

S.D. STANDARD DRILLING PLC

THIRD QUARTER REPORT 2016



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

In accordance with Article 10 sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 (“Law”) we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed financial statements of S.D. Standard Drilling Plc (the “Company”), for the nine months ended 30 September 2016 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the nine months ended 30 September 2016 which are presented on pages 5 to 11:
 - (i) were prepared in accordance with International Financial Reporting Standards IAS 34 “Interim Financial Reporting”, as adopted by the European Union in accordance with provisions of Article 10, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of the Company, and the business that are included in the financial statements as a total, and
- b) The Interim Management Report provides a fair overview of the information required as per section 6 of article 10 of Law 190(I)/2007.

Limassol, 25 November 2016

Martin Nes
Chairman

Arne Helge Fredly
Non-Executive Director

George Crystallis
Independent Director

Espen Lundaas
Chief Financial Officer

Evangelia Panagide
General Manager

Third Quarter Management Report 2016

Selected Financial Information

	Three months Ended		Nine Months Ended	
	2016 Q3	2015 Q3	2016 Q3	2015 Q3
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue	-	-	-	-
Operating profit/(loss) before depreciation	(508)	(2 070)	(756)	(3 401)
Operating margin, %	-	-	-	-
Operating profit/(loss)	(508)	(2 070)	(756)	(3 403)
Profit/(Loss) for the period before taxes	(498)	(2 052)	(727)	(3 317)
Profit/(Loss) for the period	(498)	(2 052)	(727)	(3 317)

Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the third quarter of the year 2016 are prepared and presented on a standalone basis, since the Company does not have any subsidiaries.

Subsequent Events

The Company has invested USD 2.7 million, representing 20% of the issued share 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 at Aker Aukra in Norway in 2009 and 2008. The transaction was closed in 26 October 2016.

During November 2016, the Company has invested USD 2 million in corporate bonds.

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

RESULTS

RESULTS FOR THIRD QUARTER 2016

The operating loss for the three months ended on 30 September 2016 was USD 508 thousands. The operating loss includes mainly the share of loss from associate. Net financial income for the period was USD 10 thousands thus a net loss before tax for the period of approximately USD 498 thousands. Earnings per share was USD 0,00 for the quarter.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position as at 30 September 2016 was USD 6,7 million.

During the nine months of 2016, net cash used in operating activities was USD 377 thousands and net cash used in investing activities was USD 2 364 thousands, mainly consisting of interest received of USD 36 thousands and an outflow of USD 2 400 thousands for subscribing in the partnership capital of PSV Opportunity I DIS. Net cash used in financing activities was USD NIL.

As of 30 September 2016, the Company had 269 shareholders. The share price as of 30 September 2016 was NOK 1,10 (USD 0,136).

INVESTMENT IN PSV OPPORTUNITY I DIS

On 29 July 2016 the Company subscribed for 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.

OUTLOOK

Having subscribed in the partnership capital of PSV I and PSV II, the Company is reinvesting in the offshore shipping industry.

Going forward and based on the financial position and cash availability, the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

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

25 November, 2016

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

INTERIM CONDENSED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

<i>(Amounts in USD 000)</i>	Note	Three Months Ended		Nine Months Ended	
		2016	2015	2016	2015
		Q3	Q3	Q3	Q3
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Gross profit/(loss)		-	-	-	-
Other gains and (losses)	3	4	(1 905)	9	(2 910)
Share of profit/(loss) from associate		(416)	-	(416)	-
Administration expenses		(96)	(165)	(349)	(491)
Operating profit/(loss) before depreciation		(508)	(2 070)	(756)	(3 401)
Depreciation and amortization		-	-	-	(2)
Operating profit/(loss)		(508)	(2 070)	(756)	(3 403)
Finance Income		11	18	36	90
Finance Costs		(1)	-	(7)	(4)
Profit/(Loss) for the period before tax		(498)	(2 052)	(727)	(3 317)
Income tax credit/(expense)		-	-	-	-
Profit/(Loss) for the period		(498)	(2 052)	(727)	(3 317)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange difference arising on the translation of foreign associate financial statements		117	-	117	-
Available-for-sale investments – Fair value gains		-	-	1	-
Other comprehensive income for the period		117	-	118	-
Total comprehensive income for the period		(381)	(2 052)	(609)	(3 317)
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share	4	(0,00)	(0,01)	(0,00)	(0,01)

**INTERIM CONDENSED STATEMENT
OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016**

<i>(Amounts in USD 000)</i>	Note	30.9.2016	31.12.2015
		<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Equipment and machinery		1	1
Investment in associate	5	2 101	-
Total non-current assets		2 102	1
Trade and other receivables		49	35
Available-for-sale financial assets	6	16	16
Current tax asset		1	1
Cash and bank balances		6 652	9 393
Total current assets		6 718	9 445
Total Assets		8 820	9 446
EQUITY AND LIABILITIES			
Ordinary shares		2 620	2 620
Share premium		6 938	6 938
Other reserves	7	118	-
Accumulated profits/(losses)		(904)	(177)
Total equity		8 772	9 381
Trade and other payables		48	65
Total current liabilities		48	65
Total Equity and Liabilities		8 820	9 446

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

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

INTERIM CONDENSED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Foreign exchange translation reserve	Fair value reserve - available for sale investments	Accumulated Profits/(Losses)	Total
Balance at 01.01.2015	2 620	39 950	-	-	12 306	54 876
Comprehensive income						
Profit/(Loss) for the period	-	-	-	-	(3 317)	(3 317)
Dividend paid	-	-	-	-	(9 170)	(9 170)
Balance at 30.09.2015 (unaudited)	2 620	39 950	-	-	(181)	42 389
Balance at 01.01.2016	2 620	6 938	-	-	(177)	9 381
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(727)	(727)
Other comprehensive income	-	-	117	1	-	118
Balance at 30.09.2016 (unaudited)	2 620	6 938	117	1	(904)	8 772

**INTERIM CONDENSED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Note	Nine Months Ended	
		2016 Q3	2015 Q3
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		(727)	(3 317)
Other gains and losses	3	-	2 069
Depreciation and amortization		-	2
Share of profit/(loss) from associate		416	-
Interest income		(36)	(90)
Increase/(decrease) in trade and other receivables		(14)	59
(Decrease)/increase in trade and other payables		(16)	37
Net cash generated from/(used in) operating activities		(377)	(1 240)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire investment in associate		(2 400)	-
Decrease in restricted cash		-	11
Interest received		36	90
Net cash generated from/(used in) investing activities		(2 364)	101
CASH FLOWS FROM FINANCING ACTIVITIES			
Interim dividends paid		-	(9 170)
Net cash generated from/(used in) financing activities		-	(9 170)
Net decrease in cash and cash equivalents		(2 741)	(10 309)
Cash and cash equivalents at beginning of year		9 393	54 777
Non-cash transaction		-	(2 065)
Cash and cash equivalents at end of period		6 652	42 403

NOTES TO THE FINANCIAL INFORMATION

NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

Country of Incorporation

S.D. Standard Drilling Plc. (the “Company”) is a limited liability Company incorporated and domiciled in Cyprus on 2 December 2010 in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. On 25 March 2011 the Company’s shares were listed on Oslo Axess. The address of the Company’s registered office is Maximou Michailide 6, Maximos Plaza, Tower 3, 4th floor, Flat/Office 401, 3106, Limassol, Cyprus.

Principal Activities

The principal activity of the Company is that of the investment holding.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed financial statements for the nine months ended 30 September 2016, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015 which have been prepared in accordance with IFRS as adopted in the (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

In the current period the Company has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The adoption of these Standards did not have a material effect on the financial statements.

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

Investments in associates

An associate is an entity of which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

NOTES TO THE FINANCIAL INFORMATION

NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	Three Months Ended		Nine Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Impairment of investment in Bank of Cyprus Public Company Ltd	-	-	-	(4)
Waived amount due from subsidiary	-	-	-	(31)
Net currency translation differences	4	(1 905)	9	(2 875)
	4	(1 905)	9	(2 910)

NOTE 4 – EARNINGS/(LOSS) PER SHARE

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

<i>(Amounts in USD 000)</i>	Three Months Ended		Nine Months Ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	(498)	(2 052)	(727)	(3 317)
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000	262 000	262 000
Basic/diluted earnings/(loss) per share	(0,00)	(0,01)	(0,00)	(0,01)

NOTE 5 – INVESTMENT IN ASSOCIATE

Name of associate	Principal activity	Place of establishment and principal place of business	Proportion of ownership/ interest held	
			30.09.2016	31.12.2015
PSV Opportunity I DIS	Owner of vessels	Norway	20%	-

The Company has subscribed 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.

The above associate is accounted for using the equity method.

Summarised financial information in respect of the associate is set out below. The summarized financial information below represents amounts shown in the associate’s management reports prepared in accordance with IFRSs.

PSV Opportunity I DIS

<i>(Amounts in USD 000)</i>	30.09.2016	31.12.2015
Current assets	2 673	-
Non-current assets	7 839	-
Current liabilities	(5)	-
Non-current liabilities	-	-

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – INVESTMENT IN ASSOCIATE (CONTINUED)

<i>(Amounts in USD 000)</i>	30.09.2016	30.09.2015
Revenue	85	-
Profit or loss from continuing operations	(2 080)	-
Profit (loss) for the period	(2 080)	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(2 080)	-

Reconciliation of the above summarized financial information to the carrying amount of the interest in PSV Opportunity I DIS recognized in the financial statements:

<i>(Amounts in USD 000)</i>	30.09.2016	31.12.2015
Net assets of the associate	10 507	-
Proportion of the Company's ownership interest in PSV Opportunity I DIS	20%	-
Carrying amount of the Company's interest in PSV Opportunity I DIS	2 101	-

NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	30.09.2016	31.12.2015
Balance at the beginning of year	16	26
Impairment charge	-	(10)
Balance at the end of period/year	16	16

NOTE 7 – OTHER RESERVES

<i>(Amounts in USD 000)</i>	30.09.2016	30.09.2015
Fair value reserve-available for sale investments (1)	1	-
Foreign currency translation reserve (2)	117	-
Balance at the end of period	118	-

- 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.
- 2) Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. Currency Units) are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

NOTE 8 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 25 November 2016.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q4 2016

27 February 2017

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