GOLDEN
ENERGY
OFFSHORE

# 2017

# Golden Energy Offshore Services AS

Financial Statements
2017

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GOLDEN ENERGY OFFSHORE

# ANNUAL REPORT

**Results**

Golden Energy Offshore Services AS (the "Company") was incorporated 16 December 2013 and acquired the vessels Energy Scout and Energy Swan 30 May 2014. The Company conducts shipping business and the place of business is Ålesund Norway.

The Company's revenues for 2017 was NOK 86 835 902 whereby NOK 34 656 227 originates from Energy Scout's operations in the West coast of Africa segment and NOK 52 179 675 originates from Energy Swan's operations in the North Sea segment. The operating result before depreciations and write offs ended on NOK 33 584 425 against NOK 35 411 395 in 2016. The lower operating results is caused mainly due to lower charter revenues in the North Sea segment.

Net financing was negative with NOK -15 464 153. Financing includes mostly interest expenses on the bond issue.

The Company's result before tax in 2017 is a surplus of NOK 2 216 984. This is suggested moved to equity. Booked equity per 31.12.2017 is NOK 73 527 631. Equity ratio is 25 %.

Golden Energy Offshore Services AS has in May 2014 issued a bond on par value NOK 370 million with 1.priority plegde in the company's vessels. The bond was listed on Oslo Stock Exchange. Total outstanding bonds at par value is 220 MNOK per 31.12.2017.

Cash flow from operational activities in 2017 is NOK 41 694 129 and NOK -12 973 070 from financing activities. A major part of this is due to the fact that the company managed to collect old receivables from client in Angola. To achieve a high stable cash flow is a preferred goal for the Company. The difference between operating result and cash flow from operating activities is mainly depreciations and accruals.

**Vessels**

The Company owns two platform supply vessels (PSV's) (the "Vessels") which are operated and managed by Golden Energy Offshore Management AS in Ålesund, Norway. Energy Swan currently operates in the North Sea, having its base on Mongstad outside of Bergen and Energy Scout currently operates outside of Nigeria in Africa.

**Going Concern**

The Financial Statements is presented under assumptions of a going concern and the Board consider the requirements for going concern are present.

**Financing and Liquidity**

On December 5th 2017 the Company presented its proposal for restructuring the bond issue. The proposal implied that all bond debt is converted to equity wheras the bondholders receives 90 % direct ownership of the Company. A bondholders meeting was held December 19th where the proposal was approved and on February 6th 2018 the conversion was completed. The company now stands out as debt free, which significantly increases operational competitiveness. We can also illustrate this effect by assuming the conversion happened as of 31. December 2017. Then the total equity per 31.December 2017 of the company would be approximately MNOK 294 with an equity ratio of more than 99 %.

**Market and future prospective**

The market conditions has further deteriorated through 2017, but it is the experience that the oil companies' investments is now starting to build up. The vessel Energy Swan has an attractive long-term contract that expires 31.10.2018 with 3,1 yearly options. Energy Scout is currently on a 3-months contract with 3 monthly options. Proactive measure taken to sustain and position the Company for difficult market conditions is:

- All bond debt converted to equity
- Company has no financing debt
- Reached agreements with sailors for longer sailing periods
- General reduction in operational expenditures through energy and efficiency measures
- Renegotiated new agreements with main suppliers
- Company considered throughout the market place as an reliable supplier of quality services and tonnage with team holding ample and extensive experience.

**Work environment, equality and discrimination**

The Company has not any own employees per today and buy management services, where crew are part of, from management companies. The Company has a clear "Anti-Harassment Policy" forbidding discriminating anybody because of their background, sex, age, religion or ethnicity. The work environment is considered good.

**External environment**

To the best of the Board´s knowledge, the Company´s activities have not caused any environmental pollution outside the legal limits set by the authorities of the different trading areas. New and crucial measures in order to energy efficiency all the Company's activities with subsequent reduced emissions to the external environment.

**Community responsibility**

The Company is part of the Golden Energy Offshore Group and operates in according to international rules and is fully certified by ISM, ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001. The Management system that the entire organization is working by is called Golden energy offshore Integrated Management System (GIMS) and contains all procedures and policies necessary for the Company to conduct the business in a way that ensures quality in all aspects, safety, environment friendly, energy efficient, where sustainable operation of all Company activity have highest focus. Everyone in the organization are trained to use this system and there is conducted internal and external audits. The management system also contains policies of anti-corruption and anti-harassment.

Company has a proactive approach to Energy Efficiency and Fuel Management (EEFM) that includes improvement of vessel and voyage efficiencies aimed at controlling EEFM on vessels by the use of auditable, prioritized methodologies. The efficient use of energy should be a fundamental requirement for GEO operated vessels.  Energy Efficiency and Fuel Management discusses the systems and procedures necessary for operational efficiency – Company has well documented excellent performance in energy efficiency and reduced emission.

**Corporate governance**

The purpose of Golden Energy Offshore Services AS is derived from the Company´s articles § 3 and is shipping business with related activities. The Company runs all its operations by the Plan – Do – Check – Act (PDCA) methodology and this is secured in the Company´s management system GIMS. In addition, procedures ad internal controls for risk management is part of the GIMS and is under continuous improvement. The Company´s external auditor is Pricewaterhousecoopers AS (PWC) and auditor is chosen by the annual meeting.

The Company shall have up to 3-4 Board members. As of today there are 3 Board Members who all are chosen by the Annual meeting:

Chairman Sten Gustafson – Chairman since February 2018

Board member Martin Muff – Board member since February 2018

Board member Per Ivar Fagervoll – Board member since May 2014

**Shareholder information**

The Company's sole shareholder pr 31.12.2017 is Golden Energy Offshore AS who owns 100 % of all the Company's shares. The Company's share capital is NOK 291 280 000 divided by 55 shares, each a value of NOK 5 296 000. As an issuer of listed bonds on Oslo Stock Exchange, the Company is subject to the Securities Trading Act of Norway § 5-8a. There are no articles that limits the right to sell the Company´s shares and there are no employee arrangements.

Aalesund, 23.05.2018

| Sten Gustafson | Martin Muff | Per Ivar Fagervoll |
|---|---|---|
| Chairman of the Board | Member of the Board | CEO/Member of the Board |

**Statement from the Board and CEO**

We hereby confirm that the annual accounts for the period 01.01.2017 to 31.12.2017, to the best of our knowledge, is prepared in accordance with IFRS. The annual report together with the report from the Board give a fair and true value of the Company´s assets, debt, financial position and result.

Aalesund, 23.05.2018

| | | |
|---|---|---|
| Sten Gustafson | Martin Muff | Per Ivar Fagervoll |
| Chairman of the Board | Member of the Board | CEO/Member of the Board |

PROFIT AND LOSS ACCOUNT

| | Note | 2017 | 2016 |
|---|---|---|---|
| Freight income | | 86 835 902 | 89 470 640 |
| **Total income** | | **86 835 902** | **89 470 640** |
| | | | |
| Operating expenses vessels | | -44 456 480 | -44 578 566 |
| Other operating expenses | 12 | -8 794 997 | -9 480 678 |
| **Operating result before depreciations** | | **33 584 425** | **35 411 395** |
| Depreciation | 4 | -15 903 288 | -32 077 755 |
| Write down | 4 | 0 | -90 000 000 |
| **Operating result** | 2 | **17 681 137** | **-86 666 360** |
| | | | |
| Other interest income | | 19 825 | 1 438 |
| Other financial income | | 0 | 0 |
| Currency gain/loss | | -1 381 245 | 174 517 |
| Other interest charges | | -14 102 733 | -13 838 353 |
| Other financial charges | | 0 | -95 603 |
| **Net financing** | 6 | **-15 464 153** | **-13 758 001** |
| | | | |
| **Ordinary result before taxes** | | **2 216 984** | **-100 424 361** |
| | | | |
| Taxes ordinary result | 11 | 0 | 0 |
| **RESULT** | | **2 216 984** | **-100 424 361** |
| | | | |
| Other comprehensive income | | 0 | 0 |
| | | | |
| **TOTAL COMPREHENSIVE INCOME** | | **2 216 984** | **-100 424 361** |

GOLDEN ENERGY OFFSHORE

# BALANCE SHEET

| | Note | Pr 31.12.2017 | Pr 31.12.2016 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed Assets** | | | |
| Tangible fixed assets | 3,4 | 226 094 989 | 241 998 277 |
| **Total fixed assets** | | **226 094 989** | **241 998 277** |
| | | | |
| **Current Assets** | | | |
| Stocks | 9 | 483 040 | 426 968 |
| Account receivables | 8 | 18 561 589 | 36 739 267 |
| Receivables | 15 | 14 106 382 | 8 099 839 |
| Deposits, cash, etc | 10 | 35 270 661 | 6 549 602 |
| **Total current assets** | | **68 421 672** | **51 815 676** |
| | | | |
| **TOTAL ASSETS** | | **294 516 661** | **293 813 952** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Paid-in equity | 17 | 291 280 000 | 291 280 000 |
| Share premium | 17 | 188 934 | 188 934 |
| Other equity | | -217 941 303 | -220 158 287 |
| **Total Equity** | | **73 527 631** | **71 310 647** |
| | | | |
| **Liabilities** | | | |
| | | | |
| **Current liabilites** | | | |
| Current portion of long-term debt | 5,7 | 220 284 476 | 217 257 919 |
| Trade debt | 7 | 704 554 | 2 578 832 |
| Other current liabilities | 7 | 0 | 2 666 554 |
| **Total current liabilities** | | **220 989 030** | **222 503 305** |
| | | | |
| **Total liabilities** | | **220 989 030** | **222 503 305** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **294 516 661** | **293 813 952** |

Aalesund,23.05.2018

| Sten Gustafson | Martin Muff | Per Ivar Fagervoll |
|---|---|---|
| Chairman of the Board | Member of the Board | CEO/Member of the Board |

GOLDEN ENERGY OFFSHORE

# CASH FLOW

| | Note | 2017 | 2016 |
|---|---|---|---|
| Result before tax | | 2 216 984 | -100 424 361 |
| Depreciation and write downs | 4 | 15 903 288 | 122 077 755 |
| Change in short-term receivables/payables | | 9 471 125 | -24 438 445 |
| Interest expenses | 6 | 11 076 176 | 13 838 353 |
| Change in other accruals | | 3 008 720 | 2 425 277 |
| **Net cash flow from operations** | A | **41 676 292** | **13 478 581** |
| | | | |
| Investments | | 0 | -2 440 275 |
| **Net cash flow from investments** | B | **0** | **-2 440 275** |
| | | | |
| Paid interests | | -12 973 070 | -11 911 016 |
| **Net cash flow from financing** | C | **-12 973 070** | **-11 911 016** |
| | | | |
| Effect of changes in foreign exchange rates | D | 17 837 | 0 |
| | | | |
| Net change in cash and cash equivalents | A+B+C+D | 28 721 059 | -872 710 |
| Cash and cash equivalents at 01.01. | | 6 549 602 | 7 422 312 |
| | | | |
| **Cash and cash equivalents at as per balancedate** | | **35 270 661** | **6 549 602** |

# STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Share premium | Retained Earnings | Total Equity |
|---|---|---|---|---|
| Equity 01.01.2017 | 291 280 000 | 188 934 | -220 158 287 | 71 310 647 |
| Annual result | - | - | 2 216 984 | 2 216 984 |
| | | | | |
| **Equity 31.12.2017** | **291 280 000** | **188 934** | **-217 941 303** | **73 527 631** |

**NOTE 1 – GENERAL**
Golden Energy Offshore Services AS (the “Company”) is operating within the shipping business area and currently owns 2 offshore service vessels (PSVs) that were acquired 30 May 2014. The Company was incorporated 16 December 2013, as a part of the Golden Energy Offshore Group, the head office is located in Aalesund and the Company shares are listed on Mercur market on Oslo Stock Exchange.

**1.1 Basis for preparation of the annual report**
The annual report is prepared in accordance with international financial reporting standards (IFRS) which is adopted by the EU and associated interpretations that applies for fiscal years starting 1 January 2017, and also Norwegian disclosure requirements from the accounting legislation.

The financial statements were approved for publishing by the Board on 23.05.2018.

**1.2 Functional and presentation currency**
Functional currency of the Company is Norwegian kroner (NOK). Transactions in foreign currency are converted to the functional currency using the exchange rate at the transaction time. At the end of each reporting period the monetary items in foreign currency is converted using the closing rate, non-monetary items is measured at historic cost converted at the time of the transaction and non-monetary items in foreign currency that are being measured at fair value is converted using the applicable exchange rates at the time of when the fair values was determined. Changes in foreign exchange rates are booked continuous during the accounting period.

**1.3 Use of estimates and assessment of accounting principles when creating the accounts.**
The Management has to some degree used estimates and assumptions that has influenced assets, debt, revenue, costs and information on potential obligations. Future events may result in a change of these estimates. The Estimates and assumptions are continuously assessed, and are based on best judgment and historical experience. Changes in accounting estimates are booked in the period of which they arise. If the changes also affects the future periods, the effects is distributed over present and future periods.

**1.4 Principles for revenue recognition**
Revenue is recognized when it is probable that transactions will generate future economic advantages that will benefit the Company and that the size of the amount can be estimated reliably. Sales revenue is presented exclusive of VAT and discounts.

Freight income and corresponding expenses is accrued from the number of days the charter lasts before and after the accounting period. The duration of a charter is from the vessel is delivered to the charterer and to the ship is redelivered. Eventual losses in connection with the charter parties are taken into account when the loss is considered probable.

Other income is booked in the same period as the service has been provided.

**1.5 Operational segments**
For management purposes the Company is divided into two different segments divided amongst two platform supply vessels. The segment has similar economical characteristics, and is merged together in the financial statements as one reportable segment. The top decision maker is the Chief Executive Officer. Geographical distribution of revenues is presented in note 2.

**1.6 Taxes**
The Company is subject to the Norwegian rules for tonnage taxation and because of that there is no taxation of the net operating result. The tonnage taxation requires that the Company has to relate to

detailed regulations regarding allowance of activities and assets. Any voluntarily or forced exit from the taxation scheme would result in ordinary taxation of the net operating result. Net finance result is taxed on an ordinary basis according to the tonnage tax rules. It is not accrued for any deferred tax.

**1.7 Ships, docking and depreciations**

Vessels are measured at acquisition cost with accumulated depreciations and write-offs deducted. When vessels are sold or disposed, the value in the balance sheet is deducted and the potential loss or profit is allocated to net income.

The vessel values are decomposed into vessel and docking. The Company's vessels are depreciated over a defined remaining working life with a presumed residual value of the vessels at the end of the working life. Remaining working life was estimated on the date of acquisition of the vessels based on the Company's intentions to own the vessels until they reach 30 years of age. The residual value is based on an estimate of what the vessels can be sold for after its remaining working life. The estimate is based on the Golden Energy Offshore Group previous experience from selling 30-year-old vessels. The estimate for residual value is assessed annually and any changes are booked as change in estimate.

Ordinary maintenance is allocated to the net operating result in the same period as it is conducted, while expenses related to dockings are recognized in the balance sheet and charged as an expense linearly over the period until the next scheduled docking. The period between dockings for both Vessels is set to 30 months based on the maintenance program and class requirements for the Vessels. Expenses are booked as depreciations.

If any events or circumstances show an indication that booked value of the vessels cannot be recovered, the booked value is analyzed for impairment. If the indications are confirmed and the booked value is higher than the recoverable amount, then the vessel is written off to the recoverable amount. Each vessel is evaluated individually. The recoverable amount is defined as the highest of net sale price and value in use. Value in use is derived by estimating future cash flows that the vessel is generating and discounting it to net present value using an after-tax interest that reflects the value and risks associated with the vessel. Former write-offs are reversed if the estimates used to determine the recoverable amount is changed. Reversal is however limited to what the booked value would have been if the write-off were not conducted in the first place.

**1.8 Government grants**

Government grants are booked when reasonable probability exists that the Company fulfills the terms necessary to receive the grants and that they will be received. The Company is eligible for the Norwegian net wage refund scheme and the refund is booked against the expense it is meant to cover.

**1.9 Financial instruments**

The Company's financial instruments by initial recognition is classified in accordance with IAS 39. After initial recognition, loans and receivables and financial obligations is measured by amortized cost by effective interest method. When calculating the effective interest, cash flows and all contractual matters regarding the financial instruments are taken into consideration. The calculation includes all fees between the parties of the contract as an integrated part of the effective interest and transaction expenses. The amortization of the period is included as financial expense in the profit and loss statement.

Accounts receivable and other short-term receivables, plus cash and cash-equivalents are booked at fair value at initial recognition and at Amortized cost afterwards. Accounts receivable are booked at fair value and by amortized cost afterwards deducted for accrual of impairment. An accrual for impairment is booked in the profit & loss statement and is established when objective evidence exists that the client is unable to settle the receivables in accordance with the original terms. Further details regarding the financial intruments are given in note 6 & 7.

**1.10 Stocks**
Stocks consists mainly of bunkers and lubricating oil onboard the vessels. The stocks are valued at cost price. If the booked value is higher than the market value, the stocks are written off to market value.

**1.11 Cash & cash equivalents**
Cash includes cash in hand and bank deposits. Cash equivalents are short term liquid investments that immediately can be converted to cash by a known amount, and maximal maturity is 3 months. Funds that original are locked for more than 3 months is not included in cash & cash equivalents.

**1.12 Debt & Equity**
Financial instruments are classified as debt or equity in accordance with the underlying economic reality

Interests, dividends, profit and loss related to a financial instrument classified as debt, will be presented as loss or profit. Distribution to owners of financial instruments that are classified as equity will be booked directly towards the equity.

Transaction expenses directly related to an equity transaction is booked directly towards equity with taxes deducted.

**1.13 Accruals**
An accrual is booked when the Company has an obligation (legal or self-imposed) as a consequence of a previous event, it is probable (more likely than not) that an economic settlement will happen as a consequence of this obligation and the size of the amount can be measured reliable. If the effect is material the accrual is calculated by discounting of expected cash flows using a discount rate pretax, which reflects the markets pricing of the timed value of cash, and, if relevant, risks specifically associated with the obligation.

**1.14 Events after the balance sheet date**
New information after the balance sheet date regarding the Company's financial position on the balance date has been taken into account in the annual report. Events after the balance sheet date that does not affect the Company's financial position on the balance date, but will affect the financial position in the future has been described if found material.

**1.15 Changes in accounting principles and note information**
It is the same accounting principles as last year that has been used for this year. No changes in IFRS with effect for 2017 financial statements has been relevant this year.

**1.16 New accounting standards with future effective date**
Accounting standards and interpretations that are approved up to the date of completion of these accounts, but where the effective date is forward in time is listed below. The intention of the

Company is to implement the relevant changes on the effective date, assuming that the EU approves the changes before completion of the financial report.

***IFRS 9 - Financial Instruments***

IFRS 9 implies changes related to the classification and measurement, Hedge-accounting and impairment. IFRS 9 will replace IAS 39 Financial instruments – recognition and measurement. The parts of IAS 39 which is not part of the project has been transferred and incorporated in IFRS 9.

The standard shall be implemented retrospectively, with the exception of hedge-accounting, but it is not a requirement to create comparison numbers. The rules for hedge-accounting shall mainly be implemented prospectively with a few exceptions. The standard is effective from January 1st 2018 or later.

For the Company an implementation of IFRS 9 is expected to give limited effects, other than increased disclosure requirements.

***IFRS 15 – Revenues from contracts with Customers***

IASB have published a new standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenues is recognized in order to reflect the transfer of agreed goods or services to customers, and at an amount that reflects the compensation that the Company expects to be entitled to for these goods and services.

The effects of the implementation of IFRS 15  for the Company are expected to be limited. All the revenues of the Company comes from T/C contracts and these contain both a lease and a service element. IFRS 15 will only affect the service element as recognition of revenues from lease agreements is governed by IAS 17 Leases(IFRS 16 Leasing when effective). Both elements are recognized linearly as revenue during the contract period, and principles for revenue recognition of the service element will not change as a consequence of the implementation of IFRS 15.

The Company will use modified retrospective implementation method. It is the managements view that implementation of IFRS 15 will have noe effect on the equity as of 01.01.2018.

***IFRS 16 – Leasing***

IASB has had a joint project with FASB with the purpose of developing a new standard for leases. IFRS 16 Leases replaces the existing IFRS standard for leasing agreements, IAS 17. IFRS 16 gives principles for calculation, measuring, presentation and information regarding lease agreements for both parties in a leasing agreement(both the lessee and the lessor). The new standard demands that the tenant calculates assets and obligations for the most leasing agreements and this is a material change from todays principles. For the tenant IFRS 16 continues with the existing principles of IAS 17. According to this a tenant shall continue to classify its lease agreements as operational or financial, and do the accounting differently. The standard is effective from January 1st 2019 and shall be implemented either by full retrospective or modified retrospective method.

It is the managements preliminary view that implementation of IFRS 16 will have limited effects on the financial statements, simply because the Company has no material leasing agreements

Other published standards and interpretations with effective date in the future is not relevant for the Company and will not affect the accounts.

## NOTE 2 – SEGMENT

| Freight income per geographical area | 2017 | 2016 |
|---|---|---|
| North Sea | 52 179 675 | 55 098 050 |
| West Coast of Africa | 34 656 227 | 34 372 590 |
| **Total operating revenue** | **86 835 902** | **89 470 640** |
| | | |
| **Operating result per geographical area** | | |
| North Sea | 16 314 486 | -47 349 603 |
| West Coast of Africa | 4 619 254 | -37 593 824 |
| Adm. | -3 252 602 | -1 722 933 |
| **Total operating result** | **17 681 137** | **-86 666 360** |

The Company owns 2 vessels only and the segments are divided into where the vessels operate geographically. Energy Swan has in 2017 worked on fixed contracts and Energy Scout has worked on short term contracts. The Company has received revenues from 2 different customers.

## NOTE 3 – ESTIMATE UNCERTAINTY & DISCRETIONARY ASSESSMENT

**Estimate uncertainty**

When preparing the annual accounts, the Company's management has used estimates based on best judgment and assumptions that are considered realistic. It is a probability that situations occur or changes in market conditions, which can lead to changes in estimates, and affect the Company's assets, debt, equity and profit.

The Company's most material accounting estimates is related to the following:

- Write-offs of fixed assets

The most critical estimate related to impairment of fixed assets is the future cash flows given the market situation at current date. See note 4.

## NOTE 4 – FIXED ASSETS

| | Vessels | Docking | Total |
|---|---|---|---|
| **Balanse 01.01.2016** | **348 382 609** | **13 253 148** | **361 635 757** |
| Additions | 0 | 2 440 275 | 2 440 275 |
| Depreciations | 21 129 940 | 10 947 815 | 32 077 755 |
| Write off | 90 000 000 | 0 | 90 000 000 |
| Balanse 01.01.2017 | 237 252 669 | 4 745 608 | 241 998 277 |
| | | | |
| Depreciations | 11 157 680 | 4 745 608 | 15 903 288 |
| **Balanse 31.12.2017** | **226 094 989** | **0** | **226 094 989** |

The Vessels are depreciated linearly to a residual value when the vessels reach 30 years. The residual value is NOK 15 million for Energy Swan and NOK 10 million for Energy Scout. Costs for acquiring the vessels are already included in the acquisition cost for both vessels.  Accrued and estimated docking expenses for Energy Swan are depreciated over 30 months until the next docking. An adjustment of depreciations in accordance of the breakpoint method was done in 2017 because of earlier impairments of the vessels. This in order to reach the residual values after 30 years.

Because of the development of the market outlook and the uncertainty of the vessels future incomes an impairment test have been conducted according to IAS 36. As a result of the completed analysis, no impairment of the vessels has been booked pr. 31.12.2017. The Company has conducted a value in use calculation for each vessel where estimated cash flows before finance expenses are used. The Company has used value in use as basis for impairment as net sale price is not considered appropriately in today's market situation, with few transactions and little observable market values. The Company has not obtained brokers valuation. The value in use calculation for both vessel gave answers that did not deviate material from booked values.

The value in use calculation is based on net present value of the future cash flows that the Company estimates during the remaining economical lifetime of the vessels. A discount rate after tax (WACC) has been used as the discount factor. The Company has used a WACC of 9,2 % and this is based on the Company and equivalent comparable companies' demand for return on capital. Other material assumptions in the estimated cash flows is inflation rate, order reserve, utilization, OPEX, CAPEX, charter rates and exchange rates for foreighn currencies

There is a large uncertainty regarding the assumptions used in the model. Both vessels are on contract when these statements are presented and for revenues the fixed contract rates are used. Options are not considered. After expiry of contract the Company uses a low spot-rate that increases gradually the next 3 years. The rate that is used is material lower than what the vessels have earned historically the last 5 years. After these 3 years a "steady state" rate is assumed with an annual growth of 2,5 % which is equivalent to the same target as the government has plaved for the growth in the monetary policy. In the entire period a utilization of 90 % is assumed. This is also lower than the actual historical utilization for both vessels the last 5 years.

OPEX is in the value in use calculation based on the vessels budgets, approved by the Board. A class renewal in 2020 for both vessels is also used in the model.

Because of the uncertainty regarding the assumptions in the model, sensitivity analyses on the value in use calculation has been made. This shows what the impairment of the vessels would have been with other assumptions

If both vessels revenues is assumed reduced by 10 % there would been an impairment of the vessel Energy Swan of MNOK 30 and for Energy Scout MNOK 20. If the WACC was 1 % higher, the impairment of Energy Swan would have been MNOK 10 and for Energy Scout MNOK 4,5.

## NOTE 5 – INTEREST BEARING DEBT

| | |
|---|---|
| Bond Issue 01.01.2017 | 217 257 919 |
| Deferred borrowing costs | 3 026 557 |
| Reversal accrued interests | 1 896 894 |
| Interest expenses 2017 | 11 075 414 |
| Paid interests bond issue | -12 972 308 |
| **Bond Issue 31.12.2017** | **220 284 476** |

On December 19th 2017 a bondholders meeting was held were the Company got 95,42 % votes in favor for its proposal to convert all outstanding bonds to equity, giving the Bondholders a 90 % direct ownership of the company. Per date of issuing these financial statements all the bonds are converted to equity and the company now stands out as debt free. The steps taken will result in increased operational chartering competiveness.

## NOTE 6 – FINANCIAL ITEMS

| **Financing expenses** | **2017** | **2016** |
|---|---|---|
| Exchange gains | 2 788 292 | 3 889 737 |
| Exchange losses | -4 169 537 | -3 715 220 |
| Interest expenses | -11 076 176 | -11 196 169 |
| Amortized cost | -3 026 557 | -2 641 001 |
| Other financial revenues | 19 825 | 1 438 |
| Other financial expenses | 0 | -96 786 |
| **Net finance** | **-15 464 153** | **-13 758 001** |

## NOTE 7 – FINANCIAL INSTRUMENTS

### Financial risk

The Company issued Bonds and the the purpose of such financial instrument was to secure capital for investments necessary for the Company's business. In addition the Company has financial instruments such as accounts receivables, trade debt and similar debts related to the ordinary running of the Company.
Routines for risk management have been adopted by the Board of Directors and are conducted in cooperation with each department.

The most important financial risks that the Company is exposed to are related to interest risk, liquidity risk and credit risk.

### 1) Credit risk

The Company is mainly exposed to credit risk associated with accounts receivables. The main counterparts are mainly major oil companies and the maximum exposure to credit risk is the same as accounts receivables, MNOK 18,5. The credit risk has increased as a consequence of the reduced activities in the oil industry. The Company has procedures to monitor and collect receivables. For charter parties where the Company is dependant upon a local intermediate agent, which is typical for operations in West Africa, the Company always seek to have a “quiet enjoyment letter” agreement depending on what is achievable in today’s market. This gives the Company an opportunity to collect its receivable directly from the end user if the local partner should face problems to settle its debt. Continuous accruals for loss are done if deemed necessary.The Company has not guaranteed for any third party debt.

**2) Interest risk**
The Company has converted all bond debt to equity as described in note 5. This means that the Company currently is not affected by the interest rate level.

**3) Foreign currency risk**
The Company is ordinary bank deposits in USD plus accounts receivable in USD per 31.12.2017

The following table shows the sensitivity of the Company´s profit and loss before tax due to changes in USD. All other variables remain unchanged.

| Increase/decrease in USD: | | | Effect on result before tax |
|---|---|---|---|
| + / - 10% | 2017 | + / - | 1 884 333 |

**4) Liquidity risk / Going concern**
Liquidity risk is the risk that the Company will not be in a position to meet all its financial obligations as they fall due. The strategy for managing liquidity risk is to have sufficient liquid cash at any time in order to settle the financial obligations at due date, both under normal and extraordinary circumstances, without risking unacceptable losses or loss of reputation. The following table shows an overview of the maturity structure of the Company’s financial obligations, based on undiscounted contractual payments. In cases where the counterpart can demand settlement prior to due date, the amount is stated in the earliest period which the amount can be demanded settled by the counterpart. If any obligations can be demanded settled immediately it is included in the first column(less than 1 year).

| | Remaining period | | | | |
|---|---|---|---|---|---|
| **31.12.2017** | less 1 year | 1 year | 2 years | 3 years or more | Total |
| **Financial obligations** | | | | | |
| Trade debt | 704 554 | 0 | 0 | 0 | 704 554 |
| **Total:** | **704 554** | **0** | **0** | **0** | **704 554** |

There is no planned dockings until the year 2020, which again significantly strengthens the liquidity.

In addition the Company has indirectly very good effect of the management Company’s energy efficiency profile, where huge savings on fuel, emmissions and use of machinery(less running hours)

The Financial Statements is presented under assumptions of a going concern and the Board consider the requirements for going concern are present.

**Capital structure and equity**

Main purpose of the Company's management of its capital structure is to ensure that the Company maintains a good credit rating and thus reasonable financing on terms that are likely in relation to its activities. By ensuring a good ratio between equity and debt, the Company will support its activities, thus maximizing the value of its shares.

Company manages its capital structure and makes necessary changes to it based on an ongoing assessment of the financial condition of the business and future prospects in both the short and medium term. The Company monitors its capital using a gearing ratio, which is defined as net debt divided by equity plus net debt. Net debt is defined as interest bearing debt (short and long) and accounts payables less cash. Equity includes invested equity and retained earnings.

| | **Pr 31.12.17** | **Pr 31.12.16** |
|---|---|---|
| Interest bearing debt | 220 284 476 | 220 284 476 |
| Trade debt | 704 554 | 2 536 345 |
| - Cash | -35 270 661 | -6 549 602 |
| Net Debt | 185 718 368 | 216 271 219 |
| Equity | 73 527 631 | 71 310 647 |
| **Total equity & net debt** | **259 245 999** | **287 581 866** |
| **Debt ratio** | **71,64 %** | **75,20 %** |

In 2018 the overall debt is reduced with almost 220 MNOK and the equity is increased with the same amount.

**Determination of fair value**

The Company has no assets or liabilities booked at fair value. Fixed assets are recorded at historical cost adjusted for depreciation and any devaluation losses. The bonds are valued at amortized cost. See note 5. Other assets and debt real value is approximately equal to booked value.

| | **Par value** | **Bal value** | **Fair value** |
|---|---|---|---|
| Bond at amortized cost | 220 284 476 | 220 284 476 | 105 185 837 |

Balance sheet value is reduced by expenses related to draw down of the loan.
Fair value of the Bond Issue is derived from tax assessment value pr 31.12.2017 that is 47,75. This is also consistent with trades on Oslo Stock exchange close to the balance date. The Bond is valued on level 3 on the valuation hierarchy in IAS 39.

Valuation Hierarchy in IFRS:
**Level 1:** Listed prices in active markets for identical assets or obligations that the Company has access to at time of valuation.
**Level 2:** Other data inputs than listed prices that are covered by level 1 and is observable for the asset or obligation, either directly or indirectly.
**Level 3:** Valuation based on factors that are not derived from observable markets.

**NOTE 8 – ACCOUNTS RECEIVABLES**

| | Pr 31.12.2017 | Not due | 0-30 days | 30-60 days | > 60 days |
|---|---|---|---|---|---|
| **Accounts receivables** | **18 561 589** | 5 006 755 | 2 080 517 | 2 275 254 | 9 199 063 |

Of the account receivables pr 31.12.2017 the following consists of USD: USD 1 974 487,-

| | Pr 31.12.2016 | Not due | 0-30 days | 30-60 days | > 60 days |
|---|---|---|---|---|---|
| **Accounts receivables** | **36 739 267** | 7 841 329 | 3 014 482 | 2 923 625 | 22 959 831 |

Of the account receivables pr 31.12.2016 the following consists of USD: USD 4 559 122,-

**NOTE 9 –STOCKS**
Stocks consists of lub oil and provisions onboard the vessels.

**NOTE 10 – CASH DEPOSIT**
The Company has no restricted bank deposits.

**NOTE 11 –TAX**
Golden Energy Offshore Services AS is subject to the Norwegian tonnage tax rules. Tax payable is based on the taxable financial result only in accordance with these rules. This years taxable income is negative with NOK 3 120 691 and the Company has per December 31st 2017 NOK 6 397 974 in financial loss that is carried forward. Tax for the Company will mainly arise in the event of foreign operations involving sedentary local taxation.

**NOTE 12 – OTHER OPERATING EXPENSES**

| | 2017 | 2016 |
|---|---|---|
| Management fee | 4 800 000 | 4 800 000 |
| Guarantee expenses | 18 700 | 14 960 |
| Audit fee* | 264 106 | 253 480 |
| Legal fees | 2 125 299 | 1 062 557 |
| Accrued loss of receivables | -223 378 | 2 957 746 |
| Other | 1 810 270 | 645 415 |
| **Total other operating expenses** | **8 794 997** | **9 480 678** |

*Audit fee consists of the following:

| | |
|---|---|
| Statutory audit | 200 125 |
| Tax consultancy | 3 928 |
| Other services | 60 053 |
| Total fee for auditor | 264 106 |

**NOTE 13 –GOVERNMENT GRANTS**
The Company meets the criteria for the Norwegian net wage refund scheme which exists to secure Norwegian maritime competence and recruitment of Norwegian sailors. It is the Company Golden Energy Offshore Management AS that handles the applications for the refund scheme but it is Golden Energy Offshore Services that get the benefits. Per 31 December 2016 the Company has calculated

NOK 849 292 in the balance sheet as expected net wage refund. This is booked as reduction of operating expenses in the net income and is listed as short-term receivable in the balance sheet. The Company has received NOK 5 236 334 as refund per 31 December 2016.

**NOTE 14 – TRANSACTIONS WITH RELATED PARTIES**

The Company is charged NOK 4,8 mill in management fees for 2016 from Golden Energy Offshore Management AS. Golden Energy Offshore Management AS has the operational and commercial management for the Company´s vessels. All operational expenses are reimbursed to Golden Energy Offshore Management AS at cost. There has not been granted any loans, or provided any form for security to the Chief Executive Officer or any of the Board members, or any of their affiliated persons.

**NOTE 15 –SHORT TERM RECEIVABLES**

| **Short term receivables** | **Pr 31.12.2017** | **Pr 31.12.2016** |
|---|---|---|
| Pre paid expenses | 6 196 479 | 4 983 796 |
| Net wage refund | 884 035 | 879 292 |
| Norwegian Maritime Competance | -32 000 | -30 000 |
| Refundable VAT | 2 407 480 | 2 266 751 |
| Insurance settlement Energy Scout | 4 650 388 | 0 |
| **Total** | **14 106 382** | **8 099 839** |

**NOTE 16 –LEASING AGREEMENTS**

Below minimum future lease payments from TC contracts are shown. The amounts are nominal and relates to chartering of vessels. For TC contracts in foreign currency the exchange rate pr 31.12 has been used.

| | **pr 31.12.2017** |
|---|---|
| Within 1 year | 30 797 175 |
| 1 to 5 years | 0 |
| After 5 years | 0 |
| Total | 30 797 175 |

**NOTE 17–SHARES & STOCKOWNERS**

The share capital pr 31.12.2017 is NOK 291 280 000. It consists of 55 shares at NOK 5 296 000. The Company is a wholly owned subsidiary of Golden Energy Offshore AS and Group financial statements is prepared by this company. The Group statements can be handed over by the company upon request. There has been no changes in classes of shares during the year. On the General meeting one share has one right to vote. The Chief Executive Officer has an indirect ownership of 8,35 % in the company per 31.12.2017.

**NOTE 18–EVENTS AFTER THE BALANCE SHEET DATE**

The entire bond issue was converted to equity in February 2018 and the Company´s shares was in april 2018 listed on Merkur Market on Oslo Stock Exchange.

To the General Meeting of Golden Energy Offshore Services AS

# *Independent Auditor's Report*

## *Report on the Audit of the Financial Statements*

### *Opinion*

We have audited the financial statements of Golden Energy Offshore Services AS which comprise the balance sheet as at 31 December 2017, income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

### *Basis for Opinion*

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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*State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm*

pwc

## *Responsiblities of The Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## *Report on Other Legal and Regulatory Requirements*

### *Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Ålesund, 23 May 2018
**PricewaterhouseCoopers AS**

Oddvar Sandnes
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.