

# S.D. STANDARD DRILLING PLC

## FOURTH QUARTER REPORT 2017



## CONTENTS

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<b>STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED FINANCIAL STATEMENTS</b>	<b>2</b>
<b>FOURTH QUARTER MANAGEMENT REPORT</b>	<b>3</b>
<b>INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>7</b>
<b>INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION</b>	<b>8</b>
<b>INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY</b>	<b>9</b>
<b>INTERIM CONDENSED STATEMENT OF CASH FLOWS</b>	<b>10</b>
<b>NOTES TO THE FINANCIAL INFORMATION</b>	<b>11</b>

## 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 twelve months ended 31 December 2017 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the twelve months ended 31 December 2017 which are presented on pages 7 to 19:
  - (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, 26 February 2018

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Martin Nes  
Chairman

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Arne Helge Fredly  
Non-Executive Director

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George Crystallis  
Independent Director

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Christos Neocleous  
Chief Financial Officer

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Evangelia Panagide  
General Manager

# Fourth Quarter Management Report 2017

## Selected Financial Information

	Three Months Ended		Twelve Months Ended	
	2017 Q4	2016 Q4	2017 Q4	2016 Q4
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating profit/(loss)	<b>3 604</b>	38	<b>(1 169)</b>	(266)
Profit/(loss) for the period before tax	<b>3 604</b>	34	<b>(1 171)</b>	(277)
Total comprehensive income/(loss) for the period	<b>3 602</b>	32	<b>(1 174)</b>	(278)

## Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the fourth quarter of the year 2017 are prepared and presented on a standalone basis, since the Company is an investment entity and shall not consolidate its subsidiary. The Company measures its investment in subsidiary and associates at fair value through profit or loss. Consequently, the Company's investment in Platform Supply Vessels (PSVs) is valued based on estimates made by reputable independent valuers. Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in these Financial Statements.

## Highlights Fourth Quarter

- In Q4 the Company recognized an unrealized profit of USD 4 million from the revaluation of its financial assets at fair value whereas for the twelve months ended 31 December 2017 an unrealized loss of USD 2,6 million was recognized. The fair value of the investments as of 31 December 2017 was USD 88,4 million.
- On 11 October 2017 the Company entered into an agreement to acquire two UT 776 CD PSV vessels for a total en-bloc consideration of USD 22,2 million. The vessels are large PSVs, which were built at STX Brevik, Norway in 2009 and 2010. On 13 November 2017, the transaction was completed and the Company took delivery of the two vessels through its wholly owned Norwegian subsidiary Wanax AS. Following the transaction the Company owns 18 vessels out of which 5 are 100% owned.
- On 31 October 2017, the Company announced an equity offering of up to 152,671,756 new shares directed towards all registered shareholders in the Company as of 30 October 2017, divided on two tranches at an offer price of NOK 1.31 per share raising gross proceeds of up to NOK 200 million. The equity offering was successfully completed and the following shares were issued:
  - On 1 November 2017, the Company issued 145,432,069 new shares at the price of USD 0.1604 per share which included a share premium of USD 0.1304 per share, with gross proceeds of USD 23,3 million.
  - On 6 November 2017, the Company issued 7,239,687 new shares at the price of USD 0.1604 per share which included a share premium of USD 0.1304 per share, with gross proceeds of USD 1,2 million.

Out of the proceeds from the above equity offering, USD 22,2 million were used to fund the acquisition of the two vessels referred to in (2) above.

- Looking at the performance of the vessels there is a negative EBITDA (adj.) in Q4 17 of USD (0,07) million (Q3 17 positive USD 0,55 million) from chartering out the 5 large –sized PSV's. Including the ownership in PSV Opportunity III (25.53%) the group netted a negative EBITDA (adj.) of USD (0,16) million (Q3 17 positive USD 0,47 million).
- In mid-December 2017, Standard Supporter was awarded a 1 well firm contract by Enquest, including + 3 x 1 well options.
- During Q4 17, the utilisation charter-out rate of the Company's vessels held through its wholly owned Norwegian subsidiary Wanax AS, approximates to 84% (Q3 17 90%) for the five large PSV Standard vessels and 76% (Q3 17 98%) for the PSV Opportunity III vessels (excluding those in lay-up).

# Fourth Quarter Management Report 2017 (Continued)

## Selected Financial Information

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### Subsequent Events

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The following events took place between the Balance Sheet date and the date of approval of these interim condensed financial statements:

1. On 10 January 2018 the Company held an Extraordinary General Meeting where it was resolved to increase the authorised share capital from USD 15,50 million divided into 516 666 667 ordinary shares to USD 23,25 million divided into 775 000 000 ordinary shares of a nominal value of USD 0,03 each, by the creation of additional new 258 333 333 ordinary shares of USD 0,03 each. The Company has issued 509 359 757 ordinary shares and the number of authorized, but not issued, shares is thus 265 640 243 shares.
2. Following an increase of PSV Opportunity III DIS ("PSV III") share capital by USD 5 million on 25 January 2018, the Company through its wholly owned subsidiary Wanax AS contributed an additional USD 1,3 million to the share capital of PSV III resulting in maintaining its initial shareholding to 25,53%.

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

## FOURTH QUARTER MANAGEMENT REPORT 2017 (CONTINUED)

### RESULTS FOR FOURTH QUARTER 2017

The operating profit for the three months ended on 31 December 2017 was USD 3,6 million compared to the three months ended 31 December 2016 profit of USD 38 thousands. The operating profit includes an unrealized profit on revaluation of financial assets of USD 4 million, interest income of USD 147 thousands and is after deducting administration expenses of USD 244 thousands and a net foreign currency loss of USD 217 thousands. Finance income for the period was USD NIL thousands thus a net profit before tax for the period of approximately USD 3,6 million. Earnings per share was USD 0,01 for the Quarter.

### RESULTS FOR THE TWELVE MONTHS OF 2017 AND FINANCIAL COMPARISON WITH THE TWELVE MONTHS OF 2016

The operating loss for the twelve months ended 31 December 2017 was USD 1,2 million compared to the twelve months ended 31 December 2016 loss of USD 266 thousands. The increased loss in 2017 compared to 2016 is mainly due to an unrealized loss on revaluation of financial assets at fair value of USD 2,6 million, other gains of USD 281 thousands, interest income of USD 220 thousands a net foreign currency gains of USD 1,6 million and administrative expenses of USD 721 thousands. The Company had no other material investments neither material transactions denominated in currencies other than the Company's functional currency, thus the remaining net loss was comprised mainly by administration expenses.

### LIQUIDITY AND CAPITAL STRUCTURE

The available cash position of the Company as at 31 December 2017 was USD 12,1 million.

During the twelve months of 2017 net cash used in operating activities was USD 80,8 million, mainly consisting of a capital contribution of USD 81,5 million to subsidiary Wanax AS. The net cash generated from investing activities was USD 2,5 million consisting mainly of (i) an interest received of USD 220 thousands and (ii) a net inflow of USD 2,2 million from the redemption of World Wide Supply AS's senior secured callable bonds. Net cash generated from financing activities was USD 88,4 million. These funds were generated from the issuance of new share capital at a premium less transaction costs.

As of 31 December 2017, the Company had 1 547 shareholders. The share price as of 31 December 2017 was NOK 1,39 (USD 0,17).

### PRINCIPLE RISK AND UNCERTAINTIES

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the PSV market. The Company is also exposed to other financial risks as disclosed in Note 3 of annual financial statements for the year ended 31 December 2016.

The Company has in place systems and procedures to maintain its status in the market and to stay alert to changes in the market place in order to help mitigate market risk. Internal procedures have been and are continuously being developed to help mitigate financial and operational risks.

### OUTLOOK

The principal activity of the Company is that of the investment entity within oil and gas sector, directly or indirectly into companies, securities and / or assets, with the aim to control a larger fleet of assets - all at low values.

The objective of the Company is to generate significant medium to long-term capital growth. The main focus of the Company will be in the PSV market although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company expects that there will be an upturn in the market in the North Sea Sector from the spring of 2018. With all its 5 larger PSVs trading and with a satisfying contract coverage for the part-owned vessels in PSV Opportunity III, the Company is well positioned to take part in the expected upturn.

## FOURTH QUARTER MANAGEMENT REPORT 2017 (CONTINUED)

The Company has a sound financial position and the Board of Directors believe that the Company is in a good position to take advantage of any investment opportunity that may appear. This includes, but is not limited to, asset play or investment directly in other companies. The main drivers are maximizing the return and minimizing the risk.

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

*26 February 2018*

*Martin Nes  
Chairman  
(Sign.)*

*Christos Neocleous  
CFO  
(Sign.)*

**INTERIM CONDENSED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Note	Three Months Ended		Twelve Months Ended	
		2017 Q4	2016 Q4	2017 Q4	2016 Q4
<i>(Amounts in USD 000)</i>		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Income</b>					
Changes in fair value on financial assets at fair value through profit or loss	4	4 001	193	(2 583)	193
Other gains and (losses)	5	(83)	-	281	-
Interest income		147	6	220	42
Net foreign currency gains or (losses)		(217)	(9)	1 634	-
<b>Total net income /(loss)</b>		<b>3 848</b>	<b>190</b>	<b>(448)</b>	<b>235</b>
<b>Expenses</b>					
Administration fees		(244)	(152)	(721)	(501)
<b>Total operating expenses</b>		<b>(244)</b>	<b>(152)</b>	<b>(721)</b>	<b>(501)</b>
<b>Operating profit/(loss)</b>		<b>3 604</b>	<b>38</b>	<b>(1 169)</b>	<b>(266)</b>
<b>Finance costs</b>					
Sundry finance income/(expenses)		-	(4)	(2)	(11)
<b>Profit/(loss) for the period before tax</b>		<b>3 604</b>	<b>34</b>	<b>(1 171)</b>	<b>(277)</b>
Income tax expense		-	-	-	-
<b>Profit/(loss) for the period after tax</b>		<b>3 604</b>	<b>34</b>	<b>(1 171)</b>	<b>(277)</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Available-for-sale investments – Fair value gains/(loss)		(2)	(2)	(3)	(1)
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>(2)</b>	<b>(3)</b>	<b>(1)</b>
<b>Total comprehensive income for the period</b>		<b>3 602</b>	<b>32</b>	<b>(1 174)</b>	<b>(278)</b>
<b>Earnings/(loss) per share</b>					
Basic/diluted earnings/(loss) per share	3	0,01	0,00	(0,00)	(0,00)

**INTERIM CONDENSED STATEMENT  
OF FINANCIAL POSITION  
AT 31 DECEMBER 2017**

<i>(Amounts in USD 000)</i>	Note	<b>31.12.2017</b>	<b>31.12.2016</b>
		<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
Equipment and machinery		1	1
Financial asset at fair value through profit or loss	4	88 379	5 300
<b>Total non-current assets</b>		<b>88 380</b>	<b>5 301</b>
Trade and other receivables		42	144
Senior secured callable bonds	5	65	2 018
Loan receivable	6	-	-
Available-for-sale financial assets	7	12	15
Current tax asset		1	1
Cash and bank balances		12 148	1 798
<b>Total current assets</b>		<b>12 268</b>	<b>3 976</b>
<b>Total Assets</b>		<b>100 648</b>	<b>9 277</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares	8	15 281	2 620
Share premium	8	86 840	6 938
Other reserves	9	(4)	(1)
Accumulated profits/(losses)		(1 625)	(454)
<b>Total equity</b>		<b>100 492</b>	<b>9 103</b>
Trade and other payables		156	174
<b>Total current liabilities</b>		<b>156</b>	<b>174</b>
<b>Total Equity and Liabilities</b>		<b>100 648</b>	<b>9 277</b>

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

*Martin Nes  
Chairman  
(Sign.)*

*Christos Neocleous  
CFO  
(Sign.)*

**INTERIM CONDENSED STATEMENT  
OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Fair value reserve - available for sale financial assets	Accumulated Profits/(Losses)	Total
<b>Balance at 01.01.2016</b>	<b>2 620</b>	<b>6 938</b>	-	<b>(177)</b>	<b>9 381</b>
<b>Comprehensive income</b>					
Profit/(Loss) for the period	-	-	-	(277)	(277)
Other comprehensive income	-	-	(1)	-	(1)
<b>Balance at 31.12.2016</b>	<b>2 620</b>	<b>6 938</b>	<b>(1)</b>	<b>(454)</b>	<b>9 103</b>
<b>Balance at 01.01.2017</b>	<b>2 620</b>	<b>6 938</b>	<b>(1)</b>	<b>(454)</b>	<b>9 103</b>
<b>Comprehensive income</b>					
Profit/(loss) for the period	-	-	-	(1 171)	(1 171)
Other comprehensive income	-	-	(3)	-	(3)
<b>Transactions with owners</b>					
Issue of share capital (note 8)	12 661	83 660	-	-	96 321
Share issue costs	-	(3 758)	-	-	(3 758)
<b>Balance at 31.12.2017</b>	<b>15 281</b>	<b>86 840</b>	<b>(4)</b>	<b>(1 625)</b>	<b>100 492</b>

**INTERIM CONDENSED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Note	Twelve Months Ended	
		2017	2016
		Q4	Q4
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the period before income tax		(1 171)	(277)
Unrealised exchange gain		(303)	-
Other gains and losses	5	(281)	-
Payments to acquire financial assets at fair value through profit or loss		(81 461)	(5 107)
Interest income		(220)	(42)
Decrease/(increase) in trade and other receivables		102	(109)
Decrease/(increase) in financial asset fair value through profit or loss	4	2 583	(193)
(Decrease)/increase in trade and other payables		(18)	109
<b>Net cash generated from/(used in) operating activities</b>		<b>(80 769)</b>	<b>(5 619)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Redemption of senior secure callable bonds		3 626	-
Payment for the purchase of senior secure callable bonds	5	(1 392)	(2 018)
Interest received		220	42
<b>Net cash generated from/(used in) investing activities</b>		<b>2 454</b>	<b>(1 976)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		92 120	-
Share issue costs		(3 758)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>88 362</b>	<b>-</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>10 047</b>	<b>(7 595)</b>
Cash and cash equivalents at beginning of year		1 798	9 393
Effect of exchange rate changes on the balance of cash held in foreign currencies		303	-
Cash and cash equivalents at end of period		12 148	1 798

## 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 and on 31 May 2017 on Oslo Bors. The address of the Company’s registered office is Maximou Michailide 6, Maximos Plaza, Tower 3, 4<sup>th</sup> floor, Flat/Office 401, 3106, Limassol, Cyprus.

#### Principal Activities

The principal activity of the Company is that of the investment entity within oil and gas sector, directly or indirectly into companies, securities and/or assets, with the aim to control a larger fleet of assets-all at low values. The objective of the Company is to generate significant medium to long term capital growth. The main focus of the Company will be in the PSV market although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company’s strategy is to invest into high risk investments in distressed asset acquisition held by unquoted companies where the Company takes active role in helping to build and develop these companies with the aim to make its returns through medium to long term capital gains appreciation as opposed to invest for strategic purposes (i.e for income return).

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed financial statements for the twelve months ended 31 December 2017, 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 2016. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016 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 2017. 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 and impact of those standards and specifically of IFRS 9 was assessed and is not expected to be material to the Company.

#### Investments in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Investments in an associate are carried in the balance sheet at fair value as required by IAS 28, ‘Investment in associates’, which allows investments that are held by investment entities to be recognized and measured as at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognized in the statement of comprehensive income in the period of the change.

### NOTE 3– 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>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Basic/diluted EPS</b>				
Profit/(Loss) attributable to equity holders of the Company	3 604	34	(1 171)	(277)
Weighted average number of ordinary shares in issue (thousands)	455 863	87 333	371 446	87 333
<b>Basic/diluted earnings/(loss) per share</b>	<b>0,01</b>	<b>0,00</b>	<b>(0,00)</b>	<b>(0,00)</b>

The comparative weighted average number of ordinary shares for the fourth quarter of 2017 have been adjusted to consider the reverse split which took place in second quarter of 2017.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 4 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
Balance at 1 January	5 300	-
Additions	85 662	5 107
Change in fair value	(2 583)	193
<b>Balance at the end of the year (note 10)</b>	<b>88 379</b>	<b>5 300</b>

Investments designated at fair value through profit or loss are analysed as follows:

Name of Investment	Principal activity	Place of establishment and principal place of business	Proportion of ownership/ interest held	
			<b>31.12.2017</b>	31.12.2016
Wanax AS	Investment holding	Norway	100%	100%
New World Supply Ltd	Investment holding	Cayman Islands	26.2%	-

- 1) On 2 January 2017, the Company through its wholly owned subsidiary Wanax AS, invested USD 5,2 million representing 35% of the issued share capital of PSV Opportunity III DIS (hereinafter “PSV III”), a partnership arrangement established in Norway. PSV III owned two mid-size PSV vessels (UT 755 LN) which were built at Aker Brevik in Norway in 2007 and 2008. The transaction was closed on 19 January 2017.
- 2) On 24 January 2017 the Company was allocated 5 082 837 ordinary shares, representing 15.6% ownership of New World Supply Ltd at a cost of USD 5,08 million.
- 3) On 19 February 2017, the Company agreed to acquire three large Platform Supply Vessels (“PSV’s”) for a total consideration of USD 40 million. The PSV’s are all built at Aker Brattvaag, Norway in 2007-2008. The Company through its wholly owned subsidiary Wanax AS, took delivery of the PSV’s on 9 February and are owned by three 100% owned subsidiaries namely Standard Princess AS, Standard Supplier AS and Standard Viking AS.
- 4) During the first quarter of the year, the Company has contributed USD 2,7 million to its subsidiary Wanax AS to support the working capital needs of its investments. These USD 2,7 million have been contributed to sub-subsidiary companies Standard Supplier AS, Standard Viking AS and Standard Princess AS.
- 5) On 21 March 2017 the Company acquired a further 7,7% of New World Supply Ltd. The consideration price was set to NOK 26,3 million and was settled with the issue and allotment of 35 000 000 new ordinary shares of the Company at the subscription price of NOK 0,75 (USD 0,08741) which included a share premium of USD 0,07741 per share. Following the transaction, the Company held a 23,3% ownership in New World Supply Ltd.
- 6) On 31 March 2017 the Company acquired a further 2,9% of New World Supply Ltd. The consideration price was set to NOK 9,8 million and was settled with the issue and allotment of 13 064 002 new ordinary shares of the Company at the subscription price of NOK 0,75 (USD 0,08741) which included a share premium of USD 0,07741 per share. Following the transaction, the Company holds a 26,2% ownership in New World Supply Ltd.
- 7) In June 2017 and following the unanimous decisions taken at the extraordinary general meetings of the Partners’ Councils of PSV Opportunity I DIS (“PSV I”), PSV Opportunity II DIS (“PSV II”) and PSV opportunity III DIS (“PSV III”), PSV I and PSV II were merged into PSV III resulting in a combined holding of 25,53% for the Company through its 100% subsidiary Wanax AS.
- 8) During the second quarter of the year, the Company has contributed USD 3,6 million to its subsidiary Wanax AS to support the working capital needs of its investments. Out of these USD 3,6 million, USD 2,2 million and USD 1,3 million have been contributed to sub-subsidiary companies Standard Supplier AS and Standard Viking AS respectively.
- 9) On 11 October 2017 the Company entered into an agreement to acquire two UT 776 CD PSV vessels for a total en-bloc consideration of USD 22,2 million. The vessels are large PSVs, which were built at STX Brevik, Norway in 2009 and 2010. The Company through its wholly owned subsidiary Wanax AS, took delivery of the two vessels on 13 November 2017 and these are owned by two 100% owned subsidiaries namely Standard Provider AS and Standard Supporter AS.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 4 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

- 10) During the fourth quarter the year, the Company has contributed a further USD 2,6 million to its subsidiary Wanax As to support the working capital needs of the subsidiary and of its investments. Out of these USD 2,6 million, USD 2,1 million have been contributed to its' sub-subsidiary companies Standard Provider AS, Standard Supporter AS and Standard Supplier AS.

The above investments are measured at fair value.

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	-	-
Unrealised change	(2 583)	193
<b>Total net gains/(losses)</b>	<b>(2 583)</b>	<b>193</b>
Other net changes in fair values on assets designated at fair value through profit or loss	(2 583)	193
<b>Total net gains/(losses)</b>	<b>(2 583)</b>	<b>193</b>

### NOTE 5 – SENIOR SECURED CALLABLE BONDS

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
Balance at 1 January	2 018	-
Additions	1 392	2 018
Notional interest received	56	-
Change in estimates of receipts	281	-
Redemption	(3 682)	-
<b>Balance at the end of the year</b>	<b>65</b>	<b>2 018</b>

In 2016 the Company purchased 12 221 667 senior secured callable bonds (the "bonds") of World Wide Supply AS ("WWS") in the secondary market at a price of USD 2 017 781. World Wide Supply AS initially issued 150 million senior secured callable bonds in November 2013 at a price of USD 1 each. The coupon rate was 7.75% per annum and the maturity date was set on 26 May 2017.

During the first quarter of 2017 the Company purchased additional 7 525 000 bonds of World Wide Supply AS at a market price of USD 1 392 125. In the same period an amount of approximately 3,2 million which includes an interest received of USD 43 thousands has been redeemed. The bonds were in default.

In August 2017, the Company received a further redemption of USD 527 thousands which includes a nominal interest received of USD 13 thousands, whereas an additional amount of USD 65 thousands is estimated to be received in the near future. In this respect the management proceed in Q4 with a diminution of the bond value by USD 83 thousands. Following the change in estimated receipts and using present value techniques, the Company recognized during the year a gain of USD 281 thousands.

The fair value of the Company's senior secured callable bonds approximate their carrying value.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 6 – LOAN RECEIVABLE

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
Balance at the beginning of the year	-	-
New loans granted	76 377	-
Interest income	-	-
Conversion of debt to equity	(76 377)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
Loan to own subsidiary	-	-

During the first quarter of the year, the Company entered into a loan agreement with its wholly owned subsidiary company Wanax for a total amount of USD 51,8 million. The loan was interest free, unsecured and convertible into equity. On 28 June 2017 the loan was converted into equity of Wanax AS.

On 12 October 2017, the Company entered into a credit facility agreement with its wholly owned subsidiary Company Wanax AS for a total amount of up to USD 1 million which was subsequently increased to USD 26 million through an addendum concluded on 12 December 2017. The facility was interest free, unsecured, convertible into equity and repayable by 12 October 2018. An amount of USD 24,8 million has been utilized and converted into equity of Wanax AS in December 2017.

### NOTE 7 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
Balance at the beginning of period/year	15	16
Net gain/(loss) arising on revaluation of available for sale financial asset	(3)	(1)
<b>Balance at the end of year</b>	<b>12</b>	<b>15</b>

### NOTE 8 – SHARE CAPITAL AND PREMIUM

<b>Authorised</b>	<b>Number of shares (thousands)</b>	<b>Ordinary shares</b>	<b>Total</b>	
<i>(Amounts in USD 000)</i>				
<b>2016</b>				
Balance at the beginning of the year	362 000	3 620	<b>3 620</b>	
<b>Balance at the end of the year</b>	<b>362 000</b>	<b>3 620</b>	<b>3 620</b>	
<b>2017</b>				
Balance at the beginning of the period	362 000	3 620	<b>3 620</b>	
Increase of share capital	1 188 000	11 880	<b>11 880</b>	
Consolidation of share capital (reverse split 1:3 – see (9) below)	(1 033 333)	-	-	
<b>Balance at the end of the year</b>	<b>516 667</b>	<b>15 500</b>	<b>15 500</b>	
<b>Issued and fully paid</b>	<b>Number of shares (thousands)</b>	<b>Ordinary shares</b>	<b>Share premium</b>	<b>Total</b>
<i>(Amounts in USD 000)</i>				
<b>2016</b>				
Balance at the beginning of the year	262 000	2 620	6 938	9 558
<b>Balance at the end of the year</b>	<b>262 000</b>	<b>2 620</b>	<b>6 938</b>	<b>9 558</b>
<b>2017</b>				
Balance at the beginning of the period	262 000	2 620	6 938	9 558
Issue of shares	960 736	12 661	83 660	96 321
Consolidation of share capital (reverse split 1:3 – see (9) below)	(713 376)	-	-	-
Share issue costs	-	-	(3 758)	(3 758)
<b>Balance at the end of the year</b>	<b>509 360</b>	<b>15 281</b>	<b>86 840</b>	<b>102 121</b>

All shares issued have the same rights and are of nominal value of USD 0,03 each, following the recent reverse split.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 8 – SHARE CAPITAL AND PREMIUM (CONTINUED)

During the twelve months of 2017 the following transactions took place:

- 1) On 4 January 2017 the Company increased its authorised share capital from 362 000 000 to 1 022 000 000 ordinary shares of USD 0,01 each by the creation of additional 660 000 000 ordinary shares of a nominal value of USD 0,01 each.
- 2) On 4 January 2017, the Company issued 423 076 924 new shares through a Private Placement with gross proceeds of NOK 275 million (USD 31 815 thousands). The subscription price per new share was set to NOK 0.65 (USD 0,0752) which included a share premium of USD 0.0652 per ordinary share.
- 3) On 5 January 2017, the Company issued 111 111 200 new shares through a Private Placement with gross proceeds of NOK 100 million (USD 11 644 thousands). The subscription price per new share was set to NOK 0.90 (USD 0.1048) which included a share premium of USD 0.0948 per share.
- 4) On 13 January 2017, the Company invited certain eligible shareholders as of 8 December 2016 to subscribe for a subsequent offering comprising of up to 9 500 000 Offer Shares at a subscription price of NOK 0.65 per offer share. On 22 January 2017 the Company received applications with gross proceeds of NOK 3.58 million (USD 424 thousands) and allotted 5 514 718 offer shares at the price of USD 0.0769 which included a share premium of USD 0.0669 per share.
- 5) On 24 January 2017, the Company issued 220 297 158 new shares through a Private Placement with gross proceeds of NOK 198 million (USD 23 748 thousands). The subscription price per new share was set to NOK 0.90 (USD 0.1078) which included a share premium of USD 0.0978 per share.
- 6) On 23 February 2017 the Company increased its authorised share capital from 1 022 000 000 to 1 550 000 000 ordinary shares of USD 0,01 each by the creation of additional 528 000 000 ordinary shares of a nominal value of USD 0,01 each.
- 7) On 21 March 2017 the Company acquired a further 7,7% of New World Supply Ltd. The consideration price was set to NOK 26,3 million and was settled with the issue and allotment of 35 000 000 new ordinary shares of the Company at the subscription price of NOK 0,75 (USD 0,08741) which included a share premium of USD 0,07741 per share. Following the transaction, the Company held a 23,3% ownership in New World Supply Ltd.
- 8) On 31 March 2017 the Company acquired a further 2,9% of New World Supply Ltd. The consideration price was set to NOK 9,8 million and was settled with the issue and allotment of 13 064 002 new ordinary shares of the Company at the subscription price of NOK 0,75 (USD 0,08741) which included a share premium of USD 0,07741 per share. Following the transaction, the Company holds a 26,2% ownership in New World Supply Ltd.
- 9) On 4 May 2017 and following the relevant resolution passed on the Annual General meeting, the authorized share capital of the Company comprising of 1 550 000 000 ordinary shares of nominal value of USD 0,01 each has been consolidated into 516.666.667 ordinary shares of nominal value of USD 0,03 each at the ratio of 1 for 3 reverse split. On the same date the issued share capital of the Company comprising of 1 070 064 002 ordinary shares of USD 0,01 each, has been consolidated into 356 688 001 ordinary shares of USD 0,03 each at the ratio of 1 for 3 reverse split.
- 10) On 31 October 2017, the Company announced an equity offering of up to 152,671,756 new shares directed towards all registered shareholders in the Company as of 30 October 2017, divided on two tranches at an offer price of NOK 1.31 per share raising gross proceeds of up to NOK 200 million. The equity offering was successfully completed and the following shares were issued:
  - c) On 1 November 2017, the Company issued 145,432,069 new shares at the price of USD 0.1604 per share which included a share premium of USD 0.1304 per share, with gross proceeds of USD 23,3 million.
  - d) On 6 November 2017, the Company issued 7,239,687 new shares at the price of USD 0.1604 per share which included a share premium of USD 0.1304 per share, with gross proceeds of USD 1,2 million.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 9 – OTHER RESERVES

<i>(Amounts in USD 000)</i>	<b>31.12.2017</b>	31.12.2016
Balance at the beginning of the year	(1)	-
Fair value reserve-available for sale investments (1)	(3)	(1)
<b>Balance at the end of year</b>	<b>(4)</b>	<b>(1)</b>

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.

### NOTE 10 – FAIR VALUE MEASUREMENTS

10.1 The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables present the Company's fair value hierarchy of the financial assets as at 31 December:

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
<b>At 31 December 2016</b>				
<b>Assets</b>				
Available for sale financial assets				
- Equity securities	15	-	-	15
Financial Assets through profit or loss				
- Financial asset designated at fair value through profit or loss (note 4)	-	5 300	-	5 300
<b>Total financial assets measured at fair value</b>	<b>15</b>	<b>5 300</b>	<b>-</b>	<b>5 315</b>

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
<b>At 31 December 2017</b>				
<b>Assets</b>				
Available for sale financial assets				
- Equity securities	12	-	-	12
Financial Assets through profit or Loss				
- Financials asset designated at fair value through profit or loss (note 4)	-	-	88 379	88 379
<b>Total financial assets measured at fair value</b>	<b>12</b>	<b>-</b>	<b>88 379</b>	<b>88 391</b>

Financial assets designated at fair value through profit or loss amounted to USD 5 300 thousands have been reclassified from Level 2 to Level 3 based on unobservable inputs developed by the management using the best available information in the circumstances.

#### 10.2 Valuation processes

The management of the Company obtained fair value estimates from two independent Valuers ("Valuer A" and "Valuer B"). Both Valuers have provided a value range based on a willing buyer and willing seller market scenario. Valuer A has also provided a value range based on distressed values. Valuer B has not provided a distressed value range, however, a distressed value range has

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

#### 10.2 Valuation processes (continued)

been derived by the management by applying the same discount rate to Valuer B's willing buyer and willing seller range as the implied discount rate between Valuer A's willing buyer and willing seller value range and Valuer A's distressed value range. The applied fair value for the assets in the Company's financial statements is then set to the average of these two distressed ranges as the Company decided to apply a more conservative approach due to current market conditions and the frequency of such transactions in the market. Should the Company used the average fair values based on a willing buyer and willing seller market scenario of both Valuers, the total financial assets measured fair value would have been USD 126.7 million rather than USD 88.4 million.

#### 10.3 Reconciliation of Level 3 fair value measurements

The following table presents the changes in Level 3 investments for the year ended 31 December 2017;

(Amount in USD 000)	Financial assets designated at fair value through profit or loss	Total
<b>31 December 2017</b>		
Opening balance	-	-
Total gains or losses:		
- In profit or loss	(2 583)	(2 583)
Purchases	85 662	85 662
Issues	-	-
Disposals/settlements	-	-
Transfers into level 3 from level 2	5 300	5 300
Transfers out of level 3	-	-
Closing balance (note 4)	<u>88 379</u>	<u>88 379</u>
Unrealised gains or (losses) recognized in profit and loss attributable to assets held at the end of the reporting period (included in gains/losses) disclosed above:		
31 December 2017	<u>( 2 583)</u>	<u>(2 583)</u>
31 December 2016	<u>-</u>	<u>-</u>

No investments were held under level 3 for the year ended 31 December 2016.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

#### 10.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>1) Financial asset designated at fair value through profit or loss:</p> <p>(a) Investment in Wanax AS (100%) which holds:</p> <p>(i) 25,53% Participatory interest in PSV Opportunity III DIS "PSV III",</p> <p>(ii) 100% participatory interest in Standard Princess AS,</p> <p>(iii) 100% participatory interest in Standard Supplier AS,</p> <p>(iv) 100% participatory interest in Standard Viking AS,</p> <p>(v) 100% participatory interest in Standard Provider AS,</p> <p>(vi) 100% participatory interest in Standard Supporter AS</p> <p>The principal activity of PSV III, Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Provider AS and Standard Supporter AS is that of the holdings of PSV vessels.</p>	USD 80 741 thousands	Level 3	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B. (note 10.2).</p>	Discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Discount rate is in the range of 44% to 54% and 24% to 29% based on the size of the respective vessels (note 10.2).	Significant increases /(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower /higher fair value measurement (note 1).
<p>(b) Investment in New World Supply Ltd (26,2%) which holds:</p> <p>(i) 100% Participatory interest in SPV World Diamond,</p> <p>(ii) 100% Participatory interest in SPV World Perdiot,</p> <p>(iii) 100% Participatory interest in SPV World Pearl,</p> <p>(iv) 100% Participatory interest in SPV World Emerald,</p> <p>(v) 100% Participatory interest in SPV World Opal,</p> <p>(vi) 100% Participatory interest in SPV World Sapphire.</p> <p>The principal activities of the above companies is that of the holding of PSV vessels.</p>	USD 7 638 thousands	Level 3	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B. (note 10.2).</p>	Discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Discount rate is in the range of 50% to 60% (note 10.2).	Significant increases /(decreases) in the range of rates for discounting the fair vessels values would result in a significantly lower /higher fair value measurement (note 1).
<p>2) Listed shares - Bank of Cyprus Holdings Plc</p>	USD 12 thousands	Level 1	Quoted bid prices in an active market	Not applicable	Not applicable

#### Note 1.

A 5% increase/decrease of the discount rate used while all other variables were held constant would change the fair value of vessels as follows:

- For investment in Wanax AS by USD 2.3 million/- USD 2.3 million.

- For investment in New World Supply Ltd by USD 200 thousands/- USD 200 thousands.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

10.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis (continued):

Financial assets	Fair value as at 31/12/2016	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial asset designated at fair value through profit or loss  Investment in Wanax AS (100%) which holds:  (i) (20% Participatory interest in PSV Opportunity I DIS "PSV I" and, (ii) 20% participatory interest in PSV Opportunity II DIS "PSV II", The principal activity of PSV I and PSV II is that of the holding of PSV vessels.	USD 5 300 thousands	Level 2	Market Approach  The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV vessels. The data used are based on observable inputs.
2) Listed shares - Bank of Cyprus Holdings Plc	USD 15 thousands	Level 1	Quoted bid prices in an active market

### NOTE 11 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 26 February 2018.

# S.D. Standard Drilling

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## Financial Calendar (Release of Financial Reports)

Q4 2017	27 February 2018
Q1 2018	15 May 2018
Q2 2018	24 August 2018
Q3 2018	8 November 2018

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