

**Report of the Board of Directors of S.D. Standard Drilling Plc explaining the reasons for proposing a resolution for the waiving of the pre-emption rights afforded pursuant to section 60B of Companies Law Cap.113**

Waiver 1:

The Board of Directors is putting forward the following two resolutions for consideration and approval :

**“That the pre-emption rights granted to the existing shareholders of the Company pursuant to section 60B of Companies Law Cap.113 and the Company’s Articles of Association in relation to any new shares to be issued for any future public offering(s) and/or private placement(s) and/or allotment to the existing shareholders, for an indicative price range in United States Dollars equivalent to NOK0,05 – NOK5 per share provided that no issue shall be for a price below the nominal value of the shares, after the increase of the authorized share capital of the Company as per resolution number 1 is effected, be and are hereby waived and that such waiving to be valid until the Annual General Meeting of the Company of the year 2018”.**

and

**“That the Board of Directors be and is hereby generally authorized and empowered to issue and allot new shares to the existing shareholders and/or new investors up to the limit of the authorized share capital (as per resolution 1), for an indicative price range in United States Dollars equivalent to NOK0,05 – NOK5 per share provided that no issue shall be for a price below the nominal value of the shares, no later than the Annual General Meeting of the Company of the year 2018.”**

The aim of the above resolutions is to give to the Company’s Board of Directors the ability to proceed and allot new shares up to the limit of the authorized share capital through:

- (a) an immediate private placement addressed to new investors as well as to the Company's largest shareholders being, Saga Tankers ASA, Strata Marine & Offshore AS, QVT Financial LP, Apollo Asset Management Limited and HRF Marine LLC, together controlling 253.283.797 (approximately 96,67%) of the shares in the Company, which have undertaken to invest in the company. The gross proceeds from the above private placement to be effected through the issue and allotment of the new shares as described hereinabove of NOK 275 million, shall enable the Company to make use of these proceeds for investing in oil service investments opportunities, directly into companies, securities and/or independent assets with a target to control a larger fleet of assets, all to be purchased at distressed values. The Board of Directors is of the opinion that the offer price which has been set to NOK 0,65, reflects the underlying value of the assets of the Company at the time of the private placement.
- (b) a subsequent offering of new shares at NOK 0.65. Such subsequent offering will be directed towards shareholders in the Company as of 8 December 2016, as registered in the Norwegian Central Securities Depository two days thereafter who were not invited to participate, or applied for but were not allocated shares, in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful or (for jurisdictions other than Norway) would require any prospectus, filing, registration or similar action. The subsequent offering will provide the eligible shareholders the opportunity to subscribe for



new shares in accordance with their pro rata shareholding prior to the private placement and, thus, limit the dilutive effect of the private placement.

- (c) future issues and allotments of further new shares to existing shareholders and / or new investors within the price range set forth above and for a period up to the Annual General Meeting of the year 2018. The Board of Directors proposes that the authorization is given for up to the Annual General Meeting of the year 2018 as this will provide sufficient flexibility to raise capital quickly when investment opportunities arise.

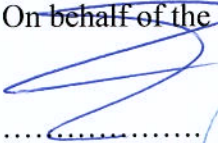
The aim of the above resolutions is to give the ability to the Board to be flexible and quick in reacting when new investors who are interesting in investing in the Company, might approach the Board, thus making it more attractive to potential investors to approach the Company for investment. Pursuant to the Company's investment strategy, it aims to invest in oil service opportunities, oil service investment opportunities, directly into companies, securities and/or assets, with the aim to control a larger fleet of assets – all purchased at distressed values and solely with equity. Pure equity financing will provide the Company the lowest possible break even on its investment and thus be suited to provide return on investment even in challenging times for the oil service industry. The raising of equity through the private placement enables the Company to raise capital in a timely and cost efficient manner. The Board of Directors considers that this investment and financing strategy is in the best interest of the Company and its shareholders.

As the Company's investment strategy sets out that it should invest purely with equity, it has not considered alternative financing methods in lieu of the private placement described in (a) above. Further, the Board of Directors considers that the launch of a subsequent offering as described in (b) above is an appropriate measure to limit dilution for shareholders not being invited or participating in the private placement.

In addition to the above, the Board shall have no right to proceed with the allotment of any of the issued shares to any third party or parties if such allotment is related to take-over situations as described in the Norwegian Securities Trading Act Section 6-17 and therefore we are of the opinion that this restriction provides a sufficient level of protection to the existing shareholders of the Company.

Having taken full consideration of the above, we the members of the Board of Directors of the Company recommend the approval of the said resolutions.

On behalf of the Board of Directors

  
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George Crystallis  
Director

