

**NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF  
S.D. STANDARD DRILLING PLC**

Notice is hereby given that pursuant to the special notice delivered to S.D. Standard Drilling Plc. (the "Company") on 19 July 2013 by the shareholder Messrs Tycoon Industrier AS in accordance with Sections 136 and 178 of the Companies Law and the relevant provisions of articles 105 and 106 of the Articles of Association of the Company, requesting the convening of an Extraordinary General Meeting with the below agenda that such an Extraordinary General Meeting of the Company will be held at the registered office of the Company at 213, Arch. Makariou III Avenue, Maximos Plaza, Tower 1, 3<sup>rd</sup> floor, P.C 3030 in Limassol, Cyprus on 22 August 2013 at 12:00 p.m. (EET), for the purpose of considering and approving the following ordinary resolutions:

**Proposed resolutions:**

1. **“That the director of the company Mr. Robert Petty be and is hereby removed from his office with effect as from today.”**
2. **“That the director of the company Mr. Glen Ole Rodland be and is hereby removed from his office with effect as from today.”**
3. **“That the director of the company Mr. Stephen Marzo be and is hereby removed from his office with effect as from today.”**
4. **“That the director of the company Mr. Demetris Aletraris be and is hereby removed from his office with effect as from today.”**
5. **“That the director of the company Mr. Oystein Stray Spetalen be and is hereby removed from his office with effect as from today.”**
6. **“That Mr. Martin Nes who has given his consent and willingness to be appointed as a new director of the company to replace Mr. Oystein Stray Spetalen, be and is hereby appointed as a director of the company to replace Mr. Oystein Stray Spetalen”.**

By order of the Board



CQS Secretarial Limited  
Secretary

Limassol, 29 July 2013

Notes:

1. Attached and circulated together with this notice are written representations made to the shareholders of the Company by the directors Mr. Robert Petty and Mr. Stephen Marzo, pursuant to section 178(3) of the Companies Law, for which a proposal for removal from office has been requested.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The relevant proxy must be deposited at the registered office of the Company not later than 48 hours before the time fixed for the meeting.

If no mark is placed by a member on the relevant proxy to be given by him/her, such proxy shall be deemed as giving an authorization to the appointed proxy to vote in favour of all items on the above agenda of the meeting.

# REPRESENTATIONS TO THE SHAREHOLDERS OF S.D. STANDARD DRILLING PLC

## PURSUANT TO SECTION 178 (3) OF COMPANIES LAW

### BY DIRECTOR ROBERT PETTY

Dear Fellow Shareholders,

Along with Four other board members I expect to be voted off the board of Standard Drilling (Standard) at this upcoming EGM. Clearwater Capital Partners has been an almost 30% shareholder of Standard for over 2 years and both Amit Gupta and myself, have served on the Board and are pleased that during our tenure on the board we have delivered substantial cash realized returns to all shareholders – at a time when equity markets have been difficult generally. We have done so while never trading any shares in the company and in constant awareness of our obligations to all shareholders.

This is an appropriate time to transition Standard to new board leadership; with a notably lower capital base and a substantial change in the equity ownership. Both Amit and I have been in favor of a smaller, lower cost board, and, for these reasons stepping off ourselves. With a smaller board however, we expect no diminution of the governance practices that have been carried out to date. We hope the practice, not only in word but action, of best of class governance will be maintained going forward: Constantly vigilant to conflicts of interest, appropriate diligence and process around investments and divestments, an intense focus on detailed financial management, from bank account management, not too concentrated in one institution, to disclosure of all issues in public filings. Corporate governance, in my view, is not only in the letter of the law, but best practices that allow dialogue and discord to be discussed in board or shareholder forums. We hope that these practices will be upheld going forward.

With those goals, legal obligations, and expectations in mind, I have to admit that practices over the most recent past have given me pause in how governance will be carried out going forward. Examples from the most recent board meeting will highlight these concerns.

First, the most recent board meeting was called with 48 hours notice, and at a time that worked out to be 3:30 in the morning for two directors, myself included. Despite request for a time change and the fact that there had been an outstanding request for a board meeting pending for two weeks. Hardly, a forum or format for full discussion of this important transition, nor best practices.

More specifically, I voted against two proposals, amongst others, that exemplify my concerns about governance going forward. The newly proposed board does not appear to have thought, in my view, about audit, financial management and expertise in that regard going forward. We remain an advocate of a 4<sup>th</sup> board member who has appropriate financial and audit background and gives all shareholders confidence especially with a departing CFO, that our approximately 70mm dollar cash balance will be managed with financial expertise and best practices. Thus we are not supporting the new slate of directors in their current three person configuration.

While I respect and know all three of the proposed new directors – they could balance their collective skills better with an addition to the board and specifically someone who is representative of all minority investors.

Martin Nes – our current CEO at Standard for over a year - seems a poor choice simply given the guideline of the Norwegian Code of Practice for Corporate Governance clause 8 which recommends that neither the chief executive nor any other executive should be a member of the board. He is also the CEO of Tycoon Industrier AS who is, ironically, the shareholder proposing this new slate. As outlined by public guidance this is not a good practice and appears to be a hurried decision without thought of all minority shareholders or best practices.

We wish we had had the time to propose additional members to the slate in consultation with fellow shareholders.

Most troubling, however was an agenda request at the recent board meeting, subsequently passed by the board with only my objection (though not all board members were able to attend), where one board member was given solo authority to make all investments on behalf of Standard Drilling.

We have, until this time, brought all investments to the full board and scrutinized and decided collectively on major investments and divestments – all minority investors should expect this from the fiduciary responsibility they place in the hands of directors.

With those words of caution I close my letter to fellow shareholders. We are long term supporters of Standard Drilling, we are believers in our fellow shareholders and current board members skills and experience, especially in the Jack Up space, and have every expectation and hope that they will continue to be focused: addressing any conflicts of interest, carrying out best practices for governance, and ultimately to deliver strong returns to all Shareholders.

We welcome additions to the new board that reflect best of class governance, additional financial background, as well as our substantial minority interest. Please know that we at Clearwater, as a substantial minority, will remain vigilant on the above points.

With Concern and Respect,

Rob Petty  
Director  
Standard Drilling AS



## REPRESENTATIONS TO THE SHAREHOLDERS OF S.D. STANDARD DRILLING PLC

### PURSUANT TO SECTION 178 (3) OF COMPANIES LAW

#### BY DIRECTOR STEVE MARZO

#### **BACKGROUND**

I make these representations to the shareholders of S.D. Standard Drilling Plc in response to a request made by a shareholder, Tycoon Industrier AS, to remove myself and other directors from the board of Standard Drilling.

#### **CONCERNS ABOUT THE PROPOSED CONSTRUCT OF THE BOARD**

I have significant concerns about Tycoon Industrier AS's proposed dismissal of 5 board members, including the an independent director, and the proposed new board consisting of construct of three directors, Gunnar Hvammen, George Crystallis and Martin Nes.

These concerns are outlined below:

#### **Compliance with regulatory standards**

The proposed replacement of several directors, including an independent director, is accompanied by the appointment of a new director, Martin Nes. Mr Nes is the chief executive officer ("CEO") of Standard Drilling. The Norwegian Code of Practice for Corporate Governance recommends that the chief executive of a company may not be a member of the board of directors. There is a similar stipulation in the (Norwegian) Public Companies Act.

Further, the Norwegian Code of Practice for Corporate Governance provides that members of the Board should not operate as individual representatives for specific shareholders. Mr Nes is currently employed by and CEO of Ferncliff TIH AS. Mr Nes is also CEO of Tycoon Industrier AS, the company which has proposed this EGM to reduce the Board of Directors from 8 to 3 directors. Both of these companies are controlled by Oystein Stray Spetalen. Mr Spetalen is currently a board member of Standard Drilling and one of its largest shareholders.

Mr Crystallis is a service provider to Standard Drilling.

I am therefore concerned whether the new proposed board will represent the shareholders adequately and whether it will be able to act independently.

### **Continuous compliance with Laws and Regulations**

The Company is obligated to adhere to any changes regarding listing regulations on the Oslo Stock Exchange. Previously the Audit Committee worked closely with the CFO to track the Company's compliance with revisions to the Norwegian Code of Practice for Corporate Governance. The Audit Committee has also monitored and discussed with the Company's financial management, changes to company law in Cyprus and Norway which might affect the Company's operations, regulatory compliance and financial reporting. The absence of a CFO as well as Board members possessing an understanding and time commitment for meeting all regulatory and legal requirements together create the need for additional Board member(s) possessing this understanding and skill set.

### **Audit Committee**

As stated in the Listing Rules for the Oslo Bors, at least one member of the audit committee must be independent and have competence in accounting or auditing. Based upon the proposed new Board of Directors, I am thoughtful whether this requirement would be satisfied.

In addition, the Public Companies Act notes that in addition to satisfying the requirements of the legislation and regulations, the majority of the audit committee should be independent of the company. Under the proposed board of directors, I do not see how this independence requirement will be satisfied.

It is important for this Company to have an independent audit committee consisting of directors possessing a competent background in accounting, finance and auditing to ensure a strong and compliant corporate governance environment. The ability to address complex issues like related party transactions is important to ensure minority shareholder rights are fully respected. An independent Board director(s) helps ensure this is adequately addressed.

### **Review of Internal Governance Documents**

Financial management is required and necessary to maintain strong financial control and a risk management environment. Several protocols at the Company have been previously approved by the Board including 1) Excess Liquidity Management, 2) Bank Payment Procedures, and 3) Corporate Authority Manual. The Audit Committee was charged with monitoring management's compliance with these internal guidelines.

The absence of any financial management including a CFO or Financial Controller and an Audit Committee possessing the relevant skills raises concerns regarding internal governance at the Company.

### **Cash Management**

The Company has a significant cash position and requires proper cash management policies and oversight from the board with experience in cash management. In recent months despite recommendations from the Chairman of the Audit Committee as well as several Board members, management elected to increase the concentration of cash with a single bank. Although the level of cash has fallen from a peak of approximately \$400 million, the current cash level of \$70 million should be adequately managed under clear financial controls. As the CFO and Financial Controller are no longer with the company there is an immediate need to supplement the financial expertise at the Company along with supervision by suitably qualified Board members.

### **Remuneration of the executive personnel**

Under article 9 of the Norwegian Code of Practice for Corporate Governance, the board should consider appointing a remuneration committee in order to ensure a thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the board who are independent of the company's executive personnel."

Even though Standard Drilling presently has minimum executive personnel, I believe the existence of independent board members will help ensure improved corporate governance with respect to executive pay and overall corporate governance.

I propose to the Company and its Shareholders that I remain a Director and Chairman of the Audit committee to provide the financial oversight needed by the Company. Alternatively, another independent director possessing accounting and financial skills could be recruited to fulfil the required roles and responsibilities.

Thank you

Steve Marzo