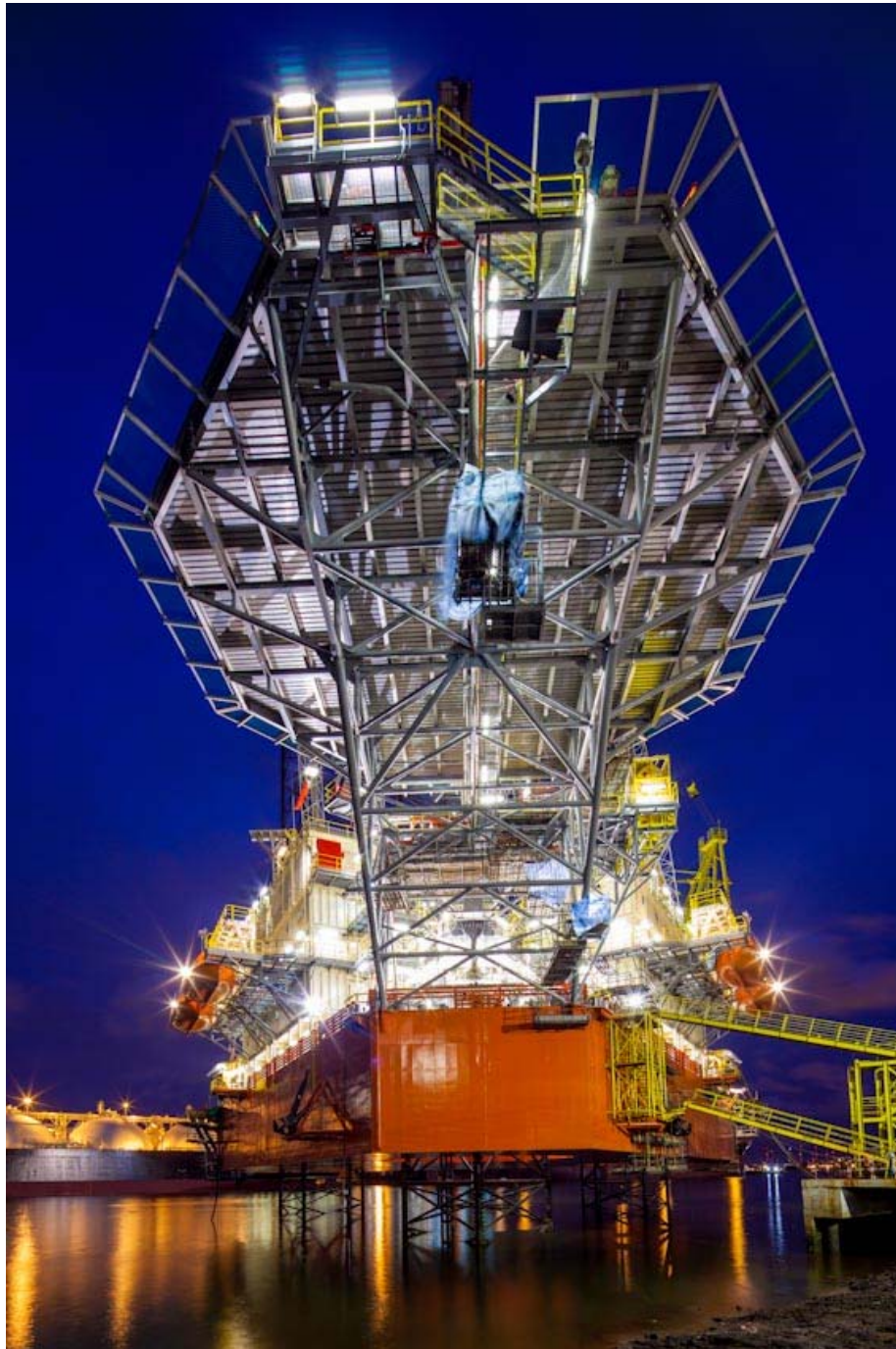


S.D. STANDARD DRILLING PLC  
SECOND QUARTER REPORT 2012



## S.D. Standard Drilling

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**We are building a world-class drilling company** focused on the safety of our crew, satisfying our customers through the delivery of high quality services and creating shareholder value through growth and consolidation globally.

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**Founded in December 2010**, S.D. Standard Drilling (the “Company”) is currently building a fleet of four premium jack-up rigs with deliveries beginning the third quarter of 2013 through May 2014.

**S.D. Standard Drilling was established** to capitalize on the strong market opportunity and demand for premium jack-up rigs due to an aging worldwide rig fleet that requires replacement with rigs fitted with new technologies and environmental features that are more desirable by customers in the current regulatory environment.

**Our strategy** is to own and operate a fleet of high specification jack-up rigs that will be deployed worldwide to customers who share our commitment to a culture of quality, health, safety and environmental stewardship. As we build our Company from the ground up, we are recruiting a management, operational staff and crew members that are of the highest caliber. We are positioning S.D. Standard Drilling to be one of the world’s leading players in the jack-up rig market.

**Our fleet** of modern KFELS MOD V B-Class rigs is under construction at Keppel FELS shipyard in Singapore. Our site supervision team of 13 professionals on site at Keppel FELS oversees every aspect of construction.

**Our Company is run with a financially conservative profile.** S.D. Standard Drilling was established with a conservative financial profile and has demonstrated its ability to access the financial markets to raise funds. With an established financial market for the type of rigs that the Company builds and intends to operate, S.D. Standard Drilling is well-positioned to build on its strong balance sheet going forward and capitalize on strong market conditions that exist in the offshore drilling rig market.

**S.D. Standard Drilling’s shares** are listed on the Oslo Axess Stock Exchange and trade under the symbol SDSD.

# Second Quarter Report 2012

## Selected Financial Information

	Three Months Ended		Six Months Ended	
	2012 Q2	2011 Q2	2012 Q2	2011 Q2
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue			-	-
Operating profit/(loss) before depreciation	(1 885)	(900)	(3 665)	(1 297)
Operating margin, %	-	-	-	-
Operating profit/(loss)	(1 887)	(900)	(3 667)	(1 297)
Profit/(Loss) for the period before taxes	(1 817)	(900)	(3 499)	(1 297)
Profit/(Loss) for the period	(1 817)	(900)	(3 502)	(1 297)

## Highlights Second Quarter 2012

- During June S.D. Standard Drilling entered into a Sale and Purchase Agreement (“SPA”) with UMW Oil and Gas for the sale of rig B324 and further issued an option to the buyer to purchase rig B337 for a gross combined price of USD 426 million. The option must be exercised on or before 27 September 2012.
- Head of Human Resources, Head of Information Technology and Integration as well as Head of Procurement and Logistics were hired in Q2 2012.
- The construction progress for the rigs is on plan.
- Cash position at the end of Q2 2012 was USD 117.8 million.
- The good HSEQ performance continued during Q2 2012 with no serious incidents. The safety record throughout the construction program to date has been without serious injury to personnel or damage to equipment.

## Subsequent Events

- On 6 July 2012, the Company entered into an agreement to novate the construction agreement for rig B325 to ADC, for a consideration of USD 69.5 million. Financial and legal closing of the transaction took place on 1 August 2012.
- On 16 July 2012, the SPA entered into with UMW Oil and Gas for the disposal of the shares in the subsidiary company Offshore Driller B324 Ltd was closed, as the conditions set out in the SPA were fulfilled.

## RESULTS

### RESULTS FOR SECOND QUARTER 2012

The Company is currently in the midst of completing a construction program for a fleet of jack-up rigs. Until delivery of the rigs and the subsequent commercial operation, the Company will report operating losses. For the three months ended on 30 June 2012, the Company incurred an operating loss of USD 1 887 thousand while net financial income was USD 70 thousand resulting in a net loss for the period of USD 1 817 thousand. The loss is mainly relating to administrative expenses such as personnel costs, travel expenses and professional fees associated with the management of the Company and the building of processes, procedures and infrastructure of the Company to ensure readiness for operation once the rigs are delivered.

The annualized run rate for SG&A is currently at USD 7.3 million and we expect this number to increase towards delivery of the remaining rigs.

### LIQUIDITY AND CAPITAL STRUCTURE

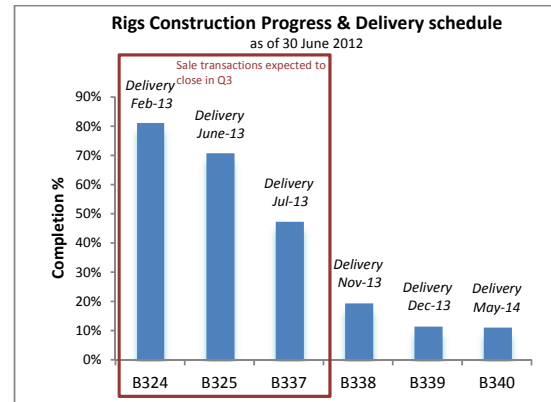
The cash position at 30 June 2012 was USD 117.8 million. After the anticipated closing of the three rig sale transactions in Q3 2012, the Company expects future capital investments (obligations to Keppel FELS shipyard) to be reduced by USD 441.6 million. The total remaining capital commitment to Keppel FELS shipyard will correspondingly be reduced from USD 902.4 million to USD 460.8 million. After these transactions, the Company anticipates to have a strong net cash position of about USD 300 million that will correspondingly reduce future unfunded commitments. During the first six months of 2012, net cash used in operating activities and investing activities was USD 4 620 thousand and USD 18 thousand, respectively.

Discussions are continuing with a range of financial institutions regarding our preferred funding sources and the Company expects to finance the remaining rigs at attractive terms in the commercial bank market.

There were no significant changes to the Company's shareholders during Q2 2012. As of 30 June 2012, the Company had 464 shareholders. The share price as of 30 June 2012 was NOK 7,0 (USD 1,17).

### RIGS UNDER CONSTRUCTION

The rig construction program is on schedule and we expect that all rigs will be delivered from Keppel FELS shipyard in accordance with contractual delivery dates.



### MARKET AND OUTLOOK

As a result of the financial crisis in Europe, a weakening bank industry worldwide and the Company's strong desire to preserve shareholder value, it was decided to sell three of the six rigs under construction. Leading up to the agreements to sell, the Company experienced strong interest from several parties wanting to purchase and/or charter one or more of the first three rigs in our fleet. As the jack-up market continued to strengthen during Q2 2012, the Company has received solid interest from potential charterers for the three remaining rigs which are to be delivered in Q4 2013 and Q2 2014.

Going forward the Company will look for interesting opportunities in the rig market and remain focused on marketing the rigs for operation in the global market place. The Company will also seek to finalize funding for residual amounts due to Keppel FELS shipyard, build the organization and develop organizational readiness by establishing solid processes and procedures in order to be able and ready to operate the rigs upon delivery.

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

*21 August 2012*

*Gunnar Hvammen*

*Martin Nes*

*Chairman*

*CEO*

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2012**

	Note	Three Months Ended		Six Months Ended	
		2012 Q2	2011 Q2	2012 Q2	2011 Q2
<i>(Amounts in USD 000)</i>					
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Administration expenses		(1 885)	(900)	(3 665)	(1 297)
<b>Operating profit/(loss) before depreciation</b>		<b>(1 885)</b>	<b>(900)</b>	<b>(3 665)</b>	<b>(1 297)</b>
Depreciation and amortization		(2)	-	(2)	-
<b>Operating profit/(loss)</b>		<b>(1 887)</b>	<b>(900)</b>	<b>(3 667)</b>	<b>(1 297)</b>
Finance Income		101	-	199	-
Finance Costs		(31)	-	(31)	-
<b>Profit/(Loss) for the period before tax</b>		<b>1 817</b>	<b>(900)</b>	<b>(3 499)</b>	<b>(1 297)</b>
Income tax expense		-	-	(3)	-
<b>Profit/(Loss) for the period</b>		<b>(1 817)</b>	<b>(900)</b>	<b>(3 502)</b>	<b>(1 297)</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>(1 817)</b>	<b>(900)</b>	<b>(3 502)</b>	<b>(1 297)</b>
<b>Earnings/(loss) per share</b>					
Basic/diluted earnings/(loss) per share	3	(0,01)	(0,01)	(0,01)	(0,01)

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION  
AT 30 JUNE 2012**

<i>(Amounts in USD 000)</i>	Note	30.06.2012	31.12.2011
<b>ASSETS</b>		<i>Unaudited</i>	<i>Audited</i>
Rigs-Under Construction	4	116 253	272 625
Equipment and machinery		39	9
Non-current receivable		1 434	1 434
<b>Total non-current assets</b>		<b>117 726</b>	<b>274 068</b>
Trade and other receivables		369	110
Cash and bank balances		117 763	122 401
Assets classified as held for sale	5	158 719	-
<b>Total current assets</b>		<b>276 851</b>	<b>122 511</b>
<b>Total Assets</b>		<b>394 577</b>	<b>396 579</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares		2 620	2 620
Share premium		359 950	359 950
Reserves	6	994	282
Accumulated profits/(losses)		26 961	30 463
<b>Total equity</b>		<b>390 525</b>	<b>393 315</b>
Trade and other payables		4 045	3 257
Current tax liabilities		7	7
<b>Total current liabilities</b>		<b>4 052</b>	<b>3 264</b>
<b>Total Equity and Liabilities</b>		<b>394 577</b>	<b>396 579</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2012**

<i>(Amounts in USD 000)</i>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Share Option Reserve</b>	<b>Accumulated Profits/(Losses)</b>	<b>Total</b>
<b>Balance at 01.01.2011</b>	420	40 530	-	(86)	40 864
<b>Comprehensive income</b>					
Profit/(Loss) for the period	-	-	-	(1 297)	(1 297)
<b>Transactions with owners</b>					
Share capital increase	2 200	327 800	-	-	330 000
Share issue costs	-	(8 380)	-	-	(8 380)
<b>Balance at 30.06.2011 (unaudited)</b>	<b>2 620</b>	<b>359 950</b>	<b>-</b>	<b>(1 383)</b>	<b>361 187</b>
<b>Balance at 01.01.2012</b>	2 620	359 950	282	30 463	393 315
<b>Comprehensive income</b>					
Profit/(Loss) for the period	-	-	-	(3 502)	(3 502)
<b>Employee share option scheme</b>					
Value of employee services	-	-	712	-	712
<b>Balance at 30.06.2012 (unaudited)</b>	<b>2 620</b>	<b>359 950</b>	<b>994</b>	<b>26 961</b>	<b>390 525</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2012**

	Note	<b>Six Months Ended</b>	
		2012 Q2	2011 Q2
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the period before income tax		(3 499)	(1 297)
Expense recognized in respect of employee share options		712	-
Interest income		(199)	-
Increase in trade and other receivables		(258)	(407)
Decrease in trade and other payables		(1 373)	(687)
Income tax paid		(3)	-
<b>Net cash used in operating activities</b>		<b>(4 620)</b>	<b>(2 391)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Advance received for sale of rig B324		2 000	-
Purchases of equipment and machinery		(30)	-
Additions to rigs under construction		(2 187)	(156 998)
Interest received		199	-
<b>Net cash used in investing activities</b>		<b>(18)</b>	<b>(156 998)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares, net		-	204 113
<b>Net cash generated from financing activities</b>		<b>-</b>	<b>204 113</b>
<b>Net decrease/increase in cash and cash equivalents</b>		<b>(4 638)</b>	<b>44 724</b>
Cash and cash equivalents at beginning of period		122 401	6 140
Cash and cash equivalents at end of period		117 763	50 864



## 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. The address of the Company’s registered office is 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3<sup>rd</sup> floor, 3030 Limassol, Cyprus.

#### Principal Activities

The Company and the entities controlled by the Company, hereafter referred to as the “Group”, were established for the purpose of building a premium oilfield services company through superior assets, systems and people.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 30 June 2012, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2011. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011.

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.

#### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### NOTE 3 – EARNINGS/ (LOSS) PER SHARE

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

<i>(Amounts in USD 000)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
<b>Basic/diluted EPS</b>				
Profit/(Loss) attributable to equity holders of the Company	(1 817)	(900)	(3 502)	(1 297)
Weighted average number of ordinary shares in issue (thousands)	262 000	179 802	262 000	111 282
<b>Basic/diluted earnings/(loss) per share</b>	<b>(0,01)</b>	<b>(0,01)</b>	<b>(0,01)</b>	<b>(0,01)</b>

### NOTE 4 – RIGS UNDER CONSTRUCTION

<i>(Amounts in USD 000)</i>	30.06.2012	31.12.2011
Balance at the beginning of period/year	272 625	37 308
Installments to Keppel FELS Limited	-	153 600
Jack-up rig B319 derecognized on disposal of subsidiary	-	(40 435)
Jack-up rigs B324, B325, B337 classified as held for sale (note 5)	(158 719)	-
Other capitalized costs related to construction of the rigs	2 347	2 879
Addition from acquisition of subsidiary companies	-	116 651
Contingent commission fee	-	2 622
<b>Balance at the end of period/year</b>	<b>116 253</b>	<b>272 625</b>

#### **Capital Commitments**

Capital expenditures contracted for as of 30 June 2012 (for six rigs) but not recognized in the Financial Statements:

<i>(Amounts in USD 000)</i>	30.06.2012	31.12.2011
Installments to Keppel FELS Limited (80% payable at delivery)	902 400	902 400
Construction supervision	8 053	10 342
<b>Total remaining capital commitments at the end of period/year</b>	<b>910 453*</b>	<b>912 742</b>

\*Includes USD 444.3 million relates to Assets classified as held for sale.

## NOTE 5 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	30.06.2012	31.12.2011
Jack-up rig B324 held for sale (1)	59 423	-
Jack-up rig B337 held for sale (2)	39 418	-
Jack-up rig B325 held for sale (3)	59 878	-
<b>Total Jack-up rigs held for sale</b>	<b>158 719</b>	<b>-</b>

1. On 26 June 2012, the Group entered into an agreement to sell the shares held in the subsidiary company Offshore Driller B324 Ltd which owns rig B324, currently under construction at Keppel FELS shipyard in Singapore, to UMW Oil and Gas incorporated in Malaysia. The consideration for the sale of shares amounts to USD 70 million. The legal closing of the transaction took place on 16 July 2012.
2. On 26 June 2012, the Group granted to UMW Oil and Gas an option to buy the shares held by the Company in the subsidiary company Offshore Driller 1 Ltd which owns rig B337, for an exercise price of USD 58.4 million. The option must be exercised on or before 27 September 2012.
3. On 6 July 2012, the Group entered into an agreement to novate the construction agreement for the rig B325 currently owned by the subsidiary company Offshore Driller B325 Ltd, to Arabian Drilling Company incorporated in the Kingdom of Saudi Arabia, for a consideration of USD 69.5 million. Financial and legal closing of the transaction took place on 1 August 2012.

## NOTE 6 – SHARE OPTION RESERVE

A total number of 8 200 000 share options were in existence at the end of Q2 2012, each granting the right to its owner to acquire one ordinary share of the Company, at predetermined strike prices. Weighted average exercise price of the share options is USD 1,27. As at the end of the period, 1 400 000 options are exercisable at a weighted average exercise price of USD 1,24 per share.

## NOTE 7 – 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 21 August 2012.

# S.D. Standard Drilling

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## Financial Calendar (Release of Financial Reports)

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Q3 2012            27 November 2012

Q4 2012            28 February 2013

## S.D. Standard Drilling Plc

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