Interim Condensed Consolidated Financial Statements

S.D. Standard Drilling Plc.

For the period 1 January – 30 September 2011

CONTENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2011

(All amounts in USD thousands unless otherwise stated)	Note	1 Jul. – 30 Sept. 2011	1 Jan. – 30 Sept. 2011	2 Dec. - 31 Dec. 2010
Administrative expenses		-1 303	-2 600	-86
Operating loss		**-1 303**	**-2 600**	**-86**
Finance income		-	-	-
Finance costs		-	-	-
Finance costs, net		-	-	-
Loss before income tax		**-1 303**	**-2 600**	**-86**
Income tax expense	9	-	-	-
Loss for the period		**-1 303**	**-2 600**	**-86**
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		**-1 303**	**-2 600**	**-86**
Earnings per share attributable to the equity holders of the Company during the period (expressed in USD per share)				
Basic/diluted earnings per share	10	-0.01	-0.02	-0.00

The notes on pages 7 to 14 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in USD thousands unless otherwise stated)	Note	As at 30 Sept. 2011	As at 31 Dec. 2010
Assets			
Non-current assets			
Rig-capitalised expenses	**4**	271 018	37 308
Property, plant and equipment		6	-
Total non-current assets		271 024	37 308
Current assets			
Trade and other receivables		71	-
Cash and cash equivalents		48 853	6 140
Restricted cash at bank	**11**	28 400	-
		77 324	6 140
Asset classified as held for sale	**5**	40 435	-
Total current assets		**117 759**	**6 140**
Total assets		**388 783**	**43 448**
Equity and liabilities			
Equity			
Ordinary shares	**6**	2 620	420
Share premium	**6**	359 950	40 530
Accumulated losses		-2 686	-86
Total equity		**359 884**	**40 864**
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	**7**	-	1 378
Total non-current liabilities		-	1 378
Current liabilities			
Trade and other payables	**8**	28 899	1 206
Total current liabilities		28 899	1 206
Total Liabilities		**28 899**	**2 584**
Total equity and liabilities		**388 783**	**43 448**

The notes on pages 7 to 14 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2011

(All amounts in USD thousands unless otherwise stated)	Note	Share capital	Share premium	Accumulated losses	Total equity
Balance at 2 December 2010		-	-	-	**-**
Comprehensive income					
Loss for the period				-86	**-86**
Transactions with owners					
Debt Conversion (formation of the Company)	**6**	359	35 501		**35 860**
Proceeds from shares issued (share capital increase)	**6**	61	6 079		**6 140**
Share issue costs			-1 050		**-1 050**
		420	**40 530**	**-86**	**40 864**
Balance at 31 December 2010		**420**	**40 530**	**-86**	**40 864**
Comprehensive income					
Loss for the period		-	-	-2 600	**-2 600**
Transactions with owners					
Share capital increase		2 200	327 800	-	**330 000**
Share issue costs	**6**	-	- 8 380	-	**-8 380**
		2 200	**319 420**	**-2 600**	**319 020**
Balance at 30 September 2011		**2 620**	**359 950**	**-2 686**	**359 884**

The notes on pages 7 to 14 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2011

(All amounts in USD thousands unless otherwise stated)	Note	1 Jan. - 30 Sept. 2011	2 Dec. – 31 Dec. 2010
Cash flows from operating activities			
Cash generated from operations	**12**	- 3 378	-
Net cash generated from operating activities		-3 378	-
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-6	-
Additions to rig-capitalised expenses		-158 016	-
Cash received for the disposal of rig		28 400	-
Increase in restricted cash		-28 400	
Interest received		-	-
Net cash used in investing activities		-158 022	-
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net	**6**	204 113	6 140
Net cash from financing activities		204 113	6 140
Net increase in cash and cash equivalents		**42 713**	**6 140**
Cash, cash equivalents at beginning of period		6 140	-
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at end of period		**48 853**	**6 140**

Non – cash transactions

As part of the consideration for the Company's acquisition of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, the company issued 78 338 000 new shares at a subscription price of USD1.50 per share to Clearwater Capital Partners Fund III, L.P.

The notes on pages 7 to 14 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

1 General information

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 Group was established with the object of investing in rigs, for future sale in any form, or operation through charter. S.D. Standard Drilling Plc and its subsidiary companies entered into several turn-key construction contracts with Keppel FELS Limited for building seven jack-up drilling rigs. The delivery date of the first jack-up drilling rig is July 2012.

2 Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the EU applicable to interim financial reporting International Accounting Standard 34 “Interim Financial Reporting” and the regulations of the Oslo Stock Exchange.

The interim condensed consolidated financial statements are prepared under the historical cost convention and are expressed in United States Dollars.

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Company’s financial statements for the period ended 31 December 2010, except from those policies stated below.

The interim condensed consolidated financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Financial Statements for the period ended 31 December 2010.

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

All amounts are in USD thousands unless otherwise stated.

Basis of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

2 Significant accounting policies (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions which meet the definition of a business are accounted for using the acquisition method.

For acquisitions not meeting the definition of a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed; and allocates the cost of the transaction between the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Recognition of disposal of investment in subsidiary

On 26 August 2011 the Group has signed an agreement for sale of one of the jack-up, rig B319. The sale will be done through the disposal of shares in the newly incorporated subsidiary Offshore Driller 5 Ltd, subsequent to a novation of the original construction agreement with the yard to this entity.

Management considers that the sale of the subsidiary should not be recognized during the reporting period ended 30 September 2011. The reasons are that at the date of the financial position the Group did not transfer to the buyer the significant risks and rewards of ownership and at the same time there was uncertainty related to closing the transaction (Note 5 and 14).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

4 Rig-Capitalised Expenses

	Rig-Capitalised Expenses
At formation 2 December 2010	-
Instalment to Keppel FELS Limited in 2010	35 860
Other capitalised expenses related to construction of the rig in 2010	70
Contingent commission fee (note 7)	1 378
At 31 December 2010	**37 308**
Addition from the acquisition of subsidiary companies (1)	116 651
Instalments to Keppel FELS Limited in 2011 (2)	153 600
Jack-up rig B319 classified as held for sale (note 5)	-40 435
Other capitalised expenses related to construction of the rigs in 2011	1 272
Contingent commission fee (note 7)	2 622
At 30 September 2011	**271 018**

Contractual payment plan for 7 rigs (Capital commitments):	**30 Sept. 2011**
When entering contract: 20% (already paid)	261 460
Refund of 1%	-359
At delivery: 80%	1 045 840
Refund of 1%	-1 434
Construction monitoring services (payment throughout the construction period)	13 775
Total contractual payment plan 7 rigs	**1 319 282**

(1) As stated in note 13, the Company has acquired the entire share capital of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, as well as two options which Clearwater Capital Partners Fund III L.P., have entered into with Keppel FELS Limited. These two subsidiaries had rig capitalised expenses on acquisition date of USD 72 151 relating to the first instalments of USD 36 000 being 20% of the contract price under each of the two additional construction contracts which have already been paid to Keppel FELS and other expenses incurred in the period. In addition, an amount of USD 44 500 has been allocated to the capitalised cost of the two identifiable assets on the basis of their relative fair values at the date of acquisition.

(2) In connection to the above acquisition, on 7 April 2011 the Company entered into a frame agreement with Keppel FELS Limited for the construction of four premium Jack-up rigs identical to B319. The frame agreement replaces the four options held by the Company and Clearwater Capital Partners Fund III L.P. In this respect the company incorporated four wholly owned subsidiaries incorporated under the laws of Cayman Islands, in addition to the two companies acquired above. The Cayman Islands subsidiaries are single-purpose limited liability companies each holding or set up for holding a Construction Contract with Keppel FELS for a premium jack-up rig.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

4 Rig-Capitalised Expenses (continued)

The first instalments of USD 38 400 being 20% of the contract price under each of the four additional construction contracts, have been paid by each of Offshore Driller 1 Ltd, Offshore Driller 2 Ltd, Offshore Driller 3 Ltd and Offshore Driller 4 Ltd, all being wholly-owned subsidiaries of S.D. Standard Drilling Plc, to Keppels FELS. Keppel FELS has confirmed the receipt of the payments and that the effective date under all the four additional construction contracts is 13 May 2011.

Furthermore, as stated in note 7, the commission agreement between the Company and Ferncliff Drilling Management AS which was signed on 10 December 2010 for the building of the jack-up drilling rig B319, has been cancelled on 4 May 2011 against the payment of USD 4 000 and as a result the Group has recognised an additional amount of USD 2 622.

5 Asset classified as held for sale

	30 Sept. 2011	31 Dec. 2010
Jack-up rig B319 held for sale	40 435	-

On 26 August 2011, the Company has entered into an agreement to sell the shares held in the subsidiary Company Offshore Driller 5 Ltd which would own the jack-up rig B319, currently under construction at Keppel FELS Limited’s shipyard in Singapore, to an undisclosed buyer incorporated in the UK. The building contract entered between the Company and Keppel FELS was novated to the subsidiary on 14 October 2011. Contractual payment for the rig is USD 179 300 in total and the agreed delivery date is June 2012.

The terms of the transaction are confidential, but the Group expects to book a gross gain on sale of approximately 0.13 USD per share upon closing of the transaction. The first and part of the second instalments have been received by the Company before the date of the financial position, and were held in escrow.

Post closing this transaction, the Group is expected to have approximately USD 121.5 million of available cash.

The jack-up rig is expected to be mobilized to a geographic location which holds no strategic interest for S.D. Standard Drilling Plc and where the rig is expected to remain. This transaction has been completed in middle of November 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

6 Share capital and premium

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At formation 2 December 2010	-	-	-	-
Debt Conversion (formation of the Company)	35 860	359	35 501	35 860
On 9 December 2010: Cash from shares issued (share capital increase)	6 140	61	6 079	6 140
Share issue costs	-	-	-1 050	-1 050
At 31 December 2010	**42 000**	**420**	**40 530**	**40 950**
On 4 May 2011: share capital increase	220 000	2 200	327 800	330 000
Share issue costs	**-**	**-**	-8 380	-8 380
At 30 September 2011	**262 000**	**2 620**	**359 950**	**362 570**

The Company issued 35 860 000 shares on 2 December 2010 as consideration for conversion of debt to Tymar AS (related party).

On 11 March 2011, following a resolution taken at an Extraordinary General Meeting, the Company increased its authorised share capital from 42 000 000 shares to 142 000 000 shares.

On 8 April 2011, the Company entered into a share purchase agreement with Clearwater Capital Partners Fund III L.P., under which the Company has acquired the entire share capital of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, as well as two options which Clearwater Capital Partners Fund III L.P., have entered into with Keppel FELS Limited, in exchange of a cash payment of USD 8 493 plus the issuance of 78 338 000 new shares in the Company to Clearwater Capital Partners Fund III L.P. ("The Acquisition"). The valuation of the consideration shares issued by the Company was based on a subscription price of USD 1.50 per share.

Furthermore, the Company announced on 8 April 2011 a private placement of USD 330 000 through the issue of 220 000 000 new shares, at a subscription price of USD 1.50 per share.

On 14 April 2011, the Company completed the Private Placement in which a total number of 220 000 000 new shares were issued, at a subscription price of USD 1.50 per new share, thereby raising gross proceeds of USD 330 000.

The Private Placement was directed as follows:

a) 78 338 000 new shares were offered to Clearwater Capital Partners Fund III, L.P ("Clearwater") as part of the consideration for the Company's acquisition of Offshore Driller B324 and Offshore Driller B325, and

b) 141 662 000 new shares were offered to the current shareholders, to new Norwegian investors and to international institutional investors in certain other jurisdictions as permitted or catered for by exemption rules under applicable securities laws, including placements to qualified institutional investors (as defined by rule 144A under the US Securities Act).

On 4 May 2011, the extraordinary general meeting of the Company passed a resolution to increase the authorised share capital of the Company from USD 1 420 to USD 3 620 divided into 362 000 000 ordinary Shares, by the creation of 220 000 000 new shares each with a par value of USD 0.01.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

6 Share capital and premium (continued)

Furthermore, the extraordinary general meeting of the Company passed a resolution and on the same date the board of directors of the Company allotted 220 000 000 ordinary shares as issued and paid in full in connection with the Private Placement.

The new shares were listed on Oslo Axess on 9 May 2011.

All shares issued have the same rights and are of nominal value of USD 0.01 each.

7 Provisions for other liabilities and charges

	Contingent liability	Total
At 2 December 2010 capitalised to rig contract	1 366	1 366
Increase due to the passage of time	12	12
At 31 December 2010	1 378	1 378
Increase due to the passage of time (note 4)	36	36
Additional provisions (note 4)	2 586	2 586
Payment	-4 000	-4 000
At 30 September 2011	-	-

On 4 May 2011, the extraordinary general meeting of the Company passed a resolution approving the cancellation of the commission agreement between the Company and Ferncliff Drilling Management AS, which was signed on 10 December 2010, against the payment of USD 4 000. Ferncliff Drilling Management AS is one of the major shareholders of the Company.

8 Trade and other payables

Trade and other payables include advances from the buyer of USD 28 400 being the first and part of the second instalment from the disposal of the shares in the subsidiary Offshore Driller 5 Ltd, which are held in escrow (note 5).

9 Income tax expense

	1 Jul. – 30 Sept. 2011	**1 Jan. – 30 Sept. 2011**	**2 Dec. – 31 Dec. 2010**
Current tax:			
Current tax on profits for the period	-	-	-
Total current tax	-	-	-
Deferred tax:			
Origination of temporary differences	-	-	-
Total deferred tax	-	-	-
Income tax expense	**-**	**-**	**-**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

10 Earnings per share

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

	1 Jul. – 30 Sept. 2011	1 Jan. – 30 Sept. 2011	2 Dec. – 31 Dec. 2010
Basic/diluted EPS			
Loss attributable to equity holders of the Company	-1 303	-2 600	-86
Weighted average number of ordinary shares in issue (thousands)	262 000	162 073	39 248

11 Restricted cash at bank

Of the total balance on the escrow account of USD 28 400, pursuant to an agreement signed after the balance sheet date, USD 22 000 representing the first instalment are not refundable in case the transaction is not completed .

12 Cash generated from operations

	1 Jan. – 30 Sept. 2011	2 Dec. – 31 Dec. 2010
Loss before income tax	-2 600	-86
Adjustments for:		
Finance costs – net	-	-
Changes in working capital:		
Trade and other receivables	-71	-
Trade and other payables	-707	86
Cash generated from operations	**- 3 378**	**-**

13 Acquisition and incorporation of subsidiaries

On 8 April 2011 S. D. Standard Drilling Plc ("The Company") entered into a share purchase agreement with Clearwater Capital Partners Fund III L.P., under which the Company has acquired the entire share capital of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, which had under construction two jack-up drilling rigs as well as two options which Clearwater Capital Partners Fund III L.P., have entered into with Keppel FELS Limited, in exchange of a cash payment of USD 8 493 plus the issuance of 78 338 000 new Shares in the Company to Clearwater Capital Partners Fund III L.P ("The Acquisition"). The valuation of the consideration shares issued by the Company was based on a subscription price of USD 1.50 per share.

The above acquisition was treated by the Company as an acquisition of assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2011

13 Acquisition and incorporation of subsidiaries (continued)

In this respect the company incorporated four wholly owned subsidiaries incorporated under the laws of Cayman Islands, in addition to the two companies acquired above. The Cayman Islands subsidiaries are single-purpose limited liability companies each holding a Construction Contract with Keppel FELS for a premium jack-up rig.

On 9 June 2011 the Company incorporated a subsidiary in Singapore named S.D. Standard Drilling (Singapore) Pte Ltd.

On 16 August 2011 the Company incorporated a subsidiary in Cayman Islands named Offshore Driller 5 Ltd with the aim of transferring the jack-up rig B319 held by the Company to the subsidiary (Note 14).

The registered name, country of incorporation and date of incorporation for each of the subsidiaries are as follows:

Name	Date of incorporation	Location	Share	Voting rights
Offshore Driller B324 Ltd	15 December 2010	Cayman Islands	100%	100%
Offshore Driller B325 Ltd	15 December 2010	Cayman Islands	100%	100%
Offshore Driller 1 Ltd	8 April 2011	Cayman Islands	100%	100%
Offshore Driller 2 Ltd	8 April 2011	Cayman Islands	100%	100%
Offshore Driller 3 Ltd	8 April 2011	Cayman Islands	100%	100%
Offshore Driller 4 Ltd	8 April 2011	Cayman Islands	100%	100%
S.D. Standard Drilling (Singapore) Pte Ltd	9 June 2011	Singapore	100%	100%
Offshore Driller 5 Ltd	16 August 2011	Cayman Islands	100%	100%

14 Subsequent events

The Company novated on 14 October 2011 the construction agreement of the jack-up rig B319 to the subsidiary Offshore Driller 5 Ltd. As consideration, Offshore Driller 5 Ltd has issued to the Company on 23 August 2011, 40.435 shares of USD 1.00 each at a premium of USD 999 per share.

On 17 November 2011, the Sales Purchases Agreement for the disposal of the shares in the subsidiary Offshore Driller 5 Ltd was officially completed and closed (note 5), as the conditions set out in the Share Purchase Agreement were fulfilled.

15 Approval of interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 21 November 2011.