

S.D. STANDARD DRILLING PLC

THIRD QUARTER REPORT 2021



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

In accordance with Article 10 sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 and 2009 ("Law") we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed financial statements of S.D. Standard Drilling Plc (the "Company"), for the nine months ended 30 September 2021 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the nine months ended 30 September 2021 which are presented on pages 8 to 19:
 - (i) were prepared in accordance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting", as adopted by the European Union in accordance with provisions of Article 10, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Company, and the business that are included in the financial statements as a total, and
- b) The Interim Management Report provides a fair overview of the information required as per section 6 of article 10 of Law 190(I)/2007.

Limassol, 10 November 2021

Martin Nes
Chairman

Konstantinos Pantelidis
Independent Director

George Crystallis
Independent Director

Christos Neocleous
Chief Financial Officer

Evangelia Panagide
General Manager

Third Quarter Management Report 2021

Selected Financial Information

	Three Months Ended		Nine Months Ended	
	2021 Q3	2020 Q3	2021 Q3	2020 Q3
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating profit/(loss)	(2 722)	(6 144)	3 513	(20 311)
Profit/(loss) for the period before tax	(2 727)	(6 145)	3 506	(20 314)
Total comprehensive income/(loss) for the period	(2 727)	(6 145)	3 506	(20 314)

(*) Analytical income statement is presented on page 8 of the third quarter report.

Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the third quarter of the year 2021 are prepared and presented on a standalone basis, since the Company is an investment entity and shall not consolidate its subsidiary. The Company measures its investment in subsidiary and associates at fair value through profit or loss. Consequently, the Company's investment in Platform Supply Vessels (PSVs) are valued based on estimates made by reputable independent valuers and prices generated by market transactions involving identical or comparable (similar) Vessels. For the Tanker Vessel (VLCC), the management of the Company has determined as fair value the consideration price agreed for the sale of its interest in Zeta Owners Inc.

Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in these Financial Statements. More information on the operation, calculation of EBITDA, TCE and utilization of the vessels is available in the Q3 2021 presentation, which is released together with this interim report.

Highlights Third Quarter

1. In July 2021, the Company received the Court approval for cancelling 8 225 380 fully paid shares, as resolved by special resolutions at the Annual General Meeting ("AGM") held on 14 June 2021. The process was completed on 12 August 2021 by the registration of the Court Order and the minutes of the AGM with the Registrar of Companies, according to the local legislation. Following the above cancellation, the Company has issued 524 482 901 ordinary shares and the number of authorized but not issued shares is 340 517 099.
2. In Q3 21, the Company recognized an unrealized loss of USD 3.1 million from the revaluation of its financial assets at fair value. The fair value of the investments as of 30 September 2021 was USD 56,7 million. Moreover, the Company recognised an unrealised profit from the revaluation of financial assets at fair value through profit or loss- held for trading of USD 0,5 million. The fair value of the financial assets held for trading as of 30 September 2021 was USD 22,2 million.
3. Positive EBITDA (adj.) of USD 0,3 million, excluding start-up cost, dry dock, special survey and maintenance (Q3 20 negative USD 0,8 million) from chartering out the four large –sized PSV's. Including the ownership in Northern Supply AS (28,12%) the group netted a positive EBITDA (adj.) excluding start-up cost, dry dock, special survey and maintenance of USD 0,4 million (Q3 20 negative USD 0,9 million).
4. Utilisation of the Company's vessels of 91% (Q3 20 66%) for the large PSV Standard vessels and 93% (Q3 20 90%) for the Northern Supply AS vessels (excluding those in lay-up).
5. The TCE estimate of the vessel "Gustavia S" which is owned by ZETA Owners Inc., from the delivery date end of January 2020 to end of September 2021 is approximately USD 25,2 thousands.

Third Quarter Management Report 2021 (Continued)

Selected Financial Information

Alternative Performance Measures

Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in Q3 2021 Interim Report since the Company is an investment entity and shall not consolidate its subsidiary.

In reporting financial information, the Company presents alternative performance measures, “APMs”, which are not defined or specified under the requirements of IFRS. The Company believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the subsidiary and associate companies.

More information on the APMs used in the Q3 2021 Report, their definition and calculation are provided below, as well as a reference to the respective pages of Q3 2021 and of the presentation which is released together with this interim report on the Company’s website:

APM	Definition and Calculation	Reference
Operating Profit / Loss	Income from operating activities subtracting administration expenses as presented in the income statement	Q3 2021 Report - Interim Condensed Statement of Comprehensive Income on page 8 Presentation Income Statement on page 16
Loss / Profit before tax	Operating profit less finance costs	
Loss / Profit after tax	Operating profit less finance costs and income tax	
EBITDA (adj.)	Vessels net hire income before interest, taxes, depreciation and amortization but excluding non-recurring costs, dry dock, special survey, maintenance and repairs	Presentation page 16
Utilization of vessels	Total days working over total available days	Presentation page 14
TCE (Time Charter Equivalent)	Voyage revenues subtracting voyage expenses (including bunkers) divided by the round-trip voyage duration in days	Q3 2021 Report page 3

Third Quarter Management Report 2021 (Continued)

Subsequent Events

The following events took place between the Balance Sheet date and the date of approval of these interim condensed financial statements:

1. On 2 November 2021, the Company entered into an agreement to sell its 33.3% ownership interest in ZETA Owners Inc. which owns the 2020 built VLCC Gustavia S. The transaction values the vessel at USD 93 million, whereas the Company will receive net proceeds of USD 14.1 million for its equity stake in the vessel and recognized a fair value loss of USD 0.8 million in the third quarter of 2021.

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

THIRD QUARTER MANAGEMENT REPORT 2021 (CONTINUED)

RESULTS FOR THIRD QUARTER 2021

The operating loss for the three months ended on 30 September 2021 was USD 2,7 million compared to the three months ended 30 September 2020 loss of USD 6,1 million. The operating loss includes an unrealized loss on revaluation of financial assets of USD 3,1 million, administration expenses of USD 139 thousands and finance cost of USD 5 thousand and is after crediting a fair value gain from investments held for trading of USD 468 thousand, interest income of USD 6 thousands and a net foreign currency gain of USD 29 thousands. Net loss before tax for the period of approximately USD 2,7 million. Loss per share was USD 0,01 for the Quarter.

The operating profit / (loss) and profit / (loss) before tax for the three months are presented on the interim condensed statement of comprehensive income on page 8.

RESULTS FOR THE NINE MONTHS OF 2021 AND FINANCIAL COMPARISON WITH THE NINE MONTHS OF 2020

The operating profit for the nine months ended on the 30 September 2021 was USD 3,5 million compared to the nine months ended 30 September 2020 loss of USD 20,3 million. The improvement of the operating profit in 2021 compared to 2020's loss is mainly due to a fair value gain from investments held for trading of USD 6,9 million, a significantly reduced unrealized loss on revaluation of financial assets of USD 3 million (compared to a revaluation loss of USD 23 million in 2020), interest income of USD 27 thousands, a net foreign currency gain of USD 24 thousands (compared to a net foreign currency loss of USD 469 thousands in 2020), and is after deducting administration expenses of USD 424 thousands and finance cost of USD 7 thousands. Profit before tax for the period is approximately USD 3,5 million (2020: Loss before tax of USD 20,3 million). Profit per share was USD 0,01 for the nine months.

The Company's results for the nine months of the year 2021 are considered satisfactory when compared to the results of the nine months of the year 2020.

The operating profit / (loss) and profit / (loss) before tax for the nine months are presented on the interim condensed statement of comprehensive income on page 8.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position of the Company as of 30 September 2021 was USD 10,1 million.

During the nine months of 2021 net cash used in operating activities was USD 1,3 million and the net cash used in investing activities was USD 15,3 million.

The net cash used in financing activities of USD 891 thousands relates to the purchase of own shares.

As of 30 September 2021, the Company had 2 052 shareholders. The share price as of 30 September 2021 was NOK 1,24 (USD 0,141).

PRINCIPLE RISK AND UNCERTAINTIES

The Company's activities are exposed to the overall economic environment as well as regulatory, market and other financial risks associated with the market in which the specific investments are held, as disclosed in Note 3 of the annual report and financial statements for the year ended 31 December 2020.

Uncertainty relating to Covid-19 pandemic

The Covid-19 pandemic has caused increasing uncertainty in the PSV and Tanker markets. As the pandemic continues to evolve for more than a year now, it is difficult to predict the full extent and duration of resulting operational and economic impact on the markets the Company are invested in. The impact of Covid-19 on the Company's business has arisen through the decrease in the fair value of the vessels in which the Company has indirect ownership, but the final effect cannot be predicted with certainty at the time of approval of these interim financial statements.

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

OUTLOOK

The objective of the Company is to generate significant medium to long-term capital growth. The main focus of the Company has previously been on the Rig, PSV and the VLCC tanker markets, however the Company has updated its strategy and is now focusing on more diversified and liquid investments within the shipping, energy and commodities, although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company has recently strengthened its investment team with the addition of two professionals who possess extensive experience in the segments that the Company is operating. This expansion is expected to bring more experience, competence and valuable capacity to our investment team.

THIRD QUARTER MANAGEMENT REPORT 2021 (CONTINUED)

The PSV market has suffered from reduced activity offshore due to the Covid-19, however while the vaccination process in various countries is progressing, we are currently witnessing an increase in tendering activity and an increase in day rates.

The Covid-19 development, measurements implemented, oil prices fluctuations and the economic activity will affect the market in general going forward. It is uncertainty related to consequences related to the events so far over the past 20 months. The management has established and implemented sufficient systems and procedures to monitor closely the current developments in the market, to stay alert to changes in the marketplace and to take appropriate measures.

The Company has a sound financial position with no debt and the Board of Directors believe that the Company is well positioned to take advantage of opportunities that may appear in markets the Company operates within. The main drivers are maximizing the return and minimizing the risk.

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

10 November 2021

*Martin Nes
Chairman*

*Christos Neocleous
CFO*

**INTERIM CONDENSED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	Note	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
		2021 Q3	2020 Q3	2021 Q3	2020 Q3
<i>(Amounts in USD 000)</i>		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Income					
Changes in fair value on financial assets at fair value through profit or loss	4.1	(3 086)	(6 195)	(2 997)	(22 963)
Changes in fair value on financial assets at fair value through profit or loss – held for trading	4.2	468	-	6 883	9
Other income			-		3 437
Interest income from cash balance at amortised cost		6	14	27	52
Net foreign currency gains or (losses)		29	158	24	(469)
Total net income /(loss)		(2 583)	(6 023)	3 937	(19 934)
Expenses					
Administration fees		(139)	(121)	(424)	(377)
Total operating expenses		(139)	(121)	(424)	(377)
Operating profit/(loss)		(2 722)	(6 144)	3 513	(20 311)
Finance costs					
Sundry finance income/(expenses)		(5)	(1)	(7)	(3)
Profit/(loss) for the period before tax		(2 727)	(6 145)	3 506	(20 314)
Income tax expense		-	-	-	-
Profit/(loss) for the period after tax		(2 727)	(6 145)	3 506	(20 314)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(loss) for the period		(2 727)	(6 145)	3 506	(20 314)
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share (USD)	3	(0,01)	(0,01)	0,01	(0,04)

**INTERIM CONDENSED STATEMENT
OF FINANCIAL POSITION
AT 30 SEPTEMBER 2021**

<i>(Amounts in USD 000)</i>	Note	30.09.2021	31.12.2020
ASSETS		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
Financial assets at fair value through profit or loss	4.1	56 651	58 862
Total non-current assets		56 651	58 863
Trade and other receivables		84	14
Current tax asset		1	1
Financial assets at fair value through profit or loss held for trading	4.2	22 208	-
Cash and bank balances		10 146	27 623
Total current assets		32 439	27 638
Total Assets		89 090	86 501
EQUITY AND LIABILITIES			
Ordinary shares	5	15 734	17 281
Share premium	5	-	96 861
Own shares	6	-	(4 453)
Accumulated profits/(losses)		73 339	(23 231)
Total equity		89 073	86 458
Trade and other payables	8	17	43
Total current liabilities		17	43
Total Equity and Liabilities		89 090	86 501

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

*Martin Nes
Chairman*

*Christos Neocleous
CFO*

**INTERIM CONDENSED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Own shares	Accumulated Profits/(Losses)	Total
Balance at 01.01.2020	17 281	96 861	-	3 678	117 820
Comprehensive income					
Loss for the period	-	-	-	(20 314)	(20 314)
Other comprehensive income	-	-	-	-	-
Balance at 30.09.2020 (unaudited)	17 281	96 861	-	(16 636)	97 506
Balance at 01.01.2021	17 281	96 861	(4 453)	(23 231)	86 458
Comprehensive income					
Profit for the period	-	-	-	3 506	3 506
Transactions with owners					
Cancellation of own shares (note 5)	(1 547)	(96 861)	5 344	93 064	-
Purchase of own shares (note 6)	-	-	(891)	-	(891)
Balance at 30.09.2021 (unaudited)	15 734	-	-	73 339	89 073

**INTERIM CONDENSED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	Note	Nine Months Ended	
		2021 Q3	2020 Q3
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		3 506	(20 314)
Unrealised exchange (gain)/loss		(24)	469
Payments to acquire financial assets at fair value through profit or loss	4.1	(786)	(36 742)
Receipts from financial assets at fair value through profit or loss		-	22 452
Other income		-	(3 437)
Interest income		(27)	(52)
Increase in trade and other receivables		(70)	(20)
Decrease in financial assets fair value through profit or loss	4.1	2 997	22 963
Increase in financial assets fair value through profit or loss – held for trading	4.2	(6 883)	(9)
Decrease in trade and other payables		(26)	(26)
Net cash (used in) / generated from operating activities		(1 313)	(14 716)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to financial assets at fair value through profit or loss held for trading	4.2	(32 971)	(1 038)
Receipts from financial assets at fair value through profit or loss held for trading	4.2	17 646	1 047
Dividend received from subsidiary		-	3 437
Interest received		27	52
Net cash (used in) / generated from investing activities		(15 298)	3 498
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of own shares		(891)	-
Proceeds from loan from subsidiary		-	2 500
Repayment of loan to subsidiary		-	(2 500)
Net cash (used in) / generated from financing activities		(891)	-
Net (decrease)/increase in cash and cash equivalents		(21 402)	(11 218)
Cash and cash equivalents at beginning of year		27 623	41 095
Effect of exchange rate changes on the balance of cash held in foreign currencies		25	(469)
Cash and cash equivalents at end of period		10 146	29 408

NOTES TO THE FINANCIAL INFORMATION

NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

Country of Incorporation

S.D. Standard Drilling Plc. (the “Company”) is a limited liability Company incorporated and domiciled in Cyprus on 2 December 2010 in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. On 25 March 2011 the Company’s shares were listed on Oslo Axess and on 31 May 2017 on Oslo Bors. The address of the Company’s registered office is Chrysanthou Mylona 1, Panayides Building, 2nd floor, Office 3, 3030, Limassol, Cyprus.

Principal Activities

The principal activity of the Company is to operate as an investment entity within the shipping and offshore segments including renewables. The Company invests directly or indirectly into companies, securities, commodities and/or assets. The objective of the Company is to generate significant medium to long term capital growth. The main focus of the Company, in addition to the investment portfolio, is currently the Platform Supply Vessels (PSV) and Tanker Vessels (VLCC) markets although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company’s strategy is to invest into high risk investments in distressed asset acquisition held by unquoted companies where the Company takes active role in helping to build and develop these companies with the aim to make its returns through medium to long term capital gains appreciation as opposed to invest for strategic purposes (i.e. for income return).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed financial statements for the nine months ended 30 September 2021, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020 which have been prepared in accordance with IFRS as adopted in the (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

In the current period the Company has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2021.

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

Going Concern

These interim condensed financial statements for the nine months ended 30 September 2021, have been prepared under the assumption that the Company is going concern.

NOTE 3 – EARNINGS/(LOSS) PER SHARE

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

	Three Months Ended		Nine Months Ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
<i>(Amounts in USD 000)</i>				
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	(2 727)	(6 145)	3 506	(20 314)
Weighted average number of ordinary shares in issue (thousands)	524 483	576 026	525 157	576 026
Basic/diluted earnings/(loss) per share (USD)	(0,01)	(0,01)	0,01	(0,04)

NOTES TO THE FINANCIAL INFORMATION

NOTE 4 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

4.1 Investments at fair value through profit or loss

<i>(Amounts in USD 000)</i>	30.09.2021	31.12.2020
Balance at 1 January	58 862	76 751
Additions	786	36 742
Sales/Reduction	-	(24 853)
Changes in fair value	(2 997)	(29 778)
Balance at the end of the period/year (note 7.1)	56 651	58 862

Investments designated at fair value through profit or loss are analysed as follows:

Name of Investment	Principal activity	Place of establishment and principal place of business	Proportion of ownership/ interest held	
			30.09.2021	30.09.2020
Wanax AS	Investment holding	Norway	100%	100%
ZETA Owners Inc.	Ship owning	Marshall Islands	33,3%	33,3%
Standard Invest AS	Investments	Norway	100%	-

The above investments are measured at fair value.

During the nine months of the year 2021, the following transactions took place:

1. In May 2021, the Company granted a loan of NOK 1 million to its subsidiary Wanax AS which was used to cover its working capital needs.
2. In June 2021, the Company contributed USD 500 thousands to ZETA Owners Inc to support its working capital needs.
3. In August 2021 the subsidiary Standard Invest AS was incorporated and the Company contributed USD 115 thousands to support its working capital needs.

<i>(Amounts in USD 000)</i>	30.09.2021	30.09.2020
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	-	223
Unrealised change	(2 997)	(23 186)
Total net gains/(losses)	(2 997)	(22 963)
Other net changes in fair values on assets designated at fair value through profit or loss	(2 997)	(22 963)
Total net gains/(losses)	(2 997)	(22 963)

4.2 Investments held for trading

<i>(Amounts in USD 000)</i>	30.09.2021	31.12.2020
Balance at 1 January	-	-
Additions	32 971	1 038
Disposals	(17 646)	(1 047)
Realized gain on disposals	2 220	-
Changes in fair value	4 663	9
Balance at the end of the period / year	22 208	-

During the nine months of the year 2021, the Company invested USD 33 million for the acquisition of shares listed on the Oslo and US Stock Exchange, some of which were disposed realizing a gain of USD 2,2 million. As of 30 September 2021, the Company held shares in various listed entities with a fair value of USD 22,2 million, including 750 000 shares in Weatherford International Plc.

All investments held for trading are valued based on quoted prices in active markets and are classified as level 1.

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – SHARE CAPITAL AND PREMIUM

Authorised	Number of shares (thousands)	Ordinary shares	Total	
<i>(Amounts in USD 000)</i>				
2021				
Balance at the beginning of the period	865 000	25 950	25 950	
Increase of share capital	-	-	-	
Balance at the end of the period	865 000	25 950	25 950	
2020				
Balance at the beginning of the year	865 000	25 950	25 950	
Increase of share capital	-	-	-	
Balance at the end of the year	865 000	25 950	25 950	
Issued and fully paid				
	Number of shares (thousands)	Ordinary shares	Share premium	Total
<i>(Amounts in USD 000)</i>				
2021				
Balance at the beginning of the period	576 026	17 281	96 861	114 142
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Cancellation of shares	(51 543)	(1 547)	(96 861)	(98 408)
Balance at the end of the period	524 483	15 734	-	15 734
2020				
Balance at the beginning of the year	576 026	17 281	96 861	114 142
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Balance at the end of the year	576 026	17 281	96 861	114 142

In an Extraordinary General Meeting (“EGM”) of the Company held on 11 January 2021, it has been resolved by special resolutions:

- (a) to cancel the 43 318 143 fully paid shares that were purchased by the Company in November 2020 out of the share premium account, and
- (b) to set off the remaining balance of the share premium account against the negative balance of the accumulated profit/losses reserve of the Company.

The Company has received in January 2021 the Court approval for cancelling the 43 318 143 fully paid shares and the process was completed on 24 February 2021 by the registration of the Court Order and the minutes of the EGM with the Registrar of Companies, according to the local legislation.

NOTE 6 – OWN SHARES

In January and February 2021, the Company has purchased an additional 7 326 676 own shares with the total number of own shares purchased up to that date being 51 543 523 shares. Following the cancellation of the 43 318 143 shares mentioned in note 5 above, the company currently holds 8 225 380 shares representing 1,54 % of the issued share capital of the Company.

At the Annual General Meeting (“AGM”) of the Company held on 14 June 2021, it was resolved by special resolutions to cancel the 8 225 380 fully paid shares. The Company received in July 2021 the Court approval for cancelling the 8 225 380 fully paid shares and the process was completed on 12 August 2021 by the registration of the Court Order and the minutes of the AGM with the Registrar of Companies, according to the local legislation.

Following the above cancellation, the Company has issued 524 482 901 ordinary shares and the number of authorized but not issued shares is thus 340 517 099. All shares issued have the same rights and are of nominal value of USD 0,03 each.

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS

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

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

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

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
At 30 September 2021				
Assets				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 4)	-	17 814	38 837	56 651
Total financial assets measured at fair value	-	17 814	38 837	56 651
At 31 December 2020				
Assets				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 4)	-	-	58 862	58 862
Total financial assets measured at fair value	-	-	58 862	58 862

7.2 Valuation processes

a) Investment in Wanax AS

(i) Valuation processes (Level 3)

The management of the Company obtained fair value estimates from two independent Valuers ("Valuer A" and "Valuer B"). Both Valuers have provided a value range based on a willing buyer and willing seller market scenario. Valuer A has also provided a value range based on distressed values. Valuer B has not provided a distressed value range, however, a distressed value range has been derived by the management by applying the same discount rate to Valuer B's willing buyer and willing seller range as the implied discount rate between Valuer A's willing buyer and willing seller value range and Valuer A's distressed value range. The applied fair value for the assets in the Company's financial statements is then set to the average of these two distressed ranges as the Company decided to apply a more conservative approach due to current market conditions and the frequency of such transactions in the market. Should the Company have used the average fair values based on a willing buyer and willing seller market scenario of both Valuers, the total financial assets measured at fair value would have been USD 50,3 million rather than USD 38,8 million.

(ii) Valuation processes (Level 2)

The fair values of securities that are not quoted in an active market are determined by using valuation techniques and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the management of the Company. The inputs in the valuation techniques used include observable data, such as vessel's sale prices and other relevant information generated by recent market transactions involving identical or comparable (similar) PSV Vessels.

b) Investment in ZETA Owners Inc.

Valuation processes (Level 2)

The fair values of securities that are not quoted in an active market are determined by using valuation techniques and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the management of the Company. The inputs in the valuation techniques used include observable data, such as vessel's sale prices and other relevant information generated by recent market transactions involving identical or comparable VLCC Vessels. The management of the Company has determined as fair value the consideration price agreed for the sale of its interest in Zeta Owners Inc.

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

7.3 Reconciliation of Level 3 fair value measurements

The following table presents the changes in Level 3 investments for the nine months ended 30 September 2021:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
30 September 2021		
Opening balance	58 862	58 862
Total gains or losses:		
- In profit or loss	(2 997)	(2 997)
Purchases	786	786
Issues	-	-
Sales / Reduction	-	-
Transfers out of level 3 (1)	(17 814)	(17 814)
Closing balance	<u>38 837</u>	<u>38 837</u>

The following table presents the changes in Level 3 investments for the year ended 31 December 2020:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
31 December 2020		
Opening balance	76 751	76 751
Total gains or losses:		
- In profit or loss	(30 001)	(30 001)
Purchases	36 742	36 742
Issues	-	-
Sales / Reduction	(24 630)	(24 630)
Transfers out of level 3	-	-
Closing balance	<u>58 862</u>	<u>58 862</u>

- (1) During Q3 2021, financial assets at fair value through profit or loss amounted to USD 17 814 thousands (Q3 2020 USD NIL), have been reclassified from Level 3 to Level 2 as the valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) Vessels. The data used is based on observable input. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels at the end of each quarter.

Unrealised gains or (losses) recognized in profit and loss attributable to assets held at the end of the reporting period (included in gains/losses) disclosed above:

30 September 2021	<u>(2 997)</u>	<u>(2 997)</u>
31 December 2020	<u>(30 001)</u>	<u>(30 001)</u>

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

7.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 30/09/2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>Financial asset at fair value through profit or loss:</p> <p>(a) 1. Investment in Wanax AS (100%) which holds:</p> <p>(i) 100% participatory interest in Standard Princess AS,</p> <p>(ii) 100% participatory interest in Standard Supplier AS,</p> <p>(iii) 100% participatory interest in Standard Viking AS,</p> <p>(iv) 28,12% participatory interest in Northern Supply AS.</p> <p>The principal activities of Standard Princess AS, Standard Supplier AS, Standard Viking AS and Northern Supply AS is that of the holdings of PSV vessels.</p> <p>2. Investment in Standard Invest AS (100%)</p>	<p>USD 38 780 thousands</p> <p>USD 57 thousands</p>	<p>Level 3 (note 1)</p>	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B (note 7.2.a.i).</p>	<p>Distressed value discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Distressed value discount rate is in the range of 20% to 25%, 29% to 40% and 30% to 35%, based on the size of the respective vessels (note 7.2.a.i).</p>	<p>Significant increases/(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower/higher fair value measurement (note 1).</p>
<p>(b) Investment in ZETA Owners Inc. (33,3%) which owns a VLCC vessel.</p> <p>The principal activity of ZETA Owners Inc. is that of transportation of crude and refined petroleum cargoes through the operation of the vessel Gustavia S.</p>	<p>USD 14 102 thousands</p>	<p>Level 2</p>	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) VLCC Vessels. The data used is based on observable input (note 7.2.b).</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p>(c) Investments in Northern Supply AS (28,12%) relating to PSV vessels FS Abergeldie, FS Braemar, FS Balmoral and FS Crathes. The principal activities of Northern Supply AS, is that of the holding of PSV vessels.</p>	<p>USD 3 712 thousands</p>	<p>Level 2</p>	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV Vessels. The data used is based on observable input (note 7.2.a.ii).</p>	<p>Not applicable</p>	<p>Not applicable</p>

Note 1:

A 5% increase/decrease of the discount rate used while all other variables were held constant, would change the fair value of vessels for the investment in Wanax AS by USD 0,6 million/ (USD 0,6) million.

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

7.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>Financial asset at fair value through profit or loss:</p> <p>(d) Investment in Wanax AS (100%) which holds:</p> <ol style="list-style-type: none"> 3. 100% participatory interest in Standard Princess AS, 4. 100% participatory interest in Standard Supplier AS, 5. 100% participatory interest in Standard Viking AS, 6. 100% participatory interest in Standard Olympus AS, 7. 28,12% participatory interest in Northern Supply AS. <p>The principal activities of Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Olympus AS and Northern Supply AS is that of the holdings of PSV vessels. Standard Provider AS and Standard Supporter AS have been liquidated on 29 September 2020.</p>	USD 44 400 thousands	Level 3 (note 1)	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B (note 7.2.a.i).</p>	<p>Distressed value discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Distressed value discount rate is in the range of 28% to 32%, 33% to 43%, 29% to 40%, and 38% to 47% based on the size of the respective vessels (note 7.2.a.i).</p>	<p>Significant increases/(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower/higher fair value measurement (note 1).</p>
<p>(e) Investment in ZETA Owners Inc. (33,3%) which owns a VLCC vessel.</p>	USD 14 462 thousands	Level 3	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on unobservable inputs (note 7.2.b).</p>	<p>A point estimate is provided by two independent valuers based on willing buyer/seller basis and the applied fair value for the asset is then set to the average of these two-point estimates and further adjusted for working capital and debt changes (note 7.2.b).</p>	<p>Not applicable</p>

Note 1:

A 5% increase/decrease of the discount rate used to predict distressed values for Valuer B, while all other variables were held constant, would change the fair value of vessels for the investment in Wanax AS by USD USD 1,0 million/ (USD 1,0) million.

NOTES TO THE FINANCIAL INFORMATION

NOTE 8 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 10 November 2021.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q3 2021

11 November 2021

S.D. Standard Drilling Plc

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