized in the balance sheet as "Rig – capitalized expenses" and is entered as the payments are made on account to the shipyard, in addition to other expenses directly attributable to the acquisition/ construction of the rig. Expenses for contract entry, as well as expenses for supervising the construction project, including supervision of the progress and quality of the work at the shipyard, are included in the directly attributable expenses.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### **7.1.9 Cash and cash equivalents**

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

### **7.1.10 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.

### **7.1.11 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.

### **7.1.12 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 Company operate and generate 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.

### **7.1.13 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **7.1.14 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Debt converted to equity at formation 2. December 2010, was converted at its face value as the lender was the 100% shareholder of the Company. The debt was the first instalment made to the yard on behalf of the Company during the period of incorporation 8 days prior to conversion.

## **7.2 Historical financial information**

The following Section presents the financial information for S.D. Standard Drilling Plc for the accounting year 2010. The Company was established in December 2010. Consequently, there is only financial information available for the period 2 December-31 December 2010. The financial statements are prepared according to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113.

---

<u>Exhibit 7.1 Key financials – Financial statements</u>	Unaudited
<u>2 December-31 December 2010</u>	

<i>(USD 1,000)</i>	As at 31 December 2010
Revenues	0
EBITDA	-86
EBIT	-86
Profit (loss)	-86
Earnings per share (diluted)	-0.00
Cash flow from operations	70
CAPEX	70
Total assets	43,448
Net interest bearing debt including financial leases	-6,140
Equity ratio	100%

---

### 7.2.1 *Income Statements*

---

<u>Exhibit 7.2 Income Statement</u>	Audited
	For the period
	from 2 December
	to 31 December

<i>(USD1,000)</i>	2010
Administrative expenses	-86
<b>Operating loss</b>	<b>-86</b>
Finance income	-
Finance costs	-
Finance costs – net	-
<b>Loss before income tax</b>	<b>-86</b>
Income tax expense	-
<b>Loss for the period</b>	<b>-86</b>
Other comprehensive income for the period, net of tax	-
<b>Total comprehensive income</b>	<b>-86</b>

---



<b>Basic/diluted earnings per share (USD/share)</b>	<b>-0.00</b>
---	--------------

The Company's operations consist of having one turnkey construction contract with Keppel FELS Limited for one Jack-up rig that is under construction. The entire operations are therefore reported as one segment.

### 7.2.2 Balance Sheets

<u>Exhibit 7.3 Balance Sheet</u>	Audited
----------------------------------	---------

<i>(USD 1,000)</i>	As at 31 December 2010
--------------------	------------------------

#### ASSETS

##### *Non-current assets*

Rig - Capitalized expenses	37,308
----------------------------	--------

Total non-current assets	37,308
--------------------------	--------

##### *Current assets*

Cash and cash equivalents	6,140
---------------------------	-------

Total current assets	6,140
----------------------	-------

<b>Total assets</b>	<b>43,448</b>
---------------------	---------------

#### *Equity and liabilities*

##### *Equity*

Ordinary shares	420
-----------------	-----

Share premium	40,530
---------------	--------

Accumulated losses	-86
--------------------	-----

Total equity	40,864
--------------	--------

##### *Liabilities*

##### *Non-current liabilities*

Provisions for other liabilities and charges	1,378
--	-------

Total non-current liabilities	1,378
-------------------------------	-------

##### *Current liabilities*

Trade and other payables	1,207
--------------------------	-------

Total current liabilities	1,207
---------------------------	-------

Total liabilities	2,585
-------------------	-------

<b>Total equity and liabilities</b>	<b>43,448</b>
-------------------------------------	---------------

### 7.2.3 Cash flow statements

<u>Exhibit 7.4 Statement of cash flows</u>	Audited
	For the period
	from 2 December
	to 31 December
<i>(USD 1,000)</i>	2010
<b>Cash flows from operating activities</b>	
Cash generated from operations	-
Net cash generated from operating activities	-
<b>Cash flows from investing activities</b>	
Purchases of property, plant and equipment	-
Interest received	-
Net cash used in investing activities	-
<b>Cash flows from financing activities</b>	
Proceeds from issuance of ordinary shares	6,140
Net cash used in financing activities	6,140
<b>Net increase in cash and cash equivalents</b>	<b>6,140</b>
Cash and cash equivalents start of the period	0
Cash and cash equivalents start of the period	6,140

## 7.3 Comments to the financial information

### 7.3.1 Review of developments, position and performance of the Company's business

*Period 2 December to 31 December 2010*

The loss of the Company for the period ended 31 December 2010 was USD 86,304. On 31 December 2010 the total assets of the Company were USD 43,448,436 and the net assets were USD 40,863,726. As the Company was incorporated on 2 December 2010, there are no comparable numbers for 2009. The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

### 7.3.2 Events after the balance sheet date

There are no material post balance sheet events, which have a bearing on the understanding of the financial statements.

### 7.3.3 Future developments of the Company

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future until delivery of the Rig in July 2012.

## 7.4 Description of the cash flow

In 2010 the Company raised USD 42 million in equity to finance the Rig under construction until delivery in July 2012. Contractual payment for the Company's Rig under construction is USD 179.3 million in total. An instalment of 20% of total contractual payment has been paid to the shipyard following the Construction Contract entered 23 November 2010. The instalment to Keppel FELS Ltd on 24 November 2010 was paid by Tymar AS, on behalf of the Company under incorporation. The debt established was converted to equity on 2 December 2010, when the Company issued 35,860,000 shares. The related transaction costs amounting to USD 1 million for the shares issued have been netted off with deemed proceeds. By the end of the year 2010 an amount of USD 37.308 million was capitalized on the Rig.

## 7.5 Changes in equity

### Exhibit 7.5 Statement of changes in equity

Audited

<i>(USD 1,000)</i>	Share capital	Share premium	Accumulated losses <sup>1</sup>	Total equity
Balance at 2 December 2010	-	-	-	-
<i>Comprehensive income</i>				
Loss for the period	-	-	-86	-86
<i>Other comprehensive income</i>				
Total comprehensive income for the year, net of tax	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-86</b>	<b>-86</b>
<i>Transactions with owners</i>				
Proceeds from shares issued (formation of the Company)	-	-	-	-
Debt conversion	359	35,501	-	35,860
Proceeds from shares issued (share capital increase)	61	6,079	-	6,140
Share issue costs	-	-1,050	-	-1,050
<b>Total contributions by and distributions to owners</b>	<b>420</b>	<b>40,530</b>	<b>-</b>	<b>40,950</b>
<b>Balance at 31 December 2010</b>	<b>420</b>	<b>40,530</b>	<b>-86</b>	<b>40,864</b>

<sup>1</sup>Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

## 7.6 Investments

The Company has invested in one Jack-up rig, which is currently under construction. The Rig is being built by Keppel FELS and the first instalment of USD 35.86 million was paid to Keppel FELS on 24 November 2010. The first instalment constitutes 20 % of the total investment at USD 179.3 million. The last 80 % are to be paid upon delivery expected 24 July 2012. The Final Installment is planned to be financed in accordance with prevailing market conditions with bank and/or bond financing as preferred sources of capital.

Contractual payments to the shipyard, fees to GL Noble Denton for supervision of the construction project and other directly attributable expenses for hired assistance are accounted for as capitalized

expenses. The capitalizations of these expenses totalled USD 70,000 in 2010. A contingent liability of USD 1.378 million has been recognised as an estimated outcome of commission fees payable upon sale of rig or rig contract, or charter of rig when completed. The liability has been estimated based on the probability for a set of likely outcomes.

## 7.7 Capital resources, capitalisation and indebtedness

### 7.7.1 Overview

The table below gives an overview of the Company's capitalisation and indebtedness as per 31.12.2010.

#### Exhibit 7.6 Capitalization and indebtedness per 31 December 2010

<i>(USD 1,000)</i>	As at 31 December 2010
<b>Total current debt</b>	
<i>Guaranteed (description of types of guarantees)</i>	0
<i>Secured (description of assets secured)</i>	0
<i>Unguaranteed/unsecured *</i>	0
Guaranteed (description of the types of guarantees)	0
Secured ( description of the assets secured) **	0
Unguaranteed/ unsecured	0
<b>Shareholder's equity</b>	
a Share capital	420
b Legal reserve	40,444
c Other reserves	0
<b>Total</b>	<b>40,864</b>
A. Cash	6,140
B. Cash equivalents (detail)	0
C. Trading securities	0
<b>D. Liquidity (A+B+C)</b>	<b>6,140</b>
<b>E. Current financial receivables</b>	<b>0</b>
<b>F. Current bank debt</b>	<b>0</b>
G. Current portion of non-current debt	0
<b>H. Other current financial debt</b>	<b>0</b>
<b>I. Current financial debt (F+G+H)</b>	<b>0</b>
<b>J. Net current financial indebtedness (I-E-D)</b>	<b>-6,140</b>
K. Non-current bank loans	0
L. Bond issues	0
M. Other non-current loans	1,378
<b>N. Non-current financial debt (K+L+M)</b>	<b>0</b>
<b>O. Net financial indebtedness (J+N)</b>	<b>-4,762</b>

A contingent liability of USD 1.378 million has been recognised as an estimated outcome of commission fees payable upon sale of rig or rig contract, or charter of rig when completed. The liability has been estimated based on the probability for a set of likely outcomes.

There has been no material change in the above information since 31 December 2010 and to the date of this Prospectus.

All cash and cash equivalents are held in USD.

The Company relies on future funding for payment of 80% of the construction cost for the Rig upon delivery in July 2012. The Company has at the date of the prospectus not secured financing for the Final Installment. The installment is planned to be financed in accordance with prevailing market conditions with bank and/or bond financing as preferred sources of capital.

#### **7.7.2 Long-term debt**

As per 31 December 2010, the Company has no interest bearing debt

#### **7.7.3 Working Capital Statement**

The Company has sufficient working capital for the Company's current operations in a 12 months perspective.

The Company relies on future funding for payment of 80% of the construction cost for the Rig upon delivery in July 2012. The Company has at the date of the prospectus not secured financing for the Final Installment. Please see Section 2.5.2 and Section 7.7.1 for further details regarding risks related to future financing.

#### **7.7.4 Foreign currency exposure**

The Company's functional currency is USD. The Company operates internationally, but as both the contract with Keppel FELS Limited and future revenues related to the rig will be agreed on and invoiced in USD, the foreign exchange risk is reduced. Foreign exchange risk may arise from future commercial transactions in other currencies than USD.

### **7.8 Significant changes in financial and trading position**

There have not occurred any significant changes in the financial or trading position of the Company since the last published audited financial information and to the date of this Prospectus.

### **7.9 Statutory auditors**

The Independent Auditor, PricewaterhouseCoopers Limited, has been the Company's auditor since 21 December 2010. PricewaterhouseCoopers has expressed their willingness to continue in office and were re-elected on the annual general meeting on 11 March 2011. Contact address is City House, 1<sup>st</sup> floor, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus.

The auditor's report on the Company's 2010 financial statements was unqualified.

Statutory auditor mentioned above is a member of the Institute of Certified Public Accountants of Cyprus.

## 8. Share capital and shareholder information

### 8.1 VPS Registration of the Shares

The Company is a public limited liability company established under the laws of Cyprus on 2 December 2010.

The Company has been registered with the VPS with ISIN CY0101550917. The Company entered at that time into a registrar agreement (the "**Registrar Agreement**") with DnB NOR Bank ASA (the "**VPS Registrar**") who operates the Company's VPS share register. Pursuant to the Registrar Agreement the Shares were registered in the name of the VPS Registrar in the register of members that the Company prior to the Listing is required to maintain pursuant to Cyprus law. All the shares but six shares were at this time registered in the VPS Registrar. These six shares, previously held at a help account were, in accordance with instructions from the relevant shareholders, transferred to such shareholders' VPS Accounts in connection with the Listing of the Company's Shares and the Company has ceased to maintain its Cyprus register from the time the Oslo Stock Exchange approved the Company's Listing. At the same time the Registrar Agreement was replaced with standard VPS agreement for listing of shares directly in the VPS

### 8.2 Share capital at the date of the Prospectus

Set forth below is information concerning the Company's Shares and related summary information concerning the Company's Bye-Laws and applicable Cyprus and Norwegian law. This summary information is not complete and is qualified in its entirety by reference to the Company's Bye-Laws and Cyprus laws. The Company's Bye-Laws are included as Appendix 1 – "Bye-Laws of S.D. Standard Drilling Plc".

#### 8.2.1 *Issued and authorised share capital*

As of the date of this Prospectus, the authorized share capital of the Company is USD 1,420,000 divided into 142,000,000 Ordinary Shares, each with a par value of USD 0.01. 42,000,000 Ordinary Shares are issued and paid in full. Apart from what is set out below, there have been no changes in the share capital after 11 March 2011.

At the Extraordinary General Meeting of the Company held 11 March 2011, the Board of Directors was authorized to issue and allot the additional 100,000,000 shares created to ant third party/ies as they shall deem appropriate and to their absolute discretion provided that they will take into consideration the market price of the market price of the shares at the time of issue. For further details, please refer to section 8.3 below.

### 8.2.2 Share history

The table below shows the development in the Company's share capital from incorporation to the date of this Prospectus:

Date	Class of shares issued	Nominal value per share (USD)	Issue price (USD)	Issued share capital (USD)	Total issued share capital (USD)	Number of shares after issue
02/12/10	Common shares	0.01	1.00	358,600	358,600	35,860,000
09/12/10	Common shares	0.01	1.00	61,400	420,000	42,000,000

During the last 12 months period the following Directors and members of the Management have purchased the following Shares (new issues) at the following prices:

Date	Director / Manager	Number of Shares purchased	Purchase price (NOK)	Total number of Shares post purchase
07.01.2011	Martin Nes	50,000	6.60	50,000
09.12.2010	Gunnar Hvammen	4,745,000	6.02	4,745,000
09.12.2010	Glen Rødland	3,000,000	6,02	3,000,000
09.12.2010	Espen Lundaas	100,000	6,02	100,000

### 8.2.3 Options and conversion rights

The Company has no outstanding options, warrants, convertible loans or other instruments, which would entitle the holder of any such securities to require that the Company issues any Shares.

## 8.3 Authorisation of the Board with respect to Shares

At the Extraordinary General Meeting of the Company held on 11 March 2011, it was resolved to increase the Company's Authorized Share Capital with additional 100,000,000 shares each with a par value of USD 0.01. The pre-emption rights for the existing shareholders pursuant to section 60B of the Cyprus Companies Law and the Articles of Association, were waived in the resolution and the Board of Directors was authorized to issue and allot the shares to any third party or parties as it deems appropriate and in accordance with its absolute discretion at a minimum price of USD 0.01 per share. The Board of Directors should take into consideration the market price when deciding the issue price. The Board of Director does not have any right to allot any of the issued shares to any third party or parties if such allotment is related to acquisition situations. If the Board of Directors issues and allots such shares in full, the Company's share capital will be increased from USD 420,000 to 1,420,000 and the Company's issued and outstanding Shares will be increased from 42,000,000 to 142,000,000.

## 8.4 Treasury shares

The Company currently does not hold any shares of any class in treasury. The Company may purchase such shares provided that such purchase is affected in accordance with the provisions of the Companies Acts and the Bye-Laws. In accordance with the amendment of the Company's Bye-Laws in the General Meeting held 11 March 2011, the Bye-Laws currently provides for such a right. Such shares may not be owned by the Company for more than 2 years from the date of purchase. Treasury shares must never exceed 10 % of the issued capital of the Company. The Company may only purchase such shares out of profits.

## 8.5 Shareholder structure

As of 16 March 2011 the Company had 131 shareholders, of whom 118 (owning 73.3% of the total shares outstanding) were Norwegian and 13 (owning 26.5% of the total shares outstanding) were non-Norwegian, registered in the VPS.

<b>Name</b>	<b>Shares</b>	<b>%</b>
Tymar As	11,249,994	26.8%
Thabo Energy As	4,745,000	11.3%
Sabaro Investment Ltd	4,000,000	9.5%
Gross Management As	3,000,000	7.1%
Shenga Trading Company Limited	2,746,717	6.5%
Rbc Trust Company (Jersey) Limited	1,782,800	4.2%
Warrenwicklund Norge	1,152,900	2.7%
Alden As	1,000,000	2.4%
Mp Pensjon Pk	1,000,000	2.4%
Terra Norge	690,000	1.6%
<b>10 LARGEST SHAREHOLDERS</b>	<b>31,367,411</b>	<b>74.7%</b>
<b>OTHERS</b>	<b>10,632,589</b>	<b>25.3%</b>
<b>Total</b>	<b>42,000,000</b>	<b>100.0%</b>

### 8.5.1 Major shareholdings and noticeable shareholdings

A person whose proportion of shares in the Company reaches, exceeds, or falls below 5% of the Company's outstanding share capital after the time of Listing, must notify the Company and Oslo Axess. To the knowledge of the Company, only the 5 largest shareholders of the Company identified in the overview of shareholders above hold more than 5% of the outstanding share capital of the Company as per 16 March 2011.

To the knowledge of the Board of Directors, there are no arrangements which may at a subsequent date result in a change of control of the Company.

## 8.6 Lock-up agreement

Each of Tymar AS, Thabo Energy AS and Gross Management As, jointly holding 45.2 % of the shares in the Company has given an undertaking to each of the Managers with respect to tag along rights for the remaining shareholders upon sale of shares in the Company. According to the undertaking, all the other shareholders in the Company will receive an offer to sell a pro rata number of their shares in the Company on equal terms as in a share sale agreed between any of the abovementioned shareholders and any third party. The tag along undertaking lapses 9 December 2012 or the earlier date when said shareholders jointly hold less than 25% of the shares in the Company as a consequence of new share issues and/or mergers with other companies. If new shares issues are a direct consequence of the Company's exercise of the options only, the said shareholders' obligation to procure a tag along offer shall lapse if the said shareholders collectively hold less than 17.5% of the shares in the Company. Further, the said shareholders obligation to procure the tag along right for the remaining shareholders also lapses if one or several other shareholders in the Company deemed consolidated under applicable law, collectively holds more shares in the Company than the said shareholders do, or if the majority of the Company's board members have not been elected with the support of the votes held by said shareholders. Each of the above mentioned shareholders may sell up to 1% of its shareholding without such sale being subject to the tag along.



## **8.7 The Bye-Laws, the Memorandum of Association, certain aspects of applicable law**

### Equal Rights of Shareholders

All of the issued shares of the Company are of the same class (ordinary shares) and have equal rights. Each of the Company's Shares carries one vote. Section 69A of the Cyprus Companies Law stipulates that all shareholders of the same class of shares of a public company shall be treated equally by the Company.

### Board of Directors

Pursuant to Section 170 of the Companies Law the minimum number of directors is two. The Company currently has five directors.

The first Directors of the Company are appointed by the subscribers to the Memorandum and Bye-Laws (the constitutional documents of the Company). This is in accordance with Norwegian Companies Law.

At the First Annual General meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors that retire are eligible for re-election by the general meeting.

No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless not less than three nor more than twenty-one days before the date appointed for the meeting there shall have been left at the registered office of the company notice in writing, signed by a shareholder duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected. These rules differ from the provisions according to Norwegian Companies Law, as they give the directors more power to determine the composition of the board.

The shareholders may from time to time by ordinary resolution increase or reduce the number of Directors within the limits allowed by the Articles, and may also determine in what rotation the increased or reduced number is to go out of office.

The Directors may at any time appoint any person to the position of Director either to fill a vacancy or as an additional Director up to the maximum number allowed by the Articles. The Director appointed by such a process shall retire at the next Annual General Meeting but shall be eligible for re-election. These rules differ from the provisions according to Norwegian Companies Law, as they give the Directors more power to determine the composition of the Board.

The shareholders may, by ordinary resolution and provided notice has been given in accordance with the Company Law, remove any Director from office. The shareholders may also appoint any director to fill any vacancy cause by removal or as an additional director provided the procedure described above is followed.

The election of Directors at a general meeting shall be voted upon individually for every Director.

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed differently shall be two. Presently the Directors have not changed the number of Directors necessary to form a quorum. Consequently, if two of the five directors are present, a quorum is formed. This differs from Norwegian law, which requires the presence of more than half of the Directors.

The decisions of the Board of Directors are taken by a majority of votes of the present Directors provided there is a quorum. This corresponds with Norwegian law.

### Change of Articles

Section 12 of the Cyprus Companies law stipulates that a company may amend its articles by the passing of a special resolution of its shareholders (75 % majority). The majority requirement differs from Norwegian law. According to Norwegian law, the Bye-Laws may be amended given a majority of 2/3 of the casted votes as well as the share capital represented at the general meeting.

### Capital Changes

#### *Increase of capital*

The Company may from time to time increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe. A share capital increase is resolved by ordinary resolution (and not by 2/3 majority as the case is under Norwegian law).

The Company may by ordinary resolution:-

- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) Subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association subject, nevertheless, to the provisions of Section 60 (1) (d) of the Cyprus Companies law;
- (c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person

In the case of increase of capital, the new shares should first be offered to existing shareholders in proportion to their shareholding in the Company. The same principle applies pursuant to Norwegian law. The pre-emption rights may be waived by the shareholders at a general meeting by the passing of a special resolution. In the event that at least half of the issued share capital is represented at the general meeting the pre-emption rights may be waived by ordinary resolution.

#### *Reduction of share capital*

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account provided the procedure stipulated by the Companies Law is followed. A special resolution according to Cypriot law requires 75 % of the casted votes, and does thus require approval from a higher number of votes than under Norwegian law (which requires a 2/3 majority).

When a company reduces its capital the company must apply to Court to have the reduction approved. The reduction of capital takes effect only after such approval by the Court has been obtained and deposited to the Registrar of Companies along with the special resolution. On the other hand, there is no creditor notice period of two months, as is the case under Norwegian law.

### Transferability of Shares

The shares of the Company may be freely transferred in accordance with the rules of the stock exchange where the listing takes place.

### Rights of Information to Shareholders

Every shareholder has the following rights to information:

- a. A right to inspect the register of debenture holders kept by the Company
- b. A right to inspect the register of mortgages and charges and the documents creating them
- c. A right to inspect the register of members (shareholders)
- d. A right to receive notice of any general meetings and of the agenda of such meetings
- e. A right to attend general meetings and to ask questions
- f. A right to receive, prior to the Annual General Meeting copy of the financial accounts of the Company, of the Director's report and of the Auditor's report
- g. A right to vote at general meetings
- h. A right to propose resolutions at general meetings in accordance with the procedure stipulated in the Companies law provided that the shareholder holds 5% or more of the issued share capital of the Company
- i. A right to inspect the minute book of general meetings
- j. A right to participate in dividend distribution

Right to access information.

The Shareholders register is open to inspection from shareholders and third parties.

Further, every shareholder who holds shares on behalf of a third party, either in the capacity as a trustee or in any other capacity shall, upon request, immediately disclose the name of the underlying shareholders to the relevant authorities and others.

#### Overview of major regulations in the Bye-Laws

##### *Regulations 19-22 Lien*

The Company retains a lien over unpaid shares. In the event that the Company demands payment of the unpaid shares and such payment is not made, the Company has the right to sell the shares, apply the proceeds towards the amounts owed, and any surplus should be paid to the shareholder.

##### *Regulations 40-43 Conversion of Shares into Stock*

The Company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination. Conversion of shares into stock has the effect of cancelling all shares; the shareholding of every shareholder is then converted into a percentage holding of stock.

The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

##### *Regulations 50-62 Notice and Attendance at General Meetings*

The Company shall hold at least one general meeting every year which is called the Annual General Meeting. Any general meeting other than the Annual General Meeting is called Extraordinary General Meeting.

All general meetings shall be convened by twenty-one days' notice in writing at the least. Notice of general meetings may be given by electronic means.

Every shareholder who is registered as a shareholder on the record date set by the Board of Directors has a right to attend in person or by proxy and vote at any general meeting. The quorum necessary for general meetings is two shareholders.

The regulations for registration of members at a general meeting may be set by the Board of Directors and should be in accordance with the prevailing rules of the stock exchange where the shares are listed.

#### *Regulations 63-74 Votes of Shareholders*

Every resolution put to the vote at a general meeting is decided by a show of hands unless a poll is demanded by the chair or by at least three members present in person or by proxy or by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

On a show of hands every shareholder present in person shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder.

Every shareholder may appoint a proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

#### *Regulation 75 Corporations Acting by Representatives at General Meetings*

In the case of a shareholder being a corporation, such shareholder may attend and vote at any general meeting by authorising any person to act as its representative. The corporation shall give a proxy to such authorised person.

#### *Regulations 145-146 Indemnity*

The Company shall indemnify its Directors for any loss they may sustain as a result of them being Directors of the Company and acting on behalf of the Company. A company shall not indemnify any Director who was acting negligently, recklessly or dishonestly.

## **8.8 Mandatory takeover, squeeze-out and sell-out provisions applicable for**

### **8.8.1 Mandatory takeover**

The Company is partly subject to the mandatory take-over provisions as set out in the Norwegian Securities Trading act chapter 6, and partly to the provisions set out in the Provision for Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters Law (Law 41(I)/2007) as amended by law 47(I)/2009 of Cyprus.

The threshold at which the mandatory bid obligations are triggered, including possible exemptions from the obligation to present a bid (including possible exemptions for subsequent sale of shares), is subject to Cyprus law, after which a mandatory takeover is required where a person indirectly or directly has a percentage of thirty per cent (30%) or more of existing voting rights in the Company. Reaching this threshold, the shareholder shall make an unconditional general offer for the purchase of the remaining shares in the Company. The offer is subject to approval before submission to the shareholders. The obligation to make an unconditional offer also applies where a shareholder, directly or indirectly, holds more than 30 %, but less than 50 %, of the shares in the Company without having triggered the bidding obligation (i.e. that the shareholder held such amount of shares prior to listing or have inherited such shares) and such shareholder purchases one or more shares. If the shareholder holds more than 50 % of the shares, the Cyprus authorities would, subject to application from the

relevant shareholder, normally exempt such shareholder from the bidding obligation, due to the fact that such shareholder already has control of the Company. The takeover supervisory authority with respect to the threshold is the Financial Supervisory Authority of Cyprus.

Questions concerning consolidation of shareholdings in relation to the threshold at which the mandatory bid regulation are triggered are subject to Cyprus law.

The bidding process, including questions concerning the compensation offered in connection with the bid, in particular the bid price, the bid procedure, information on the bidder's decision to present a bid, the content of the offer document and the publication of the bid, is subject to Norwegian law, i.e. the Securities Trading Act. The takeover supervisory authority with respect to these issues is the Financial Supervisory Authority of Norway, or Oslo Stock Exchange.

Where an agreement on acquisition of shares triggers the bid obligation, the shareholder shall without delay notify the takeover supervisory authority and the Company accordingly. The notification shall state whether a bid will be made to buy the remaining shares in the Company. The takeover supervisory authority shall make the notification available to the public.

The bid shall be made without undue delay and at the latest four weeks after the mandatory bid obligation was triggered, and shall encompass all the remaining Shares of the Company. The bid price must be at least as high as the highest price paid or agreed to be paid by the offeror in the six-month period prior to the date the above threshold was exceeded, but equal to the market price if the market price was clearly higher when the threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. The bid shall state a time limit for shareholders to accept the bid, not to be shorter than four weeks or longer than six weeks.

The offeror is required to make an offer document complying with Norwegian law, and such document require approval by the takeover supervisory authority (Oslo Børs) before the bid is made public.

In the mandatory bid, all Shares of the Company must be treated equally. The mandatory bid must be made in cash or contain a cash alternative at least equal in value to any non-cash offer. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply. Otherwise, the authorities may cause the shares exceeding the threshold to be sold. Until the mandatory bid is made the shareholder may not vote for shares exceeding the threshold, unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and pre-emption rights in the event of a share capital increase. The authorities may impose a daily fine upon a shareholder who fails to make the required offer.

### **8.8.2 Squeeze-out and sell-out**

The squeeze-out rules are subject to Cyprus corporate legislation.

When a shareholder has made a public offer to all other shareholders in the Company and as a result of such public offer or after such a public offer has acquired (i) not less than ninety per cent (90 %) of the capital carrying voting rights and (ii) not less than ninety per cent (90 %) of the voting rights in the company, the shareholders has the right to claim that the remaining shareholders sell all their shares to such shareholder.

The squeeze-out right is exercisable within 3 months from the end of the public offer. The purchase price for the shares under the squeeze-out should be the same as the purchase price for the preceding public offer. In the event that the purchase price includes payment in kind, the selling shareholder has the right to demand cash payment.

When a shareholder has made a public offer to all the shareholders and as a result of such public offer or after such a public offer has acquired not less than ninety per cent (90 %) of the capital carrying

voting rights and not less than ninety per cent (90 %) of the voting rights in the Company the remaining shareholders have a right to demand the purchase of their shares from the shareholder who has made the public offer.

The sell-out right is exercisable within 3 months from the end of the public offer and the purchase price should be the same as the purchase price applicable to the public offer. In the event that the purchase price involves payment other than cash the selling shareholder has a right to demand cash payment

## **8.9 Notification obligations for acquisition of large shareholdings**

### **8.9.1 General**

The notification requirements for acquisition of large shareholdings are governed by Cyprus law, however, the information to be contained in the notification is subject to the requirements in the Norwegian Securities Trading Act. A notification should include the following information:

- a) name of the person subject to the notification requirement
- b) background for the notification
- c) name of the company
- d) description of the financial instrument
- e) type of transaction
- f) timing and market for the transaction
- g) price and volume for the transaction; and
- h) holding after the transaction

The remaining set of rules regarding notification obligation for acquisition or disposal of large shareholdings are governed by Cyprus Law 190(I)/2007 as amended by Law 72(I)/2009.

### **8.9.2 Acquisition or disposal of shares**

According to the provisions of the law a shareholder who acquires or disposes shares (with attached voting rights) in a company, has an obligation to notify the company and the Cyprus Securities and Exchange Commission of the percentage of voting rights held provided that, as a result of such acquisition or disposal, this percentage (i) in the case of an acquisition, reaches or exceeds, or (ii) in the case of a disposal, reaches or falls below, the thresholds of five percent (5%), or ten percent (10%), or fifteen percent (15%), or twenty percent (20%), or twenty five percent (25%), or thirty percent (30%), or fifty percent (50%) or seventy five percent (75%) of the total voting rights of the issuer.

The obligation to notify is not applicable in the following circumstances:

- a) the shares are acquired for the sole purpose of clearing and settling of transactions at the latest of three working days following the transaction;
- b) a custodian holding shares in its custodian capacity, provided that the custodian can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means by the beneficiary of the shares;
- c) an acquisition or disposal of voting rights by a market maker, that reaches or crosses the 5% threshold of the total voting rights of the issuer, provided that the market maker –
  - a. acts in its capacity as a market maker and in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law, or where the Republic is not the home member state, in accordance with the law of that member state harmonizing directive 2004/39/EC, and
  - b. neither intervenes in the management of the issuer concerned nor exerts any influence on the issuer to buy such shares or back the share price
- d) shares of an issuer, which are held in the trading book of a credit institution or an investment firm, in accordance with

- a. Chapter III, of Part B of the Directive of the Central Bank for the calculation of capital requirements and large financing exposures and the equivalent Directive of the Cyprus Securities and Exchange Commission, or
- b. the law of another member state harmonizing directive 2006/49/EC, provided that –
  - i. the voting rights attached to such shares do not exceed 5% of the total of voting rights of the issuer, and
  - ii. the credit institution or the investment firm ensures that the voting rights attached to such shares are not exercised nor otherwise used to intervene in the management of the issuer
- e) shares provided to or by the members of the European System of Central Banks in carrying out their functions as monetary authorities, including shares provided to or by members of the European System of Central Banks under a pledge or repurchase or similar agreement for liquidity granted for monetary policy purposes or within a payment system, provided that the transactions last for a short period and that the voting rights attaching to such shares are not exercised.

### **8.9.3 Acquisition, disposal or right to exercise voting rights**

In addition a person who is entitled to acquire, to dispose of or to exercise voting rights of the Company, has an obligation to notify the Company and the Cyprus Securities and Exchange Commission of the percentage of voting rights held, provided that as a result of the acquisition or of the disposal or of the exercise or of the events changing the breakdown of voting rights of the Company, that percentage reaches, exceeds or falls below the thresholds of mentioned above in any of the following cases or in a combination of them:

- a) Voting rights held by a third party, with whom that person has concluded an agreement, which obliges the contractual parties to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Company
- b) voting rights held by a third party under an agreement concluded with that person providing for the temporary transfer for consideration of the exercise of voting rights in question
- c) voting rights attaching to shares which are lodged as collateral with that person, provided the person controls the voting rights and declares its intention of exercising them
- d) voting rights attaching to shares in which that person has the life interest
- e) voting rights which are held, or may be exercised within the meaning of paragraphs (a), (b), (c) and (d), by an undertaking controlled by that person
- f) voting rights attaching to shares deposited with that person which the person can exercise at its discretion in the absence of specific instructions from the shareholder
- g) voting rights held by a third party in its own name on behalf of that person
- h) voting rights which that person may exercise at its discretion as a proxy of the shareholder in the absence of specific instructions given from the shareholder.

The notification shall be effected as soon as possible but not later than within the next working trading day

## **8.10 Dividends and dividend policy**

The Company has not paid any dividends since its incorporation.

According to the Bye-Laws of the Company, the Company's general meeting may declare dividends to its shareholders. Further, the Board of Directors may from time to time pay interim dividends to the Company's shareholders as justified by the profits of the Company.

Dividends shall be paid from profits only, and the amount of dividends cannot exceed the amount recommended by the Board. The Board may, at its own discretion, set aside from the profits such sum as they regard as proper as a reserve or reserves, to be employed by the business of the Company or in the Company's investments, or else carry forward the Company's profits.

Unless anyone has an entitlement to shares with a special rights as to dividends, and unless any share is issued on terms providing that it shall rank for dividend as from a particular date, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid. No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

At the discretion of the the Board, all sums of money (if any) presently payable by the shareholder to the company on account of calls or otherwise in relation to the shares of the Company, may be deducted from any dividends payable to such shareholder.

#### *Restrictions in relation to dividends*

No distribution to shareholders may be made when on the closing date of the last financial year the net assets, as already set out in the Company's annual accounts are, or following such a distribution would become, lower than the amount of the subscribed capital plus those reserves which may not be distributed under the law or the articles of the company. Where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, this amount shall not be calculated in the amount of the subscribed capital.

The amount of a distribution to shareholders may not exceed the amount of the profits at the end of the last financial year, plus any profits brought forward and sums drawn from reserves available for this purpose, less any losses brought forward and sums placed in reserve in accordance with the law or the articles of the Company.

Interim dividends may only be paid where the following conditions apply:

- (a) Interim accounts are drawn up showing that the funds available for distribution are sufficient
- (b) The amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, and less losses brought forward and sum to be placed in reserve pursuant to the requirements of the law or the Bye-Laws.

## **8.11 Expenses**

Costs attributable to the Listing will be borne by the Company. The total costs of the Listing is expected to amount to approximately USD 400,000 which include cost related to fees to the Managers and Oslo Børs, printing and distribution of this Prospectus, costs to legal advisors, financial advisors and the Company's auditor as well as fees to the Financial Supervisory Authority.

## **8.12 Advisors**

Arctic Securities ASA and First Securities AS (the "Managers") have acted as financial advisors in connection with the Listing.

Law Firm CLP DA and Deloitte Advokatfirma AS have been engaged by the Company as legal advisor in connection with the Listing.

The Company's statutory auditor is PricewaterhouseCoopers Limited, Cyprus.

As of the date of this Prospectus, First Securities AS is registered with 78,700 shares and Arctic Securities ASA with 196,600 shares in the Company.



## 9. Legal issues

The Company is not and has not been since its incorporation, party to, or the subject to, any governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's financial position or its profitability. The Company is further not aware of any such governmental, legal or arbitration proceedings being pending or threatened.

## 10. Taxation issues

*This discussion is based on current law and practice that may be subject to amendments. Such amendments could be effective on a retroactive basis. The discussion is intended to serve as a general guideline, and does not provide a complete description of all relevant issues (e.g., for investors for whom special laws, rules or regulations may be applicable). Investors are advised to contact their professional tax advisors for advice concerning individual tax consequences.*

### 10.1 Taxation in Cyprus

#### 10.1.1 Corporate tax

##### *Tax residency*

A Cyprus tax resident company is subject to tax on its worldwide income. Tax residency is determined by where the management and control is exercised. Even though there is no definition of management and control in the Cyprus tax legislation, in practice it is deemed to exist where the majority of the board meetings are held and the majority of significant decisions are taken. Based on that the board meeting in SD Standard Drilling Plc will be held in Cyprus and effective management will take place there, it is expected that the requirements for being resident tax resident in Cyprus will be fulfilled.

The Company cannot be deemed tax resident to Norway as long as the effective place of management at the level of the board of directors takes place outside Norway. Please see section 10.2.3 for further comments related to tax residency.

##### *Tax basis and rate*

The corporation tax rate in Cyprus is 10% and is applied on the taxable income, which is calculated as all taxable sources of income less tax deductible expenses for the tax year (which is the calendar year).

Tax losses can be carried forward indefinitely or be surrendered to other Cyprus tax resident group companies under the group relief provisions (subject to certain conditions).

##### *Deductibility of expenses*

Expenses incurred wholly and exclusively for the production of income are deductible for corporation tax purposes.

Any private motor vehicle expenses, entertainment expenses exceeding 1% of the turnover or €17.086 (whichever is lower) and expenses of a capital nature are the main exceptions to the above rule and are generally not deductible for corporation tax purposes, in practise the income tax office treats the word ‘income’ as ‘taxable income’, not allowing expenses incurred for the production of exempt income (see below).

##### *Tax exempt income*

The following sources of income are exempt from corporation tax in Cyprus:

- Dividends
- Interest not arising in the ordinary course of business or in close connection with the carrying of the business. Such interest is subject to 10% special defence contribution (see below).
- Profits from disposal of securities
- Profits attributed to a permanent establishment abroad (subject to certain conditions)

##### *Arm’s length principle*

Article 33 of the Income Tax Law requires that all transactions between related parties are carried out on an arm’s length basis, being at fair values and on normal commercial terms. This is described as the “arm’s length principle”.

More specifically, under the arm’s length principle where conditions are made or imposed upon the commercial or financial relations of two businesses which differ from those which would have been

made between independent parties, then any profits which would have accrued to one of the party had the two businesses been independent, but have not so accrued, may be included in the profits of that business and taxed accordingly.

#### *Taxation of interest income*

Interest income from whatever source, whether from Cyprus or outside Cyprus, and subject to the provisions explained below, earned by a tax resident corporation is in general subject to special contribution for defence at the rate of 10% applied on the gross interest and exempt from corporation tax.

However, interest derived from the ordinary carrying on of a business, including interest closely connected with the ordinary carrying on of a business, is not treated as interest but as a business profit and is therefore not subject to special contribution for defence. Such interest is fully subject to corporation tax at the rate of 10%.

### **10.1.2 Special contribution for defence**

A Cyprus tax resident company is subject to special contribution for defence applied on the gross sources of income indicated below.

- a) Dividends at the rate 15%:
  - Dividends received from Cyprus tax resident companies are exempt from special contribution for defence
  - Dividends received from non-Cyprus tax resident companies are subject to special contribution for defence only if:
    - i. The non Cyprus tax resident company paying the dividend carries on, directly or indirectly, more than 50% investment activities giving rise to investment income; **and**
    - ii. The foreign tax burden on the income of the non-Cyprus tax resident company paying the dividend is significantly lower than the Cyprus tax burden (in practice lower than 5%)
- b) Interest at the rate of 10%:
  - Interest derived from the ordinary carrying on of a business, including interest closely connected with the ordinary carrying on of a business, is exempt from special contribution for defence and subject to corporation tax.
- c) Rental income less 25% at the rate of 3%. This generally applies to land and buildings so lease/chartering income from rigs should be subject to normal 10 % corporation tax and be exempt from special contribution defence.
- d) For Cyprus tax resident shareholders only, the legislation provides that a dividend of at least 70% of the profits after tax (after some adjustments) will be deemed to take place at the end of two years after the year in which the profits arose. The deemed dividend is reduced by any actual dividend that was paid either in the year the profits arose or in the two years period.

### **10.1.3 Withholding taxes on dividend and interest payments**

There is no withholding tax on dividend and interest payments to non - Cyprus tax residents companies or individuals.

### **10.1.4 Capital gains tax**

Capital gains tax at the rate of 20 % is imposed on gains from disposal of immovable property situated in Cyprus including shares of companies not listed on a recognised Stock Exchange which own immovable property situated in Cyprus.

### **10.1.5 Stamp duties**

Stamp duty is payable on a document if it relates to any property situated in Cyprus or to any matter or thing to be performed or done therein. Contracts are subject to stamp duty at the following rates:

- Up to the amount of €170.860 duty levied is 1.5%
- For an amount between €170.860 and €8.543.007 stamp duty levied is 2%
- An upper limit of €17.086 stamp duty applies for an amount in excess of €8.543.007

## 10.2 Norwegian Taxation

### 10.2.1 General

The following is a summary of certain Norwegian tax consequences related to investments in the Company for Norwegian tax resident companies and individuals. The summary is intended only as general guidance and does not give an exhaustive description of all the tax rules that may be of relevance, hereby included special rules which may apply to any investor. Tax-related implications related to investing in the Company must therefore be determined individually based on each investor's and each shareholder's individual tax position. The investors are requested to seek advice from their own tax advisers to determine whether there are any specific circumstances that may lead to a different result than follows from this summary. Changes in the prevailing laws and regulations may have tax-related implications for the Company's Shareholders.

Investors who are resident outside of Norway, or who for other reasons are in a special tax position, are urged to contact their professional advisers.

### 10.2.2 Norwegian tax consequences related to owning and realisation of Shares

#### *NOKUS – taxation*

If certain conditions are fulfilled, the Company will qualify as a NOKUS-Company for Norwegian tax purposes. If so, this would generally mean that the Norwegian tax resident shareholders would be taxed in Norway on their proportional part of the profit in the Company as the profit is earned irrespective of whether the profit is distributed or not.

In order to qualify for CFC taxation, the Company must fulfil all of the following conditions:

- The Company must be owned or controlled at least 50 % directly or indirectly by Norwegian resident shareholders
- The Company must be considered resident in a low tax jurisdiction, meaning that the entity is subject to less than 2/3 of the tax it would be subject to had the Company been resident in Norway.
- The income of the Company must be of a mainly passive nature
- The Company is not actually established in Cyprus and carries out business activities there.

With regard to the condition related to actual establishment, the Company is establishing its office in Cyprus and will have an employee there that is leading the Company on a daily basis. Moreover, one will also purchase certain services such as accounting and legal from local suppliers in Cyprus. The activities in the Company in Cyprus will be at a level that can be considered normal for an entity of this nature. On this basis it seems unlikely that the Company and its Norwegian shareholders should be subject to Norwegian NOKUS taxation.

#### *Taxation of Dividends*

Dividends received by corporate shareholders resident in Norway from the Company is expected to qualify under the Norwegian exemption method. This means that only 3 % of the dividend will be treated as taxable income for such a Norwegian corporate investor. As Cyprus will qualify as a low tax jurisdiction, the dividends will however only qualify under the exemption method as long as the Company is actually established in Cyprus and carries out business activities there. As outlined under the NOKUS-taxation Section above, it is expected that the Company will meet this requirement.

As for Norwegian tax resident individuals, a Dividend from the Company is taxable at a tax rate of 28 %. However, the individual shareholders may deduct a tax-free allowance from the dividend received

when calculating the taxable income. The tax free allowance is calculated separately for each share as the tax base of the share multiplied with a determined risk-free interest rate. If the annual allowance is exceeding the dividend distributed on the share the same year, the unused allowance will be carried forward and set off against future dividends and gains upon realization of the same share. Further, unused allowance will be added to the tax base cost price of the share and be included in the basis for calculating the tax free allowance the following next year.

#### *Taxation upon Realization of Shares*

Capital gains upon realisation of shares earned by a Norwegian tax resident corporate shareholder are expected to qualify under the Norwegian exemption method. This means that only 3 % of the gain will be treated taxable income for such a Norwegian corporate investor. As Cyprus will qualify as a low tax jurisdiction, the dividends will however only qualify under the exemption method as long as the Company is actually established in Cyprus and carries out business activities there. As outlined above, it is expected that the Company will meet this requirement. Losses will not be deductible for the corporate investor irrespective of whether the shares in the Company fall under the exemption method or not.

Capital gains received by Norwegian tax resident individual shareholders will be subject to taxation and any loss is tax deductible. The tax rate is 28 %. The taxable gain is determined based on the consideration received for the shares less the tax base (cost price) of the shares. Individual shareholders may deduct any unused tax-free allowance (see taxation of dividends above) from a taxable gain. However, unused allowance may not lead to or increase a deductible loss.

Costs in connection with buying and selling shares are deductible against ordinary income in the year of realization. If a shareholder disposes of shares acquired at different times, the shares first acquired will be deemed as first sold (the “first-in-first-out” principle).

Special rules may apply for Norwegian shareholders that emigrate.

#### *Net Wealth Tax*

The value of Shares is included in the base for calculating net wealth tax for the individual shareholders resident in Norway. The current marginal wealth tax rate is 1.1 percent. Listed shares are valued at 100 percent of the quoted value as of January 1 of the tax assessment year, i.e., the year following the income year.

Norwegian corporate shareholders are not subject to Norwegian net wealth tax.

### **10.2.3 Tax residency**

A foreign company may become tax resident in Norway if the effective place of management at the level of the Board of Directors takes place in Norway.

The Company has a combination of Norwegian and Cyprus resident board members. The residency of the board members are not in itself relevant for the analysis of where a company is resident, but in order to avoid the risk of being deemed tax resident in Norway, the Company will observe certain guidelines for how the management of the Company at the level of the board of directors shall be carried out. On this basis, the Company will have as a general principle that all Board meeting will be physically held in Cyprus. To the extent members of the board are not able to attend in person, they may participate by phone but should then physically be located outside of Norway. A board member may however occasionally participate by phone from Norway if the vast majority of the board members are located elsewhere. The physical location of the members of the board shall be documented and clearly addressed in the minutes from the meeting. Moreover, management of the Company at the level of the board will only take place at the formal Board meetings and the members of the Board of directors will not be involved in management of the Company on a more informal basis.

As long as these principles are observed, the Company should clearly qualify as resident in Cyprus (ref sect 10.1.1) and cannot be deemed tax resident to Norway.

## **11. Additional information**

### **11.1 Documents on display**

For the life of the Prospectus, the documents listed below will be available for inspection at the offices of S.D. Standard Drilling Plc at: 213, Arch. Makarios Avenue Maximos Plaza, Tower 1, 3rd floor P.C. 3030 Limassol Cyprus.

- a) the Memorandum and Bye-Laws of the Company;
- b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the Prospectus; and
- c) the historical financial information of the Company for the financial year preceding the publication of the Prospectus.

The Bye-Laws and the most recent annual and interim reports and press releases from the Company can also be downloaded from the following web page: <http://www.standard-drilling.com>

### **11.2 Third party statements**

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 12. Cautionary note regarding forward-looking statements

This Prospectus contains “forward looking statements” relating to the Company’s business and the sectors in which it operates. Forward looking statements include all statements that are not historical facts, and can be identified by words such as “believes,” “anticipates,” “projects,” “intends,” “expects,” or the negatives of these terms or similar expressions. These statements appear in a number of places in this Document, principally in “Risk Factors”, “Presentation of S.D. Standard Drilling Plc” and “Market Overview” and include statements regarding the management’s intent, belief or current expectations with respect to, among other things:

- maintaining or developing new and existing customer relationships;
- successfully growing the Company’s business;
- taking delivery of, integrating into the Fleet and employing any new buildings;
- successfully managing the liquidity and obtaining the necessary financing to fund the Company’s growth;
- attracting, hiring, training and retaining qualified personnel to manage and operate the Fleet;
- identifying and consummating desirable acquisitions, joint ventures or strategic alliances; and
- identifying and capitalizing on opportunities in new markets.

Any forward looking statements contained in this Document should not be relied upon as predictions of future events. There can be no assurance that the expectations expressed in these forward looking statements will prove to be correct. Actual results could differ materially from expectations expressed in the forward looking statements if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized. Some important factors that could cause actual results to differ materially from those in the forward looking statements are, in certain instances, included with such forward looking statements or in the Section entitled “Risk Factors.”

## 13. Definitions

When used in this Prospectus, the following terms shall have the meanings set out below, unless the context otherwise requires. Words importing the plural shall be construed to include the singular and vice versa.

Appendix	A text added to the end of a book or an article, containing information that is important to, but is not the main idea of, the main text.
Arctic Securities AS	Arctic Securities AS, acting as Manager.
Bye-Laws	The Bye-Laws of S.D. Standard Drilling Plc
CAGR	Calculated average growth rate
Charter commission	Fee equal to 1.0% of revenues when a Charter contact is entered
Charter contract	Contract for the commercial lease of the Rig(s)
CLP DA	CLP DA, acting as legal advisor
Code	The Norwegian Code of Practice for Corporate Governance, as issued by The Norwegian Corporate Governance Board (NUES)
Commission agreement	Agreement between FDM and the Company
Common Shares	Ordinary shares of the Company with par value USD 0.01 at the date of this Prospectus,
Company	S.D. Standard Drilling Plc
Companies Acts	Every Cyprus statute in force from time to time concerning companies which are applicable to the Company
Construction Contract	The Construction Contract between the Company and Keppel FELS dated 23 November 2010 regarding Keppel FELS' construction of a premium Jack-up rig
Contract Price	Contract price for the Rig construction
Deloitte Advokatfirma AS	Deloitte Advokatfirma AS, acting as legal advisor
Director	Elected or appointed member of the board who jointly oversee the activities of a Company or organisation.
E&P	Exploration and Production
EU	European Union
Final Instalment	Final instalment at delivery to Keppel FELS at 80% of Contract Price
Finanstilsynet	Financial Supervisory Authority of Norway. Finanstilsynet is an independent government agency that builds on laws and decisions emanating from the Parliament (Stortinget), the Government and the Ministry of Finance and on international standards for financial supervision and regulation.
FDM	Fernclyff Drilling Management AS
First Instalment	First instalment to Keppel FELS at 20% of Contract Price
First Option	The Company's option to purchase an additional premium Jack-up rig from Keppel FELS, in accordance with the first Option Agreement, to be executed in May 2011
First Securities AS	First Securities AS, acting as Manager.
FPSO	Floating Production Storage and Offloading (vessel)



---

FSA	Financial Supervisory Authority of Norway (Finanstilsynet)
IEA	International Energy Agency – Autonomous intergovernmental organization established in the framework of the OECD in 1974
ISIN	International Security Identification Number
Jack-up rig	Drilling rigs fitted with long support legs to operate in shallow waters
Keppel FELS	Keppel FELS Limited, a corporation organized under the laws of Singapore, being party to the Construction Agreement as the builder
Listing	The Listing of the Company’s Shares on Oslo Axess.
Management Agreement	Agreement entered into with Ferncliff TIH, whereby Espen Lundaas is hired as CFO to the Company
Managers	Arctic Securities ASA and First Securities AS
MODU	Mobile Offshore Drilling Unit
NSC	Norwegian Continental Shelf
NUES	The Norwegian Corporate Governance Board
OECD	Organization for Economic Co-operation and Development
OSV	Offshore Service Vessel
OPEC	Organization of the Petroleum Exporting Countries
Option Agreements	The two option agreements between Keppel FELS and the Company dated 23 November 2010, each giving the Company an independent option to purchase an additional premium Jack-up rig
Option fee	A fee of 0.25 % of strike price related to First- and Second Option
Oslo Axess	Oslo Axess ASA (Oslo Axess)
Power of Attorney	An authorization to act on someone else's behalf in a legal or business matter
Prospectus	This Prospectus, dated 21.03.2011
Rig	The premium Jack-up rig under construction by Keppel FELS, in accordance with the Construction Contract
Second Option	The Company’s option to purchase an additional premium Jack-up rig from Keppel FELS, in accordance with the second Option Agreement, to be executed in August 2011
Securities Trading Act	The Norwegian Securities Act of 29 June 2007 no. 75 (in Norwegian: “verdipapirhandelloven”)
Shares	Common Shares in the Company, each with a par value of USD 0.01.
Transaction fee	A fee of 1.0% of the rig value(s). Only applicable if the Rig(s) are sold at profit for equity shareholders
USD	US dollars, the lawful currency of the United States of America
US Securities Act	The US Securities Act of 1933
VAT	Value added tax. A tax on the estimated market value added to a product or material at each stage of its manufacture or distribution, ultimately passed on to the consumer
VPS	Verdipapirsentralen
VPS Registrar	DnB Nor Bank ASA, Verdipapirservice, Stranden 21, 0021 Oslo, Norway.
Yard	Keppel FELS shipyard in Singapore, the builder of the Jack-up rig.

---

# Appendix 1 Bye-Laws of the Company as per the date of the Prospectus

## NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF S. D. STANDARD DRILLING PLC

Notice is hereby given that an Extraordinary General Meeting of the company will be held at the registered office of the company at 213, Arch. Makarios Avenue, Makimos Plaza, Tower 1, 3<sup>rd</sup> floor, 3030 Limassol, Cyprus on 11 March 2011 at 14.45 p.m. for the following purposes:

1. To consider and approve a special resolution of the company referring to various changes to be effected in the company's Articles of Association. The proposed Articles are attached to the present notice and form an integral part of this notice

### Proposed Resolution:

'That the Articles of Association of the Company be replaced by the Articles which have been circulated to the shareholders together with the notice of the Extraordinary General Meeting and which are presented at the Extraordinary General Meeting of 11.3.2011.'

2. To consider and approve a special resolution referring to the increase of the authorised share capital of the company from USD 420,000 divided into 42,000,000 ordinary shares of USD 0.01 each to USD 1,420,000 divided into 142,000,000 ordinary shares of USD 0.01 each.

### Proposed Resolution:

'That the authorised share capital of the company be and is hereby increased from USD 420,000 (Four Hundred Twenty Thousand Dollars) divided into 42,000,000 (Forty Two Million) ordinary shares of \$0.01 each, to \$ 1,420,000 (One Million, Four Hundred Twenty Thousand Dollars) divided into 142,000,000 (One Hundred Forty Two Million) ordinary shares of \$0.01 each, by the creation of 100,000,000 (One Hundred Million) new ordinary shares of \$0.01 each.'

3. To consider and approve an ordinary resolution for the waiving of the pre-emption rights relating to the issue and allotment of new shares.


### Proposed Resolution:


'That the pre-emption rights granted to the existing shareholders of the company pursuant to section 60B of Companies Law Cap.113 be and are hereby waived.'

4. To consider and approve an ordinary resolution for granting the authority to the Board of directors of the company to issue and allot any new shares of the company to any third party or parties according to its absolute discretion at a set price.

### Proposed Resolution:

'That the Board of Directors be and is hereby authorized to issue and allot the additional 100,000,000 shares of the company to any third party or parties as they deem appropriate and in accordance with their absolute discretion at a minimum price of USD 0.01 per share, but with no right to allot any of the issued shares to any third party or parties if such allotment is related to acquisition situations. The Directors should take into consideration when deciding the issue price the market price of the shares at the time of issue.'

By order of the Board  
  
CQS Secretarial Limited  
Secretary



Limassol, 18 February 2011

Note: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the company. The relevant proxy must be deposited at the registered office of the company not later than 48 hours before the time fixed for the meeting.

COMPANIES LAW (CAP.113)  
A COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION  
OF

## S.D. STANDARD DRILLING PLC

1. The regulations contained in Part I of Table A of the First Schedule of the Companies Law (Cap. 113), shall not apply to the Company unless these are repeated and embodied to these Regulations and if there is any conflict or contradiction between the present regulations and the regulations contained in Table A, the provisions of the present Regulations shall prevail.

### INTERPRETATION

2. In these regulations, unless from the text a different interpretation ensues, the terms used in the Companies Law, Cap. 113, or any amendment thereof, shall have the meaning attached to them by this Law with the exception of the words which are listed in the first column of the following table which shall have the interpretation attached to them respectively in the second column:-

Table

Words	Interpretation
The Law	The Companies Law, Cap. 113 and includes any Law amending or substituting it.
The Regulations	These Regulations and any changes or amendments which are brought by a relevant resolution.
The Company	S.D. STANDARD DRILLING PLC
The Office	The registered office of the Company from time to time.
The Board	The Board of Directors of the Company
The Member	Member of the Company
The seal	The usual seal of the Company
Register	The Register of Members of the Company
Secretary	Any person who is appointed to perform the duties of the Secretary of the Company and includes provisional or assistant Secretary.

### S.D. STANDARD DRILLING PLC

#### PROXY

We, the undersigned ..... of ..... being a member in the above-named Company, hereby appoint ..... of ..... as our proxy to attend and vote for us and on our behalf at the Extraordinary General Meeting of the Company to be held at the registered office of the company on 11 March 2011 at 14.45 p.m. and at any adjournment thereof.

Signed this the ..... day of ..... 2011.

are liable, to be redeemed on such terms and in such manner as the company before the issue of the shares may by special resolution determine.

7. All the additional shares approved for issue as well as all securities which may be converted into shares shall be offered to the members in proportion to the holding of each member in the capital of the Company and such offer shall be made by written notification by which the number of shares which each member is entitled to take shall be specified and shall limit the time within which the offer, if not accepted, shall be considered as rejected and at the expiration of such time or on the receipt of notice from a member, to whom such notification was given, that he is refusing to accept the shares offered, the Board may allocate or in any other way dispose the said shares to such persons and under such terms as it will consider more beneficial to the Company. If due to inequality between the number of shares or other securities which may be issued and which give the right to purchase shares or which are convertible into shares of the Company and the number of shares which the shareholders entitled to the said offer of new shares and/or other securities, hold, such difficulty shall be resolved by a decision of the Board unless there are different instructions by the Company in general meeting.

8. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Section 70 of the Law and whether or not the company is being wound up, be varied or repeal with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Regulations relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the said class present in person or by proxy may demand a poll and if in any general meeting by adjournment of such shares there is no quorum the shareholder or shareholders present shall be deemed to be in quorum.

9. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

10. The company may exercise the powers of paying commissions conferred by Section 52 of the Law and pay commission on a proportion basis which shall be determined by the Board on the nominal value of the shares for which the commission shall be paid, not provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section and the rate of the commission shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 per cent of such price (as the case may be). Such commission may be satisfied by the

Cyprus The Cyprus Republic

Voting Voting which is carried out by raise of hands and every member present either personally or through proxy and votes shall have one vote.

Official Voting Voting which is carried by ballot and every member present either personally or through proxy and votes shall have one vote for each share held.

Expressions referring to writing shall, unless the contrary intention appears, be construed as including references to printing, lithography, typing, photography, photocopying and other modes of representing or reproducing words in a visible form.

Unless the context otherwise requires:-

Words denoting the masculine gender shall include and the feminine gender.

Words denoting the singular shall include the plural any vice versa.

Words which refer to persons shall include companies, entities or bodies with or without legal entity.

Reference to these Regulations to any provision of Law, where it conforms to the text, shall be interpreted as a reference to a provision of the Companies Law, Cap. 113, as this law shall be amended from time to time.

#### GENERAL STIPULATIONS

3. The company is a public limited liability company

4. The Company may sign, adopt or put into effect or re-execute and undertake or continue (with such amendments as the contracting parties may agree and the Directors approve) any pre - registration of the Company agreement or any other agreement or operation or work which was done or is being done (as the case may be) prior to the incorporation of the Company, as the Directors may decide.

#### SHARE CAPITAL AND VARIATION OF RIGHTS

5. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the company may from time to time by ordinary resolution determine.

6. Subject to the provisions of Section 57 of the Law, any preference shares may, with the sanction of an ordinary resolution, be issued on - the terms that they are, or at the option of the company

payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The company may also on any issue of shares pay such brokerage as may be lawful.

11. Every person whose name is entered as a member in the registered of members shall be entitled to receive free of any charge within two months from the date of the allotment or the entry of the transfer of the shares (or within such other time limit as the terms of issue may specify) a certificate for all his shares or a number of certificates each of which shall refer one or more shares, upon payment of such amount as the Board shall determine in every case for each certificate, except the first one. Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid up thereon and may contain such further information as the Board may specify. Provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

12. If a share certificate be defaced, lost or destroyed, it may be renewed on payment of a fee (if any) and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses of the company of investigating evidence as the directors think fit.

13. Except as required by Law, no person shall be recognised by the company as holding any share upon any trust, and the company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

14. Notwithstanding regulation 13 above, but always subject to s.112 of the Law, the Company may, if it so wishes and if notified accordingly in writing, recognise the existence of the trust on any share even though it cannot register it in the Company's register of members. This recognition is made known with a letter to the trustees and is irrevocable provided this trust continues to exist, even if the trustees or some of them are replaced.

Every member who holds shares on behalf of a third party, either as trustee or in any other capacity, should upon request disclose to the Company, immediately, the name of the person for whom he holds such shares.

15. The register of members and the index of members shall be open to inspection, from the members free of charge and from any other person after payment of such amount for the inspection as the Board may from time to time specify. Any member or such person may take any extracts there from.

16. The Company shall have the power, subject to s.114 of the Law, to maintain an overseas register of members. Such overseas register of members shall be maintained in accordance with s.114 to 117 of the Law.

17. Provided the shares of the Company or any other titles or securities of the Company are traded in a foreign market, the Company shall be deemed to comply with the provisions of the Law with respect to keeping a register of members if it complies with the relevant regulations of the relevant market. Any reference in these Regulations or the Law to a register of members shall be interpreted as a reference to the records maintained in accordance with the regulations of the relevant market.

18. The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the company or in its holding company nor shall the company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this regulation shall prohibit transactions mentioned in the proviso to Section 53(1) of the Law.

#### LIEN

19. The company shall have a first and paramount lien on every share (not-being a-fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share, and the company shall also have a first and paramount lien on all shares (other-than-fully paid shares) standing registered in the name of a single person for all moneys presently payable by him or his estate to the company; but the directors may at any time declare any share to be wholly or in part exempt from the provisions of this regulation. The company's lien, if any, on a share shall extend to all dividends payable thereon and as well as any other rights or benefits which are attached therein.

20. The company may sell, in such manner as the Board think fit, any shares on which the company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing to the then registered owner of such shares, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

21. To give effect to any such sale the directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

22. The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

#### CALLS ON SHARES

23. The Board may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call, and each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the directors may determine.

24. A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed and may be required to be paid by instalments.

25. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

26. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding 5 per cent per annum as the directors may determine, but the directors shall be at liberty to waive payment of such interest wholly or in part.

27. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

28. The directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.

29. The Board may, if they think fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him, and upon all or any of the moneys so advanced may (until the same would, but for such advance, become payable) pay interest at such rate not exceeding (unless the company in general meeting shall otherwise direct)

7 per cent per annum, as may be agreed upon between the directors and the member paying such sum in advance unless the Company in general meeting decides differently.

#### TRANSFER OF SHARES

30. The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

31. Subject to such, of the restrictions of these regulations as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the directors may approve.

32. The Board may decline to recognise any instrument of transfer unless:-

(a) a fee of US\$1, or such lesser sum as the Board may from time to time require is paid to the company in respect thereof;

(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer; and

(c) the instrument of transfer is in respect of only one class of share.

33. If the Board decide to refuse to register a transfer they shall do so within one week and shall send to the transferee notice of the refusal.

34. Regulations 30 to 33 shall not apply in the event that the shares of the company are traded on a market and in such event, the rules of the relevant market as to transfer of shares shall apply.

35. The registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine, provided always that such registration shall not be suspended for more than thirty days in any year.

#### TRANSMISSION OF SHARES DUE TO DEATH OR BANKRUPTCY

36. In case of the death of a member the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

37. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the

directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy, as the case may be.

38. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer were a transfer signed by that member.

39. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company.

Provided always that the directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

#### CONVERSION OF SHARES INTO STOCK

40. The company may by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination.

41. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations, as "and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

42. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up)

shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

43. Such of the Regulations of the Company as are applicable to paid-up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder" respectively.

#### ALTERATION OF CAPITAL

44. The company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

45. The company may by ordinary resolution:-

(a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) Subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association subject, nevertheless, to the provisions of section 60 (1) (d) of the Law;

(c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

46. The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

#### GENERAL MEETINGS

47. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. The period of time between one annual general meeting of the Company and the next annual general meeting shall not be more than fifteen months.

Provided that so long as the company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place as the directors shall appoint.

48. All general meetings other than annual general meetings shall be called extraordinary general meetings.

49. The Board may, whenever it thinks fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened

by such requisitionists, as provided by Section 126 of the Law. If at any time there are not within Cyprus sufficient Directors capable of acting to form a quorum, any Director or any two members of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Board.

#### NOTICE OF GENERAL MEETINGS

50. All general meetings of the company held either for the passing of a special resolution, an extraordinary resolution or an ordinary resolution shall be called by giving a twenty-one days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and time of the meeting and, in case of any special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the company in general meeting, to such persons who are, under the regulations of the company, entitled to receive such notices from the company:

All notices that have to be given by the Company pursuant to these Articles may be given by electronic means and such notice shall be deemed as properly given in writing.

In the event the shares of the company are traded on a market, any notice to be given pursuant to the present Articles shall be deemed to be properly given if given in accordance with the rules of the said market.

51. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

#### PROCEEDINGS AT GENERAL MEETINGS

52. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the financial statements, balance sheets, and the reports of the directors and auditors, the election of directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.

53. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise provided, two members present in person shall be a quorum.

54. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the directors may determine, and if at the adjourned meeting a

quorum is not present within half an hour from the time appointed for the meeting, the members present shall be a quorum.

55. The chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company, or if there is no such chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act the directors present shall elect one of their number to be chairman of the meeting.

56. If at any meeting no director is willing to act as chairman or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be chairman of the meeting.

57. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

58. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded —

- (a) by the chairman; or
- (b) by at least three members present in person or by proxy; or
- (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members holding shares in the company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.

59. Except as provided in regulation 61, if a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.



60. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
61. If a poll is demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.
62. Subject to the provisions of the Law, written decision signed or approved by letter, telegram, radio telegram, telex, facsimile or other similar manner of communication, from the members who have the right at any particular time to receive notice for convening general meetings, to be present and vote at such meetings (or in the case of legal entities the signature of their authorised representatives) is valid and has the same legal repercussions as if the said decision was approved at a general meeting of the Company which was convened and took place properly. The said decision may be composed by various documents, each of which bears the signature of one or more members of the Company, the signature of a member of the Board or other authorised officer or appointed proxy.

#### VOTES OF MEMBERS

63. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder.
64. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
65. A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by the administrator of his property, his committee, receiver, curator bonis, or other person in the nature of an administrator, committee, receiver or curator bonis appointed by that Court, and any such administrator, committee, receiver, curator bonis or other person may, on a poll, vote by proxy.
66. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.
67. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

68. On a poll votes may be given either personally or by proxy.
69. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.
70. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority shall be deposited at the registered office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. If there is any default of the aforesaid provisions the instrument of proxy shall not be treated as valid. If a member is present at a general meeting for which he has appointed a proxy, the proxy cannot be present at the said meeting and the proxy document shall be considered as revoked.
71. An instrument appointing a proxy shall be" in the following form or a form as near thereto as circumstances admit —

#### S.D. STANDARD DRILLING PLC

I/We ..... being a member/members of the above-named Company, hereby appoint ..... of ..... or failing him ..... as my/our proxy to vote for me/us on my/our behalf at the annual/extraordinary, [strike out whichever does not apply] general meeting of the Company, to be held on the day of ..... 20... and at any adjournment thereof.

Signed this day of ..... day of ..... , 20....."

72. Where it is desired to afford members an opportunity of voting for or against a resolution the instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit —

#### S.D. STANDARD DRILLING PLC.

I/We, ..... being a member/members of the above-named Company, hereby appoint ..... of ..... or failing him ..... as my/our proxy to vote for me/us on my/our behalf at the annual/extraordinary, [strike out whichever does not apply] general meeting of the Company, to be held on the day of ..... 20... and at any adjournment thereof.

extraordinary, [strike out whichever does not apply] general meeting of the Company, to be held on ..... the day of ..... 20... and at any adjourned meeting.

Signed this day of ..... day of ..... 20....."

The form above shall be used for\*/against\* the passing of the resolution. Unless a different power is conferred, the proxy shall cast his vote as he considers right.

(\*Strike out whichever is not desired)."

Irrespective of the above provisions, the chairman of the meeting will have the authority to accept a proxy in any format he shall deem as appropriate even if such proxy shall not comply with the above formats.

73. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

74. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used.

**CORPORATIONS ACTING BY REPRESENTATIVES AT GENERAL MEETINGS**

75. Any corporation which is a member of the company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the company or of any class of members of the company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

**DIRECTORS**

76. The number of the Directors, until differently decided by the Company in General Meeting shall not be less than two nor more than ten. The names of the first Directors shall be determined in writing by the subscribers of the memorandum of association or a majority of them. Until the appointment of the first Directors the subscribers of the memorandum of association shall exercise all the powers of the Directors.

77. The remuneration of the directors shall from time to time be determined by the company in general meeting. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and

returning from meetings of the directors or any committee of the directors or general meetings of the company or in connection with the business of the Company.

78. There is no shareholding qualification for appointment or election to the Board of Directors of the Company.

79. A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested as shareholder or otherwise, and no such director shall be accountable to the company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the company otherwise direct.

**BORROWING POWERS**

80. The directors may exercise all the powers of the company to borrow money, and to charge, either by floating or fixed charge, or mortgage all or any part of its undertaking, movable and immovable property present or future including all or any part of the uncalled capital, and to issue debentures, debenture stock, mortgaged debentures and other bills or securities whether these are continual redeemable or repayable and either directly or as security for any debt, liability or obligation of the company or of any third party.

81. The debentures with floating charge referred to Regulation 80 above and the debentures and debenture stock mortgaged debentures bills or other bonds may be issued at a discount or at a premium or in any other manner and with such powers regarding their redemption, surrender issue of shares or other as the Board may decide.

82. The Directors shall be responsible for keeping proper register of charges according to the provisions of Section 99 of the Law and shall conform to the requirements of Sections 90, 91 and 99 of the Law in respect of the registration of charges as provided by the said Sections.

**POWERS AND DUTIES OF DIRECTORS**

83. The business of the Company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not, by the Law or by these regulations, required to be exercised by the company in general meeting, subject, nevertheless, to any of these regulations, to the provisions of the Law and to such regulations, being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the company in general meeting; but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

**84.** The Board may from time to time and at any time by power of attorney appoint any Company, firm or person or body of persons, whether nominated directly or indirectly by the directors, to be the attorney or attorneys of the company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these regulations) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

**85.** The Company may exercise the powers conferred by Section 36 of the Law with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

**86.** (1) A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 191 of the Law.

(2) A director shall not vote in respect of any contract or arrangement in which he is interested, and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to —

(a) any arrangement for giving any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the company; or

(b) to any arrangement for the giving by the company of any security to a third party in respect of a debt or obligation of the company for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or

(c) any contract by a director to subscribe for or underwrite shares or debentures of the company; or

(d) any contract or arrangement with any other company in which he is interested only as an officer of the company or as holder of shares or other securities,

and these prohibitions may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction, by the company in general meeting.

(3) A director may hold any other office or place of profit under the company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the company either with regard to his tenure of any such other office or place of profit or as vendor, pur-

chaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the company for any profit realised by any sub contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established.

(4) A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other director is appointed to hold any such office or place of profit under the company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.

(5) Any director may act by himself or his firm in a professional capacity for the company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the company.

**87.** All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the directors shall from time to time by resolution determine.

**88.** The directors shall cause minutes to be made in books provided for the purpose —

(a) of all appointments of officers made by the directors;

(b) of the names of the directors present at each meeting of the directors and of any committee of the directors;

(c) of all resolutions and proceedings at all meetings of the company, and of the directors, and of committees of directors;

and every director present at any meeting of directors or committee of directors shall sign his name in a book to be kept for that purpose.

**89.** The Directors on behalf of the company may pay a gratuity or pension or allowance on retirement to any director who has held any other salaried office or place of profit with the company or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

#### ALTERNATE DIRECTORS

**90.** Each of the Directors may at any time appoint any person who may either be a Director or not to act as his Alternate Director and further he has the discretion to dismiss him at any time.

91. The alternate of any Director shall from all aspects (with the exception of the power of appointing alternate director and the remuneration) be subject to the conditions governing the rest of the members of the Board and has all the powers and duties as those the appointing Director. Without limitation to the generality referred to above the alternate of a Director shall be entitled to receive all notices regarding the meetings of the Board and to be present and speak and to vote at any such meeting at which the appointing Director And is not present.
92. A person may be alternate to more than one Director and for whichever period he is acting as alternate for more than one Directors, he shall be entitled to a separate vote for each Director he is representing and in the event that he is also at the same time a Director he shall be entitled to so many votes apart from his vote as the number of Directors he is substituting.
93. The appointment or dismissal of any person substituting for a Director may be effected by telegram or radio telegram or telex or facsimile or email to the Company, or in any other approved by the Board manner and must be confirmed at the earliest opportunity by letter but shall have immediate effect even though the said letter may not have yet been received by the Company and the document by which the appointment is made shall be in the nearest possible form as shown below.

S.D. STANDARD DRILLING PLC

I .....  
 Director of S.D. STANDARD DRILLING PLC by virtue of the powers vested in me under Regulation 90 of the Articles of Association of the Company do hereby appoint .....  
 ..... from ..... as Alternate Director so that on my behalf and on my account sit at any meeting of the Board of Directors of the Company at which I am unable to be personally present and to exercise all my powers and perform all my duties as Director of the Company.  
 Dated the ..... day of ..... 20....

(Sign) .....  
 DIRECTOR

94. As soon as a Director loses his directorship in any manner, with the exception of vacating his position at a general meeting in which he is re-elected, the person appointed by such Director as provided hereinabove shall have no further power or authority to act as alternate of the Director who appointed him.
95. The Directors do not have any responsibility for the acts or omissions of the alternate appointed by them.

96. The alternate of a Director shall not be counted at the computation of the minimum or maximum number of the members of the Board that are allowed from time to time, but he is counted in the case of ascertaining whether there is a quorum at a particular meeting of the Board at which he is present and has the power to vote.

DISQUALIFICATION OF DIRECTORS

97. The office of director shall be vacated when the director —
- (a) ceases to be a director by virtue of Section 176 of the Law; or
  - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (c) becomes prohibited from being a director by reason of any order made under Section 180 of the Law; or
  - (d) becomes of unsound mind; or
  - (e) resigns his office by notice in writing to the company; or
  - (f) shall for more than six months have been absent without permission of the directors from meetings of the directors held during that period.

ROTATION OF DIRECTORS

98. At the first annual general meeting of the company all the directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.
99. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

100. A retiring director shall be eligible for re-election.

101. The company at the meeting at which a director retires in manner aforesaid may fill the vacated office by electing a person thereto, and in default the retiring director shall if offering himself for re-election be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such director shall have been put to the meeting and lost.

102. No person other than a director retiring at the meeting shall unless recommended by the directors be eligible for election to the office of director at any general meeting unless not less than three nor more than twenty-one days before the date appointed for the meeting there shall have been left at the registered office of the company notice in writing, signed by a member duly qualified

to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

**103.** The company may from time to time by ordinary resolution increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.

**104.** The directors shall have power at any time, and from time to time, to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors, but so that the total number of directors shall not at any time exceed the number fixed in accordance with these regulations. Any director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.

**105.** The company may by ordinary resolution, of which special notice has been given in accordance with Section 136 of the Law, remove any director before the expiration of his period of office notwithstanding anything in these regulations or in any agreement between the company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the company.

**106.** The company may by ordinary resolution appoint another person in place of a director removed from office under the immediately preceding regulation, and without prejudice to the powers of the directors under regulation 104 the company in general meeting may appoint any person to be a director either to fill a casual vacancy or as an additional director. A person appointed in place of a director so removed or to fill such a vacancy shall be subject to retirement at the same time if he had become a director on the day on which the director in whose place he is appointed was last elected a director.

#### PROCEEDINGS OF DIRECTORS

**107.** The directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall have a second or casting vote. A director may, and the secretary on the requisition of a director shall, at any time summon a meeting of the directors. The notice of a meeting of directors may be served on the directors by any available means including email, fax, telex or letter.

**108.** The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed differently shall be two.

**109.** The continuing directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the regulations of the company as the necessary quorum of directors, the continuing directors or director may act for the purpose of increasing the number of directors to that number, or of summoning a general meeting of the company, but for no other purpose.

**110.** The Directors may elect a chairman of their meetings and determine the period for which he is to hold office; but if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their number to be chairman of the meeting.

**111.** The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors.

**112.** A committee may elect a chairman of its meetings; if no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.

**113.** The committees may meet and adjourn as the members of each committee think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman shall have a second or casting vote.

**114.** All acts done by any meeting of the directors or of a committee of directors or by any person acting as a director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

**115.** A resolution in writing, signed or approved by letter, telegram, radio telegram, telex, facsimile, email or other similar manner of communication, from all the Directors or their Alternate (or in the case of a committee of the Board which was formed according to the above Regulations, from all the members of the committee) shall be equally valid and binding as if the said decision was approved at a meeting of the Directors (or of the committee as the case may be) which was convened and took place properly. The said decision may be composed by various documents, each of which bears the signature of one or more members of the persons referred to above.

#### MANAGING DIRECTOR

**116.** The directors may from time to time appoint one or more of their body to the office of managing director for such period and on such terms as they think fit, and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A director so ap-

124. The Board may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company.

125. No dividend shall be paid otherwise than out of profits.

126. The Board may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for any purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the directors may from time to time think fit. The directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

127. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. But if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

128. The Board may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

129. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board.

130. The dividends, interest or other moneys payable in cash in respect of shares may be paid by transfer into a designated bank account of a shareholder, cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque

pointed shall not, whilst holding that office, be subject to retirement by rotation or be taken into account in determining the rotation of retirement of directors, but his appointment shall be automatically determined if he ceases from any cause to be a director.

117. A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may from time to time determine. The remuneration of the Director who is appointed in the office of the Managing Director may be independent and in addition to the remuneration fixed in conformity of the provisions of Regulation 81 of the present Regulations.

118. The Directors may entrust to and confer upon a Managing Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.

#### SECRETARY

119. The Secretary shall be appointed by the Board for such term, at such remuneration and upon such conditions as the Board may think fit and any Secretary so appointed may be removed by the Board.

120. No person shall be appointed or hold office as Secretary who is —

- (a) the sole director of the company; or
- (b) a corporation the sole director of which is the sole director of the company; or
- (c) the sole director of a corporation which is the sole director of the company.

121. A provision of the Law or these regulations requiring or authorising a thing to be done by or to a director and the secretary shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, the secretary.

#### THE SEAL

122. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of the directors or of a committee of the directors authorised by the directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by a director and shall be countersigned by the secretary or by a second director or by some other person appointed by the directors for the purpose.

#### DIVIDENDS AND RESERVE

123. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors.

or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the shares held by them as joint holders.

(a) In the event that the shares of the Company are listed on a market payment of dividends may be paid in accordance with the rules of the relevant market.

131. No dividend shall bear interest against the company.

#### ACCOUNTS

132. The Board shall cause proper books of account to be kept with respect to:—

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books shall not be deemed to be kept by the Company if there are not kept such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

133. The books of account shall be kept at the registered office of the company, or, subject to Section 141(3) of the Law, at such other place or places as the directors think fit, and shall always be open to the inspection of the directors.

134. The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by statute or authorised by the directors or by the company in general meeting.

135. The Board shall from time to time, in accordance with Sections 142, 143 and 151 of the Law, cause to be prepared and to be laid before the company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are referred to in those sections.

136. A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the company in general meeting, together with a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting be sent to every member of, and every holder of debentures of, the company and to every person registered under regulation 35. Provided that this regulation shall not require a copy of those documents to be sent to

any person of whose address the company is not aware or to more than one of the joint holders of any shares or debentures.

#### CAPITALISATION OF PROFITS

137. The company in general meeting may upon the recommendation of the directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the directors shall give effect to such resolution. Provided that a share premium account and a capital redemption reserve fund may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.

138. Whenever such a resolution as aforesaid shall have been passed the directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming, distributable in fractions, and also to authorise any person to enter on behalf of all the members entitled thereto into an agreement with the company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such members.

#### AUDIT

139. Auditors shall be appointed and their duties regulated in accordance with Sections 152A to 156 (both inclusive) of the Law.

#### PURCHASE OF OWN SHARES

140. Subject to the provisions of sections 57A to 57F of the Law, both inclusive, the Company may purchase its own shares.

## NOTICES

**141.** A notice may be given by the company to any member either personally or by sending it by post to him or to his registered address, or (if he has no registered address within Cyprus) to the address, if any, within Cyprus supplied by him to the company for the giving of notice to him or as stipulated in regulation 50. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of 24 hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

**142.** A notice may be given by the company to the joint holders of a share by giving the notice to the joint holder first named in the register of members in respect of the share.

**143.** A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, within Cyprus supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

**144.** Notice of every general meeting shall be given in any manner hereinbefore authorised to —

- (a) every member except those members who (having no registered address within Cyprus) have not supplied to the company an address within Cyprus for the giving of notices to them;
- (b) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a member where the member but for his death or bankruptcy would be entitled to receive notice of the meeting; and
- (c) the auditor for the time being of the company.

No other person shall be entitled to receive notices of general meetings.

## WINDING UP

**145.** If the company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by the Law, divide amongst the members *in specie* or kind the whole or any part of the assets of the company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanc-

tion, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributors as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

## INDEMNITY

**146.** Every Director, Managing Director, agent, auditor, Secretary or other person who for the time being holds an office in the Company shall be indemnified out of the assets of the Company, against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 383 of the Law in which relief is granted to him by the Court.

**147.** Every Director, Managing Director, agent, auditor, Secretary or other person who for the time being holds an office in the Company, and every employee of the Company shall be indemnified by the Company, and the Board shall have the duty to pay from the Company' moneys, all the costs, expenditure and losses that such person has sustained or a liability was imposed upon him to pay by virtue of a contract entered into by him in his said capacity or in relation to any transaction or act carried out in the execution of his powers and/or duties in his said capacity.



**Report and Financial Statements**

**S.D. Standard Drilling Plc.**



**for the period 2 Dec. - 31 Dec. 2010**

**Copy**

**S.D. Standard Drilling Plc.**

**Report and financial statements  
31 December 2010**

**CONTENTS**

BOARD OF DIRECTORS AND OTHER OFFICERS.....	3
REPORT OF THE BOARD OF DIRECTORS.....	4
STATEMENT OF COMPREHENSIVE INCOME .....	6
BALANCE SHEET .....	7
STATEMENT OF CHANGES IN EQUITY .....	8
STATEMENT OF CASH FLOWS.....	9
NOTES TO THE FINANCIAL STATEMENTS.....	10
INDEPENDENT AUDITOR'S REPORT .....	23

**BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors**

George Chrystallis – appointed on incorporation  
Angelika Papadopoulou- appointed on 21 December 201  
Martin Nes - appointed on 21 December 2010  
Glen Ole Rodland – appointed on 21 December 2010  
Gunnar Hvammen – appointed on 21 December 2010

**Company Secretary**

**COS Secretarial Limited**  
213 Arch, Makarios Avenue  
Maximos Plaza, Tower 1  
3030 Limassol  
Cyprus

**Registered office**

213 Arch, Makarios Avenue,  
Maximos Plaza, Tower 1, 3<sup>rd</sup> floor  
3030 Limassol  
Cyprus

## REPORT OF THE BOARD OF DIRECTORS

1 The Board of Directors presents its report together with the audited financial statements of the Company for the period ended 31 December 2010.

### Principal activities

2 The principal activities of the Company, which was incorporated on 2 December 2010, are to own and finance one rig under construction, and options for two additional rigs currently not executed, for future sale in any form, or operation through charter.

### Review of developments, position and performance of the Company's business

3 The loss of the Company for the period ended 31 December 2010 was USD 86,304. On 31 December 2010 the total assets of the Company were USD 43,448,436 and the net assets were USD 40,863,726. As the Company was incorporated on 2 December 2010, there are no comparable numbers for 2009. The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

### Principal risks and uncertainties

4 The principal risks and uncertainties faced by the Company are disclosed in Notes 3 and 4 of the financial statements.

### Future developments of the Company

5 The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Company in the foreseeable future.

### Results

6 The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the net loss for the period is carried forward.

### Share capital

7 There were no changes in the share capital of the Company other than those disclosed in Note 9.

### Board of Directors

8 The members of the Board of Directors at 31 December 2010 and at the date of this report are shown on page 3. George Chrystallis was sole board member from date of incorporation 2 December 2010, until 21 December when Angela Papadopoulou, Marin Nes, Glen Ole Redland and Gunnar Hvamnen also were appointed.

9 In accordance with the Company's Articles of Association all Directors retire at the first Annual General Meeting of the Company, and one third retire by rotation at every subsequent Annual General Meeting. All directors retiring are eligible for re-election.

10 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### Events after the balance sheet date

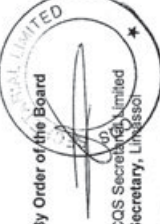
11 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

### Branches

12 The Company did not operate through any branches during the period.

### 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.

By Order of the Board  
  
COS Secretary Limited  
Secretary, Linness

17 February, 2011

## STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD thousands unless otherwise stated)	2 Dec - 31 Dec 2010	Note
Administrative expenses	-86	
<b>Operating loss</b>	<b>-86</b>	
Finance income	-	13
Finance costs	-	13
Finance costs - net	-	13
<b>Loss before income tax</b>	<b>-86</b>	
Income tax expense	-	14
<b>Loss for the period</b>	<b>-86</b>	
Other comprehensive income for the period, net of tax	-	
<b>Total comprehensive income</b>	<b>-86</b>	

**Earnings per share attributable to the equity holders of the Company during the period (expressed in USD per share)**

Basic/diluted earnings per share	-0,00	15
----------------------------------	-------	----

The notes on pages 10 to 23 are an integral part of these financial statements.

## BALANCE SHEET

(All amounts in USD thousands unless otherwise stated)	Note	As at 31 Dec 2010
<b>Assets</b>		
<i>Non-current assets</i>		
Rig - Capitalised expenses	5	37.308
Total non-current assets		37.308
<i>Current assets</i>		
Cash and cash equivalents	8	6.140
Total current assets		6.140
<b>Total assets</b>		<b>43.448</b>
<b>Equity and liabilities</b>		
<i>Equity</i>		
Ordinary shares	9	420
Share premium	9	40.530
Accumulated losses		-86
Total equity		40.864
<i>Liabilities</i>		
<i>Non-current liabilities</i>		
Provisions for other liabilities and charges	10	1.378
Total non-current liabilities		1.378
<i>Current liabilities</i>		
Trade and other payables	11	1.207
Total current liabilities		1.207
<b>Total Liabilities</b>		<b>2.585</b>
<b>Total equity and liabilities</b>		<b>43.448</b>

On 17 February 2011, the Board of Directors of S.D. Standard Drilling Plc authorised these financial statements for issue.

George Crystallis, Director

Angelis Papadimitriou, Director

The notes on pages 10 to 23 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

(All amounts in USD thousands unless otherwise stated)	Note	Share capital	Share premium	Accumulated losses <sup>(1)</sup>	Total equity
Balance at 2 December 2010		-	-	-	-
<b>Comprehensive income</b>				-86	-86
Loss for the period				-86	
<b>Other comprehensive income</b>					
Total comprehensive income for the year, net of tax					
<b>Total comprehensive income for the period</b>				-86	-86
<b>Transactions with owners</b>					
Debt Conversion (formation of the Company)	9	359	35 501		35 860
Proceeds from shares issued (share capital increase)	9	61	6 079		6 140
Share issue costs			-1 050		-1 050
<b>Total contributions by and distributions to owners</b>		420	40 530		40 950
<b>Balance at 31 December 2010</b>		420	40 530	-86	40 864

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 10 to 23 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

(All amounts in USD thousands unless otherwise stated)	Note	2 Dec - 31 Dec 2010
<b>Cash flows from operating activities</b>		
Cash generated from operations	16	-
Net cash generated from operating activities		-
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment (PPE)		-
Interest received		-
Net cash used in investing activities		-
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	9	6 140
Net cash from financing activities		6 140
<b>Net increase in cash and cash equivalents</b>		6 140
Cash, cash equivalents at beginning of period	8	-
Exchange gains/(losses) on cash and cash equivalents		-
<b>Cash and cash equivalents at end of period</b>	8	6 140

The notes on pages 10 to 23 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

#### Country of incorporation

S.D. Standard Drilling Plc. (the "Company") is a limited liability company incorporated and domiciled in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. The head office is located in Limassol, Cyprus. Its registered office is at 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3<sup>rd</sup> floor; 3030 Limassol, Cyprus.

#### Principal activities

The Company was established on 2 December 2010 with the object of investing in rigs, for future sale in any form, or operation through charter. S.D. Standard Drilling Plc. has entered into a turn-key construction contract with Keppel FELS Limited for one jack-up drilling rig, with delivery in July 2012. The Company also has entered independent option agreements for construction of two jack-up drilling rigs identical to the rig under construction.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below.

#### 2.1 Basis of preparation

The 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. The financial statements have been prepared under the historical cost convention.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2010 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

##### 2.1.1 Going concern

The Company was established via the conversion of the loan from Tymar AS to equity by the amount of USD 35,860,000. During 2010 the share capital is increased by a cash issue. (See Note 9)

The Company has sufficient funding in order to operate until delivery of the rig under construction. At delivery in July 2012 the final payment for construction, 80% of the contract is due. Additional funding will then be required. Additional funding will also be required if the Company choose to exercise any of the two options for additional rigs. The Company therefore has sufficient liquidity and equity to meet its obligations until it either decides to order additional rigs, or is to receive an asset that will create an ingoing cash flow through sale or operation.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopt the going concern basis in preparing its financial statements.

##### 2.1.2 Changes in accounting policy and disclosures

New standards, amendments and interpretations issued but not effective for the financial period beginning 2 December 2010 and not early adopted:

- **IFRS 9, 'Financial Instruments**, issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.
- **Revised IAS 24 (revised), 'Related party disclosures'**, issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party.
- **Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement** (effective for annual periods beginning on or after 1 January 2011).
- **Annual Improvements 2010** (effective for annual periods beginning on or after 1 July 2010 to 1 January 2011). However, the standard has not yet been endorsed by the EU.
- **Amendments to IFRS 7 Financial Instruments: Disclosures** (effective for annual periods beginning on or after 1 July 2011). However, the standard has not yet been endorsed by the EU.

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 Company.

### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

The Company's operations consist of having one turn-key construction contract with Keppel FELS Limited for one jack-up drilling rig that is under construction. The entire operations are therefore reported as one segment.

### 2.4 Foreign currency translation

#### (a) Functional and presentation currency

The Company's accounts are measured in US dollars (USD) which is the currency that is used primarily in the economic area where the unit operates (functional currency). The Company's accounts are presented in USD.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, 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 and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains - net'.

### 2.5 Rig - Capitalised expenses

The Company has one jack-up drilling rig under construction at Keppel FELS Ltd. The contract is recognised in the balance sheet as "Rig - capitalised expenses" and is entered as the payments are made on account to the shipyard, in addition to other expenses directly attributable to the acquisition/ construction of the rig. Expenses for contract entry, as well as expenses for supervising the construction project, including

supervision of the progress and quality of the work at the shipyard, are included in the directly attributable expenses.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### 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.

#### 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 Company operate and generate 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 substantively 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.

#### 2.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### 2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Debt converted to equity at formation 2 December 2010, was converted at its face value as the lender was the 100% shareholder of the Company. The debt was the first instalment made to the yard on behalf of the Company during the period of incorporation 8 days prior to conversion.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Company has through its financing and the construction agreement's payment scheme, a low exposure towards financial risks such as currency, price and interest fluctuations. The foremost financial risk exposure for the Company is towards market risk, in this case, the development of rig rates and prices until the date of delivery.

##### (a) Market risk

The offshore premium jack-up drill market is characterised by strong competition among a limited number of customers and suppliers, where contracts are awarded on a competitive bid basis. The Company's agreement with Kappel FELS for construction of the Rig 'B319' and the First Options and the Second Option of rigs identical to 'B319', is based on an expectation of an increasing number of orders at high-end rig yards and a strong demand in the market for premium jack-up rigs with technology and design such as the Rigs. The market for the Rigs may not develop positively as anticipated by the Company and technological developments may make the Rigs obsolete or less attractive, affecting both the value of the Rigs and the Company's financial performance negatively.

The profitability and cash flow of the Company's operations will be dependent upon the market price of oil and gas, as the Company's customers are expected to be oil companies or oil drilling companies. The price of oil and gas is known to fluctuate and are affected by numerous factors beyond the Company's control, including economic and political conditions, levels of supply and demand, the policies of the Organization of Petroleum Exporting Countries (OPEC), currency exchange rates and the availability of alternate energy sources. If the price of oil and gas products should drop significantly, the profitability and cash flow from the Rigs would be significantly reduced.

## (i) Foreign exchange risk

The Company's functional currency is USD. The Company operates internationally, but as both the contract with Keppel FELS Limited and future revenues related to the rig will be agreed on and invoiced in USD, the foreign exchange risk is reduced. Foreign exchange risk may arise from future commercial transactions in other currencies than US dollars.

## (ii) Price risk

The Company is not directly exposed to price risk relating to income, since the rig still is under construction.

The consideration for the jack-up drilling rig under construction at Keppel FELS Ltd is a fixed sum of USD 179.3 million.

## (iii) Cash flow and fair value interest rate risk

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

## (b) Shipyard risk

The Company bears the risk of the rigs not being delivered from the shipyard at the agreed time, with the agreed quality, and at the agreed price. The Company has hired GL Noble Denton, which has long experience with the supervision of such rig projects, to supervise that the construction projects are executed by the shipyard in accordance with the building contracts.

The acquisition of rigs through building contracts will always be associated with building risks and delay risks. As a result of these risks, disputes may arise with the shipyard related to matters such as quality requirements, use of subcontractors and equipment specifications. The Company is aware of these risks and devotes substantial resources through using third parties to follow-up upon the process to reduce these risks. There is a high-priority focus on identifying any deviation from the contracts at an early point in time and finding a fast solution to identified deviations through discussions with the shipyard. The shipyard has to obtain a written approval from the Company before subcontracting work to a third party valuing USD 3 000 000 or more.

If Keppel FELS Limited fails to deliver the vessel by the delivery date, S.D. Standard Drilling Ltd will have the right to receive a daily penalty of USD 40 000 for each day of delay beginning at the 30<sup>th</sup> day of delay. The total amount payable by Keppel FELS Limited is USD 6 000 000. There is also a bonus agreement in case of early delivery amounting to USD 15 000 for each day of early delivery with a maximum of USD 900 000, subject to the Company having entered into an unconditional charter contract with a third party and the charterer agrees to take early delivery of the vessel.

Keppel FELS Limited bears the risk of loss and/or damage to the vessel and all equipment and materials purchased for and/or installed at the vessel until the delivery date. Regarding quality there is a project quality plan and the contract requires an ISO 9000 report, and S.D. Standard Drilling Limited has the right to investigate, or having a third party investigate the building process at Keppel FELS Limited.

## (c) Credit risk

The Company has currently no accounts receivables, and is not expected to have any significant outstanding amounts in the near future. If so, the appropriate measures will be taken in order to minimise the credit risk.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

**Rig – capitalised expenses:****2 Dec - 31 Dec 2010**

Instalment to Keppel FELS Limited in 2010 35 860

Other capitalised expenses related to construction of the rig in 2010 70

Contingent commission fee (note 10) 1 378

Total capitalised expenses of 31 December 2010 **37 308****Contractual payment plan (Capital commitments):**

When entering contract: 20% (already paid) 35 860

Refund of 1% -359

At delivery: 80% 143 440

Refund of 1% -1 434

Construction monitoring services (payment throughout the construction period) 2 610

Total contractual payment plan **180 117**

Upon payment of each instalment to Keppel FELS, 1 % of each instalment, and in total 1 % of the Purchase Price, shall be refunded to the Company, in effect, only 99 % of the Purchase Price shall be paid to Keppel FELS. As a result, the total capitalised expenses include an amount of USD 359 which is refundable on the first instalment paid and the amount of contractual payments show the refund separately.

The instalment to Keppel FELS Ltd on 24 November 2010 was paid by Tymar AS, on behalf of Company under incorporation. The debt established was converted to equity on 2 December 2010 (see note 9).

The Company and Keppel FELS Ltd have entered option agreements to purchase two further jack-up drilling rigs identical to the rig under construction. The options are exercisable by S.D. Standard Drilling Plc, and execution dates are any time until 23 May 2011 and 23 August 2011, respectively. The scheduled delivery dates should the options be exercised are 23 July 2013 and 23 October 2013 respectively or an earlier date as may be agreed by the yard. No value has been assigned to the options.

The option agreements were also entered into on behalf of a company under incorporation referred to as "Standard Drilling Ltd" (as explained above in relation to the building contract).



**6 Financial instruments by category**

	Loans and receivables	Assets at fair value through profit or loss	Available-for-sale	Total
31 December 2010	6.140	-	-	6.140
<b>Assets as per balance sheet</b>	<b>6.140</b>	<b>-</b>	<b>-</b>	<b>6.140</b>

Cash and cash equivalents

**Total****Liabilities as per balance sheet**

Payables (excluding statutory liabilities)	1.207	1.207
<b>Total</b>	<b>1.207</b>	<b>1.207</b>

Other financial liabilities

**Total****7 Credit quality of financial assets**

The credit quality of 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:

	2010
Cash at bank and short-term bank deposits	
A3	6.140
<b>Total</b>	<b>6.140</b>

**8 Cash and cash equivalents**

Cash at bank	31 Dec 2010
Cash and cash equivalents	6.140
<b>Total</b>	<b>6.140</b>

First instalment of the rig contract amounting to USD 35 860, was a non cash transaction, as the instalment was paid on behalf of the company under formation, and at formation the debt was converted to equity. Hence, no cash went through the Company.

**9 Share capital and premium**

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At formation 2 December 2010				
Debt Conversion (formation of the Company)	35 860	359	35 501	35 860
On 9 December 2010: Cash from shares issued (share capital increase)	6 140	61	6 079	6 140
Share issue costs			-1 050	-1 050
<b>At 31 December 2010</b>	<b>42 000</b>	<b>420</b>	<b>40 530</b>	<b>40 950</b>

The Company issued 35 860 000 shares on 2. December 2010 as consideration for conversion of debt to Tynar AS (related party).

All shares issued have the same rights.

The total number of authorised shares is 42 000 000 shares of nominal value \$0.01 each.

**10 Provisions for other liabilities and charges**

	Contingent liability	Total
At 2 December 2010 capitalised to rig contract	1 366	1 366
Increase due to the passage of time	12	12
<b>Total</b>	<b>1.378</b>	<b>1.378</b>

A contingent liability of USD 1 600 has been recognised as an estimated outcome of commission fees payable upon sale of rig or rig contract, or charter of rig when completed. The liability has been estimated based on the probability for a set of likely outcomes (note 17).

**11 Trade and other payables**

	<b>31 Dec 2010</b>
Payables	1 097
Accrued expenses	110
<b>Total trade and other payables</b>	<b>1 207</b>

**12 Deferred income tax**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

**31 Dec  
2010**

<b>Deferred tax assets:</b>	
Deferred tax asset to be recovered after more than 12 months	-
Deferred tax asset to be recovered within 12 months	-
Total deferred tax assets	-

**Deferred tax liabilities:**

Deferred tax liability to be recovered after more than 12 months	-
Deferred tax liability to be recovered within 12 months	-
Total deferred tax liabilities	-

**Deferred tax liabilities (net)**

	-
--	---

The gross movement on the deferred income tax account is as follows:

At 2 Dec 2010	-
Income statement charge	-
Tax charged/(credited) related to other comprehensive income	-
Tax charged/(credited) directly to equity	-
<b>At 31 December</b>	<b>-</b>

**Deferred tax assets**

	<b>Tax losses</b>	<b>Other</b>	<b>Total</b>
At 2 December 2010	-	-	-
Charged/(credited) to income statement	-	-	-
Charged/(credited) to other comprehensive income	-	-	-
Charged/(credited) directly to equity	-	-	-
<b>At 31 December 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred income tax assets of USD 9 in respect of loss amounting to USD 86 that can be carried forward against future taxable income.

**13 Finance income and costs**

**2 Dec - 31 Dec 2010**

**Finance costs:**

Interest expense - bank borrowings	-
Total finance cost	-

**Finance income:**

Interest income on short-term bank deposits	-
Total finance income	-

**Net finance costs**

	-
--	---

**14 Income tax expense**

	2 Dec - 31 Dec 2010
<b>Current tax:</b>	
Current tax on profits for the year	-
Total current tax	-
<b>Deferred tax:</b>	
Origination of temporary differences	-
Total deferred tax	-
<b>Income tax expense</b>	-
<b>Profit before tax</b>	-86
Tax calculated at domestic tax rates applicable to profits	-9
Tax effects of:	
- Tax losses for which no deferred income tax assets was recognised	9
<b>Tax charge</b>	-

**15 Earnings per share**

Basic earnings per share is 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.

	2 Dec - 31 Dec 2010
<b>Basic/diluted EPS</b>	
Profit attributable to equity holders of the Company	-86
Weighted average number of ordinary shares in issue (thousands)	39 248

**16 Cash generated from operations**

	2 Dec - 31 Dec 2010
Profit before income tax	-86
Adjustments for:	
Finance costs – net (note 12)	-
Changes in working capital:	
Other receivables	86
Payables	-
<b>Cash generated from operations</b>	-

**17 Related-party transactions**

The Company was formed by conversion of debt related to payment of the first instalment on the rig contract made by founding company Tymar AS, on behalf of the company under formation. The debt was converted at face value 8 days after the payment of the instalment.

The Company has a commission agreement with Ferncliff Drilling Management AS (FDM). In total 90% of the shares of FDM is owned directly by shareholders in S.D. Standard Drilling Plc or associated companies of such shareholders. The residual 10% of FDM is ultimately owned by Director Martin Nes (5%) and acting CFO Espen Lundaaas (5%).

FDM has assisted the Company in negotiating the rig construction contract, and the two construction options. FDM will as remuneration for any and all assistance receive a charter commission of 1% for each charter contract the Company sign for its rig(s). This shall be payable in accordance with the payment provisions under the relevant charter and the Company shall pay FDM within 14 days after the Company has received payment. In case of sale of any rigs, either by asset or by shares, FDM will receive a transaction fee of 1% of the transaction price. The transaction fee shall only be payable if the implicit price for the rig(s) involved shall be above the aggregate of the price(s) agreed with the contractor in the respective building contracts and the direct costs for the Company in relation to such rig(s). This fee shall be payable to FDM within 14 days after the closing of the transaction. The Company has recognised a provision in respect of the above.

FDM is also entitled an option fee of 0.25% of the turn-key price of any of the two options if exercised. This fee shall be payable within 14 days after exercise of the relevant option. A liability will be recognised if and when the Company exercises the option.





**Business address:**

S.D. Standard Drilling Plc  
Maximou Michaelidi Street  
Maximos Plaza Tower 3  
Office 401  
CY 3106 Limassol  
Cyprus  
[www.standard-drilling.com](http://www.standard-drilling.com)



**Arctic Securities ASA**

Haakon VII's gate 6  
P.O. Box 1833 Vika  
N-123 Oslo  
Tel: +47 21 01 31 00  
Fax: +47 21 01 31 36  
[www.arcticsec.no](http://www.arcticsec.no)



**First Securities AS**

Filipstad Brygge  
P.O. Box 1441 Vika  
N-0115 Oslo  
Tel: +47 23 23 80 00  
Fax: +47 23 23 80 01  
[www.first.no](http://www.first.no)