

S.D. STANDARD DRILLING PLC

THIRD QUARTER REPORT 2020



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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 nine months ended 30 September 2020 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the nine months ended 30 September 2020 which are presented on pages 8 to 19:
 - (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, 5 November 2020

Martin Nes
Chairman

Konstantinos Pantelidis
Independent Director

George Crystallis
Independent Director

Christos Neocleous
Chief Financial Officer

Evangelia Panagide
General Manager

Third Quarter Management Report 2020

Selected Financial Information

	Three Months Ended		Nine Months Ended	
	2020 Q3	2019 Q3	2020 Q3	2019 Q3
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating profit/(loss)	(6 144)	570	(20 311)	8 120
Profit/(loss) for the period before tax	(6 145)	569	(20 314)	8 116
Total comprehensive income/(loss) for the period	(6 145)	569	(20 314)	8 116

(*) Analytical income statement is presented on page 7 of the third quarter report.

Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the third quarter of the year 2020 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) and Tanker Vessel (VLCC) are valued based on estimates made by reputable independent valuers and prices generated by market transactions involving identical or comparable (similar) Vessels.

Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in these Financial Statements. More information on the operation, calculation of EBITDA, TCE and utilization of the vessels is available in the Q3 20 presentation, which is released together with this interim report.

Highlights Third Quarter

1. In July 2020, ZETA Owners Inc. distributed a further USD 11 million to its owners and as a result the Company received a further USD 3.7 million.
2. In Q3 20, the Company recognized an unrealized loss of USD 6,2 million from the revaluation of its financial assets at fair value. For the nine months ended 30 September 2020 the Company recognized an unrealized loss of USD 23 million after adjusting for a dividend of USD 3,4 million received in Q2 2020 from subsidiary Wanax AS, which represented a return in excess of the cost of its' investment. The fair value of the investments as of 30 September 2020 was USD 68,1 million.
3. Negative EBITDA (adj.) of USD 0,8 million, excluding start-up cost, dry dock, special survey and maintenance (Q3 19 positive USD 3 million) from chartering out the four 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 0,9 million (Q3 19 positive USD 3,3 million).
4. Utilisation of the Company's vessels of 66% (Q3 19 95%) for the four large PSV Standard vessels and 90% (Q3 19 92%) for the Northern Supply AS vessels (excluding those in lay-up).
5. The TCE estimate of the vessel "Gustavia S", which is owned by ZETA Owners Inc., from the delivery date end of January to end of September 2020 is approximately USD 33 thousands.
6. The rapid development of the COVID-19 pandemic during the first nine months of the year 2020 has caused considerable global disruption in business activities and everyday life and have affected negatively the global economies and Industries worldwide, either directly or indirectly. The effects of the pandemic in combination with the reduced oil prices have clearly affected the PSV market and consequently the Company's results for the first nine months of the year which resulted in an operating loss. More information regarding the pandemic and its impact on the Company's results for the third quarter of the year, on its business activities subsequently to the interim report date and the future outlook, are provided in more detail in the relevant sections of this management report that follow.

Third Quarter Management Report 2020 (Continued)

Selected Financial Information

Alternative Performance Measures

Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in Q3 2020 Interim Report since the Company is an investment entity and shall not consolidate its subsidiary.

In reporting financial information, the Company presents alternative performance measures, "APMs", which are not defined or specified under the requirements of IFRS. The Company believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the subsidiary and associate companies.

More information on the APMs used in the Q3 2020 Report, their definition and calculation are provided below, as well as a reference to the respective pages of Q3 2020 and of the presentation which is released together with this interim report on the Company's website:

APM	Definition and Calculation	Reference
Operating Profit / Loss	Income from operating activities subtracting administration expenses as presented in the income statement	Q3 2020 Report - Interim Condensed Statement of Comprehensive Income on page 8.
Loss / Profit before tax	Operating profit less finance costs	Presentation Income Statement on page 31
Loss / Profit after tax	Operating profit less finance costs and income tax	
EBITDA	Vessels net hire income before interest, taxes, depreciation and amortization	Presentation pages 21 and 22
EBITDA (adj.)	Vessels net hire income before interest, taxes, depreciation and amortization but excluding non-recurring costs, dry dock, special survey, maintenance and repairs	Presentation pages 21 and 22
Utilization of vessels	Total days working over total available days	Presentation pages 18 and 19
TCE (Time Charter Equivalent)	Voyage revenues subtracting voyage expenses (including bunkers) divided by the round-trip voyage duration in days	Presentation page 26

Third Quarter Management Report 2020 (Continued)

Subsequent Events

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

1. In October 2020, Wanax AS acquired a 2,59% interest in Northern Supply AS for NOK 5,5 million, increasing its current holding to 28,12%.
2. Covid-19 pandemic
The recent and rapid development of the COVID-19 pandemic has caused considerable global disruption in business activities and everyday life, and it continues to constitute a public health emergency of international concern. These events have caused global public health concerns and are affecting negatively the global economies and Industries worldwide, either directly or indirectly.

COVID-19 pandemic in combination with the reduced oil prices, is causing increasing uncertainty in the PSV market. The market continues to experience difficulties which affect the seafarers to sail on vessels due to travel restrictions, implementation of self-distancing, quarantine measures and lock down in certain countries. Rig platforms experiencing covid incidents on their crew members or even cannot be mobilized due to lock down. Moreover, delaying, cancelling or postponing planned drilling projects results in cancellation of contracts and forcing several term vessels to return to the 'spot market'. Moreover, the crude oil price war earlier this year has also negatively affected oil and gas and shipping sectors, as oil prices were dropping until an agreement was reached on production cuts amongst the OPEC countries, while the industries are slowing down due to travel restrictions and related health measures to address the global pandemic.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome and duration.

Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company and has concluded that the main impact on the Company's profitability position may arise from the decrease in the fair value of the vessels in which the Company has indirect ownership, in connection with reporting of interim financial information for the third quarter of 2020 and onwards. However, a reasonable estimate of the financial effect cannot be made with certainty at the time of approval of these interim financial statements.

The North Sea market in which we operate has rapidly come to a standstill, reversing the potential deficit of vessels required this autumn to an oversupply. Owners of these vessels are already experiencing considerable financial strain and we therefore do not expect the majority of these vessels to return to the market in the short term. With the 2nd COVID wave now locking down parts of Europe and the UK, we believe that the uptick we were expecting in Q4 will be delayed to spring 2021. Ultimately those Owners who can weather this pandemic will have the opportunity to take advantage when rates rebound as Charterers have to play catch up on delayed projects and non-essential offshore maintenance, which cannot be suspended indefinitely.

The Company has a sound financial position with no debt and the management will continue to monitor developments closely to assess its impact in our business and respond accordingly.

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

THIRD QUARTER MANAGEMENT REPORT 2020 (CONTINUED)

RESULTS FOR THIRD QUARTER 2020

The operating loss for the three months ended on 30 September 2020 was USD 6,1 million compared to the three months ended 30 September 2019 profit of USD 570 thousands. The operating loss includes an unrealized loss on revaluation of financial assets of USD 6,2 million, administration expenses of USD 121 thousands, finance cost of USD 1 thousand and is after crediting interest income of USD 14 thousands, a net foreign currency gain of USD 158 thousands. Loss before tax for the period is approximately USD 6,1 million (2019: Profit before tax of USD 569 thousands). Loss per share was USD 0,01 for the Quarter.

The operating loss / (profit) and loss / (profit) before tax for the three months are presented on the interim condensed statement of comprehensive income on page 8.

RESULTS FOR THE NINE MONTHS OF 2020 AND FINANCIAL COMPARISON WITH THE NINE MONTHS OF 2019

The operating loss for the nine months ended 30 September 2020 was USD 20,3 million compared to the nine months ended 30 September 2019 profit of USD 8,1 million. The loss in 2020 compared to 2019's profit is mainly due to an unrealized loss on revaluation of financial assets of approximately USD 23 million (compared to a revaluation profit of USD 8,7 million in 2019), net foreign currency losses of USD 469 thousands, administration expenses of USD 377 thousands, finance costs of USD 3 thousands and is after crediting dividend income of USD 3,4 million, a fair value gain of USD 9 thousands from investments held for trading and interest income of USD 52 thousands. Loss before tax for the nine months ended 30 September 2020 is approximately USD 20,3 million (2019: Profit before tax of USD 8,1 million). Loss per share was USD 0,04 for the nine months.

The Company's results for the first nine months of the year 2020 are not satisfactory. However, the recognized unrealized loss on revaluation of financial assets of USD 23 million representing mainly investments held in the PSV market, clearly shows that the PSV market has been affected by both the Covid-19 pandemic as well as the turmoil in the oil market. Moreover, the weakening of NOK against the USD as an outcome of the reduced oil prices, has resulted in a net foreign currency loss of USD 469 thousands for the first nine months of 2020.

The operating loss / (profit) and loss / (profit) before tax for the nine months are presented on the interim condensed statement of comprehensive income on page 8.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position of the Company as at 30 September 2020 was USD 29,4 million.

During the nine months of 2020 net cash used in operating activities was USD 14,7 million mainly consisting of a net capital contribution of USD 17,1 million to ZETA Owners Inc. and a share premium reduction of USD 2,6 million from subsidiary Wanax AS. The net cash generated from investing activities was mainly consisting of a dividend received of USD 3,4 million and interest received of USD 52 thousands.

As of 30 September 2020, the Company had 2 180 shareholders. The share price as of 30 September 2020 was NOK 0,69 (USD 0,073).

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 and other financial risks. The Company is also exposed to other financial risks as disclosed in Note 3 of annual financial statements for the year ended 31 December 2019.

Uncertainty relating to Covid-19 pandemic

The Covid-19 pandemic in combination with the recent turmoil in the oil markets, has caused increasing uncertainty in the PSV and Tanker markets. As the pandemic continues to evolve for more than six months now, it is difficult to predict the full extent and duration of resulting operational and economic impact on the markets the Company are invested in. The impact of Covid-19 on the Company's business has arisen through the decrease in the fair value of the vessels in which the Company has indirect ownership, but the final effect cannot be predicted with certainty at the time of approval of these interim financial statements.

The Company has in place systems and procedures to maintain its status in the market and to stay alert to changes in the marketplace in order to help mitigate market risk. Internal procedures have been and are continuously being developed to help monitoring developments and 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 is currently the PSV market and also the VLCC tanker market, although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

THIRD QUARTER MANAGEMENT REPORT 2020 (CONTINUED)

The PSV market continues to suffer from reduced activity offshore and hence increasing numbers of vessels are available in the market. The numbers of vessels in lay-up are increasing, and it remains to be seen how easily the vessels can be activated, when activity picks up.

The day rates in the tanker market will among other things be further affected by the demand for oil, use of storage, vessels temporarily out of market for scrubber fitting, scrapping and so on. The orderbook for new vessels is at a historically low level.

The Covid-19 development, measurements implemented, oil prices fluctuations and the economic activity will affect the market in general going forward. It is uncertainty related to consequences related to the events so far in 2020. The management is monitoring closely the current developments and takes appropriate measures. The Company's short-term focus is to secure coverage of the vessels and to preserve cash.

The Company has a sound financial position with no debt 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. 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.*

5 November 2020

*Martin Nes
Chairman*

*Christos Neocleous
CFO*

**INTERIM CONDENSED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	Note	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
		2020 Q3	2019 Q3	2020 Q3	2019 Q3
<i>(Amounts in USD 000)</i>				<i>Unaudited</i>	<i>Unaudited</i>
Income					
Changes in fair value on financial assets at fair value through profit or loss	4	(6 195)	1 031	(22 963)	8 653
Changes in fair value on financial assets at fair value through profit or loss – held for trading		-	-	9	-
Other income	5	-	-	3 437	-
Interest income from cash balance at amortised cost		14	71	52	131
Net foreign currency gains or (losses)		158	(412)	(469)	(303)
Total net income /(loss)		(6 023)	690	(19 934)	8 481
Expenses					
Administration fees		(121)	(120)	(377)	(361)
Total operating expenses		(121)	(120)	(377)	(361)
Operating profit/(loss)		(6 144)	570	(20 311)	8 120
Finance costs					
Sundry finance income/(expenses)		(1)	(1)	(3)	(4)
Profit/(loss) for the period before tax		(6 145)	569	(20 314)	8 116
Income tax expense		-	-	-	-
Profit/(loss) for the period after tax		(6 145)	569	(20 314)	8 116
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(loss) for the period		(6 145)	569	(20 314)	8 116
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share (USD)	3	(0,01)	0,00	(0,04)	0,01

**INTERIM CONDENSED STATEMENT
OF FINANCIAL POSITION
AT 30 SEPTEMBER 2020**

<i>(Amounts in USD 000)</i>	Note	30.09.2020	31.12.2019
ASSETS		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
Financial assets at fair value through profit or loss	4	68 078	76 751
Total non-current assets		68 079	76 752
Trade and other receivables		30	10
Current tax asset		1	1
Cash and bank balances		29 408	41 095
Total current assets		29 439	41 106
Total Assets		97 518	117 858
EQUITY AND LIABILITIES			
Ordinary shares	6	17 281	17 281
Share premium	6	96 861	96 861
Accumulated profits/(losses)		(16 636)	3 678
Total equity		97 506	117 820
Trade and other payables		12	38
Total current liabilities		12	38
Total Equity and Liabilities		97 518	117 858

*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 30 SEPTEMBER 2020**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Fair value reserve - available for sale financial assets	Accumulated Profits/(Losses)	Total
Balance at 01.01.2019	17 281	96 861	-	(2 864)	111 278
Comprehensive income					
Profit for the period	-	-	-	8 116	8 116
Balance at 30.09.2019 (unaudited)	17 281	96 861	-	5 252	119 394
Balance at 01.01.2020	17 281	96 861	-	3 678	117 820
Comprehensive income					
Loss for the period	-	-	-	(20 314)	(20 314)
Other comprehensive income	-	-	-	-	-
Balance at 30.09.2020 (unaudited)	17 281	96 861	-	(16 636)	97 506

**INTERIM CONDENSED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	Note	Nine Months Ended	
		2020 Q3	2019 Q3
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit for the period before income tax		(20 314)	8 116
Unrealised exchange (gain)/loss		469	303
Payments to acquire financial assets at fair value through profit or loss	4	(36 742)	(9 784)
Receipts from financial assets at fair value through profit or loss	4	22 452	14 939
Other income	5	(3 437)	-
Interest income		(52)	(131)
(Increase) / decrease in trade and other receivables		(20)	7
Decrease /(Increase) in financial assets fair value through profit or loss	4	22 963	(8 653)
Increase in financial assets fair value through profit or loss – held for trading		(9)	-
Decrease in trade and other payables		(26)	(70)
Net cash generated from/(used in) operating activities		(14 716)	4 727
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to financial assets at fair value through profit or loss held for trading		(1 038)	-
Receipts from disposal of financial assets at fair value through profit or loss held for trading		1 047	-
Dividend received from subsidiary	5	3 437	-
Payment to acquire equipment		-	(1)
Interest received		52	131
Net cash generated from/(used in) investing activities		3 498	130
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan from subsidiary		2 500	-
Repayment of loan to subsidiary		(2 500)	-
Net cash generated from/(used in) financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(11 218)	4 857
Cash and cash equivalents at beginning of year		41 095	16 382
Effect of exchange rate changes on the balance of cash held in foreign currencies		(469)	(303)
Cash and cash equivalents at end of period		29 408	20 936

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 invests 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 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 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 nine months ended 30 September 2020, 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 2019. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019 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 2020.

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.

Going Concern

These interim condensed financial statements for the nine months ended 30 September 2020, have been prepared under the assumption that the Company is going concern. Due to the recent outbreak of COVID-19, the directors of the Company have reassessed the going concern assumption and confirm that the Company has adequate resources to continue in operational existence for the foreseeable future.

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.

	Three Months Ended		Nine Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
<i>(Amounts in USD 000)</i>				
Basic/diluted EPS				
(Loss)/Profit attributable to equity holders of the Company	(6 145)	569	(20 314)	8 116
Weighted average number of ordinary shares in issue (thousands)	576 026	576 026	576 026	576 026
Basic/diluted earnings/(loss) per share (USD)	(0,01)	0,00	(0,04)	0,01

NOTES TO THE FINANCIAL INFORMATION

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

<i>(Amounts in USD 000)</i>	30.09.2020	31.12.2019
Balance at 1 January	76 751	94 966
Additions	36 742	9 618
Sales/Reduction	(22 452)	(34 634)
Change in fair value	(22 963)	6 801
Balance at the end of the period/year (note 7.1)	68 078	76 751

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	
			30.09.2020	31.12.2019
Wanax AS	Investment holding	Norway	100%	100%
New World Supply Ltd	Investment holding	Cayman Islands	-	34,4%
ZETA Owners Inc.	Ship owning	Marshall Islands	33,3%	-

During the nine months of the year 2020, the following transactions took place:

- 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. The loan was repaid in June 2020.
- 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 named ZETA Owners Inc. ("ZETA"), which owns a newbuild VLCC tanker named "Gustavia S". In April 2020, the Company contributed a further USD 275 thousands to ZETA to support its working capital needs. In June 2020, ZETA secured a Senior Secured Loan Facility of up to USD 60 million and distributed to its owners USD 59 million. As a result, the Company has received USD 16 million in June 2020 and a further USD 3.7 million in July 2020.
- In May 2020, the directors of New World Supply Ltd ("NWS") have resolved that NWS will proceed with the repurchase of the remaining outstanding shares from each shareholder for a purchase price of USD 1,747 per share. As a result, the Company's ownership in NWS has been reduced to 0% and the amount of USD 223 thousands received has been recognized as a realized gain for the period.
- In June 2020, the subsidiary Wanax AS distributed to the Company the amount of USD 2,6 million as a share premium reduction.

The above investments are measured at fair value.

<i>(Amounts in USD 000)</i>	30.09.2020	31.12.2019
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	223	333
Unrealised change	(23 186)	6 468
Total net gains/(losses)	(22 963)	6 801
Other net changes in fair values on assets designated at fair value through profit or loss	(22 963)	6 801
Total net gains/(losses)	(22 963)	6 801

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – OTHER INCOME

In June 2020, the Company has received from its subsidiary Wanax AS a dividend of USD 3 437 thousands which represents a return in excess of the cost of its' investment.

NOTE 6 – SHARE CAPITAL AND PREMIUM

Authorised	Number of shares (thousands)	Ordinary shares			
<i>(Amounts in USD 000)</i>			Total		
2020					
Balance at the beginning of the period	865 000	25 950		25 950	
Increase of share capital	-	-		-	
Balance at the end of the period	865 000	25 950		25 950	
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	
Issued and fully paid					
<i>(Amounts in USD 000)</i>	Number of shares (thousands)	Ordinary shares	Share premium	Total	
2020					
Balance at the beginning of the period	576 026	17 281	96 861		114 142
Issue of shares	-	-	-		-
Share issue costs	-	-	-		-
Balance at the end of the period	576 026	17 281	96 861		114 142
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

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 30 September 2020				
Assets				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 4)	-	-	68 078	68 078
Total financial assets measured at fair value	-	-	68 078	68 078
At 31 December 2019				
Assets				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 4)	-	-	76 751	76 751
Total financial assets measured at fair value	-	-	76 751	76 751

7.2 Valuation processes (Level 3)

a) Investment in Wanax AS

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 71,7 million rather than USD 52,7 million.

b) Investment in ZETA Owners Inc.

The management of the Company obtained fair value estimates from two independent Valuers. Both Valuers have provided a point estimate based on a willing buyer and willing seller market scenario. The applied fair value for the asset in the Company's financial statements is then set to the average of these two point estimates as the Company decided to apply a more conservative approach due to current market conditions and the frequency of such transactions in the market. The Company decided to apply a different approach in the valuation process of the investment in ZETA Owners Inc. when compared to the investment in Wanax AS, since this investment relates to a different type of asset which was acquired brand new and not at a distressed value when opposed to assets of Wanax AS.

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 nine months ended 30 September 2020:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
30 September 2020		
Opening balance	76 751	76 751
Total gains or losses:		
- In profit or loss	(23 186)	(23 186)
Purchases	36 742	36 742
Issues	-	-
Sales / Reduction	(22 229)	(22 229)
Transfers out of level 3	-	-
Closing balance	<u>68 078</u>	<u>68 078</u>

The following table presents the changes in Level 3 investments for the year 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)
Transfers out of level 3	-	-
Closing balance	<u>76 751</u>	<u>76 751</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:

30 September 2020	<u>(23 186)</u>	<u>(23 186)</u>
31 December 2019	<u>6 468</u>	<u>6 468</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 30/09/2020	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>(a) Investment in Wanax AS (100%) which holds:</p> <p>(i) 100% participatory interest in Standard Princess AS,</p> <p>(ii) 100% participatory interest in Standard Supplier AS,</p> <p>(iii) 100% participatory interest in Standard Viking AS,</p> <p>(iv) 100% participatory interest in Standard Olympus AS,</p> <p>(v) 25,53% participatory interest in Northern Supply AS.</p> <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 been liquidated on 29 September 2020.</p>	USD 52 684 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>Distressed value 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. Distressed value discount rate is in the range of 32% to 43%, 30% to 33% and 38% to 45% based on the size of the respective vessels (note 7.2.a).</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>
<p>(b) Investment in ZETA Owners Inc. (33,3%) which owns a VLCC vessel.</p>	USD 15 394 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 unobservable inputs (note 7.2.b).</p>	<p>A point estimate is provided by two independent valuers based on willing buyer/seller basis and the applied fair value for the asset is then set to the average of these two-point estimates and further adjusted for working capital and debt changes (note 7.2.b).</p>	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 1,1 million/ (USD 1,1) 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 31/12/2019	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>Distressed value 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. Distressed value 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.a).</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 to predict distressed values for Valuer B, 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 8 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 5 November 2020.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

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