

S.D. STANDARD DRILLING PLC

FOURTH QUARTER REPORT 2019



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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 and twelve months ended 31 December 2019 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the three months and twelve months ended 31 December 2019 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, 12 February 2020

Martin Nes
Chairman

Konstantinos Pantelidis
Independent Director

George Crystallis
Independent Director

Christos Neocleous
Chief Financial Officer

Evangelia Panagide
General Manager

Fourth Quarter Management Report 2019

Selected Financial Information

	Three Months Ended		Twelve Months Ended	
	2019 Q4	2018 Q4	2019 Q4	2018 Q4
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
Operating profit/(loss)	(1 569)	1 548	6 547	(1 232)
Profit/(loss) for the period before tax	(1 570)	1 556	6 542	(1 235)
Total comprehensive income/(loss) for the period	(1 570)	1 556	6 542	(1 235)

Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the fourth quarter of the year 2019 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 and prices generated by market transactions involving identical or comparable (similar) PSV vessels. Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in these Financial Statements. More information is available in the Q4 19 presentation, which is released together with this interim report.

Highlights Fourth Quarter

1. On 2 October 2019, through its wholly owned subsidiary Standard Provider AS, the Company agreed to sell the PSV vessel Standard Provider for USD 13,5 million. The transaction was completed on 30 October 2019.
2. On 19 November 2019, through its wholly owned subsidiary Standard Supporter AS, the Company agreed to sell the PSV vessel Standard Supporter for USD 15 million. The transaction was completed on 10 December 2019.
3. In Q4 19, the Company recognized an unrealized loss of USD 1,9 million from the revaluation of its financial assets at fair value, whereas for the twelve months ended 31 December 2019 a fair value profit of USD 6,8 million was recognised, out of which USD 6,5 million were unrealised. The fair value of the investments as of 31 December 2019 was USD 76,8 million.
4. On 11 December 2019, the subsidiary Wanax AS following a decision taken at an Extraordinary General Meeting, distributed the amount of USD 19,7 million to the Company by way of share premium reserve reduction.
5. Negative EBITDA (adj.) of USD 0,4 million excluding start-up cost, dry dock, special survey and maintenance (Q4 18 positive USD 0,6 million) from chartering out the large-sized PSV's. Including the ownership in Northern Supply AS (25,53%) the group netted a negative EBITDA (adj.) excluding start-up cost, dry dock, special survey and maintenance of USD 0,5 million (Q4 18 positive USD 0,3 million).
6. Utilisation of the Company's vessels of 82 % (Q4 18 90%) for the large PSV Standard vessels and 83% (Q4 18 82%) for the Northern Supply AS vessels (excluding those in lay-up).

Fourth Quarter Management Report 2019 (Continued)

Selected Financial Information

Subsequent Events

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

- 1) On 17 January 2020, the Company was granted a loan of USD 2,5 million from its subsidiary Wanax AS which was used for investment purposes.
- 2) On 20 January 2020, the Company invested USD 36,5 million to acquire a 33.3% ownership interest in a Marshall Islands register ship owning company which owns a newbuild VLCC tanker to be named "Gustavia S". The investment is financed with 100% equity and the amount invested included working capital.

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

FOURTH QUARTER MANAGEMENT REPORT 2019 (CONTINUED)

RESULTS FOR FOURTH QUARTER 2019

The operating loss for the three months ended on 31 December 2019 was USD 1,6 million compared to the three months ended 31 December 2018 profit of USD 1,6 million. The operating loss includes an unrealized loss on revaluation of financial assets of USD 1,9 million, interest income of USD 167 thousands, net foreign currency gain of USD 186 thousands, a fair value gains of USD 128 thousands from investments held for trading and is after deducting administration expenses of USD 202 thousands. Finance cost for the period was USD 1 thousand thus a net loss before tax for the period of approximately USD 1,6 million. Earnings per share was USD 0,00 for the Quarter.

RESULTS FOR THE TWELVE MONTHS OF 2019 AND FINANCIAL COMPARISON WITH THE TWELVE MONTHS OF 2018

The operating profit for the twelve months ended 31 December 2019 was USD 6,5 million compared to the twelve months ended 31 December 2018 which was a loss of USD 1,2 million. The profit in 2019 compared to 2018's loss is mainly due to a fair value gain on revaluation of financial assets of approximately USD 6,8 million (out of which USD 6,5 million were unrealized) compared to a revaluation loss of USD 694 thousands in 2018, a fair value gain of USD 128 thousands from investments held for trading, interest income of USD 298 thousands, and is after deducting a net foreign currency loss of USD 117 thousands, administration expenses of USD 563 thousands and finance costs of 5 thousand. Earnings per share was USD 0,01 for the twelve months.

LIQUIDITY AND CAPITAL STRUCTURE

The cash position of the Company as at 31 December 2019 was USD 41,1 million.

During the twelve months of 2019 net cash generated from operating activities was USD 24,4 million mainly consisting of a cash inflow from disposal of financial assets of USD 34,6 million and an outflow of capital contribution of USD 9,6 million to subsidiary Wanax AS. The net cash generated from investing activities of USD 426 thousands was mainly consisted from an interest income of USD 298 thousands, a cash inflow from financial assets held for trading of USD 1,6 million and a cash outflow from financial assets held for trading of USD 1,5 million.

As of 31 December 2019, the Company had 2 052 shareholders. The share price as of 31 December 2019 was NOK 1,35 (USD 0,154).

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 and tanker market. The Company is also exposed to other financial risks as disclosed in Note 5 of annual financial statements for the year ended 31 December 2018.

The Company has implemented systems and procedures to monitor the market and to stay alert to changes in order to mitigate market risk. Internal procedures have been and are continuously being developed to mitigate financial and operational risks.

OUTLOOK

The principal activity of the Company is to operate as an investment entity within the oil and gas and shipping sectors, with exposure directly or indirectly into companies, securities and / or assets.

The objective of the Company is to generate significant medium to long-term capital growth. The main focus of the Company has lately been 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 results in 2019 show that the PSV market is moving in the right direction after several challenging years. Already into the winter season the Company's short-term focus is to secure winter coverage of the vessels and to take part in an expected upturn in the market in the North Sea Sector during the spring and summer season of 2020.

The Company has a sound financial position and the Board of Directors believe that the Company is well positioned to take advantage of opportunities that may appear in the PSV market in the North Sea Sector, the shipping industry and elsewhere going forward. 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.*

12 February 2020

*Martin Nes
Chairman*

*Christos Neocleous
CFO*

**INTERIM CONDENSED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	Note	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
		2019 Q4	2018 Q4	2019 Q4	2018 Q4
<i>(Amounts in USD 000)</i>				<i>Unaudited</i>	<i>Audited</i>
Income					
Changes in fair value on financial assets at fair value through profit or loss	5.1	(1 852)	2 303	6 801	(694)
Changes in fair value on financial assets at fair value through profit or loss-held for trading	5.2	128	-	128	1
Other gains and (losses)		-	(65)	-	(65)
Interest income		167	147	298	258
Net foreign currency gains or (losses)		186	(651)	(117)	(147)
Total net income /(loss)		(1 371)	1 734	7 110	(647)
Expenses					
Administration fees		(202)	(186)	(563)	(585)
Total operating expenses		(202)	(186)	(563)	(585)
Operating profit/(loss)		(1 569)	1 548	6 547	(1 232)
Finance costs					
Sundry finance income/(expenses)		(1)	8	(5)	(3)
Profit/(loss) for the period before tax		(1 570)	1 556	6 542	(1 235)
Income tax expense		-	-	-	-
Profit/(loss) for the period after tax		(1 570)	1 556	6 542	(1 235)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(loss) for the period		(1 570)	1 556	6 542	(1 235)
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share (USD)	4	0,00	0,00	0,01	0,00

**INTERIM CONDENSED STATEMENT
OF FINANCIAL POSITION
AT 31 DECEMBER 2019**

<i>(Amounts in USD 000)</i>	Note	31.12.2019	31.12.2018
ASSETS		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
Financial assets at fair value through profit or loss	5	76 751	94 966
Total non-current assets		76 752	94 967
Trade and other receivables		10	25
Current tax asset		1	1
Cash and bank balances		41 095	16 382
Total current assets		41 106	16 408
Total Assets		117 858	111 375
EQUITY AND LIABILITIES			
Ordinary shares	6	17 281	17 281
Share premium	6	96 861	96 861
Accumulated profits/(losses)		3 678	(2 864)
Total equity		117 820	111 278
Trade and other payables		38	97
Total current liabilities		38	97
Total Equity and Liabilities		117 858	111 375

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

*Martin Nes
Chairman*

*Christos Neocleous
CFO*

**INTERIM CONDENSED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Fair value reserve - available for sale financial assets	Accumulated Profits/(Losses)	Total
Balance at 01.01.2018	15 281	86 840	-	(1 629)	100 492
Comprehensive income					
Loss for the period	-	-	-	(1 235)	(1 235)
Transactions with owners					
Issue of share capital (note 6)	2 000	10 600	-	-	12 600
Share issue costs	-	(579)	-	-	(579)
Balance at 31.12.2018 (audited)	17 281	96 861	-	(2 864)	111 278
Balance at 01.01.2019	17 281	96 861	-	(2 864)	111 278
Comprehensive income					
Profit for the period	-	-	-	6 542	7 968
Transactions with owners					
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Balance at 31.12.2019 (unaudited)	17 281	96 861	-	3 678	117 820

**INTERIM CONDENSED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	Note	Twelve Months Ended	
		2019 Q4	2018 Q4
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Audited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		6 542	(1 235)
Unrealised exchange (gain)/loss		117	698
Other (gains)/losses		-	65
Payments to financial assets at fair value through profit or loss	5.1	(9 618)	(7 281)
Receipts from disposal of financial assets of fair value through profit or loss	5.1	34 634	13
Interest income		(298)	(258)
Decrease in trade and other receivables		15	17
(Increase)/decrease in financial assets fair value through profit or loss	5.1	(6 801)	694
Increase in financial assets fair value through profit or loss – held for trading	5.2	(128)	-
Decrease in trade and other payables		(59)	(60)
Net cash generated from/(used in) operating activities		24 404	(7 347)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to financial assets at fair value through profit or loss held for trading	5.2	(1 453)	-
Receipts from disposal of financial assets of fair value through profit or loss held for trading	5.2	1 581	-
Interest received		298	258
Net cash generated from investing activities		426	258
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		-	12 600
Share issue costs		-	(579)
Net cash generated from/(used in) financing activities		-	12 021
Net increase in cash and cash equivalents		24 830	4 932
Cash and cash equivalents at beginning of year		16 382	12 148
Effect of exchange rate changes on the balance of cash held in foreign currencies		(117)	(698)
Cash and cash equivalents at end of period		41 095	16 382

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 Chrysanthou Mylona 1, Panayides Building, 2nd floor, Office 3, 3030, Limassol, Cyprus.

Principal Activities

The principal activity of the Company is to operate as an investment entity within oil and gas sector. The Company invest directly or indirectly into companies, securities and/or assets, with the aim to control a larger fleet of assets- acquired 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 and twelve months ended 31 December 2019, 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 2018. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018 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 2019. This adoption did not have a material effect on the accounting policies of the Company.

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 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		Twelve Months Ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	(1 570)	1 556	6 542	(1 235)
Weighted average number of ordinary shares in issue (thousands)	576 026	576 026	576 026	565 067
Basic/diluted earnings/(loss) per share (USD)	0,00	0,00	0,01	0,00

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

5.1 Investments at fair value through profit or loss

<i>(Amounts in USD 000)</i>	31.12.2019	31.12.2018
Balance at 1 January	94 966	88 379
Additions	9 618	7 281
Sales/Reduction	(34 634)	-
Change in fair value	6 801	(694)
Balance at the end of the period/year (note 7.1)	76 751	94 966

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	
			31.12.2019	31.12.2018
Wanax AS	Investment holding	Norway	100%	100%
New World Supply Ltd	Investment holding	Cayman Islands	0,39%	34,4%

During the twelve months of the year 2019, the following transactions took place:

- The Company has contributed USD 9,6 million to its subsidiary Wanax AS to support the working capital needs of its investments, as well as the acquisition of Standard Olympus which was purchased for USD 8,1 million.
- In July 2019 New World Supply Ltd (“NWS”) completed the repurchase of 98,86% of the issued ordinary shares from each shareholder for a purchase price of USD 1,35 per share. As a result, the Company has received the amount of USD 14,9 million and its ownership in NWS has been reduced to 0,39% of the issued share capital. It has also been resolved that the remaining shares will be repurchased in the future at such a price and in such a manner to be determined by the board of directors of NWS. From this transaction the Company has realised a gain of USD 3,8 million, all of which has been previously recognised as a fair value gain through profit or loss in the period of Q1 17 to Q2 19. USD 333 thousands have been recognised during the first six months of the year 2019.
- On 2 October 2019, through its wholly owned subsidiary Standard Provider AS, the Company agreed to sell the PSV vessel Standard Provider for USD 13,5 million. The Transaction was completed on 30 October 2019.
- On 19 November 2019, through its wholly owned subsidiary Standard Supporter AS, the Company agreed to sell the PSV vessel Standard Supporter for USD 15 million. The Transaction was completed on 10 December 2019.
- On 11 December 2019, the subsidiary Wanax AS following a decision taken at an Extraordinary General Meeting, distributed the amount of USD 19,7 million to the Company by way of share premium reserve reduction.

The above investments are measured at fair value.

<i>(Amounts in USD 000)</i>	31.12.2019	31.12.2018
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	333	-
Unrealised change	6 468	(694)
Total net gains/(losses)	6 801	(694)
Other net changes in fair values on assets designated at fair value through profit or loss	6 801	(694)
Total net gains/(losses)	6 801	(694)

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

5.2 Investments held for trading

<i>(Amounts in USD 000)</i>	31.12.2019	31.12.2018
Balance at 1 January	-	-
Additions	1 453	
Reclassification from available for sale to FVPL	-	12
Disposals	(1 581)	(13)
Changes in fair value	128	1
Balance at the end of year	-	-

In Q4, the Company invested USD 1,5 million for the acquisition of shares listed on the Oslo Stock Exchange. During the same quarter, the Company disposed the shares realising a gain of USD 128 thousands.

NOTE 6 – SHARE CAPITAL AND PREMIUM

Authorised	Number of shares (thousands)	Ordinary shares	Total	
<i>(Amounts in USD 000)</i>				
2019				
Balance at the beginning of the year	865 000	25 950	25 950	
Increase of share capital	-	-	-	
Balance at the end of the year	865 000	25 950	25 950	
2018				
Balance at the beginning of the year	516 667	15 500	15 500	
Increase of share capital	348 333	10 450	10 450	
Balance at the end of the year	865 000	25 950	25 950	
Issued and fully paid				
<i>(Amounts in USD 000)</i>				
2019				
Balance at the beginning of the year	576 026	17 281	96 861	114 142
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Balance at the end of the year	576 026	17 281	96 861	114 142
2018				
Balance at the beginning of the year	509 360	15 281	86 840	102 121
Issue of shares	66 666	2 000	10 600	12 600
Share issue costs	-	-	(579)	(579)
Balance at the end of the year	576 026	17 281	96 861	114 142

There have been no movement in shares during the period.

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

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS

7.1 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
At 31 December 2019				
Assets				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 5)	-	-	76 751	76 751
Total financial assets measured at fair value	-	-	76 751	76 751
At 31 December 2018				
Assets				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 5)	-	14 606	80 360	94 966
Total financial assets measured at fair value	-	14 606	80 360	94 966

7.2 Valuation processes

a) Valuation processes (Level 3)

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 have 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 95,8 million rather than USD 76,8 million.

b) Valuation processes (Level 2)

The fair values of securities that are not quoted in an active market are determined by using valuation techniques and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the management of the Company. The inputs in the valuation techniques used include observable data, such as vessel's sale prices and other relevant information generated by recent market transactions involving identical or comparable (similar) PSV Vessels.

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

7.3 Reconciliation of Level 3 fair value measurements

The following table presents the changes in Level 3 investments for the twelve months ended 31 December 2019:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
31 December 2019		
Opening balance	80 360	80 360
Total gains or losses:		
- In profit or loss	6 468	6 468
Purchases	9 618	9 618
Issues	-	-
Sales / Reduction	(19 695)	(19 695)
Closing balance (note 7.1)	<u>76 751</u>	<u>76 751</u>

The following table presents the changes in Level 3 investments for the year ended 31 December 2018:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
31 December 2018		
Opening balance	88 379	88 379
Total gains or losses:		
- In profit or loss	(694)	(694)
Purchases	7 281	7 281
Issues	-	-
Sales / Reduction	-	-
Transfers out of level 3 (1)	(14 606)	(14 606)
Closing balance (note 7.1)	<u>80 360</u>	<u>80 360</u>

- (1) Financial assets designated at fair value through profit or loss amounted to USD 14 606 million have been reclassified from Level 3 to Level 2 as the valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV Vessels. The data used is based on observable input.

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 2019	<u>6 468</u>	<u>6 468</u>
31 December 2018	<u>(694)</u>	<u>(694)</u>

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

7.4 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 31/12/2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>Financial asset at fair value through profit or loss:</p> <p>Investment in Wanax AS (100%) which holds:</p> <ul style="list-style-type: none"> (i) 100% participatory interest in Standard Princess AS, (ii) 100% participatory interest in Standard Supplier AS, (iii) 100% participatory interest in Standard Viking AS, (iv) 100% participatory interest in Standard Olympus AS, (v) 25,53% participatory interest in Northern Supply AS. (vi) 100% participatory interest in Standard Provider AS, (vii) 100% participatory interest in Standard Supporter AS, <p>The principal activities of Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Olympus AS, Standard Provider AS, Standard Supporter AS and Northern Supply AS is that of the holdings of PSV vessels, all of which are registered in Norway. Standard Provider AS and Standard Supporter AS have disposed their PSV vessels as of 31 December 2019 and remained dormant holding mainly cash.</p>	USD 76 751 thousands	Level 3 (note 1)	<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 7.2.a).</p>	<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 20% to 22% and 27% to 43% based on the size of the respective vessels (note 7.2).</p>	<p>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>

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 for the investment in Wanax AS by USD 1,5 million/ (USD 1,5) million.

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

7.4 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 31/12/2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>1) Financial asset at fair value through profit or loss:</p> <p>(a) Investment in Wanax AS (100%) which holds:</p> <ul style="list-style-type: none"> (i) 100% participatory interest in Standard Princess AS, (ii) 100% participatory interest in Standard Supplier AS, (iii) 100% participatory interest in Standard Viking AS, (iv) 100% participatory interest in Standard Provider AS, (v) 100% participatory interest in Standard Supporter AS, (vi) 25,53% participatory interest in Northern Supply AS. <p>The principal activity of Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Provider AS, Standard Supporter AS and Northern Supply AS is that of the holdings of PSV vessels, all of which are registered in Norway.</p>	USD 80 360 thousands	Level 3 (note 1)	<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 7.2.a).</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 50% and 24% to 29% based on the size of the respective vessels (note 7.2).	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 (34,4%) which holds:</p> <ul style="list-style-type: none"> (i) 100% Participatory interest in SPV World Diamond, (ii) 100% Participatory interest in SPV World Peridot, (iii) 100% Participatory interest in SPV World Pearl, (iv) 100% Participatory interest in SPV World Emerald, (v) 100% Participatory interest in SPV World Opal. (vi) 100% Participatory interest in SPV World Sapphire <p>The principal activities of the above companies (registered in Cayman Islands) is that of the holding of PSV vessels. PSV World Emerald and PSV Sapphire disposed the PSV vessels during the year 2018 and remained dormant.</p>	USD 14 606 thousands	Level 2	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV Vessels. The data used is based on observable input (note 7.2.b).</p>	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 for the investment in Wanax AS by USD 2,1 million/ (USD 2,1) million.

NOTES TO THE FINANCIAL INFORMATION

NOTE 8 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 12 February 2020.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q4 2019	13 February 2020
Annual Report 2019	16 April 2020
Q1 2020	14 May 2020
Q2 2020	25 August 2020
Q3 2020	6 November 2020

S.D. Standard Drilling Plc

Chrysanthou Mylona 1,
Panayides Building,
2nd Floor, Office 3
CY 3030
Limassol, Cyprus
Tel: +357 25875474

www.standard-drilling.com