

Interim Condensed Consolidated Financial Statements

S.D. Standard Drilling Plc.



For the period 1 January – 30 June 2011

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the period ended 30 June 2011**

(All amounts in USD thousands unless otherwise stated)	Note	1 Apr. – 30 Jun. 2011	1 Jan. - 30 Jun. 2011	2 Dec. - 31 Dec. 2010
Administrative expenses		-900	-1 297	-86
Operating loss		-900	-1 297	-86
Finance income		-	-	-
Finance costs		-	-	-
Finance costs, net		-	-	-
Loss before income tax		-900	-1 297	-86
Income tax expense	6	-	-	-
Loss for the period		-900	-1 297	-86
Other comprehensive income for the period, net of tax		-	-	-
Total comprehensive income for the period		-900	-1 297	-86
Earnings per share attributable to the equity holders of the Company during the period (expressed in USD per share)				
Basic/diluted earnings per share	7	-0.01	-0.01	-0.00

The notes on pages 7 to 13 are an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(All amounts in USD thousands unless otherwise stated)	Note	As at 30 June 2011	As at 31 Dec 2010
Assets			
<i>Non-current assets</i>			
Rig - Capitalised expenses	3	310 435	37 308
Total non-current assets		310 435	37 308
<i>Current assets</i>			
Trade and other receivables		407	-
Cash and cash equivalents		50 864	6 140
Total current assets		51 271	6 140
Total assets		361 706	43 448
Equity and liabilities			
<i>Equity</i>			
Ordinary shares	4	2 620	420
Share premium	4	359 950	40 530
Accumulated losses		-1 383	-86
Total equity		361 187	40 864
Liabilities			
<i>Non-current liabilities</i>			
Provisions for other liabilities and charges	5	-	1 378
Total non-current liabilities		-	1 378
<i>Current liabilities</i>			
Trade and other payables		519	1 206
Total current liabilities		519	1 206
Total Liabilities		519	2 584
Total equity and liabilities		361 706	43 448

The notes on pages 7 to 13 are an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the period ended 30 June 2011**

(All amounts in USD thousands unless otherwise stated)	Note	Share capital	Share premium	Accumulated losses	Total equity
Balance at 2 December 2010		-	-	-	-
<i>Comprehensive income</i>					
Loss for the period				-86	-86
<i>Transactions with owners</i>					
Debt Conversion (formation of the Company)	4	359	35 501		35 860
Proceeds from shares issued (share capital increase)	4	61	6 079		6 140
Share issue costs			-1 050		-1 050
		420	40 530	-86	40 864
Balance at 31 December 2010		420	40 530	-86	40 864
<i>Comprehensive income</i>					
Loss for the period		-	-	-1 297	-1 297
<i>Transactions with owners</i>					
Share capital increase		2 200	327 800	-	330 000
Share issue costs	4	-	- 8 380	-	-8 380
		2 200	319 420	-1 297	320 323
Balance at 30 June 2011		2 620	359 950	-1 383	361 187

The notes on pages 7 to 13 are an integral part of these consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**For the period ended 30 June 2011**

(All amounts in USD thousands unless otherwise stated)	Note	1 Jan. - 30 Jun. 2011	2 Dec. – 31 Dec. 2010
<i>Cash flows from operating activities</i>			
Cash generated from operations	9	-2 391	-
Net cash generated from operating activities		-2 391	-
<i>Cash flows from investing activities</i>			
Purchases of property, plant and equipment (PPE)		-156 998	-
Interest received		-	-
Net cash used in investing activities		-156 998	-
<i>Cash flows from financing activities</i>			
Proceeds from issuance of ordinary shares, net	4	204 113	6 140
Net cash from financing activities		204 113	6 140
Net increase in cash and cash equivalents		44 724	6 140
Cash, cash equivalents at beginning of period		6 140	-
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at end of period		50 864	6 140

Non – cash transactions

As part of the consideration for the Company's acquisition of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, the company issued 78 338 000 new shares at a subscription price of USD1.50 per share to Clearwater Capital Partners Fund III, L.P.

The notes on pages 7 to 13 are an integral part of these consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2011

1 General information

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. The head office is located in Limassol, Cyprus and its registered office is at 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3rd floor, 3030 Limassol, Cyprus.

Principal activities

The Group was established with the object of investing in rigs, for future sale in any form, or operation through charter. S.D. Standard Drilling Plc and its subsidiary companies entered into several turn-key construction contracts with Keppel FELS Limited for building seven jack-up drilling rigs. The delivery date of the first jack-up drilling rig is July 2012.

2 Significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the EU applicable to interim financial reporting International Accounting Standard 34 "Interim Financial Reporting" and the regulations of the Oslo Stock Exchange.

The interim condensed consolidated financial statements are prepared under the historical cost convention and are expressed in United States Dollars.

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Company's financial statements for the period ended 31 December 2010, except from those policies stated below.

The interim condensed consolidated financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Financial Statements for the period ended 31 December 2010.

At the date of approval of these interim condensed consolidated financial statements, a number of accounting standards and interpretations were issued by the International Accounting Standards Board but were not yet effective. The effect of those standards is not expected to be material to the Group.

All amounts are in USD thousands unless otherwise stated.

Basis of consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the period ended 30 June 2011****2 Significant accounting policies (continued)****Basis of consolidation (continued)**

When necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions which meet the definition of a business are accounted for using the acquisition method.

For acquisitions not meeting the definition of a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed; and allocates the cost of the transaction between the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

3 Rig – capitalised expenses**30 Jun. 2011**

At formation 2 December 2010	-
Instalment to Keppel FELS Limited in 2010	35 860
Other capitalised expenses related to construction of the rig in 2010	70
Contingent commission fee (note 5)	1 378
Total capitalised expenses of 31 December 2010	37 308
Addition from the acquisition of subsidiary companies	116 651
Instalments to Keppel FELS Limited in 2011	153 600
Other capitalised expenses related to construction of the rigs in 2011	254
Contingent commission fee (note 5)	2 622
Total capitalised expenses of 30 June 2011	310 435
Contractual payment plan (Capital commitments):	
When entering contract: 20% (already paid)	261 460
Refund of 1%	-359
At delivery: 80%	1 045 840
Refund of 1%	-1 434
Construction monitoring services (payment throughout the construction period)	12 075
Total contractual payment plan	1 317 582

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2011

3 Rig – capitalised expenses (continued)

During the period, the Group spent approximately USD 254 for the construction of its' seven jack-up drilling rigs.

As stated in note 10, the Company has acquired the entire share capital of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, as well as two options which Clearwater Capital Partners Fund III L.P., have entered into with Keppel FELS Limited. These two subsidiaries had rig capitalised expenses on acquisition date of USD 72 151 relating to the first instalments of USD 36 000 being 20% of the contract price under each of the two additional construction contracts which have already been paid to Keppel FELS and other expenses incurred in the period. In addition, an amount of USD 44 500 has been allocated to the capitalised cost of the two identifiable assets on the basis of their relative fair values at the date of acquisition.

In connection to the above acquisition, on 7 April 2011 the Company entered into a frame agreement with Keppel FELS Limited for the construction of four premium Jack-up rigs identical to B319. The frame agreement replaces the four options held by the Company and Clearwater Capital Partners Fund III L.P.

In this respect the company incorporated four wholly owned subsidiaries incorporated under the laws of Cayman Islands, in addition to the two companies acquired above. The Cayman Islands subsidiaries are single-purpose limited liability companies each holding or set up for holding a Construction Contract with Keppel FELS for a premium jack-up rig.

The first instalments of USD 38 400 being 20% of the contract price under each of the four additional construction contracts, have been paid by each of Offshore Driller 1 Ltd, Offshore Driller 2 Ltd, Offshore Driller 3 Ltd and Offshore Driller 4 Ltd, all being wholly-owned subsidiaries of S.D. Standard Drilling Plc, to Keppels FELS. Keppel FELS has confirmed the receipt of the payments and that the effective date under all the four additional construction contracts is 13 May 2011.

Furthermore, as stated in note 5, the commission agreement between the Company and Ferncliff Drilling Management AS which was signed on 10 December 2010 for the building of the jack-up drilling rig B319, has been cancelled on 4 May 2011 against the payment of USD 4 000 and as a result the Group has recognised an additional amount of 2 622.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the period ended 30 June 2011****4 Share capital and premium**

	Number of shares (thousands)	Ordinary shares	Share premium	Total
At formation 2 December 2010	-	-	-	-
Debt Conversion (formation of the Company)	35 860	359	35 501	35 860
On 9 December 2010: Cash from shares issued (share capital increase)	6 140	61	6 079	6 140
Share issue costs	-	-	-1 050	-1 050
At 31 December 2010	42 000	420	40 530	40 950
On 4 May 2011: share capital increase	220 000	2 200	327 800	330 000
Share issue costs	-	-	-8 380	-8 380
At 30 June 2011	262 000	2 620	359 950	362 570

The Company issued 35 860 000 shares on 2 December 2010 as consideration for conversion of debt to Tymar AS (related party).

On 11 March 2011, following a resolution taken at an Extraordinary General Meeting, the Company increased its authorised share capital from 42 000 000 shares to 142 000 000 shares.

On 8 April 2011, the Company entered into a share purchase agreement with Clearwater Capital Partners Fund III L.P., under which the Company has acquired the entire share capital of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, as well as two options which Clearwater Capital Partners Fund III L.P., have entered into with Keppel FELS Limited, in exchange of a cash payment of USD 8 493 plus the issuance of 78 338 000 new shares in the Company to Clearwater Capital Partners Fund III L.P. ("The Acquisition"). The valuation of the consideration shares issued by the Company was based on a subscription price of USD 1.50 per share.

Furthermore, the Company announced on 8 April 2011 a private placement of USD 330 000 through the issue of 220 000 000 new shares, at a subscription price of USD 1.50 per share.

On 14 April 2011, the Company completed the Private Placement in which a total number of 220 000 000 new shares were issued, at a subscription price of USD 1.50 per new share, thereby raising gross proceeds of USD 330 000.

The Private Placement was directed as follows:

- a) 78 338 000 new shares were offered to Clearwater Capital Partners Fund III, L.P. ("Clearwater") as part of the consideration for the Company's acquisition of Offshore Driller B324 and Offshore Driller B325, and
- b) 141 662 000 new shares were offered to the current shareholders, to new Norwegian investors and to international institutional investors in certain other jurisdictions as permitted or catered for by exemption rules under applicable securities laws, including placements to qualified institutional investors (as defined by rule 144A under the US Securities Act).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the period ended 30 June 2011****4 Share capital and premium (continued)**

On 4 May 2011, the extraordinary general meeting of the Company passed a resolution to increase the authorised share capital of the Company from USD 1 420 to USD 3 620 divided into 362 000 000 ordinary Shares, by the creation of 220 000 000 new shares each with a par value of USD 0.01.

Furthermore, the extraordinary general meeting of the Company passed a resolution and on the same date the board of directors of the Company allotted 220 000 000 ordinary shares as issued and paid in full in connection with the Private Placement.

The new shares were listed on Oslo Axess on 9 May 2011.

All shares issued have the same rights and are of nominal value of USD 0.01 each.

5 Provisions for other liabilities and charges

	Contingent liability	Total
At 2 December 2010 capitalised to rig contract	1 366	1 366
Increase due to the passage of time	12	12
At 31 December 2010	1 378	1 378
Increase due to the passage of time (note 3)	36	36
Additional provisions (note 3)	2 586	2 586
Repayment	-4 000	-4 000
At 30 June 2011	-	-

On 4 May 2011, the extraordinary general meeting of the Company passed a resolution approving the cancellation of the commission agreement between the Company and Ferncliff Drilling Management AS, which was signed on 10 December 2010, against the payment of USD 4 000. Ferncliff Drilling Management AS is one of the major shareholders of the Company.

6 Income tax expense

	1 Apr. – 30 Jun. 2011	1 Jan. – 30 Jun. 2011	2 Dec. – 31 Dec. 2010
Current tax:			
Current tax on profits for the period	-	-	-
Total current tax	-	-	-
Deferred tax:			
Origination of temporary differences	-	-	-
Total deferred tax	-	-	-
Income tax expense	-	-	-

S.D. Standard Drilling Plc. – Condensed consolidated financial statements for the period 01. Jan. – 30 Jun. 2011

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 June 2011

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	1 Apr. – 30 Jun. 2011	1 Jan. – 30 Jun. 2011	2 Dec. – 31 Dec. 2010
Basic/diluted EPS			
Loss attributable to equity holders of the Company	-900	-1 297	-86
Weighted average number of ordinary shares in issue (thousands)	179 802	111 282	39 248

8 Deferred income tax

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of USD 130 (2010: USD 9) in respect of loss amounting to USD 1 297 (2010: USD 86) that can be carried forward against future taxable income.

9 Cash generated from operations

	1 Jan. – 30 Jun. 2011	2 Dec. – 31 Dec. 2010
Loss before income tax	-1 297	-86
Adjustments for:		
Finance costs – net	-	-
Changes in working capital:		
Trade and other receivables	-407	-
Trade and other payables	-687	86
Cash generated from operations	- 2 391	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the period ended 30 June 2011****10 Acquisition and incorporation of subsidiaries**

On 8 April 2011 S. D. Standard Drilling Plc ("The Company") entered into a share purchase agreement with Clearwater Capital Partners Fund III L.P., under which the Company has acquired the entire share capital of Offshore Driller B324 Ltd and Offshore Driller B325 Ltd, which had under construction two jack-up drilling rigs as well as two options which Clearwater Capital Partners Fund III L.P., have entered into with Keppel FELS Limited, in exchange of a cash payment of USD 8 493 plus the issuance of 78 338 000 new Shares in the Company to Clearwater Capital Partners Fund III L.P ("The Acquisition"). The valuation of the consideration shares issued by the Company was based on a subscription price of USD 1.50 per share.

The above acquisition was treated by the Company as an acquisition of assets.

In connection to the above acquisition, on 7 April 2011 the Company entered into a frame agreement with Keppel FELS Limited for the construction of four premium Jack-up rigs identical to B319. The frame agreement replaces the four options held by the Company and Clearwater Capital Partners Fund III L.P.

In this respect the company incorporated four wholly owned subsidiaries incorporated under the laws of Cayman Islands, in addition to the two companies acquired above. The Cayman Islands subsidiaries are single-purpose limited liability companies each holding a Construction Contract with Keppel FELS for a premium jack-up rig.

On 9 June 2011 the Company incorporated a subsidiary in Singapore named S.D. Standard Drilling (Singapore) Pte Ltd which is currently dormant.

The registered name, country of incorporation and date of incorporation for each of the Subsidiaries are as follows:

Name	Date of incorporation	Location	Share	Voting rights
Offshore Driller B324 Ltd	15 December 2010			
		Cayman Islands	100%	100%
Offshore Driller B325 Ltd	15 December 2010			
		Cayman Islands	100%	100%
Offshore Driller 1 Ltd	8 April 2011			
		Cayman Islands	100%	100%
Offshore Driller 2 Ltd	8 April 2011			
		Cayman Islands	100%	100%
Offshore Driller 3 Ltd	8 April 2011			
		Cayman Islands	100%	100%
Offshore Driller 4 Ltd	8 April 2011			
		Cayman Islands	100%	100%
S.D. Standard Drilling (Singapore) Pte Ltd	9 June 2011	Singapore	100%	100%

11 Subsequent events

There were no material subsequent events, which have a bearing on the understanding of these interim condensed consolidated financial statements.

12 Approval of interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 29 August 2011.