

Golden Close Maritime Corp. Ltd. - ISIN NO 001072202.8

Report Q2 2016 (unaudited)

Deep Sea Metro Ltd. 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 ended its contract with Vietgazprom in Vietnam in January 2016 and was subsequently moved to Malaysia where it was laid up. In April 2016, the Deepsea Metro I was awarded a conditional letter of award (LoA) for a drilling contract for Petronas offshore Malaysia. The LoA was subject to successful completion of acceptance test and comprises one firm well with an estimated duration of 60-70 days with estimated contract value of USD 11-13 million plus four optional wells. Including the optional wells, the contract could extend up to 245 days with an estimated contract value of USD 46 million. While laid up in Malaysia, the vessel performed its 5-year special periodic survey and preparations for the Petronas contract.

Deepsea Metro I commenced the Petronas contract on 17 July 2016

The Chloe Marine Corporation Ltd. Group is presented as discontinued operations in the report Q2 2016 for Deep Sea Metro Ltd. Group. The drillship Deepsea Metro II was sold through a judicial auction on 15 March 2016.

Market Outlook and Risk Factors

The Issuer 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 things, 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.

The weakening of the drilling and oil service market has continued in 2016 and the Issuer does not see any signs of improvement near- to medium term. The soft market is due to the substantial supply of newbuilds, especially in the UDW market where the trend of postponing the remaining newbuild deliveries has continued. At the same time, oil companies still focus on cost cutting programs and capital discipline which have further reduced demand for drilling capacity. The results are an increasing number of stacked units and continued downward pressure on day rates and asset values.

There are contract opportunities for Deepsea Metro I in the current and near term market, but competition is fierce and reduced day rates alone do not clear the market. The Issuer expects the deep- and ultra deepwater market to be oversupplied for a period going forward. The Issuer and the drillship manager seek new drilling contracts for Deepsea Metro I wherever possible, in an effort to keep Deepsea Metro I employed and avoid long-term stacking.

Financial risk factors

The Issuer is dependent on new contract(s) to secure operational cash flow or capital contribution to fulfil its operational and future financial obligations under its bond loan.



On 12 July 2016 the Issuer entered into a Waiver Agreement with Nordic Trustee (on behalf of the bondholders) with respect to its MUSD 400 bond agreement of 23 October 2014. The waiver agreement ensures the Issuer's ability to perform under the Petronas contract, even though it is not in a position to fulfil all its obligations under the bond agreement. More specifically the waiver agreement provides for waivers of (i) interest payments and interest retention, (ii) amortisations, (iii) events of default related to the downturn in the market, such as financial covenants and (iv) certain restrictions on its use of cash.

The waiver is applicable for a certain waiver period, subject to (i) the Issuer's compliance with the bond agreement (as amended by the waiver agreement) and certain waiver covenants and (ii) the parties' due performance under the Petronas contract. In practical terms the waiver period can be expected to be in place for as long as the parties are performing their obligations under the Petronas contract. Thereafter it will need to be renegotiated or it will terminate.

The Issuer and the drillship manager focus on securing employment for Deepsea Metro I and thereby avoid cold stacking of the drillship. There is a joint understanding between the Issuer and its bondholders that keeping the unit warm and occupied on short- to medium term contracts in today's challenging drilling market is the best way of maintaining the value of the drillship, even if prevailing day rates does not allow the Issuer to properly service its debt obligations.

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 June 2016, the authorised share capital of the Parent was USD 1,000 whereof 960.558.240 shares were issued at par value USD 0.000001. Each share carries one vote, and otherwise confers equal rights in the Parent.

The Parent is a holding company for the continued operations of one drillship-owning company, Golden Close Maritime Corp. Ltd. (i.e. the Issuer), which it owns 100 per cent.

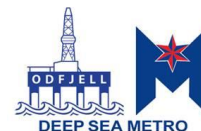
It is also holding company for discontinued operations of Chloe Marine Corporation Ltd., which it owns 100 per cent. Deep Sea Metro Ltd. has not issued any guarantees and has no liabilities towards Chloe Marine Corporation Ltd. Deep Sea Metro Ltd. do not expect to recover any proceeds from the forthcoming liquidation of the Chloe Marine Corporation Ltd. Group. As a result, the fair value of the disposal of Chloe Marine Corporation Ltd Group is recognised to be USD 0 in the Group financial statements.

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 Ltd. Group

Quarterly figures for Deep Sea Metro Ltd. Group in Q2 2016 comprise Golden Close Maritime Corporation Ltd. Group and Deepsea Metro Ltd. Chloe Marine Corporation Ltd. Group is presented as discontinued operations.



The Group did not have any operating revenue in Q2 2016, compared to USD 6.2 million in Q1 2016. The reduction in revenue is due to Deepsea Metro I ending its contract with Vietgazprom in Vietnam on 21 January 2016 and being laid up in Malaysia for the remainder of Q1 2016 and for all of Q2 2016.

Operating expenses amount to USD 17.5 million in Q2 2016, same level as in Q1 2016.

The operating loss was USD 17.5 million in Q2 2016 compared to a loss of USD 10.8 million in Q1 2016, due to no operating income in Q2.

Net financial loss was USD 9.3 million in Q2 2016, compared to USD 9.6 million Q1 2016.

There were no tax expenses in Q2 2016, compared to USD 0.9 million in Q1 2016.

As of 30 June 2016, the total assets amounted to USD 396 million, compared to USD 412 million as of 31 March 2016.

Cash and cash equivalents were USD 39 million as of 30 June 2016 compared to USD 53 million at 30 March 2016. Other current assets were USD 21 million at 30 June 2016, at level with 31 March 2016.

The book value of Deepsea Metro I is USD 336 million at 30 June 2016.

The bond loan is classified as short-term liabilities at 30 June 2016 due to the financial position and the re-contracting risk of Deepsea Metro I. Figures are presented net of capitalized financing fees. Liabilities amounted to USD 423 million as per 30 June 2016, compared to USD 412 million per 31 March 2016.

On 30 June 2016, the total equity of the Group was negative with USD 27 million compared to a negative equity of USD 0.5 million as per 31 March 2016. The change in equity is mainly explained by loss in the period.

Golden Close Maritime Corp. Ltd. Group

The Issuer Group did not have any operating revenue in Q2 2016, compared to USD 6.2 million in Q1 2016. The reduction in revenue is due to Deepsea Metro I ending its contract with Vietgazprom in Vietnam on 21 January 2016 and being laid up in Malaysia for the remainder of Q1 2016 and for all of Q2 2016.

Operating expenses in the Issuer Group amount to USD 17.4 million in Q2 2016, same level as in Q1 2016.

The operating profit was negative with USD 17.4 million in Q2 2016 compared to a loss of USD 10.8 million in Q1 2016, due to no operating income in Q2 2016.

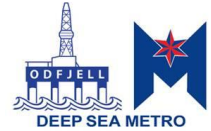
Net financial loss was USD 9.3 million in Q2 2016, compared to USD 9.7 million Q1 2016.

There were no tax expenses in Q2 2016, compared to USD 0.9 million in Q1 2016.

As of 30 June 2016, the total assets of the Issuer Group amounted to USD 396 million, compared to USD 412 million as of 31 March 2016.

Cash and cash equivalents in the Issuer Group were USD 39 million as of 30 June 2016 compared to USD 53 million at 30 March 2016. Other current assets were USD 21 million at 30 June 2016, at level with 31 March 2016.

The book value of Deepsea Metro I is USD 336 million at 30 June 2016.



The Issuer has received broker valuations of Deepsea Metro I from two independent brokers. The valuations are dated in August 2016. The average of the broker valuations is USD 417.5 million. The lowest point in the valuation is USD 330 million and the highest is USD 480 million. The valuations are excluding any charter values and otherwise based on market standard assumptions.

The bond loan in the Issuer Group is classified as short-term liabilities at 30 June 2016 due to the financial position and the re-contracting risk of Deepsea Metro I. Figures are presented net of capitalized financing fees. Liabilities amounted to USD 423 million as per 30 June 2016, compared to USD 412 million per 31 March 2016.

On 30 June 2016, the total equity of the Issuer Group was negative with USD 27.5 million compared to a negative equity of USD 0.8 million as per 31 March 2016. The change in equity is explained by loss in the period.

26 August 2016

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 second quarter report for 2016 are consistent with those used in the annual financial statements for the year ending 31 December 2015. These consolidated condensed financial statements should be read together with the annual financial statements for 2015, which include a full description of the group's accounting policies.

