



## ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

### Enheten

Organisasjonsnummer: 947 362 089  
Organisasjonsform: Aksjeselskap  
Foretaksnavn: COSL OIL & GAS AS  
Forretningsadresse: Vestre Svanholmen 4  
4313 SANDNES

### Regnskapsår

Årsregnskapets periode: 01.01.2016 - 31.12.2016

### Konsern

Morselskap i konsern: Nei

### Regnskapsregler

Regler for små foretak benyttet: Nei  
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

### Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Randi Skailand  
Dato for fastsettelse av årsregnskapet: 12.05.2017

### Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert  
År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

*Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.*

Brønnøysundregistrene, 17.08.2019



## Resultatregnskap

Beløp i: NOK	Note	2016	2015
<b>RESULTATREGNSKAP</b>			
<b>Inntekter</b>			
Salgsinntekt	3	60 657 632	380 831 532
<b>Sum inntekter</b>		<b>60 657 632</b>	<b>380 831 532</b>
<b>Kostnader</b>			
Avskrivning på varige driftsmidler og immaterielle eiendeler	4	71 525 372	71 633 160
<b>Sum kostnader</b>		<b>71 525 372</b>	<b>71 633 160</b>
<b>Driftsresultat</b>		<b>-10 867 740</b>	<b>309 198 372</b>
<b>Finansinntekter og finanskostnader</b>			
Renteinntekt fra foretak i samme konsern	3	2 418 005	359 475
Annen finansinntekt	5		62 867 133
<b>Sum finansinntekter</b>		<b>2 418 005</b>	<b>63 226 608</b>
Rentekostnad til foretak i samme konsern	3	5 808 396	9 434 773
Annen finanskostnad	5	12 908 019	93
<b>Sum finanskostnader</b>		<b>18 716 415</b>	<b>9 434 866</b>
<b>Netto finans</b>		<b>-16 298 410</b>	<b>53 791 742</b>
<b>Ordinært resultat før skattekostnad</b>		<b>-27 166 150</b>	<b>362 990 114</b>
Skattekostnad på ordinært resultat	6	-7 314 924	96 417 235
<b>Ordinært resultat etter skattekostnad</b>		<b>-19 851 226</b>	<b>266 572 879</b>
<b>Årsresultat</b>		<b>-19 851 226</b>	<b>266 572 879</b>
<b>Overføringer og disponeringer</b>			
Konsernbidrag	8		272 103 875
Overføringer til/fra annen egenkapital	8	-19 851 226	-5 530 996
<b>Sum overføringer og disponeringer</b>		<b>-19 851 226</b>	<b>266 572 879</b>



## Balanse

Beløp i: NOK	Note	2016	2015
<b>BALANSE - EIENDELER</b>			
<b>Anleggsmidler</b>			
<b>Immaterielle eiendeler</b>			
<b>Varige driftsmidler</b>			
Skip, rigger, fly og lignende	4	393 592 962	459 857 927
<b>Sum varige driftsmidler</b>		<b>393 592 962</b>	<b>459 857 927</b>
<b>Sum anleggsmidler</b>		<b>393 592 962</b>	<b>459 857 927</b>
<b>Omløpsmidler</b>			
<b>Varer</b>			
<b>Fordringer</b>			
Konsernfordringer	3	123 102 195	82 441 229
<b>Sum fordringer</b>		<b>123 102 195</b>	<b>82 441 229</b>
<b>Sum omløpsmidler</b>		<b>123 102 195</b>	<b>82 441 229</b>
<b>SUM EIENDELER</b>		<b>516 695 157</b>	<b>542 299 156</b>
<b>BALANSE - EGENKAPITAL OG GJELD</b>			
<b>Egenkapital</b>			
<b>Innskutt egenkapital</b>			
Selskapskapital	7,8	1 400 000	1 400 000
Annen innskutt egenkapital	8	55 000 000	55 000 000
<b>Sum innskutt egenkapital</b>		<b>56 400 000</b>	<b>56 400 000</b>
<b>Opptjent egenkapital</b>			
Annen egenkapital	8	73 384 327	93 235 553
<b>Sum opptjent egenkapital</b>		<b>73 384 327</b>	<b>93 235 553</b>
<b>Sum egenkapital</b>		<b>129 784 327</b>	<b>149 635 553</b>



## Balanse

<b>Beløp i: NOK</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Gjeld</b>			
<b>Langsiktig gjeld</b>			
Utsatt skatt	6	12 561 271	19 876 194
<b>Sum avsetninger for forpliktelser</b>		<b>12 561 271</b>	<b>19 876 194</b>
<b>Annen langsiktig gjeld</b>			
<b>Sum langsiktig gjeld</b>		<b>12 561 271</b>	<b>19 876 194</b>
<b>Kortsiktig gjeld</b>			
Kortsiktig konserngjeld	3	372 745 034	372 745 034
Annen kortsiktig gjeld		1 604 525	42 375
<b>Sum kortsiktig gjeld</b>		<b>374 349 559</b>	<b>372 787 409</b>
<b>Sum gjeld</b>		<b>386 910 830</b>	<b>392 663 603</b>
<b>SUM EGENKAPITAL OG GJELD</b>		<b>516 695 157</b>	<b>542 299 156</b>



# Financial Statements

## **COSL Oil & Gas AS**

*Org. Nr.: 947.362.089*

**2016**



## BOARD OF DIRECTORS' REPORT 2016 COSL OIL & GAS AS

### Principle activities and place of business

COSL Oil & Gas AS (the Company) was founded 11. September 1987. The company owns the accommodation rig COSL Rival. The Company is fully owned by COSL Holding AS. The company's activities are being administered from Forus, Stavanger.

### Company's history

COSLRival is a moored semi-submersible accommodation unit with a bed capacity of 360. The unit was converted to accommodation in 2004.

The rig operated for Conoco Phillips in UK from 1<sup>st</sup> April 2015 until end February 2016. Then the rig had a short yard stay in Kristiansand before commencing a new contract with Conoco Phillips UK from 22<sup>nd</sup> April. This contract has been extended several times and has now a firm duration until 15<sup>th</sup> March 2017. Original contract duration was four months.

The Company had a bareboat contract with COSL Offshore Management AS.

### Going concern

In accordance with Norwegian accounting law § 3-3 it is confirmed that the assumptions of a going concern are in place and form the basis of the preparation of the annual accounts.

### Working environment

The Company has no employees. Necessary commercial and administrative services are provided by the sister company COSL Drilling Europe AS which is located at Forus, Stavanger.

### Environment

Operation of rigs is a business which is associated with risk of negative environmental impact, particularly with accidents. The company's rig satisfies the international requirements of limiting and reducing the risk of pollution to the environment. On board there is a proactive approach to the use of environmentally friendly products such as chemicals and waste treatment. The company attempts to be at the leading edge in respect of developments regarding safe and secure operations. Please refer to the consolidated annual report for COSL Norwegian AS for more information of the Group's environmental impact.

### Annual Accounts

The Company's accounts show an operating income of NOK 60.7 million compared to NOK 380.8 million in 2015. The operating expenses amounted to NOK 71.5 million, compared to NOK 71.6 million the previous year. The operating loss for 2016 was NOK 10.9 million, compared to a profit NOK 309.2 million in 2015. Financial items amounted to a loss of NOK 16.3 million in 2016, compared to a gain of NOK 53.8 million in 2015. Loss before tax for 2016 was NOK 27.2 million. Profit before tax was NOK 363.0 million in 2015. Loss after tax for 2016 was NOK 19.9 million compared to a profit of NOK 266.6 million in 2015. The Company has total assets of NOK 516.7 million at the year end. The Company's equity is NOK 129.8 million compared to NOK 149.6 million in 2015.

The cash flow from operations presented in the cash flow statement mainly relates to operating income, investment in the rig, net change in short term intercompany receivables and payables.

For additional information regarding the annual accounts, please refer to the accounts and corresponding notes. It is the Board of Director's opinion that the annual accounts show a correct picture of the result from the operations during the year and the financial situation by year-end.



Financial situation

The Company's liabilities consist mainly of debt to the owners. Beyond this the Company has no external debt to financial institutions. In general, the Company's operations, assets, liabilities and ownership structure indicate a low financial risk.

Market view

The market for North Sea type accommodation units has declined during 2016.

The demand side of the market has changed dramatically and many accommodation units will not be employed for a shorter or a longer period in 2017.

At the same time the supply side has increased as our competitors have taken delivery of several new builds in 2015 and 2016. All in all this has lead to a lower utilization of the fleet in 2016 which is expected to continue as long as the oil price is lower than 50 - 60 USD/barrel.

The accommodation market will be challenging throughout 2017 and the low demand for this service will put pressure on the day rates and utilization of the fleet.

Stavanger, May 12<sup>th</sup> 2017  
Board of Director's of COSL Oil & Gas AS

Zhou Bingwen  
Chairman of the Board

Magnar Fagerbakke  
Director of the Board

Jørgen Arnesen  
Director of the Board

Li Baozhong  
Director of the Board



**COSL Oil & Gas AS**  
**Profit and loss statement**

NOTE	OPERATING REVENUE AND OPERATING EXPENSES	2016	2015
3	Revenue	<u>60 657 632</u>	<u>380 831 532</u>
	<b>Total operating revenue</b>	<b><u>60 657 632</u></b>	<b><u>380 831 532</u></b>
4	Depreciation and amortisation of fixed and intangible assets	<u>71 525 372</u>	<u>71 633 160</u>
	<b>Total operating expenses</b>	<b><u>71 525 372</u></b>	<b><u>71 633 160</u></b>
	<b>Operating profit/(loss)</b>	<b><u>-10 867 741</u></b>	<b><u>309 198 372</u></b>
	<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>		
3	Interest received from group companies	2 418 005	359 475
5	Other financial income	-	62 867 133
3	Interest paid to group companies	-5 808 396	-9 434 773
5	Other financial expenses	<u>-12 908 018</u>	<u>-93</u>
	<b>Financial items, net</b>	<b><u>-16 298 409</u></b>	<b><u>53 791 742</u></b>
	<b>Profit/(loss)before taxation</b>	<b><u>-27 166 149</u></b>	<b><u>362 990 114</u></b>
6	Income tax	<u>7 314 924</u>	<u>-96 417 235</u>
	<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	<b><u>-19 851 226</u></b>	<b><u>266 572 879</u></b>
	<b>ALLOCATION OF NET PROFIT/(LOSS) AND EQUITY TRANSFERS</b>		
8	Transferred from / (to) retained earnings	-19 851 226	5 530 996
8	Group contribution given (after tax)	-	-272 103 875
	<b>Total allocations and equity transfers</b>	<b><u>19 851 226</u></b>	<b><u>-266 572 879</u></b>



**COSL Oil & Gas AS**  
**Balance sheet at 31 December**

NOTE	ASSETS	2016	2015
	<b>Non-current assets</b>		
	<b>Tangible fixed assets</b>		
4	Fixed assets	<u>393 592 962</u>	<u>459 857 927</u>
	<b>Total tangible fixed assets</b>	<u>393 592 962</u>	<u>459 857 927</u>
	<b>Financial non-current assets</b>		
	<b>Total non-current assets</b>	<u>393 592 962</u>	<u>459 857 927</u>
	<b>Current assets</b>		
	<b>Receivables</b>		
3	Intercompany receivables	<u>123 102 194</u>	<u>82 441 229</u>
	<b>Total receivables</b>	<u>123 102 194</u>	<u>82 441 229</u>
	<b>Current investments</b>		
	<b>Total current assets</b>	<u>123 102 194</u>	<u>82 441 229</u>
	<b>TOTAL ASSETS</b>	<u>516 695 157</u>	<u>542 299 156</u>




**COSL Oil & Gas AS**  
**Balance sheet at 31 December**


NOTE	SHAREHOLDERS EQUITY AND LIABILITIES	2016	2015
	<b>Shareholders equity</b>		
	<b>Paid-in capital</b>		
7,8	Share capital	1 400 000	1 400 000
8	Other paid-in capital	<u>55 000 000</u>	<u>55 000 000</u>
	<b>Total paid-in capital</b>	<u>56 400 000</u>	<u>56 400 000</u>
	<b>Retained earnings</b>		
8	Retained earnings	<u>73 384 327</u>	<u>93 235 553</u>
	<b>Total retained earnings</b>	<u>73 384 327</u>	<u>93 235 553</u>
	<b>Total shareholders equity</b>	<u>129 784 327</u>	<u>149 635 553</u>
	<b>Liabilities</b>		
	<b>Provisions for liabilities and charges</b>		
6	Deferred tax	<u>12 561 271</u>	<u>19 876 194</u>
	<b>Total provisions for liabilities and charges</b>	<u>12 561 271</u>	<u>19 876 194</u>
	<b>Other non-current liabilities</b>		
	<b>Current liabilities</b>		
3	Intercompany liabilities	372 745 034	-
3	Group contribution payable	-	372 745 034
	Other current liabilities	<u>1 604 525</u>	<u>42 375</u>
	<b>Total current liabilities</b>	<u>374 349 559</u>	<u>372 787 409</u>
	<b>Total liabilities</b>	<u>386 910 830</u>	<u>392 663 603</u>
	<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>	<u>516 695 157</u>	<u>542 299 156</u>

Stavanger, May 12th 2017

Bingwen Zhou  
Chairman

  
Magnar Fagerbakke  
Board member

  
Jens Jørgen Arnes  
Board member

  
Baozhong Li  
Board member



## COSL Oil & Gas AS

### Cash flow statement

	2016	2015
<b>CASH FLOW FROM OPERATIONS:</b>		
Profit/(loss) before taxation	-27 166 149	362 990 114
Depreciation and amortisation	71 525 372	71 633 160
Changes in inter-company balances	-59 746 770	-11 958 316
Changes in group cashpool	19 085 804	39 077 386
<b>Net cash flow from operations</b>	<b>3 698 258</b>	<b>461 742 344</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES:</b>		
Outflows due to purchases of fixed assets	-5 260 408	-3 395 797
<b>Net cash flow from investment activities</b>	<b>-5 260 408</b>	<b>-3 395 797</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Inflow due to new non-current liabilities	1 562 150	-
Net change in long term intercompany debt	-	-241 759 379
Payments in due to group contribution	-	-216 587 166
<b>Net cash flow from financing activities</b>	<b>1 562 150</b>	<b>-458 346 547</b>
Net change in bank deposits, cash and equivalents	-	-
Bank deposits, cash and equivalents at 1 January	-	-
<b>Bank deposits, cash and equivalents at 31 December</b>	<b>-</b>	<b>-</b>



## COSL Oil & Gas AS

### Notes to the accounts, year ended 31 December 2016

#### Note 1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

The company has received approval from the Register of Business Enterprises in Norway to prepare the financial statements in English.

All amounts are in NOK unless otherwise stated.

#### Valuation and classification of assets and liabilities

Assets intended for permanent ownership or use in the business are classified as non-current assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. The classification of current and non-current liabilities is based on the same criteria.

Current assets are valued at the lower of historical cost and fair value.

Fixed assets are carried at historical cost, but are written down to their recoverable amount if this is lower than the carrying amount and the decline is expected to be permanent. Fixed assets with a limited economic life are depreciated on a systematic basis in accordance with a reasonable depreciation schedule.

Other long-term liabilities, as well as short-term liabilities, are valued at nominal value.

#### Foreign currency

All balance sheet items denominated in foreign currencies are translated into NOK at the exchange rate prevailing at the balance sheet date. Currency forward contracts are valued in the balance sheet at fair value on the balance sheet date.

#### Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to use estimates and assumptions, which affect the value of the assets and liabilities, and disclosure notes. Such estimates and assumptions may have significant impact on the reported revenues and costs for a specific reporting period. The actual amounts may deviate from the estimates.

#### Revenue

Revenue is recognised when it is earned, i.e. when both the risk and control have been mainly transferred to the customer. This will normally be the case when the goods are delivered to the customer. The revenue is recognised with the value of the remuneration at the time of transaction.

#### Receivables

Trade receivables and other receivables are recognised at nominal value, less the accrual for expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

#### Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

#### Cash pool

The Company is part of the Group cash pool arrangement with Nordea, for which COSL Norwegian AS is the main account holder. Balances due from and due to the cash pool arrangement are presented as balances due from or due to intercompany.

#### Income taxes

Tax expenses are matched with operating income before tax. Tax related to equity transactions e.g. group contribution, is recognised directly in equity.

Tax expense consists of current income tax expense and change in net deferred tax. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet.

Deferred tax assets are not recognized to the extent where future recoverability is uncertain.

#### Comparitive figures

The presentation of the comparative figures has been updated to reflect a like-to-like comparison with current year figures.

#### Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term, highly liquid investments with maturities of three months or less. Group cashpool accounts are presented as part of cash and cash equivalents in the cash flow statement.



## Note 2 Number of employees, Remuneration to Directors, Auditor's remuneration etc.

### Employees

The Company did not have a Managing Director or employees during 2016 (2015: 0).

### Board of Directors and Management remuneration

The Board members are employed in other COSL companies. No remuneration is paid or expensed and no loans or guarantees are provided to the Board of Directors or Management.

### Auditor's remuneration

Remuneration to the Company's auditor (Deloitte AS) is invoiced to group company COSL Drilling Europe AS and no remuneration is paid or expensed by the Company (2015: kr. 0).

## Note 3 Related party transactions and balances

### Related party transactions, profit and loss

In the normal course of business, the Company enters into several types of transactions with related parties. All transactions are performed at an arms' length principle. The most significant transactions with related parties are specified as follows:

Transaction type	Note	2016	2015
Intercompany interest income	(1)	2 418 005	359 475
Intercompany interest expense	(1)	-5 808 396	-9 434 773
Bareboat lease income	(2)	60 657 632	380 831 532

(1): Intercompany interest income/(expense) comprises interest related to the group cashpool arrangement and loans with group companies.

(2): Bareboat lease income relates to the rig owned by the Company (COSLRival) and is charged to the operating company, COSL Offshore Management AS.

### Intercompany receivables consist of:

Counterpart	Relationship to the counterpart	2016	2015
COSL Offshore Management AS	Other group companies	94 050 781	34 304 011
COSL Norwegian AS (Group cashpool)	Parent company	29 051 413	48 137 217
<b>Total</b>		<b>123 102 194</b>	<b>82 441 229</b>

### Intercompany payables consist of:

Counterpart	Relationship to the counterpart	2016	2015
COSL Norwegian AS	Parent company	372 745 034	-
<b>Total</b>		<b>372 745 034</b>	<b>-</b>

### Group cashpool balance:

The Company is part of a cashpool arrangement with the intermediate holding company COSL Norwegian AS as main account holder. Interest based on floating bank deposit rates are earned or paid based on the Company's cashpool balance. A net deposit/withdrawn on the group cashpool is presented respectively as part of current assets/current liabilities.

### Group contribution payable consist of:

Counterpart	Relationship to the counterpart	2016	2015
COSL Norwegian AS	Group parent company	-	-
COSL Holding AS	Parent company (merged into COSL Norwegian AS 2016)	-	372 745 034
<b>Total</b>		<b>-</b>	<b>372 745 034</b>



**Note 4 Fixed assets**

The Company owns the accommodation rig, COSL Rival. The rig was constructed in 1976 as a drilling unit and converted to accommodation unit in 2004. The rig has a linear depreciation over the economic lifetime of 35 years.

Based on experience and knowledge, COSL expects the rig to have a longer estimated lifetime, from 6 - 8 to 10 -12 years. COSL has therefore decided to change the estimated useful life of the rigs from the beginning of 2012.

	Fixed assets	Total
Cost at 31 December 2015		
Additions, purchased	1 031 929 940	1 031 929 940
Disposals	5 260 408	5 260 408
Cost at 31 December 2016		
	1 037 190 348	1 037 190 348
Acc. depreciation at 31 December 2015		
Depreciation	572 072 013	572 072 013
Accumulated depreciation 31 December 2016	71 525 372	71 525 372
<b>Balance at 31 December 2016</b>	<b>643 597 386</b>	<b>643 597 386</b>
	<b>393 592 962</b>	<b>393 592 962</b>
Current year amortisation charge		
	71 525 372	71 525 372
Economic life		
Depreciation method	35-39 years	
	Linear	

**Note 5 Other financial income and expenses**

Other financial income	2016	2015
Net agio		
Net other financial income	-12 908 014	62 867 133
	<b>-12 908 014</b>	<b>62 867 133</b>
Other financial expenses		
Bank charges		
Net other financial expenses	-5	-93
	<b>-5</b>	<b>-93</b>

**Note 6 Income tax expense**

Payable tax	2016	2015
Profit/(loss) before tax		
Change in temporary differences	-27 166 149	362 990 114
Tax loss carry forward	17 839 805	9 754 921
Taxable income / (loss)	9 326 344	0
	<b>-0</b>	<b>372 745 035</b>
Payable tax on profit (25%/27%)		
	0	100 641 159
Payable tax in balance sheet		
Payable tax		
Effect on payable tax of group contribution	0	-100 641 159
Total net receivable / (payable) tax	0	100 641 159
		<b>0</b>
Temporary differences		
Fixed assets		
Tax loss carry forward	61 664 972	79 504 777
Total temporary differences	-9 326 344	0
	<b>52 338 628</b>	<b>79 504 777</b>
Calculated net deferred tax asset / (liability) (24% / 25%)		
Valuation allowance	-12 561 271	-19 876 194
Total deferred tax asset / (liability) recognized (24% / 25%)	-12 561 271	-19 876 194
Deferred tax		
Deferred tax - ending balance		
Deferred tax - opening balance	-12 561 271	-19 876 194
Total deferred tax (expense) / income	-19 876 194	-24 100 118
	<b>7 314 924</b>	<b>4 223 924</b>
Total tax (expense) / income		
Payable tax		
Deferred tax	0	-100 641 159
Total tax (expense) / income	7 314 924	4 223 924
	<b>7 314 924</b>	<b>-96 417 235</b>

Deferred tax assets are not recognized to the extent where future recoverability is uncertain.



## Note 7 Share capital and shareholder information

The share capital in the company at 31 December 2016 consists of the following classes:

	Number	Nominal amount	Carrying value
Share capital by foundation	700	kr 2 000	kr 1 400 000
<b>Total</b>	<b>700</b>		<b>1 400 000</b>

All shares give equal owner benefits and voting rights in the company.

### Ownership structure

Largest shareholders as of 31 December 2016:

	Shares	Total	Ownership share	Voting share
<i>COSL Holding AS</i>	700	700	100 %	100 %
<b>Total number of shares</b>	<b>700</b>	<b>700</b>	<b>100 %</b>	<b>100 %</b>

The company's accounts are included in the consolidated financial statement of COSL Norwegian AS, with office at Vestre Svanholmen 4, 4313 Sandnes.

## Note 8 Equity

	Share capital	Other paid in equity	Other equity	Total equity
Equity at 1 January 2016	1 400 000	55 000 000	93 235 553	149 635 553
<u>This year's change in equity:</u>				
Profit/(loss) of the year		-	-19 851 226	-19 851 226
<b>Equity at 31 December 2016</b>	<b>1 400 000</b>	<b>55 000 000</b>	<b>73 384 327</b>	<b>129 784 327</b>



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To the General Meeting of COSL Oil & Gas AS

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of COSL Oil & Gas AS showing a loss of NOK 19 851 226. The financial statements comprise the balance sheet as at 31 December 2016, the income statement 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 give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### *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.

#### *Responsibilities 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 the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable

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Registrert i Foretaksregisteret Medlemmer  
av Den norske Revisorforening  
Organisasjonsnummer: 980 211 282



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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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### *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 those charged with governance regarding 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 is consistent with the financial statements and complies with the law and regulations.



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*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.

Stavanger, 12 May 2017  
Deloitte AS

**Arnstein Antonsen**  
State Authorised Public Accountant