S.D. Standard Drilling Plc

Annual Report and Separate Financial Statements 2016

STANDARD DRILLING

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

MARTIN NES

CHAIRMAN

NON-EXECUTIVE DIRECTOR

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

Mr. Nes has previously worked several years for the Norwegian law firm Wikborg Rein, both in their Oslo and London offices and for the shipping law firm Evensen & Co. He holds a law degree from University of Oslo and a Master of laws' degree from University of Southampton, England. He was re-elected as a Chairman on 25 May 2016.

ARNE HELGE FREDLY

NON-EXECUTIVE DIRECTOR

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

GEORGE CRYSTALLIS

INDEPENDENT DIRECTOR

George Crystallis is Managing Director of M.G. Crystallis & Co Limited, a Cyprus trading company.

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

EVANGELIA PANAGIDE

GENERAL MANAGER

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

ESPEN LUNDAAS

ACTING CHIEF FINANCIAL OFFICER

Espen Lundaas serves as Acting Chief Financial Officer. He also serves as a Chief Financial Officer of Ferncliff TIH II AS one of Norway's largest investment companies. He holds a Master of Business and Economics from the Norwegian School of Management (1997-2001).

EXCEL-SERVE SECRETARIES LIMITED
COMPANY SECRETARY
Spyrou Kyprianou, 20
Chapo Central, 3rd Floor
1075 Nicosia
Cyprus

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

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the financial statements of S.D. Standard Drilling Plc ("the Company"), for the year ended 31 December 2016 we confirm that, to the best of our knowledge:

a) the financial statements of the Company for the year ended 31 December 2016 which are presented on pages 10 to 36.

  (i) were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union in accordance with provisions of Article 9, section 4 of the Law, and
  (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of S.D. Standard Drilling Plc, and the business that are included in the financial statements as a total, and

b) the Management Report provides a fair review of the developments and the performance of the business as well as the financial position of S.D. Standard Drilling Plc, together with a description of the principal risks and uncertainties that they are facing.

Limassol, 6 April 2017

Martin Nes Chairman	Arne Helge Fredly Non-Executive Director	George Crystallis Independent Director
	Espen Lundaas Chief Financial Officer	Evangelia Panagide General Manager

REPORT ON CORPORATE GOVERNANCE

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

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

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

IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

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

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

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

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

BUSINESS

The Company is an investment entity within the oil and gas sector, which invest directly or indirectly into companies, securities and / or assets, with the aim to control a larger fleet of assets – all acquired at low values for capital appreciation and investment income. Going forward and having a sound financial position, the Board believes that the Company is in a good position to take advantage of any attractive investment opportunities that may arise within the framework of industries it operates.

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

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

EQUITY AND DIVIDEND

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

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

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

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

All transactions between the Company and its close associates are disclosed in the financial statements. If there are material transactions between the Company and a shareholder, Board member, member of senior management, or a party closely related to any of the aforementioned, the Board of Directors will generally ensure that independent valuations are available.

The Company has adopted guidelines to ensure that members of Board of Directors and executive personnel notify the Board if they may have any direct or indirect interest in any transaction entered into by the Company. Information about the composition of the Company's shareholders is presented in note 21 to the financial statements.

FREELY TRANSFERABLE SHARES

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

GENERAL MEETINGS

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

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

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

COMMITTEES

Nomination Committee

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

The Nomination Committee submit recommendations to AGMs for the election of members of the Board of Directors. The recommendation will include relevant information on each candidate's background and independence. Furthermore, the Nomination Committee proposes remuneration to the members of the Board of Directors.
It is the Board of Directors' proposal that the composition of the Nomination Committee is in line with the Code of Practice.

Audit Committee

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

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

THE BOARD OF DIRECTORS COMPOSITION

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

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

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

THE WORK OF BOARD OF DIRECTORS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Remuneration of the Board of Directors

The remuneration paid to the members of the Committees had been decided at the AGM that took place on 11 May 2016, having considered proposals by the Board of Directors in line with the Code of Practice. Information about the fees paid to the Board of Directors and Committees is stated in the notes to the financial statements.

Remuneration of Executive Personnel

As the Company has a limited number of employees, the Company has not considered it necessary to adopt guidelines for remuneration of executive employees in line with the Code of Practice. Information on remuneration for the year 2016 for members of the senior management is presented in the notes to the financial statements.

Information and Communications

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

Takeovers

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

The Company will not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this. In the event of a take-over bid for the Company's shares, the Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid. If an offer is made for the Company's shares, SDSD's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board of Director's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board of Directors have excluded themselves from the Board of Directors' statement. The Board of Directors should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the statement. Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting.

Auditor

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

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

Management Report

The Board of Directors presents its report together with the audited financial statements of S.D Standard Drilling Plc. ("SDSD" or the "Company") for the year ended 31 December 2016.

History and Principal Activities

The Company was incorporated as a private limited liability company under the laws of Cyprus with the name of S.D. Standard Drilling Limited on 2 December 2010. The Company was converted into a public limited liability company on 23 December 2010 and the Company's name was changed to S.D. Standard Drilling Plc. The Company is listed on the Oslo Axess exchange, since March 2011, under the ticker SDSD.

The principal activity of the Company is that of the investment entity within the oil and gas sector, directly or indirectly into companies, securities and / or assets, with the aim to control or have significant influence over a larger fleet of assets.

Business Strategy

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

Having sold all initial rig building contracts, the strategy of the Company has changed to being an investment entity. The management of the Company performs investment analysis for the Company and puts forward proposals for potential investments to the Board of Directors. The investment decisions are made by the Board of Directors.

The Company's strategy is to invest in the oil services industry, directly or indirectly into companies, securities and / or assets, with the aim to control a larger fleet of assets- all acquired at low values for capital appreciation and investment income. The objective of the Company is to generate significant medium to long term capital growth. The main focus of the Company will be in the PSV market although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

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

Review of Developments, Position and Performance of the Company's Business

The Company achieved a number of important milestones during the year 2016:

- At the Annual General Meeting of the Company that took place on 11 May 2016, Mr. Glen Ole Rodland retired from his position as the chairman of the nomination committee, Mr. Costas Pantelides was appointed as a chairman and Mr. George Papanicolaou was appointed as a member of the nomination committee.

- The Company has invested USD 2.4 million, representing 20% of the total partnership capital of PSV Opportunity I DIS (hereinafter "PSV I"), a partnership arrangement established in Norway. PSV I owns three mid-size PSV vessels (VS 470 MKII) which were built at Kleven Shipyard in Norway in 2005 and 2006. The transaction was closed in early August 2016.

- The Company has invested USD 2.7 million, representing 20% of the total partnership capital of PSV Opportunity II DIS (hereinafter "PSV II"), a partnership arrangement established in Norway. PSV II owns two mid-size PSV vessels (UK 755 LNI) which were built at Aker Aukra in Norway in 2009 and 2008. The transaction was closed on 26 October 2016.

- On 28 October 2016 the Company purchased 10 521 667 senior secured callable bonds (the "bonds") of World Wide Supply AS ("WWS") in the secondary market at a price of USD 1.78 million. On 3 November 2016 the Company purchased additionally 1 700 000 bonds at a price of USD 242 thousands.

- On 21 November 2016 the Company acquired the entire share capital of Wanax AS, a company incorporated in Norway and on 29 November 2016 the Company further subscribed to the share capital and share premium of the subsidiary an additional USD 5.1 million by transferring the participatory interest held by the Company in PSV Opportunity I DIS and in PSV Opportunity II DIS to the subsidiary company Wanax AS.

Non-Financial KPIs

Health, Safety and Environmental regulations:

The Company aims to comply in all material respects with the health, safety and environmental regulations affecting its operations in the countries and jurisdictions in which the Company is operating. In this respect the management has developed and is currently monitoring a system of Non-financial KPIs with regards to the health, safety and environmental regulations. As of today the Company was not found in breach of any of the aforementioned regulations. The Company is not, nor has been involved in any legal, governmental or arbitration proceedings. This is in line with the overall culture and vision of the Company.

Financial Results

The Company's results for the year are set out on page 10. The Company's loss after tax for the year ended 31 December 2016 which is attributable to the equity holders was USD 277 thousands compared to a net loss of USD 3.3 million for the year ended 31 December 2015. The total assets of the Company for 2016 were USD 9.3 million and the net assets were USD 9.1 million, compared to USD 9.4 million and USD 9.4 million respectively in 2015. Despite the loss of USD 277 thousands the financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

Principal Risks and Uncertainties

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the PSV market. The Company is also exposed to other financial risks as disclosed in Note 3 of the 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 market place in order to help mitigate market risk. Internal procedures have been and are continuously being developed to help mitigate financial and operational risks.

Future Developments of the Company

The Company has further invested in the PSV market directly and through its controlled subsidiary company Wanax As (see note 24 to these financial statements).

Going forward the Company will seek similar investment opportunities. Having a sound financial position, the Board believes that the Company is in a good position to take advantage of any attractive investment opportunities that may arise within the framework of industries it operates.

Dividends

The Board of Directors does not recommend the payment of a dividend for the year 2016.

Share capital And Premium

There were no changes in the share capital and share premium of the Company during the year.

Board of Directors

The members of the Board of Directors as at 31 December 2016 and at the date of this report are shown on page 3.

There were no significant changes in the assignment of responsibilities as well as other changes in the composition of the Board of Directors during 2016, other than the following:

Mr. Martin Nes was re-elected in the position of the chairman on 11 May 2016.

In accordance with the Company's Articles of Association, Mr. George Crystallis will retire by rotation but being eligible for re-election he has already expressed his willingness to continue in office and offered himself for reappointment at the Annual General Meeting of the Company.

The remuneration of the Members of the Board of Directors is shown in note 23 of these financial statements.

Directors' Interest in the Share Capital of The Company

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

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

Executive member of the management

- Espen Lundaas through EL Investment AS.

Events After the Balance Sheet Date

Any material post balance sheet events are described in note 24 to these financial statements.

Branches

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

Corporate Governance

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

Independent Auditors

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

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

EXCEL-SERVE SECRETARIES LIMITED NICOSIA CYPRUS

Excel – Serve Secretaries Limited

Secretary, Limassol, 6 April 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in USD 000)	Note	31.12.2016	31.12.2015
		Audited	*Audited*
Income			
Changes in fair value on financial assets and financial liabilities at fair value through profit or loss	8	193	-
Interest income		42	241
Net foreign currency gains or losses		-	(2 851)
Total net income /(loss)		**235**	(2 610)
Expenses			
Impairment charges	11	-	(10)
Administration fees	16	(501)	(643)
Waived amount due to subsidiary		-	(31)
Other operating expenses		-	(2)
Total operating expenses		**(501)**	(686)
Operating profit/(loss)		**(266)**	(3 296)
Finance costs			
Sundry finance expenses	17	(11)	(15)
Profit/(loss) for the year before tax		**(277)**	(3 311)
Income tax expense	18	-	-
Profit/(loss) for the year after tax		**(277)**	(3 311)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available-for-sale investments – Fair value loss	14	(1)	-
Other comprehensive income for the year		**(1)**	-
Total comprehensive income for the year		**(278)**	(3 311)
Earnings/(loss) per share			
Basic/diluted earnings/(loss) per share	19	(0,00)	(0,01)

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

(Amounts in USD 000)	Note	31.12.2016	31.12.2015
ASSETS		*Audited*	*Audited*
Equipment and machinery	7	1	1
Financial asset at fair value through profit or loss	8	5 300	-
Total non-current assets		**5 301**	**1**
Trade and other receivables	9	144	35
Senior secured callable bonds	10	2 018	-
Available-for-sale financial assets	11	15	16
Current tax asset	18	1	1
Cash and bank balances	12	1 798	9 393
Total current assets		**3 976**	**9 445**
Total Assets		**9 277**	**9 446**
EQUITY AND LIABILITIES			
Ordinary shares	13	2 620	2 620
Share premium	13	6 938	6 938
Other reserves	14	(1)	-
Accumulated profits/(losses)		(454)	(177)
Total equity		**9 103**	**9 381**
Trade and other payables	15	174	65
Total current liabilities		**174**	**65**
Total Equity and Liabilities		**9 277**	**9 446**

On 6 April 2017, the Board of Directors of S.D. Standard Drilling Plc authorized these financial statements for issue.

Martin Nes
Chairman

George Crystallis
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in USD 000)	Share Capital	Share Premium	Fair value reserve - available for sale investments	Accumulated Profits/(Losses)	Total
Balance at 01.01.2015	**2 620**	**39 950**	**-**	**12 304**	**54 874**
Comprehensive income					
Profit/(Loss) for the year	-	-	-	(3 311)	(3 311)
Transactions with owners					
Dividend paid	-	-	-	(9 170)	(9 170)
Share premium reduction	-	(33 012)	-	-	(33 012)
Total transactions with owners	-	(33 012)	-	(9 170)	(42.182)
Balance at 31.12.2015 *(Audited)*	**2 620**	**6 938**	**-**	**(177)**	**9 381**
Balance at 01.01.2016	**2 620**	**6 938**	**-**	**(177)**	**9 381**
Comprehensive income					
Profit/(loss) for the year	-	-	-	(277)	(277)
Other comprehensive income					
Available-for-sale investments – Fair value loss	-	-	(1)	-	(1)
Balance at 31.12.2016 *(Audited)*	**2 620**	**6 938**	**(1)**	**(454)**	**9 103**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts in USD 000)		**31.12.2016**	31.12.2015
	Note	*Audited*	*Audited*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the year before income tax		(277)	(3 311)
Unrealised exchange loss		-	2 870
Payments to acquire financial assets at fair value through profit or loss	8	(5 107)	-
Impairment charges		-	10
Depreciation and amortization		-	2
Interest income		(42)	(241)
(Decrease)/Increase in trade and other receivables		(109)	38
Increase in financial asset fair value through profit or loss	8	(193)	-
Increase in trade and other payables		109	17
Net cash generated from/(used in) operating activities		**(5 619)**	**(615)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the purchase of senior secure callable bonds	10	(2 018)	-
Decrease in restricted cash		-	11
Interest received		42	241
Net cash generated from/(used in) investing activities		**(1 976)**	**252**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium redemption		-	(35 059)
Interim dividends paid		-	(9 962)
Net cash generated used in financing activities		**-**	**(45 021)**
Net decrease in cash and cash equivalents		**(7 595)**	**(45 384)**
Cash and cash equivalents at beginning of year		9 393	54 777
Non-cash transaction		-	-
Cash and cash equivalents at end of year		1 798	9 393

Notes to the Financial Statements For the Year Ended 31 December 2016

Note 1 – Incorporation And Principal Activities

Country of incorporation

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

Principal activities

The principal activity of the Company is that of the investment entity within oil and gas sector, directly or indirectly into companies, securities and / or assets, with the aim to control a larger fleet of assets-all at low values. The objective of the Company is to generate significant medium to long term capital growth. The main focus of the Company is currently in the PSV market 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.

Note 2 – Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

The Company meets the definition of an investment entity by IFRS 10 and is required to account for the investment in the subsidiary, which was incorporated for the purpose of holding the underlying investment on behalf of the Company, at fair value through profit or loss.

These financial statements are the only financial statements presented by the Company.

2.1.1 Going concern

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

2.1.2 Adoption of new and revised IFRS's

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2016 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1.2 Adoption of new and revised IFRS's (continued)

In the current year, 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 2016. The adoption of these Standards did not have a material effect on the financial statements.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2016:

(i) Standards and Interpretations adopted by the EU

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" including amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018).
- Investment Entities amendments to IFRS 10, IFRS 12, and IAS 28 "Investment Entities - Applying the Consolidation Exception"(effective for annual periods beginning on or after 1 January 2016).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
- IAS 7 (Amendments) "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2017).
- IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018/ 1 January 2017).
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40: "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 INVESTMENT ENTITY

The company, being a listed entity, has multiple unrelated investors and holds multiple investments. The Board has determined that the Company meets the definition of an investment entity per IFRS as the following conditions exist:

- The Company has announced and subsequently obtained funds for the purpose of providing investors with professional investment management services;
- The business purpose of the Company is to invest mainly in the PSV market, although will pursue any attractive investment opportunities that may arise within the framework of industries it operates, for the purposes of capital appreciation and investment income; and
- The Investments are measured and evaluated by management on a fair value basis.

2.3 INVESTMENT IN SUBSIDIARIES AND CONSOLIDATION

The company does not have any other subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10. The Company's controlled subsidiary investment, Wanax AS, has been incorporated for the purpose of holding the underlying investments on behalf of the Company.

2.4 REVENUE RECOGNITION

Revenue earned by the Company is recognized on the following basis:

2.4.1 Interest income

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

2.5 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 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'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 EQUIPMENT AND MACHINERY

(a) *Measurement*

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

(b) *Depreciation*

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

	%
Computer Hardware	20
Furniture and fittings	10

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

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

(c) *Subsequent cost*

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

(d) *Disposal*

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

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 of three months or less with banks.

2.7 SHARE CAPITAL

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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 TRADE RECEIVABLES

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

2.11 LOANS GRANTED

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 INTANGIBLE ASSETS

Computer software

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

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

2.13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

2.14 DIVIDENDS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss has two sub categories: financial assets held for trading and those designated at fair value through profit of loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within twelve months of the balance sheet date.

Regular way purchases and sales of financial assets are recognized on the trade date which is the date on which the Company commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in profit of loss within other (losses)/gains – net in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit or loss as part of other income when the Company's right to receive payments is established.

2.16 TRANSACTION COSTS

Qualifying transaction costs incurred in anticipation of an issuance of equity instruments and across reporting periods are deferred on the balance sheet until the equity instrument is recognized.

2.17 SEGMENTAL INFORMATION

The Company does not operate and consequently does not report through any segments as all the investments are fair valued and currently within the same market and industry.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Price risk

The Company is exposed to equity price risk because of investments held which have been classified on the balance sheet either as available-for-sale financial assets or at fair value through profit or loss. The available for sale investments are susceptible to market price risk arising from uncertainties about future prices. The fair value through profit or loss investments are susceptible to market risk arising from the operations, performance and the fair value of the PSV vessels held through its controlled subsidiary.

The Company's investments are highly concentrated in equity securities of entities which are active in the PSV market. These investments consist 79% of total assets as at 31 December 2016.

Management monitors the Company's price risk exposure on a continuous basis and acts accordingly.

(iii) Cash flow and fair value interest rate risk.

The Company's interest rate risk arises from interest-bearing assets and liabilities. Interest-bearing instruments at variable rates expose the Company to cash flow interest rate risk. Interest bearing instruments at fixed rates expose the Company to fair value interest rate risk. The Company's interest rate risk is mainly derived from cash balances and deposits held by the Company as at year end. Management does not consider the Company's interest rate risk exposure to be significant.

(b) PSV market risk

The Company has made significant investments in the PSV market. Although the Company believes that the investments have been made on favourable terms, there is a risk that a further prolonged downturn in the PSV market will affect the Company's investments significantly. The risk factors specific to the PSV market, are described below:

Downturn in offshore market

The offshore market in which PSV's operates is currently experiencing a downturn. The market for offshore vessels is characterized by supply far exceeding demand. As a consequence of low fleet utilization and rates achieved, many platform supply vessels have generated revenue below operating expenses. If the downturn in the market continues, this will have a material adverse effect on the business, financial condition, results of operation and cash flow of the companies that the Company has invested in.

Dependency on oil and gas prices

The Company's return on the investments in the PSV market is significantly affected by, among other things, volatile oil and gas prices and may be materially adversely affected by a further decline in offshore oil and gas exploration, development and production.

Oil and gas prices are volatile and are affected by numerous factors beyond the Company's control, including, but not limited to, the following:

- worldwide demand for natural oil and gas;
- the cost of exploring for, developing, producing, transporting and distributing oil and gas;
- expectations regarding future energy prices – for both oil and gas and other sources of energy;
- the ability of the Organization of Petroleum Exporting Countries ("**OPEC**") to set and maintain production and impact pricing;
- level of worldwide production;
- government laws and regulations, including environmental protection laws and regulations;
- the development and exploitation of alternative fuels, and the competitive, social and political position of oil and gas as a source of energy compared with other energy sources;
- local and international political, economic and weather conditions;
- political and military conflicts; and
- the development and exploitation of alternative energy sources.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) PSV market risk (Continued)

Fluctuating value of the fleet

The value of the vessels in which the Company has indirect ownership may increase or decrease depending on a number of factors, including (but not limited to):

- general economic and market conditions affecting the offshore industry, including completion from other owners of platform supply vessels;
- types, sizes and ages of the vessels;
- supply and demand for the vessels;
- cost of new buildings;
- prevailing and expected level of contract day rates; and
- technological advances.

The management has established and implemented sufficient systems and procedures to monitor PSV market and stay alert to changes in the PSV market place in order to help mitigate those risks in timely manner.

(c) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk arises from deposits with banks and financial institutions, as well as credit exposures to loans receivables from third parties.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Company's major classes of financial assets are bank deposits, senior secured callable bonds and trade and other receivables (note 6).

(d) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

(Amounts in USD 000)	Carrying Amounts	Contractual Cash flows	3 months or Less	3-12 months	1-2 years	2-5 years	More than 5 years
2015							
Trade and other payables	65	65	65	-	-	-	-
Total	**65**	**65**	**65**	**-**	**-**	**-**	**-**

(Amounts in USD 000)	Carrying Amounts	Contractual Cash flows	3 months or Less	3-12 months	1-2 years	2-5 years	More than 5 years
2016							
Trade and other payables	174	174	174	-	-	-	-
Total	**174**	**174**	**174**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 CAPITAL RISK MANAGEMENT

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

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

3.3 FAIR VALUE ESTIMATION

3.3.1 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 financial assets and liabilities that are measured at fair value:

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

(Amounts in USD 000)	Level 1	Level 2	Level 3	Total
At 31 December 2016				
Assets				
Available for sale financial assets				
- Equity securities	15	-	-	15
Financial Assets through profit or Loss				
- Financials asset designated at fair value through profit or loss	-	5 300	-	5 300
Total financial assets measured at fair value	15	5 300	-	5 315

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 3 – FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 FAIR VALUE ESTIMATION

3.3.2 Fair value of the Company's financial assets and financial liabilities 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		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/16	31/12/15		
1) Financial asset designated at fair value through profit or loss Investment in Wanax AS (100%) which holds: (i) (20% Participatory interest in PSV Opportunity I DIS "PSV I" and, (ii) 20% participatory interest in PSV Opportunity II DIS "PSV II", The principal activity of PSV I and PSV II is that of the holding of PSV vessels.	USD 5 300 thousands	N/A	Level 2	Market Approach The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV vessels. The data used are based on observable inputs.
2) Listed shares - Bank of Cyprus Holdings Plc	USD 15 thousands	USD 16 thousands	Level 1	Quoted bid prices in an active market

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Income taxes and deferred tax assets

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

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

Investment entity status

In determining the Company's status as an investment entity in accordance with IFRS 10, the Board of Directors considered the following:

a) The Company has announced and subsequently obtained funds for the purpose of providing investors with professional investment management services;
b) The business purpose of the Company is to invest mainly in the PSV market, although will pursue any attractive investment opportunities that may arise within the framework of industries it operates, for the purposes of capital appreciation and investment income; and
c) The Investments are measured and evaluated by management on a fair value basis.

The Company exercised its judgement and concluded that the Company met all three defining criteria. In addition the Board of Directors has assessed the business purpose of the Company and concluded that the Company qualifies as an investment entity.

Fair value of investments not quoted in an active market

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 Board of Directors. The inputs in the valuation techniques used include observable data, such as relevant information generated by recent market transactions involving identical or comparable assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 5 - FINANCIAL INSTRUMENTS BY CATEGORY

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

(Amounts in USD 000)	Other financial liabilities	Total
2015		
Liabilities as per balance sheet		
Payables (excluding statutory liabilities)	65	65
Total at the end of the year	**65**	**65**

(Amounts in USD 000)	Loans and receivables	Assets at fair value through profit or loss	Available-for Sale	Total
2016				
Assets as per balance sheet				
Financial assets at fair value through profit or loss	-	5 300	-	5 300
Senior secured callable bonds	2 018	-	-	2 018
Trade and other receivables (excluding prepayments)	30	-	-	30
Available-for-sale financial asset	-	-	15	15
Cash and cash equivalents	1 798	-	-	1 798
Total at the end of the year	**3 846**	**5 300**	**15**	**9 161**

(Amounts in USD 000)	Other financial liabilities	Total
2016		
Liabilities as per balance sheet		
Payables (excluding statutory liabilities)	174	174
Total at the end of the year	**174**	**174**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 6 – CREDIT QUALITY OF FINANCIAL ASSETS

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

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Cash at bank and restricted bank deposits (1)	1 798	9 393
Trade and other receivable (excluding prepayment) (2)	30	31
Total at the end of the year	**1 828**	**9 424**

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

			Credit ratings	
(Amounts in USD 000)	**31.12.2016**	**31.12.2015**	**Long term rating**	**Short term rating**
DNB Bank ASA (Standard & Poor's)	1 793	9 385	A+	A-1
Bank of Cyprus Public Company Limited (Moody's)	5	8	Caa3	Not Prime

(2) The balance relates to other receivables with no history of default.

Financial Assets with Collaterals and Other Credit Enhancements:

(Amounts in USD 000)	**31.12.2016**	31.12.2015
Senior secured callable bonds	2 018	-
Total at the end of the year	**2 018**	**-**

The senior secured callable bonds are secured on certain assets of the issuer (note 10).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 7 – EQUIPMENT AND MACHINERY

(Amounts in USD 000)	Computer Hardware	Total
Cost		
At 1 January 2015	2	2
At 31 December 2015	**2**	**2**
At 31 December 2016	**2**	**2**
Depreciation		
At 1 January 2015	1	1
Charge for the year	-	-
At 31 December 2015	1	1
Charge for the year	-	-
At 31 December 2016	**1**	**1**
Net book amount		
Balance at 31 December 2016	**1**	**1**
Balance at 31 December 2015	**1**	**1**

NOTE 8 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

(Amounts in USD 000)	**31.12.2016**	31.12.2015
Balance at 1 January	-	-
Additions	5 107	-
Change in fair value	193	-
Exchange differences	-	-
Balance at the end of the year	**5 300**	-

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	
			31.12.2016	31.12.2015
Wanax AS	Investment holding	Norway	100%	-

1) The Company has invested USD 2.4 million, representing 20% of the total partnership capital of PSV Opportunity I DIS (hereinafter "PSVI"), a partnership arrangement established in Norway. "PSVI" owns three mid-size PSV vessels (VS 470 MKII) which were built at Kleven Shipyard in Norway in 2005 and 2006. The transaction was closed in early August 2016.

2) The Company has invested USD 2.7 million, representing 20% of the total partnership capital of PSV Opportunity II DIS (hereinafter "PSV II"), a partnership arrangement established in Norway. PSV II owns two mid-size PSV vessels (UT 755 LN) which were built Aker Aukra in Norway in 2009 and 2008. The transaction was closed on 26 October 2016.

3) On 21 November 2016 the Company acquired the entire share capital of Wanax AS, a company incorporated in Norway for a consideration of USD 7 thousands. On 29 November 2016 the Company has subscribed to the share capital and share premium of Wanax AS an additional USD 5.1 million by transferring the participatory interest held by the Company in PSV Opportunity I DIS and in PSV Opportunity II DIS to the subsidiary company Wanax AS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 8 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

The above investments are measured at fair value.

(Amounts in USD 000)	**31.12.2016**	31.12.2015
Other net changes in fair value on financial assets at fair value through profit or loss		
Realised	-	-
Unrealised change	193	-
Total net gains/(losses)	**193**	-
Other net changes in fair value on assets, held for trading	-	-
Other net changes in fair values on assets designated at fair value through profit or	193	-
Total net gains/(losses)	**193**	-

NOTE 9 – TRADE AND OTHER RECEIVABLES

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Prepayments	114	4
Other receivables	30	31
Total trade and other receivables at the end of the year	**144**	**35**

Prepayments of USD 91 thousands relates to anticipated qualifying transaction costs of equity instruments issued after the year end (Note 24).

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

NOTE 10 – SENIOR SECURED CALLABLE BONDS

(Amounts in USD 000)	**31.12.2016**	31.12.2015
Balance at 1 January	-	-
Additions	2 018	-
Balance at the end of the year	**2 018**	-

On 28 October 2016 the Company purchased 10 521 667 senior secured callable bonds (the "bonds") of World Wide Supply AS ("WWS") in the secondary market at a price of USD 1.78 million. On 3 November 2016 the Company purchased additionally 1 700 000 bonds at a price of USD 242 thousands. World Wide Supply AS initially issued 150 million senior secured callable bonds in November 2013 at a price of USD 1 each. The coupon rate was 7.75% per annum and the maturity date was set on 26 May 2017.

On 22 December 2016 the bondholders made a resolution to instruct the bond trustee to declare the bond in default and requested WWS to sell the vessels to a new company to be established named New World Supply Ltd ("NWS") where the bondholders had the right to invest. The anticipated proceeds from disposals of WWS vessels will be distributed to bondholders on a later date.

The fair value of the Company's senior secured callable bonds approximate its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 11 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

(Amounts in USD 000)	**31.12.2016**	31.12.2015
Balance at the beginning of year	16	26
Net loss arising on revaluation of available for sale financial asset	(1)	-
Impairment charge	-	(10)
Balance at the end of year	**15**	**16**

NOTE 12 – CASH AND CASH EQUIVALENTS

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Cash at bank	1 798	9 393
Cash and cash equivalents at the end of the year	**1 798**	**9 393**

Cash and bank balances are denominated in the following currencies:

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
US Dollar - functional and presentation currency	1 693	9 233
Norwegian Kroner	105	160
	1 798	9 393

NOTE 13– SHARE CAPITAL AND PREMIUM

Authorised *(Amounts in USD 000)*	**Number of shares (thousands)**	**Ordinary shares**	**Total**
2015			
Balance at the beginning of the year	362 000	362 000	**362 000**
Balance at the end of the year	**362 000**	**362 000**	**362 000**
2016			
Balance at the beginning of the year	362 000	362 000	**362 000**
Balance at the end of the year	**362 000**	**362 000**	**362 000**

Issued and fully paid *(Amounts in USD 000)*	**Number of shares (thousands)**	**Ordinary shares**	**Share premium**	**Total**
2015				
Balance at the beginning of the year	262 000	2 620	39 950	42 570
Share premium reduction	-	-	(33 012)	(33 012)
Balance at the end of the year	**262 000**	**2 620**	**6 938**	**9 558**
2016				
Balance at the beginning of the year	262 000	2 620	6 938	9 558
Balance at the end of the year	**262 000**	**2 620**	**6 938**	**9 558**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 14 – OTHER RESERVES

(Amounts in USD 000)	**31.12.2016**	31.12.2015
Fair value reserve-available for sale investments (1)	(1)	-
Balance at the end of year	**(1)**	-

1) The fair value reserve-available for sale investments represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

NOTE 15 – TRADE AND OTHER PAYABLES

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Other payables	64	39
Accrued expenses	110	26
Total trade and other payables at the end of the year	**174**	**65**

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

NOTE 16 – ADMINISTRATIVE EXPENSE

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Legal, consulting and professional fees	296	356
Other expenses	67	106
Salary and other short-term employee benefit (note 23)	138	181
Total administrative expenses	**501**	**643**

During 2016, audit fees of USD 22 thousand (2015: USD 14 thousand), fees of USD NIL (2015: USD NIL) for other assurance services and fees of USD NIL (2015: USD NIL) for tax consultancy services were charged by the Company's statutory audit firm.

16.1 Employees full time

	31.12.2016	**31.12.2015**
Employees	1	1

NOTE 17 – FINANCE COSTS

Finance costs:		
Bank charges	(11)	(15)
Total finance cost	**(11)**	**(15)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 18 – INCOME TAX EXPENSE

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Current tax:		
Corporation tax prior year	-	-
Total current tax	-	-
Deferred tax:		
Origination of temporary differences	-	-
Total deferred tax	-	-
	-	-
Income tax expense	**-**	**-**

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

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Profit/(loss) before tax	(277)	(3 311)
Tax calculated at the applicable tax rates	(35)	(414)
Tax effect of expenses not deductible for tax purposes	45	369
Tax effect of allowances and income not subject to tax	(25)	
Tax effect of tax loss for the year	15	45
Tax charge	**-**	**-**

The corporation tax rate is 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2015: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for 2016 (2015: 17%).

Balance sheet

Current tax asset:

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Corporate income tax refundable	1	1
Total current tax asset at the end of the year	**1**	**1**

Current tax liability:

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Corporate income tax	-	-
Total current tax liability at the end of the year	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 19 – EARNINGS PER SHARE

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

19.1 Basic earnings per share

(Amounts in USD 000)	**31.12.2016**	**31.12.2015**
Profit/(loss) attributable to equity holders of the Company	(277)	(3 311)
Weighted average number of ordinary shares for the purposes of basic earnings per share in issue (thousands) - Note 13	262 000	262 000
Basic earnings per share	**(0,00)**	**(0,01)**

There are no potentially dilutive instruments.

NOTE 20 – DEFERRED INCOME TAX

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. As of 31 December 2016 the Company doesn't have unutilized losses which can be carried forward and used to offset against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 21 – SHAREHOLDERS' INFORMATION

The Company's 20 largest shareholders are as follows:

	31.12.2016		31.12.2015	
Owner	Number of Shares	Ownership interest in %	Number of Shares	Ownership interest in %
SAGA Tankers ASA	120 564 458	46,02	120 564 458	46,02
Euroclear Bank N.V	78 338 000	29,90	-	-
Apollo Asset Limited	27 000 000	10,31	27 000 000	10,31
HRF Marine LLC	27 000 000	10,31	27 000 000	10,31
Park Lane Family Office AS	1 060 679	0,40	2 500 000	0,95
Oculomotorius AS	967 126	0,37	346 098	0,13
Spontel AS	615 791	0,24	615 791	0,24
EL Investment AS	460 762	0,18	460 762	0,18
Hanekamb Invest AS	410 762	0,16	410 762	0,16
Strata Marine & Offshore AS	381 339	0,15	381 339	0,15
Verpentangen AS	340 000	0,13	340 000	0,13
Citibank N.A.	273 550	0,10	273 550	0,10
Johansen Geir	250 000	0,10	250 000	0,10
Clearstream Banking S.A	213 600	0,08	213 600	0,08
Myklebust	206 000	0,08	-	-
Dirdal Anders	200 000	0,08	-	-
Nordnet Livsforsikring	179 923	0,07	-	-
The Bank of New York Mellon N.V.	160 000	0,06	-	-
Bronken	143 000	0,05	-	-
Profond AS	128 300	0,05	128 300	0,05
Bnybe – QVT Fund V LP I	-	-	56 922 364	21,73
BNYPE – QVT Fund IV LP I	-	-	8 754 389	3,34
Quintessence Fund LP	-	-	8 448 377	3,22
Deutsche Bank AG	-	-	4 212 870	1,61
Sparebanken Sogn og Fjordane	-	-	479 939	0,18
Mathias Holding AS	-	-	300 000	0,11
Total 20 largest	258 893 290	98,84	259 602 599	99,10
Others	3 106 710	1,16	2 397 401	0,90
Total	**262 000 000**	**100,00**	**262 000 000**	**100,00**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 22 – RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

22.1 Management services

(Amounts in USD 000)	**Nature of transactions**	**31.12.2016**	**31.12.2015**
Ferncliff TIH II AS	Management fees	150	240
Total		**150**	**240**

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

NOTE 23 – REMUNERATION TO THE BOARD OF DIRECTORS

(Amounts in USD 000)	**Directors' Fees**	**Salary**	**31.12.2016 Total**	**31.12.2015 Total**
Executive management:				
Evangelia Panagide – General Manager	-	44	44	43
Total remuneration executive management	**-**	**44**	**44**	**43**
Average number of employees	**-**	**-**	**1**	**1**

(Amounts in USD 000)	**Directors' Fees**	**Salary**	**31.12.2016 Total**	**31.12.2015 Total**
Board of Directors:				
Martin Nes (Chairman)	51	-	51	75
Arne Fredly (Non-Executive Director)	34	-	34	49
George Crystallis (Independent Director)	2	-	2	2
Glen Rodland (Nomination Committee Chairman)	4	-	4	10
Costas Pantelides (Nomination Committee member/ Chairman)	2	-	2	2
George Papanicolaou (Nomination Committee member)	1	-	1	-
Total remuneration of Board of Directors	**94**	**-**	**94**	**138**

NOTE 24 – 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 January 2017, the Company through its wholly owned subsidiary Wanax AS, invested USD 5.2 million representing 35% of the issued share capital of PSV Opportunity III DIS (hereinafter "PSV III"), a partnership arrangement established in Norway. PSV III owns two mid-size PSV vessels (UT 755 LN) which were built at Aker Brevik in Norway in 2007 and 2008. The transaction was closed on 19 January 2017.

2. On 4 January 2017 the Company held an Extraordinary General Meeting where it was resolved to increase the Company's authorised share capital from 362 000 000 to 1 022 000 000 ordinary shares of USD 0,01 each by the creation of additional 660 000 000 ordinary shares of a nominal value of USD 0,01 each.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NOTE 24 – SUBSEQUENT EVENTS (CONTINUED)

3. On 4 January 2017, the Company issued 423 076 924 new shares through a Private Placement with gross proceeds of NOK 275 million (USD 31 815 thousands). The subscription price per new share was set to NOK 0,65 (USD 0,0752) which included a share premium of USD 0,0652 per ordinary share.

4. On 5 January 2017, the Company issued 111 111 200 new shares through a Private Placement with gross proceeds of NOK 100 million (USD 11 644 thousands). The subscription price per new share was set to NOK 0,90 (USD 0,1048) which included a share premium of USD 0,0948 per share.

5. On 13 January 2017, the Company invited certain eligible shareholders as of 8 December 2016 to subscribe for a subsequent offering comprising of up to 9 500 000 Offer Shares at a subscription price of NOK 0,65 per offer share. On 22 January 2017 the Company received applications with gross proceeds of NOK 3.58 million (USD 424 thousands) and allotted 5 514 718 offer shares at the price of USD 0,0769 which included a share premium of USD 0,0669 per share.

6. On 24 January 2017 the Company was allocated 5 082 837 ordinary shares, representing 15,6% ownership of New World Supply Ltd at a cost of USD 5,08 million.

7. On 24 January 2017, the Company issued 220 297 158 new shares through a Private Placement with gross proceeds of NOK 198 million (USD 23 748 thousands). The subscription price per new share was set to NOK 0,90 (USD 0,1078) which includes a share premium of USD 0,0978 per share.

8. On 19 February 2017, the Company agreed to acquire three large Platform Supply Vessels ("PSV's") for a total consideration of USD 40 million. The PSV's are all built at Aker Brattvaag, Norway in 2007-2008. The Company took delivery of the PSV's on 9 February and are owned by three 100% owned subsidiaries.

9. On 23 February 2017 the Company held an Extraordinary General Meeting where it was resolved to increase the Company's authorised share capital from 1 022 000 000 to 1 550 000 000 ordinary shares of USD 0,01 each by the creation of additional 528 000 000 ordinary shares of a nominal value of USD 0,01 each.

10. In March 2017 the Company acquired a further 7,7% of New World Supply Ltd. The consideration price was set to NOK 26 250 thousands and was settled with the issue and allotment of 35 000 000 new ordinary shares of the Company at the subscription price of NOK 0,75 (USD 0,08741) which included a share premium of USD 0,07741 per share. Following the transaction, the Company holds a 23,3% ownership in New World Supply Ltd.

11. In April 2017 the Company acquired a further 2,9% of New World Supply Ltd. The consideration price was set to NOK 9 798 thousands and was settled with the issue and allotment of 13 064 002 new ordinary shares of the Company at the subscription price of NOK 0,75 (USD 0,08741) which included a share premium of USD 0,07741 per share. Following the transaction, the Company holds a 26,2% ownership in New World Supply Ltd.

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

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Independent auditor's report

To the Members of S.D. Standard Drilling Plc

Report on the audit of the financial statements

Our opinion

In our opinion, the accompanying financial statements of S.D. Standard Drilling Plc ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements which are presented in pages 10 to 36 which comprise:

- the statement of financial position as at 31 December 2016;
- the comprehensive income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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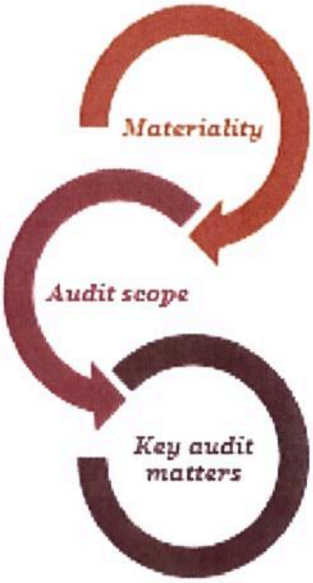
Our audit approach

Overview

We designed our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we considered the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Overall materiality: US$92.700, which represents 1% of total assets.

We conducted full scope audit procedures on the complete financial information.

We have identified the following key audit matters:

- Classification of the Company as an investment entity
- Valuation of financial assets measured at fair value through profit or loss

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	US$92.700
How we determined it	1% on total assets
Rationale for the materiality benchmark applied	We chose total assets as the most appropriate benchmark, because in our view, it is the benchmark against which the performance of the Company is most commonly measured by the users, and is a generally accepted benchmark. We chose 1% which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with those charged with governance that we would report to them individual misstatements identified during our audit above US$4.700 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our audit scope
S.D. Standard Drilling Plc is an investment entity. The Company does not have any other subsidiaries other that those determined to be controlled subsidiary investments which are measured at fair value through profit or loss.

Considering our ultimate responsibility for the opinion on the Company's financial statements we are responsible for the direction, supervision and performance of the audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures to ensure that we perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Overall, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Company to provide a basis for our audit opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Classification of the Company as investment entity	
Refer to Note 2 – Significant accounting policies The Board has determined that the Company meets the definition of investment entity per IFRS as the Company has announced that 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 ; has obtained funds for investment management services; and the investments are measured and evaluated by management on a fair value basis. We focused on this area because of the significant judgement required by the Board of Directors in establishing whether the Company is an investment entity as defined by IFRS 10.	We have evaluated the Board of Director's assessment and have reviewed the Board of Directors minutes; management reports and announcements made whether the classification of the Company as an investment entity is in accordance with IFRS 10. We have also evaluated the adequacy of the disclosures made in Notes 2 and 4 of the financial statements.
Valuation of financial assets measured fair value through profit or loss	
Refer to Notes 8 –Financial assets at fair value through profit or loss The Company measures its investment in subsidiary at fair value through profit or loss. Management has established the fair value of its investment in subsidiary based on a valuation technique that uses prices and other relevant information generated by	We have assessed the management's assessment of the valuation technique and the fair value by considering the assumptions used, the reliability of data used and the mathematical accuracy of calculations performed. We have also evaluated the competency and objectivity of valuers used by the Company.

Key Audit Matter	How our audit addressed the Key Audit Matter
market transactions involving identical or comparable assets. The data used for the valuation is based on observable inputs other than quoted prices (level 2). We focused on this area because of the significant judgement required by the Board of Directors in establishing the correct fair value hierarchy classification and fair values as required by IFRS 13.	We also evaluated the adequacy of the disclosures made in Notes 3.3 and 8 of the financial statements, including those regarding the valuation techniques and key inputs.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management report, and the Company's complete Annual report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Tasos Nolas.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

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6 April 2017