

## Golden Close Maritime Corp. Ltd. - ISIN NO 001072202.8

### Report Q3 2015 (unaudited)

Deep Sea Metro Group (Group)  
Deep Sea Metro Ltd (Parent)  
Golden Close Maritime Corp. Ltd. (Issuer)  
Golden Close Maritime Corp. Ltd. Group (Issuer Group)

#### Business activities

Deepsea Metro I commenced drilling operations under the VietGazprom contract early August 2015, a contract that is expected to employ the vessel into January 2016. In November, VietGazprom exercised the first of two well test period options. The first well test period is expected to have a duration of 30-40 days.

Deepsea Metro I has had a very good start-up on the VietGazprom contract with a financial utilization of 99.4% in Q3 2015 (from contract commencement)

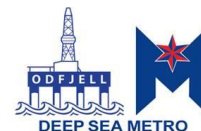
#### Market Outlook and Risk Factors

The Group provides drilling services for the oil and gas industry, which historically has shown a cyclical development. The level of activity in the offshore oil and gas industry will, among other factors, depend on the general climate in the global economy, oil and gas prices, investment patterns for oil and gas exploration, production and drilling, and regulatory issues with respect to operational safety and environmental hazards. Financial performance will also depend on the demand and supply balance for mobile drilling units. All offshore contracts are associated with considerable risk and responsibilities, including technical, operational, commercial and political risks. The company takes out the insurance coverage deemed adequate in order to limit these risks.

The board sees that the deep- and ultradeep water drilling market has further deteriorated through 2015 and expects it to remain weak over the next couple of years. This is due to continued delivery of newbuilds and oil companies' increased cost focus and capital discipline, resulting in an increasing number of stacked units and continued downward pressure on day rates.

Deepsea Metro I, owned by Golden Close Maritime Corp. Ltd., commenced drilling operations under its contract with VietGazprom in Vietnam in early August 2015. This contract, after the first well test period having been exercised, is expected to employ the vessel into second half of February 2016 where after the second option could extend the contract further into April/May 2016. Golden Close Maritime Corp. Ltd. is in a financial challenging position and is dependent on waiver from its lender in order to avoid event of default under its 1<sup>st</sup> lien bond financing. Such waiver is currently being negotiated. There is uncertainty related to re-contracting Deepsea Metro I in the current market environment.

Chloe Marine Corporation Ltd's Deepsea Metro II has been marketed for sale since August but no sale has been concluded so far. In July 2015, Chloe Marine Corporation Ltd. received default notices under its debt facilities, the 1<sup>st</sup> priority term facility and the 2<sup>nd</sup> lien bond, as a consequence of i.a. a breach of the minimum liquidity financial covenant. Further, on 17 November 2015, the 1<sup>st</sup> priority lenders arrested Deepsea Metro II in Curacao and sent an acceleration notice to Chloe Marine Corporation Ltd. The 1<sup>st</sup> priority lenders will proceed with a judicial sale of Deepsea Metro II through the courts of Curacao. Uncertainty around the sales price for Deepsea Metro II and uncertainties related to the contract situation and the future of the Deepsea Metro I, has led the board to make a further impairment write-down of the book value of these vessels to USD 350 million at 30 September 2015 (these were written down to USD 400 million



at 30 June 2015) following updated broker's market value indications for these vessels. The board is of the opinion that this additional write-down is required in order for the books to better reflect a fair value assessment of the sales value of Deepsea Metro II and the recoverable amount for Deepsea Metro I.

## **Ownership**

Deep Sea Metro Ltd. ("the Parent") was incorporated under the laws of Bermuda as a private limited liability company on 4 September 2008. The company was founded by Metro Exploration Holding Corp. and Odfjell Drilling Ltd. as a joint cooperation.

The Parent has two shareholders. Metro Exploration Holding Corp. holds 60% of the shares and voting rights, while Odfjell Drilling holds 40% of the shares and the voting rights.

As of 30 September 2015, the authorised share capital was USD 1,000,000,000 whereof USD 960,558,240 was issued at par value USD 1. Each share carries one vote, and otherwise confers equal rights in the Company.

The Parent is a holding company for the two drillship-owning companies, Golden Close Maritime Corp. Ltd. and Chloe Marine Corporation Ltd., which it owns 100 per cent.

## **Financial information**

The financial figures have been prepared in accordance with simplified IFRS (International Financial Reporting Standards) pursuant to section 3-9 of the Norwegian Accounting Act and with the Directives of simplified IFRS specified by the Norwegian Ministry of Finance on 21 January 2008.

### Deep Sea Metro Group

The Group's operating revenue in Q3 2015 was USD 22 million compared to USD 17 million in Q2 2015. The operating revenue in Q3 2015 is from Deepsea Metro I's operations under its drilling contract with VietGazprom in Vietnam which commenced early August 2015 while the Q2 2015 operating revenues were from Deepsea Metro II's drilling operation under the Petrobras contract in Brazil, which ended in middle of May 2015.

The operating profit was negative with USD 89 million in Q3 2015 compared to negative USD 554 million in Q2 2015. The Group made an impairment write-down of USD 43 million on the Deepsea Metro I and USD 44 million on the Deepsea Metro II drillship in Q3 2015 in addition to the impairment write-down of USD 524 million in Q2 2015 and this explains most of the deviation between these quarters. Operating expenses (including depreciation and write-down) in Q3 2015 were USD 111 million compared to USD 572 million in Q2 2015.

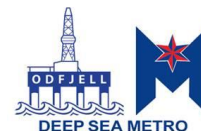
Net financial loss in Q3 2015 was USD 19 million compared to a loss of USD 17 million in Q2 2015.

Tax expenses were USD 3.3 million in Q3 2015 compared to USD 0.4 million Q2 2015. Under the VietGazprom contract there is a withholding tax on the gross revenue.

Net loss was USD 111 million in Q3 2015 compared to a net loss of USD 571 million in Q2 2015.

As of 30 September 2015, the total assets amounted to USD 836 million, compared to USD 939 million as of 30 June 2015.

The book value of each of the drillships is USD 350 million at 30 September 2015.



Long term liabilities in Golden Close Maritime Corporation Ltd. are classified as short term at 30 September 2015 due to the contract situation of the drillship. Chloe Marine Corporation Ltd.'s debt facilities are classified as short term liabilities at 30 September 2015 due to being in default under its debt facilities agreements. Short-term liabilities for the Deep Sea Metro Group were USD 858 million at 30 September 2015.

Cash and cash equivalents were USD 89 million as of 30 September 2015 compared to USD 131 million at 30 June 2015.

On 30 September 2015, the total equity of the Group was negative with USD 22 million compared to USD 88 million on 30 June 2015.

#### Golden Close Maritime Corp. Ltd. Group

The Issuer Group reported total revenue at USD 22 million in Q3 2015, compared to USD 1 million in Q2 2015. The operating revenues are from Deepsea Metro I which commenced drilling operations under the VietGazprom contract in early August 2015. In Q2 2015, the vessel was stacked in South-Africa for the most part before it started mobilizing towards Vietnam late in Q2 2015.

Operating expenses amount to USD 64 million in Q3 2015 compared to USD 265 million in Q2 2015. Operating expenses in Q3 2015 include an impairment write-down of USD 43 million. Q2 2015 included an impairment write-down of USD 245 million. The operating profit was negative with USD 42 million in Q3 2015 compared to a loss of USD 264 million in Q2 2015.

Net financial loss was USD 9 million in Q3 2015, same as in Q2 2015.

The Issuer Group reported a net loss of USD 55 million in Q3 2015 compared to net loss of USD 274 million in Q2 2015.

At 30 September 2015, the total assets of the Issuer Group were USD 439 million compared to USD 490 million at 30 June 2015.

Cash and cash equivalents amounted to USD 53 million at 30 September 2015 compared to USD 76 million at 30 June 2015. Other current assets is USD 37 million at 30 September 2015, whereof USD 10 million is a prepayment to Odfjell Drilling AS for operational expenses and management fees in accordance with terms in the drillship management agreement.

Long term liabilities in Golden Close Maritime Corporation Ltd. are classified as short term at 30 September 2015 due to the financial position and the re-contracting risk of Deepsea Metro I. Figures are presented net of capitalized financing fees.

Total equity of the Issuer Group was USD 26 million as of 30 September 2015 compared to USD 82 million as of 30 June 2015.



24 November 2015

The Board of Directors

Deep Sea Metro Ltd.  
Golden Close Maritime Corp. Ltd.  
Hamilton, Bermuda

ENCLOSURE

**Significant accounting principles**

The accounting principles used in the preparation of this third quarter report for 2015 are consistent with those used in the annual financial statements for the year ending 31 December 2014. These consolidated condensed financial statements should be read together with the annual financial statements for 2014, which include a full description of the group's accounting policies.







