

S.D. STANDARD DRILLING PLC

THIRD QUARTER REPORT 2014



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STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED CONSOLIDATED 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 consolidated financial statements of S.D. Standard Drilling Plc (the "Company"), for the nine months ended 30 September 2014 we confirm that, to the best of our knowledge:

- a) The interim condensed consolidated financial statements of the Company for the nine months ended 30 September 2014 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 consolidated 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, 28 November 2014

Martin Nes
Chairman

Gunnar Hvammen
Non-Executive Director

George Crystallis
Independent Director

Espen Lundaas
Chief Financial Officer

Evangelia Panagide
General Manager

Third Quarter Management Report 2014

Selected Financial Information

	Three Months Ended		Nine Months Ended	
	2014 Q3	2013 Q3	2014 Q3	2013 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	(9 247)	(1 513)	(9 845)	69 282
Operating margin, %	-	-	-	-
Operating profit/(loss)	(9 249)	(1 517)	(9 852)	69 272
Profit/(Loss) for the period before taxes	(9 201)	(1 451)	(9 687)	70 059
Profit/(Loss) for the period	(9 203)	(1 450)	(9 758)	70 073

Subsequent Events

On 17 November 2014 S.D. Standard Drilling PLC has disposed all the shares held in Prospector Offshore Drilling S.A (PROS) at a price of NOK 14,50 per share corresponding to 25,37% of the total outstanding share capital of PROS. As a consequence of the disposal, S.D. Standard Drilling PLC has realized a total loss of USD 14 293 thousands.

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

RESULTS

RESULTS FOR THIRD QUARTER 2014

The operating loss for the three months ended on 30 September 2014 was USD 9 249 thousands. The operating loss includes mainly administration expenses and an impairment loss arising from the diminution in value of the shares held in Prospector Offshore Drilling S.A (PROS). Net financial income for the period was USD 48 thousands thus a net loss before tax for the period of approximately USD 9 201 thousands. Earnings per share was USD (0,04) for the quarter.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position at 30 September 2014 was USD 3.8 million.

During the nine months of 2014, net cash used in operating activities was USD 1 183 thousands and net cash used in investing activities was USD 65 724 thousands, mainly consisting of a net outflow of USD 65 894 thousands for the purchase of shares in Prospector Offshore Drilling S.A (PROS) and interest received. Net cash used in financing activities was USD Nil.

As of 30 September 2014, the Company had 386 shareholders. The share price as of 30 September 2014 was NOK 1,25 (USD 0,19).

INVESTMENT IN PROSPECTOR OFFSHORE DRILLING S.A (PROS)

Acquisition of shares

On 10 September 2014 the Company purchased 24 million shares in PROS of a price of NOK 17.5 per share, corresponding to 25.37 % of the total outstanding share capital of PROS (the "Transaction"). The consideration under the Transaction was paid entirely in cash.

Prospector Offshore Drilling S.A. (PROS) was incorporated in Luxembourg on May 28, 2010. On February 21, 2011 the Company began trading publicly on the Oslo Axess Exchange under the ticker symbol PROS. PROS is a high specification jack-up drilling contractor. PROS has taken delivery of its first two F&G JU2000E high specification/harsh environment (HS/HE) jack-ups, both which are contracted by Total, with contracts secured for the construction and delivery of three additional rigs of

the same design. Upon deployment, PROS will own the newest HS/HE jack-up fleet in the world, operating the

most advanced drilling systems under a proven management team.

Subsequent disposal of shares

On 17 November 2014 S.D. Standard Drilling PLC has disposed all the shares held in Prospector Offshore Drilling S.A (PROS) of a price of NOK 14,50 per share. As a consequence of the disposal, S.D. Standard Drilling PLC has realized a total loss of USD 14 293 thousands.

The Transaction further implies that the Company, after the realization, will have a substantial amount of funds to invest in other companies and industries within the Company's current investment strategy and that the Company has sufficient liquidity to make such investments. The Board and the Company's management will continue to consider possible investment opportunities.

Following the Transaction, the Company will have available liquidity of approximately USD 55 million.

OUTLOOK

Going forward and based on the robust 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.*

28 November, 2014

*Martin Nes
Chairman*

*Espen Lundaas
CFO*

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Note	Three Months Ended		Nine Months Ended	
		2014 Q3	2013 Q3	2014 Q3	2013 Q3
<i>(Amounts in USD 000)</i>					
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Gross profit/loss		-	-	-	-
Other gains and losses	3	(8 991)	(2)	(8 996)	74 759
Administration expenses		(256)	(1 511)	(849)	(5 477)
Operating profit/(loss) before depreciation		(9 247)	(1 513)	(9 845)	69 282
Depreciation and amortization		(2)	(4)	(7)	(10)
Operating profit/(loss)		(9 249)	(1 517)	(9 852)	69 272
Finance Income		49	68	170	801
Finance Costs		(1)	(2)	(5)	(14)
Profit/(Loss) for the period before tax		(9 201)	(1 451)	(9 687)	70 059
Income tax credit/(expense)		(2)	1	(71)	14
Profit/(Loss) for the period		(9 203)	(1 450)	(9 758)	70 073
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		(9 203)	(1 450)	(9 758)	70 073
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share	4	(0,04)	(0,01)	(0,04)	0,27

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014**

<i>(Amounts in USD 000)</i>	Note	30.09.2014	31.12.2013
		<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Intangible assets		4	8
Equipment and machinery		9	13
Available-for-sale financial assets	5	32	32
Total non-current assets		45	53
Trade and other receivables		101	100
Current tax asset		-	46
Restricted cash at bank	6	34	101
Cash and bank balances		3 834	70 741
Asset classified as held for sale	7	57 280	-
Total current assets		61 249	70 988
Total Assets		61 294	71 041
EQUITY AND LIABILITIES			
Ordinary shares		2 620	2 620
Share premium		39 950	39 950
Accumulated profits/(losses)		18 617	28 375
Total equity		61 187	70 945
Trade and other payables		107	96
Total current liabilities		107	96
Total Equity and Liabilities		61 294	71 041

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

*Martin Nes
Chairman*

*Espen Lundaas
CFO*

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
Balance at 01.01.2013	2 620	359 950	26 982	389 552
Comprehensive income				
Profit/(Loss) for the period	-	-	70 073	70 073
Transaction with owners				
Share premium reduction	-	(320 000)	-	(320 000)
Interim dividend	-	-	(68 120)	(68 120)
Balance at 30.09.2013 (unaudited)	2 620	39 950	28 935	71 505
Balance at 01.01.2014	2 620	39 950	28 375	70 945
Comprehensive income				
Profit/(loss) for the period	-	-	(9 758)	(9 758)
Balance at 30.09.2014 (unaudited)	2 620	39 950	18 617	61 187

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

	Note	Nine Months Ended	
		2014 Q3	2013 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		(9 687)	70 059
Other gains and losses		8 616	(74 786)
Depreciation and amortization		7	10
Loss from sale of equipment and machinery		-	19
Interest income		(170)	(801)
Decrease in restricted cash		67	-
(Increase)/decrease in trade and other receivables		(1)	20
Increase/(decrease) in trade and other payables		10	(4 343)
Income tax paid		(25)	(30)
Net cash generated from/(used in) operating activities		(1 183)	(9 852)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from the disposal of equipment and machinery		-	3
Additions to rigs under construction		-	(544)
Net proceeds from disposal of assets		-	192 821
Net cash outflow from acquisition of investment		(65 894)	-
Advance received for sale of rig B337		-	(10 000)
Interest received		170	587
Net cash generated from/(used in) investing activities		(65 724)	182 867
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium reduction		-	(320 000)
Interim dividends paid		-	(104 800)
Net cash generated from/(used in) financing activities		-	(424 800)
Net (decrease)/increase in cash and cash equivalents		(66 907)	(251 785)
Cash and cash equivalents at beginning of year		70 741	321 373
Non-cash transactions		-	(229)
Cash and cash equivalents at end of period		3 834	69 359

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 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3rd floor, 3030 Limassol, Cyprus.

Principal Activities

The Company and the entities controlled by the Company, hereafter referred to as the “Group”, were established for the purpose of building a premium oilfield services company through superior assets, systems and people. Having sold all initial rig contracts, the strategy of the Group has changed to being an investment Group within the oil and gas service sector.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2014, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2013. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013.

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 2014. The adoption of these Standards did not have a material effect on the financial statements.

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

NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	Three Months Ended		Nine Months Ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Gain on disposal of rig under construction B337	-	-	-	25 800
Gain on disposal of rig under construction B338	-	-	-	18 944
Gain on disposal of investment in subsidiary	-	-	-	29 211
Gain on disposal of rig under construction B339	-	-	-	831
Loss on revaluation of investment in Prospector Offshore Drilling SA (note 5)	(7 877)	-	(7 877)	-
Net currency translation differences	(1 114)	(2)	(1 119)	(27)
	(8 991)	(2)	(8 996)	74 759

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	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	(9 203)	(1 450)	(9 758)	70 073
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000	262 000	262 000
Basic/diluted earnings/(loss) per share	(0,04)	(0,01)	(0,04)	0,27

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	30.09.2014	31.12.2013
Opening	-	-
Additions	65 894	-
Unrealised exchange loss	(737)	-
Impairment loss (note 3)	(7 877)	-
Balance at the end of period / year	(57 280)	-

On 10 September 2014 the Company purchased 24 million shares in Prospector Offshore Drilling SA (PROS) at a price of NOK 17,5 per share.

As of the reporting date, PROS's share price was NOK 15,4 and as a result the Company has recognized an impairment loss of USD 7 877 thousands.

Furthermore as stated in the subsequent events note, on 17 November 2014 the Company disposed all the shares held in Prospector Offshore Drilling S.A (PROS) at a price of NOK 14,50 per share.

NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	30.09.2014	31.12.2013
Balance at the beginning of year	32	-
Additions at estimated fair value (note 7)	-	32
Balance at the end of period / year	32	32

On 29 March 2013 the Central Bank of Cyprus has issued Decrees relating to Bank of Cyprus implementing measures for this bank under the Resolution of Credit and Other Institutions Law of 2013. One of the measures provides for a compulsory conversion of part of the deposits held with Bank of Cyprus into shares of Bank of Cyprus. The Company's cash held with Bank of Cyprus as at the relevant date for implementation of the decisions were USD 398 thousands.

On 30 July 2013 the Ministry Finance and the Central Bank of Cyprus announced that 47,5% of the uninsured deposits with Bank of Cyprus will automatically be converted into ordinary shares in Bank of Cyprus. The respective amount for the Company that has been converted into shares is USD 128 thousands.

As of the date of the conversion the management of the Company on the basis of available information and by exercising their judgment has recognized an impairment loss of USD 96 thousands on the bank balances. Furthermore and as of the balance sheet date, the management of the Company on the basis of available information and by exercising their judgment has considered that the fair value of the shares remained at €0,25 while their nominal value is €1 per share.

NOTE 7 – RESTRICTED CASH AT BANK

Restricted cash at bank includes three separate time deposits of three and six months of USD 34 thousands in total. These deposits are interest bearing.

<i>(Amounts in USD 000)</i>	30.09.2014	31.12.2013
Balance at the beginning of year	101	-
Transfer to cash and bank balances	(67)	-
Additions	-	229
Impairment loss	-	(96)
Transfer to Available For Sale financial assets at estimated fair value (note 6)	-	(32)
Balance at the end of period / year	34	101

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – RESTRICTED CASH AT BANK (CONTINUED)

On 31 January 2014, the Board of Directors of Bank of Cyprus Public Company Limited (“Bank of Cyprus”) has resolved to release the six month time deposit of USD 34 thousand that were blocked as per the decrees relating to the recapitalization of the bank in July 2013 which matured on that date.

On 30 April 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the nine-month time deposit that were blocked as per the same decrees and mature on 30 April 2014, as follows:

- One third of nine-month time deposit is immediately released and become available;
- One third of nine-month time deposit is converted into a three-month time deposit maturity and automatically released at 31 July 2014;
- One third of nine-month time deposit is converted into a six-month time deposit maturity and automatically released at 31 October 2014.

On 31 July 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the twelve-month time deposit that were blocked as per the same decrees and mature on 31 July 2014, as follows:

- One third of twelve-month time deposit is immediately released and become available;
- One third of twelve-month time deposit is converted into a three-month time deposit maturity and automatically released at 30 October 2014;
- One third of twelve-month time deposit is converted into a six-month time deposit maturity and automatically released on at 30 January 2015.

NOTE 8 – APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 28 November 2014.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q4 2014

27 February 2015

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