

# S.D. STANDARD DRILLING PLC

## FIRST QUARTER REPORT 2018



## CONTENTS

---

<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>FIRST QUARTER MANAGEMENT REPORT</b>	<b>3</b>
<b>INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>6</b>
<b>INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION</b>	<b>7</b>
<b>INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY</b>	<b>8</b>
<b>INTERIM CONDENSED STATEMENT OF CASH FLOWS</b>	<b>9</b>
<b>NOTES TO THE FINANCIAL INFORMATION</b>	<b>10</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 and 2009 (“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 three months ended 31 March 2018 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the three months ended 31 March 2018 which are presented on pages 6 to 17:
  - (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, 14 May 2018

---

Martin Nes  
Chairman

---

Arne Helge Fredly  
Independent Director

---

George Crystallis  
Independent Director

---

Christos Neocleous  
Chief Financial Officer

---

Evangelia Panagide  
General Manager

# First Quarter Management Report 2018

## Selected Financial Information

<i>(Amounts in USD 000)</i>	Three Months Ended	
	2018 Q1 <i>Unaudited</i>	2017 Q1 <i>Unaudited</i>
Operating profit/(loss)	<b>150</b>	1 712
Profit/(loss) for the period before tax	<b>145</b>	1 691
Total comprehensive income/(loss) for the period	<b>145</b>	1 691

## Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the first quarter of the year 2018 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 First Quarter

- In Q1 the Company recognized an unrealized loss of USD 612 thousands from the revaluation of its financial assets at fair value. The fair value of the investments as of 31 March 2018 was USD 91,9 million.
- On 2 January 2018, the Company entered into a credit facility agreement with its wholly owned subsidiary Company Wanax AS for a total amount of up to USD 3,5 million which was subsequently extended through an addendum on 19 April 2018 to USD 6 million.
- 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.
- 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%.
- On 2 March 2018, the Company issued 66 666 667 new shares through an Equity Offering with gross proceeds of NOK 100 million (USD 12 599 thousands). The subscription price per new share was set to NOK 1.50 (USD 0,18899) which included a share premium of (USD 0,15899) per ordinary share. The Company has issued 576 026 424 ordinary shares and the number of authorised but not yet issued shares is thus 198 973 576.
- On 15 March 2018, the Company through its wholly owned subsidiary Wanax AS invested USD 1,72 million in the share capital of Northern PSV AS acquiring a shareholding of 25,53%. Northern PSV AS has acquired two medium size platform supply vessels (PSV) of the UT 755 LN design.
- Looking at the performance of the vessels there is a positive EBITDA (adj.) excluding start up cost, dry dock, special survey and maintenance in Q1 18 of USD 0,4 million (Q4 17 negative USD (0,1) million) from chartering out the 5 large –sized PSV's. Including the ownership in PSV Opportunity III (25.53%) the group netted a positive EBITDA (adj.) excluding start up cost, dry dock, special survey and maintenance of USD 0,2 million (Q4 17 negative USD (0,1) million).
- Standard Supplier has been awarded 1 well firm contract in North Sea, estimated at 85 days and commencing mid-February 2018.
- During Q1 18, the utilisation charter-out rate of the Company's vessels held through its wholly owned Norwegian subsidiary Wanax AS, approximates to 93% (Q4 17 84%) for the five large PSV Standard vessels and 70% (Q4 17 76%) for the PSV Opportunity III vessels (excluding those in lay-up).

---

# First Quarter Management Report 2018 (Continued)

## Selected Financial Information

---

### Subsequent Events

---

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

# FIRST QUARTER MANAGEMENT REPORT 2018 (CONTINUED)

## RESULTS FOR FIRST QUARTER 2018

The operating profit for the three months ended on 31 March 2018 was USD 150 thousands compared to the three months ended 31 March 2017 profit of USD 1,7 million. The operating profit includes an unrealized loss on revaluation of financial assets of USD 612 thousands, interest income of USD 14 thousands, a net foreign currency gain of USD 885 thousands and is after deducting administration expenses of USD 137 thousands. Finance cost for the period was USD 5 thousands thus a net profit before tax for the period of approximately USD 145 thousands. Earnings per share was USD 0,00 for the Quarter.

## LIQUIDITY AND CAPITAL STRUCTURE

The available cash position of the Company as at 31 March 2018 was USD 21 million.

During the three months of 2018 net cash used in operating activities was USD 3,8 million mainly consisting of capital contribution of USD 4,2 million to subsidiary Wanax AS. The net cash generated from investing activities was consisted from an interest received of USD 14 thousands. Net cash generated from financing activities was USD 12 million. These funds were generated from the issuance of new share capital at a premium less transaction costs.

As of 31 March 2018, the Company had 1 883 shareholders. The share price as of 31 March 2018 was NOK 1,51 (USD 0,193).

## 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 2017.

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 going forward. With all its 5 larger PSVs trading and with a satisfying contract coverage for the part-owned vessels in PSV Opportunity III and Northern PSV, the Company is well positioned to take part in the expected upturn.

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.

---

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

*14 May 2018*

*Martin Nes  
Chairman  
(Sign.)*

*Christos Neocleous  
CFO  
(Sign.)*

**INTERIM CONDENSED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2018**

	Note	<b>Three Months Ended</b>	
		<b>2018 Q1</b>	2017 Q1
<i>(Amounts in USD 000)</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	(612)	1 136
Interest income		14	9
Net foreign currency gains or (losses)		885	709
<b>Total net income /(loss)</b>		<b>287</b>	<b>1 854</b>
<b>Expenses</b>			
Administration fees		(137)	(142)
<b>Total operating expenses</b>		<b>(137)</b>	<b>(142)</b>
<b>Operating profit/(loss)</b>		<b>150</b>	<b>1 712</b>
<b>Finance costs</b>			
Sundry finance income/(expenses)		(5)	(21)
<b>Profit/(loss) for the period before tax</b>		<b>145</b>	<b>1 691</b>
Income tax expense		-	-
<b>Profit/(loss) for the period after tax</b>		<b>145</b>	<b>1 691</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)		-	-
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>145</b>	<b>1 691</b>
<b>Earnings/(loss) per share</b>			
Basic/diluted earnings/(loss) per share (USD cents)	3	0,00	0,01

**INTERIM CONDENSED STATEMENT  
OF FINANCIAL POSITION  
AT 31 MARCH 2018**

<i>(Amounts in USD 000)</i>	Note	<b>31.03.2018</b>	<b>31.12.2017</b>
<b>ASSETS</b>		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
Financial asset at fair value through profit or loss	4	91 945	88 379
<b>Total non-current assets</b>		<b>91 946</b>	<b>88 380</b>
Trade and other receivables		62	42
Senior secured callable bonds	5	65	65
Available-for-sale financial assets	6	12	12
Current tax asset		1	1
Cash and bank balances		20 815	12 148
<b>Total current assets</b>		<b>20 955</b>	<b>12 268</b>
<b>Total Assets</b>		<b>112 901</b>	<b>100 648</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares	7	17 281	15 281
Share premium	7	96 887	86 840
Other reserves	8	(4)	(4)
Accumulated profits/(losses)		(1 480)	(1 625)
<b>Total equity</b>		<b>112 684</b>	<b>100 492</b>
Trade and other payables		217	156
<b>Total current liabilities</b>		<b>217</b>	<b>156</b>
<b>Total Equity and Liabilities</b>		<b>112 901</b>	<b>100 648</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 MARCH 2018**

<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 01.01.2017</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	-	-	-	1 691	1 691
Other comprehensive income	-	-	-	-	-
<b>Transactions with owners</b>					
Issue of share capital	8 081	63 753	-	-	71 834
Share issue costs	-	(2 901)	-	-	(2 901)
<b>Balance at 31.03.2017 (unaudited)</b>	<b>10 701</b>	<b>67 790</b>	<b>(1)</b>	<b>1 237</b>	<b>79 727</b>
<b>Balance at 01.01.2018</b>	<b>15 281</b>	<b>86 840</b>	<b>(4)</b>	<b>(1 625)</b>	<b>100 492</b>
<b>Comprehensive income</b>					
Profit for the period	-	-	-	145	145
Other comprehensive income	-	-	-	-	-
<b>Transactions with owners</b>					
Issue of share capital (note 7)	2 000	10 600	-	-	12 600
Share issue costs	-	(553)	-	-	(553)
<b>Balance at 31.03.2018 (unaudited)</b>	<b>17 281</b>	<b>96 887</b>	<b>(4)</b>	<b>(1 480)</b>	<b>112 684</b>

## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018

<i>(Amounts in USD 000)</i>	Note	Three Months Ended	
		2018	2017
		Q1	Q1
		<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the period before income tax		145	1 691
Unrealised exchange (gain)/loss		(402)	119
Payments to acquire financial assets at fair value through profit or loss		(4 178)	(53 147)
Interest income		(14)	(9)
(Decrease)/increase in trade and other receivables		(20)	82
Decrease/(increase) in financial asset fair value through profit or loss		612	(1 136)
Increase in trade and other payables		61	88
<b>Net cash generated from/(used in) operating activities</b>		<b>(3 796)</b>	<b>(52 312)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchase of intangible assets		-	(2)
Redemption of senior secure callable bonds		-	3 155
Payment for the purchase of senior secure callable bonds	5	-	(1 392)
Interest received		14	9
<b>Net cash generated from/(used in) investing activities</b>		<b>14</b>	<b>1 770</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		12 600	67 755
Share issue costs		(553)	(2 901)
<b>Net cash generated from/(used in) financing activities</b>		<b>12 047</b>	<b>64 854</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>8 265</b>	<b>14 312</b>
Cash and cash equivalents at beginning of year		12 148	1 798
Effect of exchange rate changes on the balance of cash held in foreign currencies		402	(119)
Cash and cash equivalents at end of period		20 815	15 991

## 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 Michailidi 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 three months ended 31 March 2018, 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 2017. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017 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 2018. The adoption of these standards and particularly of IFRS 9 and IFRS 15 was assessed and 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 is not expected to be material to the Company.

### 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>31.03.2018</b>	<b>31.03.2017</b>
<b>Basic/diluted EPS</b>		
Profit/(Loss) attributable to equity holders of the Company	145	1 691
Weighted average number of ordinary shares in issue (thousands)	530 841	330 588
<b>Basic/diluted earnings/(loss) per share</b>	<b>0,00</b>	<b>0,01</b>

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

## NOTES TO THE FINANCIAL INFORMATION

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

<i>(Amounts in USD 000)</i>	<b>31.03.2018</b>	<b>31.12.2017</b>
Balance at 1 January	88 379	5 300
Additions	4 178	85 662
Change in fair value	(612)	(2 583)
<b>Balance at the end of the period/year (note 9)</b>	<b>91 945</b>	<b>88 379</b>

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

<b>Name of Investment</b>	<b>Principal activity</b>	<b>Place of establishment and principal place of business</b>	<b>Proportion of ownership/ interest held</b>	
			<b>31.03.2018</b>	<b>31.12.2017</b>
Wanax AS	Investment holding	Norway	100%	100%
New World Supply Ltd	Investment holding	Cayman Islands	26,2%	26,2%

- 1) 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%.
- 2) On 15 March 2018, the Company through its wholly owned subsidiary Wanax AS invested USD 1,72 million in the share capital of Northern PSV AS acquiring a shareholding of 25,53%. Northern PSV AS has acquired two medium size platform supply vessels (PSV) of the UT 755 LN design.
- 3) During the first quarter of the year, the Company has contributed USD 1,2 million to its subsidiary Wanax AS to support the working capital needs of its investments.

The above investments are measured at fair value.

<i>(Amounts in USD 000)</i>	<b>31.03.2018</b>	<b>31.12.2017</b>
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	-	-
Unrealised change	(612)	(2 583)
<b>Total net gains/(losses)</b>	<b>(612)</b>	<b>(2 583)</b>
Other net changes in fair values on assets designated at fair value through profit or loss	(612)	(2 583)
<b>Total net gains/(losses)</b>	<b>(612)</b>	<b>(2 583)</b>

### NOTE 5 – SENIOR SECURED CALLABLE BONDS

<i>(Amounts in USD 000)</i>	<b>31.03.2018</b>	<b>31.12.2017</b>
Balance at 1 January	65	2 018
Additions	-	1 392
Notional interest received	-	56
Change in estimates of receipts	-	281
Redemption	-	(3 682)
<b>Balance at the end of the period/year</b>	<b>65</b>	<b>65</b>

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

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	<b>31.03.2018</b>	<b>31.12.2017</b>
Balance at the beginning of period	12	15
Net gain/(loss) arising on revaluation of available for sale financial asset	-	(3)
<b>Balance at the end of period/year</b>	<b>12</b>	<b>12</b>

### NOTE 7 – SHARE CAPITAL AND PREMIUM

<b>Authorised</b>	<b>Number of shares (thousands)</b>	<b>Ordinary shares</b>			
<i>(Amounts in USD 000)</i>			<b>Total</b>		
<b>2018</b>					
Balance at the beginning of the period	516 667	15 500		<b>15 500</b>	
Increase of share capital	258 333	7 750		<b>7 750</b>	
<b>Balance at the end of the year</b>	<b>775 000</b>	<b>23 250</b>		<b>23 250</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)	(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>					
<i>(Amounts in USD 000)</i>	<b>Number of shares (thousands)</b>	<b>Ordinary shares</b>	<b>Share premium</b>		
<b>2018</b>					
Balance at the beginning of the period	509 360	15 281	86 840		102 121
Issue of shares	66 667	2 000	10 600		12 600
Share issue costs	-	-	(553)		(553)
<b>Balance at the end of the year</b>	<b>576 027</b>	<b>17 281</b>	<b>96 887</b>		<b>114 168</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)	(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.

During the first three months of 2018 the following transactions took place:

- 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.
- On 2 March 2018, the Company issued 66 666 667 new shares through an Equity Offering with gross proceeds of NOK 100 million (USD 12 599 thousands). The subscription price per new share was set to NOK 1.50 (USD 0,18899) which included a share premium of (USD 0,15899) per ordinary share. The Company has issued 576 026 424 ordinary shares and the number of authorised but not issued shares is thus 198 973 576.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 8 – OTHER RESERVES

<i>(Amounts in USD 000)</i>	<b>31.03.2018</b>	<b>31.12.2017</b>
Balance at the beginning of the year	(4)	(1)
Fair value reserve-available for sale investments (1)	-	(3)
<b>Balance at the end of year</b>	<b>(4)</b>	<b>(4)</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 9 – FAIR VALUE MEASUREMENTS

9.1 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 that are measured at fair value:

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
<b>At 31 March 2018</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)	-	-	91 945	91 945
<b>Total financial assets measured at fair value</b>	<b>12</b>	<b>-</b>	<b>91 945</b>	<b>91 957</b>
<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	-	-	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>

#### 9.2 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 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 131,6 million rather than USD 91,9 million.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)

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

The following table presents the changes in Level 3 investments for the three months ended 31 March 2018:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
<b>31 March 2018</b>		
Opening balance	88 379	88 379
Total gains or losses:		
- In profit or loss	(612)	(612)
Purchases	4 178	4 178
Issues	-	-
Disposals/settlements	-	-
Transfers into level 3 from level 2	-	-
Transfers out of level 3	-	-
Closing balance (note 4)	<u>91 945</u>	<u>91 945</u>

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 March 2018	<u>(612)</u>	<u>(612)</u>
31 December 2017	<u>(2 583)</u>	<u>(2 583)</u>



## NOTES TO THE FINANCIAL INFORMATION

### NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)

#### 9.4 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 9.2).</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 9.2).	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 Peridot,</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 9.2).</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 9.2).	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 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 14 May 2018.

# **S.D. Standard Drilling**

---

## **Financial Calendar (Release of Financial Reports)**

Q1 2018	15 May 2018
Q2 2018	24 August 2018
Q3 2018	8 November 2018

## **S.D. Standard Drilling Plc**

---

Maximou Michailidi 6  
Maximos Plaza  
Tower 3, Office 401  
CY 3106  
Limassol, Cyprus  
Tel: +357 25875474

[www.standard-drilling.com](http://www.standard-drilling.com)