Interim Condensed Consolidated Financial Statements

S.D. Standard Drilling Plc.

For the period 1 January – 31 December 2011

CONTENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2011

(All amounts in USD thousands unless otherwise stated)	**Note**	**1 Oct. – 31 Dec. 2011**	**1 Jan. – 31 Dec. 2011**	**2 Dec. - 31 Dec. 2010**
Gain on disposal of subsidiary	10	34 709	34 709	-
Interest income related to disposal	10	49	49	-
Administrative expenses		-1 602	-4 202	-86
Operating profit/(loss)		**33 156**	**30 556**	**-86**
Finance income		-	-	-
Finance costs		-	-	-
Finance costs, net		-	-	-
Profit/(loss) before income tax		**33 156**	**30 556**	**-86**
Income tax expense	9	-7	-7	-
Profit/(loss) for the period		**33 149**	**30 549**	**-86**
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income/(expense) for the period		**33 149**	**30 549**	**-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	11	0.13	0.16	-0.00

The notes on pages 7 to 17 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 31 Dec. 2011	As at 31 Dec. 2010
Assets			
Non-current assets			
Rig-capitalised expenses	**4**	272 625	37 308
Property, plant and equipment		9	-
Non-current receivable		1 434	-
Total non-current assets		274 068	37 308
Current assets			
Trade and other receivables		110	-
Cash and cash equivalents		122 401	6 140
Total current assets		122 511	6 140
Total assets		**396 579**	**43 448**
Equity and liabilities			
Equity			
Ordinary shares	**5**	2 620	420
Share premium	**5**	359 950	40 530
Reserves	**6**	282	-
Accumulated profits/(losses)		30 463	-86
Total equity		**393 315**	**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**	3 257	1 206
Current tax liability	**9**	7	-
Total current liabilities		3 264	1 206
Total Liabilities		**3 264**	**2 584**
Total equity and liabilities		**396 579**	**43 448**

The notes on pages 7 to 17 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2011

(All amounts in USD thousands unless otherwise stated)	Note	Share capital	Share premium	Equity settled employee benefits reserve	Accumulated (losses)/profits	Total equity
Balance at 2 December 2010		-	-	-	-	**-**
Comprehensive income						
Loss for the period				-	-86	**-86**
Transactions with owners						
Debt Conversion (formation of the Company)	**5**	359	35 501	-		**35 860**
Proceeds from shares issued (share capital increase)	**5**	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						
Profit for the period		-	-	-	30 549	**30 549**
Transactions with owners						
Share capital increase		2 200	327 800	-	-	**330 000**
Share issue costs	**5**	-	8 380	-	-	**-8 380**
Recognition of share based payments	**6**	-	-	282	-	**282**
		2 200	**319 420**	**282**	**30 549**	**352 451**
Balance at 31 December 2011		**2 620**	**359 950**	**282**	**30 463**	**393 315**

The notes on pages 7 to 17 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2011

(All amounts in USD thousands unless otherwise stated)	Note	1 Jan. - 31 Dec. 2011	2 Dec. – 31 Dec. 2010
Cash flows from operating activities			
Cash generated from operations	**12**	- 4 612	-
Income tax paid		-	-
Net cash generated from operating activities		-4 612	-
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-9	-
Additions to rig-capitalised expenses		-158 390	-
Net cash inflow on disposal of subsidiary		75 110	-
Interest received		49	-
Net cash used in investing activities		-83 240	-
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net	**5**	204 113	6 140
Net cash from financing activities		204 113	6 140
Net increase in cash and cash equivalents		**116 261**	**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		**122 401**	**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 17 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 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 Company and the entities controlled by the Company, hereafter referred to as the "Group", were 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. During the year, the Company disposed one of its subsidiaries which owned the jack-up drilling rig (B319). The delivery of the first jack-up drilling rig is expected to be in February 2013.

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.

Share-based payments

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments such as options to buy shares of the company (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value at the date on which the award is granted. The fair value is determined using appropriate valuation models.

The cost of equity settled transactions is recognised as an expense, together with a corresponding increase in reserves within equity, over the vesting period which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period the entity revises the estimates of the number of options that are expected to vest based on the non-market conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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. At the year end, there were no 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 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 derecognised on disposal of subsidiary (3)	-40 435
Other capitalised expenses related to construction of the rigs in 2011	2 879
Contingent commission fee (note 7)	2 622
At 31 December 2011	**272 625**

Contractual payment plan for 6 rigs (Capital commitments):	**31 Dec. 2011**
When entering contract: 20% (already paid)	225 600
At delivery (in 2013 / 2014): 80%	902 400
Construction monitoring services (payment throughout the construction period)	11 575
Total contractual payment plan 6 rigs	**1 139 575**

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

4 Rig-Capitalised Expenses (continued)

(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. 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 Keppel 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.

(3) On 14 October 2011, the Company novated 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.

Subsequently, as stated in note 10 the Company disposed the shares held in the subsidiary Offshore Driller 5 Ltd.

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 capitalised an additional amount of USD 2 622 in accordance with its accounting policy.

5 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 31 December 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

5 Share capital and premium (continued)

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.

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.

6. Equity-settled employee benefits reserve

	1 Jan. – 31 Dec. 2011	2 Dec. – 31 Dec. 2010
Arising on share-based payments	282	-
Balance as of 31 December 2011	**282**	**-**

In 2011 the Group granted share options to key management employees. Further information about share-based payments to employees is set out in note 14.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

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 31 December 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

	31 Dec. 2011	**31 Dec. 2010**
Accrued expenses	1 519	110
Other payables	1 738	1 096
	3 257	**1 206**

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

9 Income tax expense

	1 Oct. – 31 Dec. 2011	**1 Jan. – 31 Dec. 2011**	**2 Dec. – 31 Dec. 2010**
Current tax:			
Defence contribution on interest received	7	7	-
Total current tax	7	7	-
Deferred tax:			
Origination of temporary differences	-	-	-
Total deferred tax	-	-	-
Income tax expense	**7**	**7**	**-**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

9 Income tax expense (continued)

Statement of financial position

Current tax liability:

	31 Dec. 2011	31 Dec. 2010
Special defence contribution	7	-
	7	-

10 Gain on disposal of subsidiary

	1 Oct. – 31 Dec. 2011	1 Jan. - 31 Dec. 2011	2 Dec. - 31 Dec. 2010
Gain on disposal of subsidiary	34 709	34 709	-
Interest income related to disposal	49	49	
	34 758	**34 758**	**-**

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 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 jack-up rig B319 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. The transaction has been completed on 17 November 2011.

10.1 Gain on disposal of subsidiary

	31 Dec. 2011	2 Dec. - 31 Dec. 2010
Consideration received net	75 144	-
Net assets disposed of:		
Rig-capitalised expenses	(40 435)	-
Gain on disposal	**34 709**	**-**

11 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 Oct. – 31 Dec. 2011	1 Jan. – 31 Dec. 2011	2 Dec. – 31 Dec. 2010
Basic/diluted EPS			
Profit/(loss) attributable to equity holders of the Company	33 149	30 549	-86
Weighted average number of ordinary shares in issue (thousands)	262 000	187 260	39 248
Earnings per share attributable to the equity holders of the Company during the period (expressed in USD per share)			
Basic/diluted earnings per share	0.13	0.16	-0.00

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

12 Cash generated from operations

	1 Jan. – 31 Dec. 2011	2 Dec. – 31 Dec. 2010
Profit/(loss) before income tax	30 556	-86
Adjustments for:		
Expense recognised in respect of equity-settled share-based payments	282	-
Profit from the sale of investment in subsidiary	-34 709	-
Interest received	-49	-
Changes in working capital:		
Trade and other receivables	-61	-
Trade and other payables	-631	86
Cash generated from operations	**- 4 612**	**-**

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.

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. On 26 August 2011 the Company entered into an agreement to sell the shares held in Offshore Driller 5 Ltd. The disposal of the shares in the subsidiary Offshore Driller 5 Ltd was officially completed and closed, as the conditions set out in the Share Purchase Agreement were fulfilled on 17 November 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

13 Acquisition and incorporation of subsidiaries (continued)

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%

14. Share-based payments

14.1 Employee share option plan of the Group

14.1.1 Details of the employee share option plan of the Group

According to the employment contracts, certain employees were granted options during 2011, to acquire ordinary shares of the parent, provided they remain in the employment of S.D. Standard Drilling (Singapore) Pte Ltd ("the subsidiary") until the jack-up rigs are placed on day rate for at least 30 days or are being sold.

The subsidiary granted a total number of 8 400 000 share options during 2011, each granting the right to its owner to acquire one ordinary share of the parent, at predetermined strike prices as stated below in note 14.1.2.

According to the employment contracts, an equal portion of the options across each of the strike prices will vest on a pro-rata basis when each rig has been on hire for at least 30 days.

If a rig is sold prior to the rig being on contract for at least 30 days, the proportionate shares shall immediately vest upon the later of the receipt of consideration for the sale of the rig or the contractual delivery date of the rig.

However, if such sale leads to a change of control in the parent, 100% of the options shall vest upon the change of control. The options may only be exercised during the time of employment, or during any period of notice, of each employee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

14. Share-based payments (continued)

14.1.2 The following share-based payment arrangements were in existence during the current period:

Batch	Number of options	Exercise price		Weighted average remaining contractual life
		USD	NOK	
1	2 100 000	0.92	5.50	1.82 years
2	2 100 000	1.13	6.80	1.82 years
3	2 100 000	1.33	8.00	1.82 years
4	2 100 000	1.58	9.50	1.82 years

The share based payments arrangement were separated to batces according to the exercise prices.

14.1.3 Movements in shares options during the period

The following reconciles the share options outstanding at the beginning and end of the period:

		01 Jan.-31 Dec. 2011		02 Dec.-31 Dec. 2010
	Number of Options	Weight average exercise price USD	Number of options	Weight average exercise price USD
Balance at beginning of period	-	-	-	-
Granted during the period	8 400 000	1.24	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Balance at end of period	8 400 000	1.24	-	-

As at the end of the period, 600 000 options are exercisable at a weighted average exercise price of USD1.24 per share.

14.1.4 Fair value of share options granted in the period

The fair value of the share options granted during the period is USD 2 324. Options were priced using Black-Scholes pricing model. The exercise date was set to equal the expected delivery date of each jack-up rig by the constructor plus thirty days, being the hire period determined by the employment contracts. This is based on the assumption that the management will be able to place the jack up rigs on a day rate immediately after their delivery. Expected volatility is based on the historical price over the past 11 months and also based on pattern and level of historical volatility of comparable entities for the first 3 years of operation of those entities.

Rigs' construction period:

Hull	Construction started	Construction plan finished
B337	July 2011	July 2013
B338	August 2011	November 2013
B339	August 2011	December 2013
B340	August 2011	May 2014
B324	January 2011	February 2013
B325	January 2011	June 2013

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 December 2011

14. Share-based payments (continued)

14.1.4 Fair value of share options granted in the period (continued)

Inputs into the model

	Batch 1	Batch 2	Batch 3	Batch 4
Exercise price (US$)	0,92	1,13	1,33	1,58
Exercise price (NOK)	5,50	6,80	8,00	9.50
Expected volatility	62,03%	62,03%	62,03%	62,03%
Option life	1,82 years	1,82 years	1,82 years	1,82 years
Risk free interest rate	0,32%	0,32%	0,32%	0,32%
Weighted average grant date share price (USD)	1,00	1,00	1,00	1,00
Weighted average grant date share price (NOK)	6,00	6,00	6,00	6,00

The USD/NOK exchange rate of 6.000 as at 31 December 2011 was used for all conversions into USD.

15 Subsequent events

On 15 February 2012, Mr Mark A. Jackson resigned from his position as Managing Director of the subsidiary S.D. Standard Drilling (Singapore) Pte Ltd and Chief Executive Officer of the Company.

As part of a severance package, both parties have agreed to a lump sum payment equal to USD 250K less applicable and/or withholdings tax required by law and the revision of the terms and the number of shares options granted to the executive.

On the same date, the Board of Directors has re-appointed Mr Martin Nes to serve as acting Chief Executive Officer on an interim basis.

16 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 27 February 2012.