

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:

1. **“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 – NOK5,00 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, and provided that in case of any potential split or a reverse split of the Company’s share capital (i.e. a possible division of the Company’s share capital into shares of larger amount than its existing shares) an automatic adjustment of the indicative price range shall be 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

2. **“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 it stands on the day of such new issue, for an indicative price range in United States Dollars equivalent to NOK0,05 – NOK5,00 per share, provided that in case of any potential split or a reverse split of the Company’s share capital into shares of larger amount than its existing shares (i.e. a possible division of the Company’s share capital into shares of larger amount than its existing shares), an automatic adjustment of the indicative price range shall be effected and 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.”**

Following the increase of the authorized share capital of the Company, as resolved by the Extraordinary General Meeting of the Company that took place on 4 January 2017 and the authorization provided to the Board of Directors to issue and allot new shares to the existing shareholders and / or new investors up to the limit of the authorized share capital, the Board of Directors succeeded to complete three private placements and one subsequent offering of shares raising an amount of US\$67.6 million to the Company from existing shareholders and new investors.

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

- (a) A subsequent offering of up to 11.900.000 new ordinary shares at NOK 0.90 which will be directed towards shareholders in the Company as of 5 January 2017, 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 second Private Placement that took place on 5 January 2017, 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 ordinary shares in accordance with their pro rata shareholding prior to the second Private Placement and, thus, limit the dilutive effect of the third Private Placement.

- (b) A subsequent offering of up to 22.200.000 new ordinary shares at NOK 0.90 which will be directed towards shareholders in the Company as of 24 January 2017, 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 third Private Placement that took place on 24 January 2017, 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 ordinary shares in accordance with their pro rata shareholding prior to the third Private Placement and, thus, limit the dilutive effect of the third Private Placement.
- (c) Future issues and allotments of further new ordinary shares to existing shareholders and / or new investors within the price range set forth in the resolutions and for a period up to the Annual General Meeting of the year 2018. The Board of Directors proposes that the authorization is again 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 maintain the Board of Directors' ability to carry out future private placement in a swift manner and allow a proactive approach and flexible and swift responses to favorable market conditions for raising equity capital, thus making it more attractive to potential investors to approach the Company for investment. The Board of Directors will continue to pursue to the Company's investment strategy, aiming for investments in oil service opportunities, directly into companies, securities and/or assets, with the aim to control a larger fleet of assets all purchased at low values. 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 private placements 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 with equity, it has not considered alternative financing methods in lieu of the subsequent offerings described in (a) and (b) above. Further, the Board of Directors considers that the launch of the two subsequent offering as described in (a) and (b) above is an appropriate measure to limit dilution for shareholders not being invited or participating in the last two private placements that took place earlier this month.

In addition to the above, the Board of Directors 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


George Crystallis
Director



Limassol, 31 January 2017