

**Rules of Procedure of the Board of Directors of
S.D. STANDARD DRILLING PLC**

Approved at Board meeting held 24 April 2012

1. THE SCOPE OF THE RULES OF PROCEDURE

- 1.1 These Rules of Procedure are secondary to provisions set out in applicable law, in regulations made pursuant to applicable law, or in the Company's Articles of Association.
- 1.2 These rules of procedure shall apply to the Board of Directors' work and administrative procedures and are binding on the members of the Board of Directors, the chief executive officer (CEO) and the chief financial officer (CFO). They apply correspondingly to the Company Secretary, Observers and Alternative Directors as appropriate.
- 1.3 These Rules of Procedure applies until the Board resolves to amend them.

2. NOTICE OF BOARD MEETINGS

- 2.1 There shall be at least 4 Board meetings each year.
- 2.2 The CFO shall every year prepare a draft of a meetings schedule. The meetings schedule shall apply for the whole year. The CFO shall discuss the draft with the Chairman of the Board and the CEO before the draft is presented to the Board.
- 2.3 The Company Secretary shall give notice of Board meetings in accordance with the instructions of the Chairman of the Board and the CEO/CFO. 14 days prior to each Board meeting a written notice with a proposed agenda shall be sent to all Directors, including Alternate Directors (if any). No later than 5 days before the meeting is to be held, the final agenda will be sent out by the Company Secretary. Shorter notice may be given for particular reasons.
- 2.4 In addition to those scheduled, Board meetings may also be held if the Chairman or the CEO deems it necessary. Each Director and the CEO have the right to require that the Chairman summons a Board meeting. The Chairman is obliged to comply with the request. The Board meeting shall be held within 10 days and as soon as possible depending on the nature of the issue.
- 2.5 A Director who is prevented from attending a Board meeting must notify the Company Secretary and the CEO as soon as possible. The Company Secretary shall immediately summon the Alternate Director(s) if such has been appointed.

3. PREPARATION OF THE MEETINGS

- 3.1 The CFO shall prepare each item on the agenda based on consultations with the Chairman and the CEO.

- 3.2 Documentation supporting the items on the Board meeting agenda shall, if possible, be enclosed with the notice of the meeting.
- 3.3 Every issue must be adequately explained in order for the Board to have a satisfactory basis on which to base its decision.
- 3.4 The meeting notice should include the management's suggestion with regards to resolutions of the Board for each issue on the agenda.

4. THE LOCATION OF BOARD MEETINGS

- 4.1 Unless otherwise stated, all Board meetings to be held at the Company's office in Limassol, Cyprus. The Board may make decisions without meeting by passing written resolutions.
- 4.2 Each Director and the CEO have the right to demand that an issue shall be discussed at a meeting.

5. THE PROCEDURE AT THE BOARD MEETINGS

- 5.1 The Chairman chairs the Board meetings. The Deputy Chairman chairs the meeting in the Chairman's absence. If the Board has not appointed a Deputy Chairman, the Board shall appoint one of the Directors present to chair the meeting.
- 5.2 The CEO and the CFO have the right and obligation to participate and present his/her view in the Board of Director's discussions unless otherwise decided by the Board on a case by case basis. The CEO and the CFO shall have the opportunity to comment on issues not dealt with in a meeting by the Board.

6. QUORUM

- 6.1 The quorum necessary for the transaction of business of the Board may be fixed by the Directors and unless so fixed differently shall be the majority of the Directors. Directors of the Board, which are disqualified, see section 8, shall be considered as absent.

7. MAJORITY REQUIREMENTS

- 7.1 The adoption of a resolution by the Board of Directors shall require that the majority of the members of the Board of Directors, who have participated in the discussion of a matter, have voted in favour of the motion.
- 7.2 [In case of an equality of votes, the Chairman shall have a second or casting vote].

8. DISQUALIFICATION

- 8.1 A Director of the Board may not participate in the discussion or decision of issues in which the Director or any person connected to the Director is regarded as having a major personal or financial interest in the matter.
- 8.2 A Director of the Board or the CEO/CFO may not participate in a matter concerning a loan or other credit to the person in question or on the pledging of security for said person's debt.

9. MINUTES OF MEETINGS

- 9.1 Minutes of meetings shall be made. The minutes shall include:
- (1) time
 - (2) place
 - (3) participants
 - (4) whether the Board held a meeting or handled the items on the agenda in another manner
 - (5) information about the notice of the meeting
 - (6) short description of the agenda
 - (7) the Board's resolutions together with the number of votes
- 9.2 All of the Directors of the Board who participated at the meeting shall sign the minutes. A Director of the Board and the CEO may demand to have his or her view entered in the minute-book. The Directors of the Board, who have not been present at a Board meeting, shall be informed about the decisions at the meeting and shall receive a copy of the minutes of the meeting.
- 9.3 Draft minutes shall be distributed by the Company Secretary to the Chairman of the Board, the CEO and the CFO no later than 3 days after a meeting is held. Final minutes shall be distributed by the Company Secretary to all Directors no later than 7 days after a meeting is held.

10. THE DUTIES AND POWERS OF THE BOARD OF DIRECTORS

- 10.1 The Board of Directors shall perform their duties in a loyal manner and always act in the best interest of the Company. The Board of Directors shall:
- (1) have the ultimate control over the management of the Company, including ensuring that the Company's business activities are soundly organised;
 - (2) draw up plans and prepare budgets for the Company;
 - (3) approve the quarterly accounts;
 - (4) approve the annual reports and the annual accounts, and sign them together with the CEO and the CFO;
 - (5) be up to date about the financial position of the Company;

- (6) ensure that the Company's business, accounts, and asset management are subject to adequate control and to ensure that internal routines and instructions are prepared for this purpose;
 - (7) ensure that the Company's insurance coverage is assessed on a regular basis;
 - (8) initiate and implement the actions and investigations the Board deems necessary to perform its duties;
 - (9) supervise the daily administration of the Company and the Company's activities in general;
 - (10) ensure that the Company's equity is sound based on the risk and extent of the activities of the Company;
 - (11) establish such committees and sub-committees of the Board as may be required;
 - (12) consider matters in relation to the Company's affairs which are of an extraordinary nature or of major importance;
 - (13) appoint and, if applicable, dismiss with or without notice the CEO;
 - (14) approve any charters for any of the rigs held by the group;
 - (15) approve entering into or any variation in relation to any material contracts if the value is above USD 100.000;
 - (16) evaluate its own work and competence on an annual basis.
- 10.2 The Board must not make decisions in matters, which are the responsibility of the Company's General Meeting. The Board of Directors must not take any action or measures which may give certain Directors of the Board or other parties an unfair advantage at the expense of other shareholders or the Company.
- 10.3 The Board of Directors and the CEO must not comply with any resolution adopted by the General Meeting or by another corporate body if the resolution is contrary to applicable law or the Company's Articles of Association.
- 10.4 If the equity falls below a sound level based on the risk and extent of the activities of the Company, then the Board of Directors must take immediate action. Within a reasonable period of time, the Board of Directors must, if deemed necessary, convene a General Meeting, give the General Meeting an account of the Company's financial position and propose measures to provide the Company with a sound equity.
- 10.5 The duties of the Board listed above are not exhaustive, as the Company's activities at any time and in any specific field must be taken into account.

- 10.6 The Board shall annually evaluate its performance and expertise, including an evaluation of the composition of the Board and the manner in which its members function, both individually and as a group, in relation to the objectives set out for the Board of Directors work.

11. THE AUTHORITY AND POWERS OF THE BOARD AND THE CEO

- 11.1 The rules of procedure of the CEO are attached hereto as schedule 1 and set out the responsibilities and authority of the CEO.
- 11.2 The Board shall lay down yearly investment plans through the budget. The CFO shall make sure that a budget with comments is presented to the Board within 15 November each year.
- 11.3 The CEO has the authority to resolve any investment in any specific project, which has been set out in the budget.
- 11.4 Within his authority the CEO may delegate his power to make decisions.
- 11.5 The Board shall be kept informed on a regular basis about the size of the investments, the development of the value of the strategic investments, liquidity and equity of the Company.

12 EMPLOYMENT

- 12.1 The CEO has the power to hire employees to the Company. The authority relates to employment of positions at all levels in the Company, except for top management (CFO, COO, CTO).

13 THE BOARD'S DUTY TO INFORM THE SUBSIDIARIES

- 13.1 The Board shall ensure that the boards of the subsidiaries are kept informed about circumstances of importance to the group as a whole. A Board of a subsidiary shall, if possible, also be kept informed about proposals of decisions which may affect the subsidiary before a final decision is rendered.

14 PROFESSIONAL SECRECY

- 14.1 The Directors of the Board have an obligation to keep confidential all information concerning the Company and its subsidiaries, which they receive as Directors of the Board or as Chairman of the Board.
- 14.2 This confidentiality obligation is secondary to any law or regulation requiring the Director of the Board to disclose such information. Furthermore, the obligation does not include information, which is already known to the public or is publicly available.
- 14.3 When a Director of the Board retires from the Board of Directors, all confidential material, which the person in question has received as member of the Board, shall be returned to the Company.

15. SPECIFIC DUTIES OF THE BOARD MEMBERS

- 15.1 A Director of the Board shall notify the Board of other directorships that he or she holds that may be of relevance for the assessment of the Directors' independence from material business contracts and the Company's shareholders. The Chairman shall ensure that the Company holds updated lists of such directorships of all of the Board members and the CEO.
- 15.2 The Directors of the Board shall immediately inform the CFO about their own and closely related persons' sale and purchase of shares in the Company.
- 15.3 The CEO shall make sure that each Director of the Board familiarises him/herself with and accepts these procedures on taking up office. In confirmation, each member of the Board shall sign a copy of these instructions.

16. THE FUNCTION OF THE COMPANY SECRETARY

- 16.1 In cooperation with the Chairman and the CEO/CFO, the Company Secretary shall attend to the practical tasks associated with the Board's work, including
- (1) sending out notices and agendas;
 - (2) coordination and sending out of documents relating to the business of the Board of Directors;
 - (3) attending the Board meetings;
 - (4) follow up of resolutions adopted by the Board;
 - (5) drafting the minutes of meeting and circulate for signing by the Directors of the Board that participated.

[Date]

[Signature of all the Board Members]

**Rules of Procedures of the Chief Executive Officer (CEO) of
SD STANDARD DRILLING PLC**

Approved at the Board meeting held 24 April 2012

1. PURPOSE OF THE POSITION

- 1.1 The CEO is the highest-ranking administrative leader and shall take care of those tasks that are imposed on him or her by applicable law, provisions, the Company's Articles of Association and Rules of Procedures, and resolutions of the Board for the day-to-day management of the Company.

2. DUTIES OF THE CEO

2.1 The CEO shall:

- (1) be responsible for ensuring that the Company complies with its obligations toward Oslo Axess pursuant to the continuing obligations of stock exchange listed companies, the Norwegian Stock Exchange Act, section 24 (7) and other applicable rules (including the Norwegian Securities Trading Act);
- (2) be updated on other laws, provisions, and procedures which are relevant for the business and the duties of the position;
- (3) prepare goals, policies, and strategies for the business in co-operation with the Board of the Company;
- (4) implement and follow up on Board resolutions;
- (5) establish an adequate organisation and basis of competence to ensure an effective implementation and achievement of goals;
- (6) establish and maintain contacts with investors, customers, alliance partners, and relevant authorities;
- (7) handle any requests from charterers, brokers or others in relation to the rigs;
- (8) handle contact with yards and supervision teams to ensure that building processes are on schedule and in accordance with construction contracts;
- (9) secure and implement sound control and reporting routines for the activities of the Company;
- (10) ensure that the Company's equity and liquidity are sound;

- 2.2 Section 2.1 does not prevent the Board from giving other persons certain tasks in specific areas, hereunder cooperation with investors, alliance partners and authorities.

3. THE DUTIES OF THE CEO TOWARDS THE BOARD

- 3.1 At least once a month the CEO shall inform the Board, in person or in writing, about the business and results of the Company and group. The Board may decide that the CEO shall inform the Chairman on a more frequent basis.
- 3.2 If the CEO receives requests showing serious interest in merger and/or acquisition involving the Company, or requests for the purchase of construction contracts/rigs or subsidiaries, the CEO shall immediately inform the Board. Based upon suggestion from the CEO, the Board shall decide how the matter should be dealt with.
- 3.3 The Board or each Board member may at any time demand that the CEO inform them about a specific matter. The CEO is obliged to answer promptly.
- 3.4 Together with the Company Secretary and the CFO, the CEO shall prepare for Board meetings in accordance with the resolutions and procedures of the Board.

4. DELEGATION

- 4.1 The CEO may delegate responsibility or establish units, which take care of his or her assigned tasks.

5 PROFESSIONAL SECRECY

- 5.1 The CEO may not disclose and must keep as confidential all information concerning the Company and its subsidiaries, which he or she receives by virtue of their position as CEO.
- 5.2 This obligation of confidentiality is secondary to any applicable law or regulation requiring that certain information be disclosed. Furthermore, the obligation does not include information, which is already known to the public or publicly available.
- 5.3 When the CEO retires, all confidential material received shall be returned to the Company.