



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	988 288 330
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	COSL DRILLING EUROPE AS
Forretningsadresse:	Vestre Svanholmen 4 4313 SANDNES

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Randi Skailand
Dato for fastsettelse av årsregnskapet:	12.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 16.08.2024



Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt	2	154 935 866	130 496 199
Sum inntekter		154 935 866	130 496 199
Kostnader			
Lønnskostnad	3	87 558 921	78 181 428
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4	306 793	1 521 610
Annen driftskostnad	5	59 480 618	44 482 116
Sum kostnader		147 346 332	124 185 154
Driftsresultat		7 589 534	6 311 045
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap	6	9 324 260	1 273 098
Verdøkning andre finansielle instrumenter vurdert til virkelig verdi	10	453 242 360	0
Sum finansinntekter		462 566 620	1 273 098
Nedskrivning av finansielle eiendeler	10	183 508 476	1 300 366 175
Rentekostnad til foretak i samme konsern	7	71 310 668	34 300 576
Annen rentekostnad			1 018 192
Annen finanskostnad	8	367 091 974	74 459 713
Sum finanskostnader		621 911 118	1 410 144 656
Netto finans		-159 344 498	-1 408 871 558
Ordinært resultat før skattekostnad		-151 754 964	-1 402 560 513
Ordinært resultat etter skattekostnad		-151 754 964	-1 402 560 513
Årsresultat		-151 754 964	-1 402 560 513
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital	13	-151 754 964	-1 402 560 514
Sum overføringer og disponeringer		-151 754 964	-1 402 560 514



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Maskiner og anlegg	4	1 532 367	441 718
Sum varige driftsmidler		1 532 367	441 718
Finansielle anleggsmidler			
Investering i datterselskap	10	4 353 338 755	4 083 604 871
Sum finansielle anleggsmidler		4 353 338 755	4 083 604 871
Sum anleggsmidler		4 354 871 122	4 084 046 589
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		5 901 583	6 025 876
Konsernfordringer	11	40 713 218	13 012 512
Sum fordringer		46 614 801	19 038 388
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	12	11 089 955	12 449 235
Sum bankinnskudd, kontanter og lignende		11 089 955	12 449 235
Sum omløpsmidler		57 704 756	31 487 623
SUM EIENDELER		4 412 575 878	4 115 534 212
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	13	12 560 612	12 560 612



Balanse

Beløp i: NOK	Note	2022	2021
Annen innskutt egenkapital	13	55 899 742	55 899 742
Sum innskutt egenkapital		68 460 354	68 460 354
Opptjent egenkapital			
Annen egenkapital	13	-1 544 115 451	-1 392 360 487
Sum opptjent egenkapital		-1 544 115 451	-1 392 360 487
Sum egenkapital		-1 475 655 097	-1 323 900 133
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	14	4 756 188 146	4 390 011 673
Sum annen langsiktig gjeld		4 756 188 146	4 390 011 673
Sum langsiktig gjeld		4 756 188 146	4 390 011 673
Kortsiktig gjeld			
Leverandørgjeld		5 866 831	3 257 314
Skyldige offentlige avgifter		9 713 556	11 570 032
Kortsiktig konserngjeld	15	1 088 575 536	1 014 155 144
Annen kortsiktig gjeld		27 886 906	20 440 184
Sum kortsiktig gjeld		1 132 042 829	1 049 422 674
Sum gjeld		5 888 230 975	5 439 434 347
SUM EGENKAPITAL OG GJELD		4 412 575 878	4 115 534 214



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer: 2023 537712

Enheten

Organisasjonsnummer: 988 288 330
Organisasjonsform: Aksjeselskap
Foretaksnavn: COSL DRILLING EUROPE AS
Forretningsadresse: Vestre Svanholmen 4
4313 SANDNES

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Konsernregnskap lagt ved: Ja

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Benyttet ved utarbeidelsen av
årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av
årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Randi Skailand
Dato for fastsettelse av årsregnskapet: 12.06.2023

Grunnlag for avgivelse

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Brønnøysundregistrene, 04.07.2023



Organisasjonsnr: 988 288 330
COSL DRILLING EUROPE AS

RESULTATREGNSKAP

Beløp i: NOK	Note	2022	2021
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Organisasjonsnr: 988 288 330
COSL DRILLING EUROPE AS

BALANSE

Beløp i: NOK **Note** **2022** **2021**

BALANSE - EIENDELER

Anleggsmidler Immaterielle eiendeler

Varige driftsmidler

Maskiner og anlegg	4	1 532 367	441 718
Sum varige driftsmidler		1 532 367	441 718

Finansielle anleggsmidler

Investering i datterselskap	10	4 353 338 755	4 083 604 871
Sum finansielle anleggsmidler		4 353 338 755	4 083 604 871

Sum anleggsmidler		4 354 871 122	4 084 046 589
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Omløpsmidler

Varer

Fordringer

Andre fordringer		5 901 583	6 025 876
Konsernfordringer	11	40 713 218	13 012 512
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Bankinnskudd, kontanter og lignende

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Sum omløpsmidler		57 704 756	31 487 623
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SUM EIENDELER		4 412 575 878	4 115 534 212
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BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Selskapskapital	13	12 560 612	12 560 612
Annen innskutt egenkapital	13	55 899 742	55 899 742
Sum innskutt egenkapital		68 460 354	68 460 354

Opptjent egenkapital

Annen egenkapital	13	-1 544 115 451	-1 392 360 487
Sum opptjent egenkapital		-1 544 115 451	-1 392 360 487

Sum egenkapital		-1 475 655 097	-1 323 900 133
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Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
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Organisasjonsnr: 988 288 330
COSL DRILLING EUROPE AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

<u>Sum</u>	<u>Beløp</u>
<u>Balanseført verdi 31.12.</u>	<u>Varige driftsmidler Immaterielle eiend.</u>

Konsernregnskap

Virksomheten inngår i konsolideringen til morselskapets konsernregnsk.: Ja

Morselskapet sitt navn
COSL Norwegian AS

Forretningskontor for morselskapet
Vestre Svanholmen 4, 4324 Sandnes

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Morselskap som ikke utarbeider konsernregnskap

Transaksjoner med datterselskaper
J

Internegevinst på transaksjonene

<u>Samlet beløp - tilknyttet selskap</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Samlet beløp - felles kontrollert virksomhet</u>	<u>Årets</u>	<u>Fjorårets</u>
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<u>Pantstillelse</u>	<u>Beløp</u>
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Note

Fordringer



Fordringer som forfaller senere enn ett år etter regnskapsårets slutt

Mer om fordringer

<u>Beholdning av egne aksjer</u>	<u>Antall</u>	<u>Pålydende</u>	<u>Andel av aksjek.</u>
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Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Torstein Kinden Helletand	17.12.2009	05.01.2010
Telefon	Deres referanse	Vår referanse
22078139	Marianne Åsheim	2009/999914

ERNST & YOUNG AS
Vassbotnen 11 Forus
4313 Sandnes

Søknad om tillatelse til å utarbeide årregnskap og årsberetning på engelsk språk for COSL Norwegian AS inklusive datterselskaper

Det vises til Deres brev av 17. desember 2009. De søker på vegne av COSL Norwegian AS inklusive datterselskaper om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk.

Søknaden gjelder for følgende selskaper;

COSL Norwegian AS	992 831 510
COSL Drilling Europe AS	987 861 894
COSL Oil & Gas AS	947 362 089
COSL Rigmar AS	884 358 582
COSL Sea Beds AS	960 254 635
COSL Sea Beds II AS	985 876 185
COSL Drilling Semi AS	988 288 330
COSL Offshore Management AS	991 006 494
Wilrig AS	989 850 105
COSL Rig Holding AS	990 405 034
COSL Rig Ltd	991 594 019
COSL Power AS	987 861 916
COSL Power Ltd	991 594 027
COSL Craft AS	987 862 932
COSL Craft Ltd	991 594 035
COSL Strike Ltd	991 594 043
Premium Drilling AS	988 294 187

COSL Norwegian AS er morselskap til det norske underkonsernet. Selskapet er et heleid datterselskap av China Oilfield Services Limited ("COSL"), som er hjemmehørende i Kina og er registrert på hovedlisten på børsen i Shanghai (SSE) og på børsen i Hong Kong (HKSE). Selskapene er i det vesentlige finansiert av morselskapet i Kina. I søknaden er det nevnt at arbeidsspråket i selskapet er engelsk da flere av styremedlemmene og flere av de ansatte i selskapet er kinesiske eller innleide utenlandske konsulenter. I hovedsak skjer all internrapportering, inkludert månedlig rapportering til morselskapet i Kina, på engelsk.

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

Postadresse	Besøksadresse	Sentralbord
Postboks 9200 Grønland	Fredrik Selmers vei 4	800 80 000
0134 Oslo	Org. nr: 974761076	Telefaks
skattedirektoratet@skatteetaten.no		22 17 08 60



I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som sentrale verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende at spørsmål om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, ikke på vesentlige områder fraviker fra hensynet til brukere av regnskapsinformasjon. Søkeren må som et utgangspunkt for vurderingen ha en særlig interesse for kun å utarbeide årsregnskap og/eller årsberetning på et annet språk enn norsk.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Selskapet er et heleid datterselskap av China Oilfield Services Limited ("COSL"), som er hjemmehørende i Kina og er registrert på hovedlisten på børsen i Shanghai (SSE) og på børsen i Hong Kong (HKSE). Selskapene er i det vesentlige finansiert av morselskapet i Kina. Arbeidsspråket i selskapet er engelsk da flere av styremedlemmene og flere av de ansatte i selskapet er kinesiske eller innleide utenlandske konsulenter. I hovedsak skjer all internrapportering, inkludert månedlig rapportering til morselskapet i Kina, på engelsk. Skattedirektoratet legger derfor til grunn at det i dette tilfellet ikke syntes å være brukere av selskapenes regnskapsinformasjon som har en særlig interesse i å få dette på norsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.


Dispensasjonen er gitt under den forutsetning at de ovennevnte opplysninger som vedtaket baserer seg på ikke endres vesentlig.



2009/999914 Side 3 av 3

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Torstein Helleland
Torstein Kinden Helleland





COSL Drilling Europe AS

BOARD OF DIRECTORS' REPORT 2022



Introduction

COSL Drilling Europe AS is a fully owned subsidiary of COSL Norwegian AS. As of the date of this report, COSL Drilling Europe AS have shares in 5 subsidiaries. Three of the subsidiaries are asset companies who own rigs, and the remaining two companies are manning companies that hire personnel to other companies within the COSL Norwegian Group.

COSL Drilling Europe AS's office is at Forus in Sandnes, Norway.

Going concern

In accordance with the Accounting Act § 3-3 the Board confirms that the Financial Statements have been prepared under the assumption of a going concern.

The equity of the Company is lost with an amount of NOK 1 475.7 million per end of 2022. This is mainly due to impairment of the subsidiaries. The Company is financed by parent company and related party loans ("COSL Shareholder loans"), which may be converted by COSL to additional equity. Per 31 December 2022, the Group's equity including COSL Shareholder loans amounts to NOK 3 280.5 million, which implies an adjusted equity ratio of 74.3%. This has been assessed by the Board as sufficient to continue business operations.

China Oilfield Services Ltd (COSL) has guaranteed to provide financial support to COSL Norwegian AS and its subsidiaries. COSL will provide continuing financial support to the COSL Norwegian Group companies if required to enable them to operate as a going concern and to meet their obligations, for at least 12 months from the date of directors' report, and that such financial support include to provide necessary funding to the companies as well as not calling for payments of the amounts that the Companies owe to COSL. This has been formalized through a signed agreement in 2022.

The Company furthermore had a positive bank balance per 31 December 2022 of NOK 11.1 million.

Profit and loss account

In 2022 total revenues amounted to NOK 154.9 million. The corresponding amount for 2021 was NOK 130.5 million. The revenue for both years relates to recharge of salary and overhead expenses to subsidiaries, mainly subsidiary COSL Offshore Management AS. Personnel costs was NOK 87.6 million compared to NOK 78.2 million in 2021. General and administrative expenses were NOK 59.5 million, compared to NOK 44.5 million in 2021.

Net financial loss was NOK 159.3 million, compared to a net financial loss of NOK 1 408.9 million in 2021. The financial items were mainly reversal of impairment and impairment of subsidiaries and exchange loss. Loss before tax was NOK 151.8 million, compared to a loss before tax of NOK 1 402.6 million in 2021. In 2022, net loss after tax was NOK 151.8 million compared to a net loss after tax of NOK 1 402.6 million in 2021.

Balance

As of December 31, 2022, total assets were NOK 4 412.6 million compared to NOK 4 115.5 million at the end of 2021.



The board believes that COSL Drilling Europe AS is well positioned to meet its future commitments through internal funds, cash flow and debt financing.

There has been no change in the number of shares during 2022. At the date of this report, the number of outstanding shares of the Company is 50.242.448, the same as December 31, 2021.

Cashflow

The cash flow from operations presented in the financial statement mainly relates to profit before tax, decrease in short term intercompany receivables and payables, financed by increased long term intercompany loan.

Liquidity and financing

December 31, 2022, COSL Drilling Europe AS had NOK 11.1 million in cash and cash equivalents. At the end of 2021, the same figure was NOK 12.4 million. The Company's investments in its subsidiaries are mainly financed through intercompany interest-bearing debt. Intercompany Interest-bearing debt was NOK 4 756.2 million at the end of the year. In 2021 this amount was NOK 4 390.0 million. The increase is due to exchange gain on the USD-denominated loan, and interest not paid.

Market

COSL Drilling Europe AS is a management and holding company and will continue its investment in its subsidiaries. The market view is dependent on the investments made by its subsidiaries.

Working environment

The company had 45 full time equivalent positions as of December 31, 2022. At the end of 2021 the number was 38. 40% of the staff was female.

The company aims for equality between genders. The working environment is considered good, and management will continue to work to maintain a good work environment. There are no differences in salary based on gender. The company had no involuntary part time workers in 2022.

The report with regards to the Transparency Act will be launched within 30 June 2023 at our website www.cosl.no.

There were no employee related accidents in 2022.

When hiring new employees, they are evaluated based upon skills and objective measurements for the relevant position. No cultural, gender, religious, political or nationality considerations influence the decision. The company has internal procedures to ensure and maintain equality.

The company's operation does not pollute the environment.



Company risks

COSL Drilling Europe AS and its subsidiaries are exposed to market risks, geographical risks, political risks, construction risks, operational risks, financial risks, and strategic risks. The risk for COSL Drilling Europe AS is indirectly through ownership of asset companies for the different rigs. The Board and management manage these risks through ensuring a close relationship with the external management providers and through continuous reporting and monitoring. Strict safety management system has been implemented to ensure a safe and efficient operation and working environment in the rig operations. Major factors in determining market risks are future oil and gas prices.

Financial risk

COSL Drilling Europe AS is exposed to several different financial market risks arising from the normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of our assets, liabilities, or future cash flows. To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks.

The company's exposure to the risk of changes in the market interest rates relates primarily to the long-term debt with floating interest rates.

Receivable balances are monitored on an ongoing basis.

Shareholders and equity

COSL Drilling Europe AS only shareholder is COSL Norwegian AS. COSL Norwegian AS is a fully owned subsidiary of China Oilfield Services Limited.

The board members are covered through a corporate insurance, the D&O limit is 200 million Chinese Yuan and this policy is Globally for all directors of China Oilfield Services Ltd and subsidiaries.

Sandnes, June 12th, 2023

The Board of Directors of COSL Drilling Europe AS

Zhou Bingwen
Chairman of the Board

Arild Stakkestad
Member of the Board

Frank Tollefsen
CEO and Board member

Li Bing
Member of the Board



Financial Statements

COSL Drilling Europe AS

Org. Nr.: 988.288.330

2022




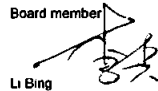
COSL Drilling Europe AS Profit and loss statement

NOTE	OPERATING REVENUE AND OPERATING EXPENSES	2022	2021
2	Revenue	<u>154 935 866</u>	<u>130 496 199</u>
	Total operating revenue	<u>154 935 866</u>	<u>130 496 199</u>
3	Payroll and related costs	87 558 921	78 181 428
4	Depreciation and amortisation	306 793	1 521 610
5	Operating, general and administrative expenses	<u>59 480 618</u>	<u>44 482 116</u>
	Total operating expenses	<u>147 346 332</u>	<u>124 185 154</u>
	Operating profit/(loss)	<u>7 589 534</u>	<u>6 311 045</u>
	FINANCIAL INCOME AND FINANCIAL EXPENSES		
6	Income from subsidiaries and associated companies	9 324 260	1 273 098
10	Reversal of impairment of financial assets	453 242 360	-
10	Impairment of financial assets	(183 508 476)	(1 300 366 175)
	Interest expense 3rd party	-	(1 018 192)
7	Interest expense group companies	(71 310 668)	(34 300 576)
8	Other financial expenses	<u>(367 091 974)</u>	<u>(74 459 713)</u>
	Financial items, net	<u>(159 344 498)</u>	<u>(1 408 871 558)</u>
	Profit/(loss) before taxation	<u>(151 754 964)</u>	<u>(1 402 560 514)</u>
9	Tax on ordinary income	-	-
	PROFIT/(LOSS) FOR THE FINANCIAL YEAR	<u>(151 754 964)</u>	<u>(1 402 560 514)</u>
	ALLOCATION OF NET PROFIT/(LOSS) AND EQUITY TRANSFERS		
13	Transferred to retained earnings	<u>151 754 964</u>	<u>1 402 560 514</u>
	Total allocations and equity transfers	<u>151 754 964</u>	<u>1 402 560 514</u>

COSL Drilling Europe AS
Balance sheet at 31 December

NOTE	ASSETS	2022	2021
	Non-current assets		
	Tangible fixed assets		
4	Property, plant and equipment	1 532 367	441 718
10	Investments in subsidiary companies	4 353 338 755	4 083 604 871
	Total non-current assets	4 354 871 122	4 084 046 588
	Other receivables	5 901 583	6 025 876
11	Intercompany receivables	40 713 218	13 012 512
12	Cash and cash equivalents	11 089 955	12 449 235
	Total current assets	57 704 756	31 487 624
	TOTAL ASSETS	4 412 575 878	4 115 534 212
NOTE	SHAREHOLDERS EQUITY AND LIABILITIES	2022	2021
	Shareholders equity		
	Paid-in capital		
13	Share capital	12 560 612	12 560 612
13	Other paid-in capital	55 899 742	55 899 742
	Total paid-in capital	68 460 354	68 460 354
	Retained earnings		
13	Retained earnings	(1 544 115 451)	(1 392 360 487)
	Total retained earnings	(1 544 115 451)	(1 392 360 487)
	Total shareholders equity	(1 475 655 097)	(1 323 900 133)
	Other non-current liabilities		
14	Loans from group companies	4 756 188 146	4 390 011 673
	Total non-current liabilities	4 756 188 146	4 390 011 673
	Current liabilities		
15	Intercompany liabilities	1 088 575 536	1 014 155 144
	Accounts payable	5 898 831	3 257 314
	Other taxes and withholdings	9 713 556	11 570 032
	Other current liabilities	27 886 906	20 440 184
	Total current liabilities	1 132 042 829	1 049 422 673
	Total liabilities	6 888 230 975	5 439 434 345
	TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	4 412 575 878	4 115 534 212

Sandness, June 12, 2023


Zhou Jingwen
Chairman
Frank Tøllersen
CEO and Board member
Arild Stakkestad
Board member
Li Bing
Board member



COSL Drilling Europe AS

Cash flow statement

	2022	2021
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	(151 754 964)	(1 402 560 514)
Depreciation and amortisation	306 793	1 521 610
Net impairment of fixed and intangible assets	(269 733 884)	1 300 366 175
Effect of currency rate changes	366 368 522	64 388 901
Change in trade payables	2 609 517	2 223 005
Changes in inter-company balances	71 406 658	121 119 802
Changes in other current assets and other liabilities	5 714 539	(1 498 924)
Changes in group cashpool	<u>(74 420 393)</u>	<u>(180 415 029)</u>
Net cash flow from operations	<u>(49 503 211)</u>	<u>(94 854 972)</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Inflows due to sales of fixed assets	-	57 520
Outflows due to purchases of fixed assets	<u>(1 397 442)</u>	<u>-</u>
Net cash flow from investment activities	<u>(1 397 442)</u>	<u>57 520</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Inflow due to new non-current liabilities	<u>49 541 373</u>	<u>95 346 713</u>
Net cash flow from financing activities	<u>49 541 373</u>	<u>95 346 713</u>
Net change in bank deposits, cash and equivalents	(1 359 280)	549 261
Bank deposits, cash and equivalents at 1 January	<u>12 449 235</u>	<u>11 899 974</u>
Bank deposits, cash and equivalents at 31 December	<u>11 089 954</u>	<u>12 449 235</u>



COSL Drilling Europe AS

Notes to the accounts, year ended 31 December 2022

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.

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.

Shares in subsidiaries and associates

Subsidiaries and investments in associates are carried at cost. A write-down to fair value will be performed if the impairment is not considered to be temporary, and an impairment charge is deemed necessary according to generally accepted accounting principles. Received dividends and group contributions are recognised as other financial income. The same applies for investments in associates.

Revenue

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

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 Sparebanken 1 SR Bank, 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

**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.

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 intercompany in the cash flow statement.



Note 2 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	2022	2021
Intercompany interest expense	(1)	(71 310 668)	(34 300 576)
Reimbursable income	(2)	154 935 866	130 496 199
Group contribution income with tax effect	(3)	9 324 260	1 273 098

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

(2): Cost of management, back-office and other indirect overhead costs are incurred by COSL Drilling Europe AS and allocated to group companies in Norway on a pro rata basis including a mark-up (mainly to COSL Offshore Management AS).

(3): Income from subsidiaries and associated companies relate to group contribution (with tax effect) received from related group companies, 2022 and 2021 this was related to COSL Offshore Crew AS.

Note 3 Payroll costs, number of employees, benefits, loans to employees etc.

Payroll costs	2022	2021
Wages and salaries	63 240 030	68 487 981
Pension costs	2 919 109	3 074 231
Other personnel costs	21 399 783	6 619 216
Total	87 558 921	78 181 428

Average number of employees during the year 41 44

Pensions

The company's pension scheme meets the requirements under Norwegian laws to provide an occupational pension scheme. The pension scheme is classified as a defined contribution scheme and is arranged through an agreement with an external pension insurance company.

Remuneration to Board of Directors and CEO

The Board members was changed 28.09.2022. the new board consist of the Chairman Zhou Bingwen and Board Members Frank Tollefsen, Arild Stakkestad and Li Bing. The board receive normal salary in the company for their positions, but they are not compensated with a board fee.

Jin Qingyong and Zhou Bingwen did not receive salary from COSL Drilling Europe AS in 2022 or 2021, bonus, car and allowance is paid to Zhou Bingwen in 2021, zero in 2022.

The company did not provide any loans or securities to the Board of Directors or members of Management in 2022 or in 2021. The company has a contractual obligation to pay 6 months' salary to the top management in the case of employment termination.

Auditor

Remuneration to Ernst and Young AS and their associates is as follows:

	2022	2021
Statutory audit	2 668 372	1 574 525
Total costs for Auditor	2 668 372	1 574 525



Note 4 Fixed assets

	Machinery and equipment	Total
Net cost at 31 December 2021	441 718	441 718
Additions, purchased	1 397 442	1 397 442
Disposals	-	-
Cost at 31 Desember 2022	1 839 160	1 839 160
Depreciation	306 793	306 793
Accumulated depreciation on disposed assets	-	-
Accumulated depreciation 31 December 2022	306 793	306 793
Balance at 31 December 2022	1 532 367	1 532 367
Economic life	3-8 year	
Depreciation method	Linear	

COSL Drilling Europe AS has tangible fixed assets in the form of office equipment, art, hardware, software and warehouse equipment (Mongstad).

Note 5 Operating, general and administrative expenses

Operating, general and administrative expenses	2022	2021
Office, warehouse and equipment costs	29 605 307	16 078 584
Travel expenses	43 795	105 911
Consultancy and legal fees	16 964 602	16 500 936
IT costs	12 866 914	11 796 684
Total operating, general and administrative expenses	59 480 618	44 482 116

Note 6 Income from Subsidiaries and associated Companies

Transaction type	Company	2022	2021
Group contribution income with tax effect	COSL Offshore Crew AS	9 324 260	1 273 098
Total Group contribution		9 324 260	1 273 098

Note 7 Interest expense Group companies

Transaction type	2022	2021
Interest expense related to cash pool	(21 769 295)	(3 342 762)
Interest expense related to loan from COSL Norwegian AS	(49 541 373)	(30 957 815)
Total interest expenses	(71 310 668)	(34 300 576)

Note 8 Other financial income and expenses

Other financial expenses	2022	2021
Realized and unrealized exchange losses	366 408 934	74 398 756
Bank charges	48 742	22 834
Other financial expenses	634 297	38 123
Net other financial expenses	367 091 974	74 459 713



Note 9 Income tax expense

Payable tax	2022	2021
Profit/(loss) before tax	(151 754 964)	(1 402 560 514)
Permanent differences -offset of interest	71 333 525	35 331 503
Change in temporary differences	(1 121 286)	(36 844)
Impairment of subsidiary	183 508 476	1 300 366 175
Reversal of impairment	(453 242 360)	-
Change in tax loss carry forward	349 800 117	67 465 593
Changed interest limitation after Statutory filing	1 476 492	-
Taxable income / (loss)	-	565 913
Payable tax on profit (22%)		
Temporary differences		
Fixed assets	(2 552 203)	(3 673 489)
Interest limitation rule carry forward	(276 075 851)	(277 552 343)
Tax loss carry forward	(418 742 202)	(67 465 593)
Total temporary differences	(697 370 256)	(348 691 425)
Calculated net deferred tax asset / (liability) (22%)	153 421 456	76 712 114
Total deferred tax asset / (liability) recognized (22%)	153 421 456	76 712 114
Deferred tax		
Deferred tax - ending balance	-	-
Deferred tax - opening balance	-	-
Total deferred tax (expense) / income	-	-
Total tax (expense) / income		
- Tax effect of group contribution	-	-
Deferred tax	-	-
Total tax (expense) / income	-	-

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



Note 10 Investments in subsidiaries and associated companies

Company	Date of acquisition	Registered office	Voting share	Ownership share
COSL Pioneer Pte Ltd	2008	Singapore	100 %	100 %
COSL Promoter Pte Ltd	2008	Singapore	100 %	100 %
COSL Innovator Pte Ltd	2008	Singapore	100 %	100 %
COSL Offshore Crew AS	2008	Norway	100 %	100 %
COSL Offshore Management AS	2008	Norway	100 %	100 %

Company	Net bookvalue 31.12.2022	Net bookvalue 31.12.2021	Equity latest financial statements (1)	Profit/(loss) latest financial statements (1)
COSL Pioneer Pte Ltd	1 453 933 546	1 453 933 546	USD 158 610 795	(USD 5 909 715)
COSL Promoter Pte Ltd	1 537 697 053	1 537 697 053	USD 160 637 889	(USD 51 807 287)
COSL Innovator Pte Ltd	869 839 656	1 053 348 132	USD 88 243 196	(USD 30 948 889)
COSL Offshore Crew AS	100 000	100 000	3 562 250	7 457 133
COSL Offshore Management AS	491 768 500	38 526 140	1 814 807 706	276 664 883
Total investment in subsidiary companies	4 353 338 755	4 083 604 871		

Company	Reversals of Impairment NOK		
	31.12.2022	31.12.2022	31.12.2021
COSL Pioneer Pte Ltd	-	-	(682 335 174)
COSL Promoter Pte Ltd	-	-	-
COSL Innovator Pte Ltd	-	(183 508 476)	(618 031 001)
COSL Offshore Crew AS	-	-	-
COSL Offshore Management AS	453 242 360	-	-
Total investment in subsidiary companies	453 242 360	(183 508 476)	(1 300 366 175)

COSL Pioneer Pte Ltd, COSL Promoter Pte Ltd and COSL Innovator Pte Ltd have USD as functional currency.

The exchange have been favorable for the measurement of the subsidiaries in the balance, but the subsidiaries shows losses and therefore the company has chosen not to reverse prior years impairments.

COSL Offshore Management AS shows high equity and profit. The prospects for the future for the company looks promising, therefore the company has chosen to reverse the former impairment from 2019.

Note 11 Intercompany receivables

Intercompany receivables consist of:

Counterpart	Relationship to the counterpart	2022	2021
COSL Norwegian AS	Parent company	-	1 621 598
COSL Promoter Pte Ltd	Subsidiary	995 828	157 920
COSL Pioneer Pte Ltd	Subsidiary	491 852	-
COSL Prospector Pte. Ltd.	Related party	-	19 999
COSL Offshore Management AS	Subsidiary	29 872 928	9 939 897
COSL Offshore Crew AS	Subsidiary	9 324 260	1 273 098
China Oilfield Services Ltd	Other group company	22 419	-
Other intercompany	Other group company	5 932	-
Total		40 713 218	13 012 512



Note 12 Cash and cash equivalents

	2022	2021
Employee withheld taxes (restricted bank account)	6 537 578	8 012 391
Restricted cash for pensions	4 419 394	4 339 709
Other cash and cash equivalents	132 983	97 135
Total	11 089 955	12 449 235

Note 13 Equity

	Share capital	Other paid-in capital	Retained earnings	Total shareholders equity
Equity at 1 January 2022	12 560 612	55 899 742	(1 392 360 487)	(1 323 900 133)
<u>This year's change in equity:</u>				
Profit/(loss) of the year	-	-	(151 754 964)	(151 754 964)
Correction of received Group contribution from 2015			-	-
Received/(given) group contribution net of tax			-	-
Equity at 31 December 2022	12 560 612	55 899 742	(1 544 115 451)	(1 475 655 097)

The share capital in the company at 31 December 2022 consists of the following classes:

	Number	Nominal amount	Carrying value
Share capital by foundation	50 242 448	0,25	12 560 612
Total	50 242 448		12 560 612

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

Ownership structure

Largest shareholders as of 31 December 2022:

	Number of Shares	Number of shares Total	Ownership share	Voting share
<i>COSL Norwegian AS</i>	50 242 448	50 242 448	100 %	100 %
Total number of shares	50 242 448	50 242 448	100 %	100 %

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

Note 14 Loans from Group Companies

Counterpart / description	Relationship to the counterpart		
		2022	2021
		Interest rate	
		1,04 %	0,72 %
COSL Norwegian AS	Parent company	(4 756 188 146)	(4 390 011 673)
Total		(4 756 188 146)	(4 390 011 673)

Maturity

Later than 1 year but not later than 4 years

After 5 years	(4 756 188 146)	(4 390 011 673)
Total	(4 756 188 146)	(4 390 011 673)

COSL Drilling Europe AS has an unsecured loan towards parent company COSL Norwegian AS. The total amount of the loan facility is 1.3 billion US dollars. The purpose of the loan is to finance the ongoing working capital requirements. Subject to the terms of the loan agreement, advances may be drawn by the borrower at any time until the termination date. Interest is accrued yearly upon the aggregate principal amount of outstanding advances.



Note 15 Intercompany payables

Intercompany payables consist of:

Counterpart	Relationship to the counterpart	2022	2021
COSL Norwegian AS, included cash pool	Parent company	1 088 575 536	1 014 155 144
Total		1 088 575 536	1 014 155 144

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.

Note 16 Going Concern

The equity of the Company is lost with an amount of NOK 1 475.7 million per end of 2022. This is mainly due to impairment of the subsidiaries. The Company is financed by parent company and related party loans ("COSL Shareholder loans"), which may be converted by COSL to additional equity. Per 31 December 2022, the Group's equity including COSL Shareholder loans amounts to NOK 3 280.5 million, which implies an adjusted equity ratio of 74.3%. This has been assessed by the Board as sufficient to continue business operations.

China Oilfield Services Ltd (COSL) has guaranteed to provide financial support to COSL Norwegian AS and its subsidiaries. COSL will provide continuing financial support to the COSL Norwegian Group companies if required to enable them to operate as a going concern and to meet their obligations, for at least 12 months from the date of directors' report, and that such financial support include to provide necessary funding to the companies as well as not calling for payments of the amounts that the Companies owe to COSL. This has been formalized through a signed supporting letter.

The Company furthermore had a positive bank balance per 31 December 2022 of NOK 11.1 million.

On the basis of the above, the Company's ability to continue to carry out its objectives and commitments in the foreseeable future is supported and the financial statements have been prepared under the assumption of the Company's ability to continue as a going concern.



Statsautoriserte revisorer
Ernst & Young AS
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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of COSL Drilling Europe AS

Opinion

We have audited the financial statements of COSL Drilling Europe AS (the Company), which comprise the balance sheet as at 31 December 2022, 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 financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and 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 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 in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and CEO) is responsible for the other information. 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 board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and 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 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

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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 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 the 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 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, 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.

Stavanger, 14 June 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

Independent auditor's report - COSL Drilling Europe AS 2022

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By my signature I confirm all dates and content in this document.”

Erik Søreng

State Authorised Public Accountant (Norway)

On behalf of: Ernst & Young AS

Serial number: 9578-5999-4-1529830

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COSL Norwegian Group

BOARD OF DIRECTORS' REPORT 2022



COSL NORWEGIAN AS BOARD OF DIRECTORS REPORT 2022

Introduction

COSL Norwegian AS was founded 23. June 2008. The company is the parent company in COSL Norwegian Group. The subsidiaries offer services connected to oilfields, as well as other related activity, such as participation and acquisition of other companies. The company's head office is located at Forus, Sandnes. The company also has offices in Singapore, Aberdeen and Mongstad through its subsidiaries. COSL Norwegian AS is a fully owned subsidiary of COSL Singapore International Ltd., and it is ultimately owned by China Oilfield Services Limited (COSL).

The COSL Norwegian group owned three Semi submersibles drilling rigs by end of 2022. At the date of the signing of this report all three semi submersibles drilling rigs are in operation.

Going concern

The board confirms that the financial statements are prepared in accordance with the Accounting Act § 3-3a. The financial statements have been prepared under the assumption of the company being a going concern.

The Group's equity as of 31 December 2022 has been lost and amounts to USD 669.3 million (2021: USD 566.8 million loss). The main changes are operational loss and interest cost. The equity of the Company is lost with an amount of USD 640.5 million (2021: USD 424.7 million loss).

In 2022, the market has been becoming tight, day rate in North Sea has increased significantly, this will help COSL Norwegian AS to rebuild its equity. The Board believe that the market will improve over the next years.

The Group/Company is mainly financed by parent company and related party loans ("COSL Shareholder loans"), which may be converted by China Oilfield Services Ltd (COSL) to additional equity. COSL has guaranteed to provide financial support to COSL Norwegian AS and its subsidiaries. COSL will provide continuing financial support to the COSL Norwegian Group companies if required to enable them to operate as a going concern and to meet their obligations, for at least 12 months from the date of directors' report, and that such financial support include to provide necessary funding to the companies as well as not calling for payments of the amounts that the Companies owe to COSL. This has been formalized through a signed supporting letter for 2023.

Per 31 December 2022, the Group's equity including COSL Shareholder loans amounts to USD 824.7 million, which implies an adjusted equity ratio of 76.1%. This has been assessed by the Board as sufficient to continue business operations of the Group and the Company.



The Group furthermore had a positive bank balance per 31 December 2022 of USD 33,4 million.

Statement of Profit and Loss and Other Comprehensive Income

Consolidated accounts:

In 2022, total revenues amount to USD 89.7 million and relate to the operation of three semi-submersible drilling units. The total revenue for 2021 was USD 64.0 million. Operating loss before depreciation and amortization (EBITDA) was USD 21.3 million compared to an operating loss of USD 40.7 million in 2021. The operating loss after depreciation and amortization (EBIT) was USD 75.8 million, representing an increase of USD 232.5 million compared with USD 334.0 million loss for the same period last year. Rig operating expenses in 2022 were USD 103.8 million compared to USD 96.4 million in 2021. General and administrative expenses were USD 7.2 million. The corresponding figure for 2021 was USD 8.2 million.

Depreciation expense was USD 54.4 million in 2022 and was primarily attributable the three semi-submersible drilling units. For 2021, the depreciation expense was USD 65.0 million.

Net financial costs were USD 26.8 million in 2022 compared to USD 21.8 million in 2021. Interest expenses were USD 23.3 million compared to USD 21.9 million in 2021. Loss before tax was USD 102.6 million, a decrease of USD 253.2 million compared to 2021 (loss before tax in 2021 was USD 355.8 million). In 2022, total comprehensive loss was USD 102.6 million compared to a loss of USD 355.9 million in 2021.

Parent company accounts:

Operating loss in 2022 was USD 15.8 thousand, compared to a loss of USD 110.1 thousand in 2021. Financial items amounted to a loss of USD 108.6 million in 2022 compared to a loss of USD 285.5 million in 2021. A Group contribution income of USD 11.4 million has been recognized in 2022 (2021: USD 0.5 million). Impairment for the subsidiary COSL Drilling Europe AS and COSL Rig Ltd of totally USD 70.6 million. Loss before tax for 2022 was USD 108.6 million, compared to a loss of USD 285.6 million in 2021. Tax expenses were zero in 2022 and 2021 due to tax loss carry-forward for which no deferred tax assets have been recognized.

Statement of Financial Position

Consolidated accounts:

As of December 31, 2022, total assets were USD 1,083.9 million compared to USD 1,098.8 million at the end of 2021. Total investments in rig construction and upgrades for 2022 were USD 62.2 million compared to USD 10.5 million in 2021. The investments have been financed mainly from cash flows from operations and increased of intercompany/related party loans.

The Board believes the group is well positioned to meet its future commitments through internal funds, cash flow and debt financing. However, the lost equity situation is closely monitored and measures to restore the equity are being evaluated, including a conversion of debt to equity, if needed.



There has been no change in the number of shares during 2022. The share capital is USD 285 million unchanged from December 31, 2021. The group's equity ratio is (61.8 %) compared to (51.6 %) in 2021.

Parent company accounts:

As of December 31, 2022, total assets were USD 947.5 million compared to USD 1,014.8 million at the end of 2021, mainly relating to the shares in subsidiaries and loans to subsidiaries. Equity is negative and amounts to USD (533.3) million at end of 2022 and amounted to USD (424.7) million as of end of 2021. The long-term interest-bearing debt is to the parent and related companies, and this can be converted to equity if needed to restore equity.

Liquidity and financing

Consolidated accounts:

December 31, 2022, the Group had USD 33.4 million in cash and cash equivalents. At the end of 2021, the same figure was USD 17.2 million. The CNA group has several shareholder and related party loans, in total amounting to USD 1,494 million, the comparison figure for 2021 was USD 1,353 million. See cash flow statement for further information.

Parent company accounts:

December 31, 2022 COSL Norwegian AS had cash of USD 12.7 million, the corresponding figure for 2021 was USD 4.6 million. The Board has evaluated that the Company has sufficient liquidity to meet its' obligations.

Drilling services

The Group owns 3 semi-submersible drilling rigs, which are designed for operation in water depth up to 2 500ft and are suitable for harsh environments.

Contract status – Semi submersibles

COSLPioneer commenced a contract with Repsol Sinopec December 2021 and operated this till mid-April 2022, and thereafter directly commenced a new contract with Ithaca. The rig is still operating for Ithaca.

COSLInnovator has been operating for CNOOC in UK from mid May 2022.

COSLPromoter has operated for OKEA summer 2022 and was held ready for operation for Equinor starting mid-February 2023.

Market outlook

Oil and gas companies have changed their focus from exploring and developing fields that are located in deeper, colder and more remote areas to infield drilling where they can get access to oil at a low investment cost by using existing infrastructure. All the majors today have the same strategy, and they are focusing on short pay back on their investment and are all focusing on such investment opportunities. In the UK sector the new "windfall" tax initiated late 2022, have resulted in lower planned activity for new development/ exploration programs to be executed from 2023 and onwards.



Harsh environment forecast

Harsh environment units have a number of design modifications to decrease weather related down time, including increased variable load to reduce the need for resupply, increased air gap to increase wave clearance and changes in the geometry and spacing of legs and columns to decrease wind and wave loads. Harsh environment rigs are in general larger, heavier, and more expensive to construct and operate than moderate units. However, we now see an increasing focus on a "Low Carbon Footprint" for new projects from the operators, which will put our low emission units in a better position going forward.

In Norway 11 floaters are working and 4 floaters are stacked as per December 2022. In addition, 4 floaters have left Norway, to perform new contracts in UK, Canada, and West Africa. In the UK sector 7 semi-submersible drilling units are on charter plus 4 units are stacked/ at yard.

Today there are still too many rigs which compete for the same jobs in the North Sea market. Even if the general market rates are improving, this situation needs to improve if this market shall be sustainable.

Fleet Status

As described above, the harsh environment fleet consists of units with a higher specification than the "standard" rig fleet; hence, these units are also attractive in the general standard international market. The fleet consists of both deep-water units and midwater units.

There is currently not enough demand to utilize the whole harsh environment fleet in the harsh environment market alone, which will force contractors to offer the units in the improving global standard market at better day rates.

Organization

The CNA group had 434 employees by end of the year, this is an increase of 143, from 291 employees compared to end of 2021. This increase is mainly due to a manning up for increased operation.

The working environment remains good, attracting highly qualified personnel.

The corporate management of the group is an equal opportunity employer and focuses on preventing any discrimination due to gender or race in matters such as pay, promotion and recruitment. When hiring the employees are evaluated based upon skills and objective measurements for the position. No cultural, gender, religious, political or nationality considerations influence the decision. The group has established internal routines to ensure this.



The group aims to be a workplace with no discrimination. Individual adjustments of workplace and responsibility are made for all employees within the safety guidelines provided by Norwegian Authorities.

There are no employees in the parent company, COSL Norwegian AS.

The report with regards to the Transparency Act will be launched within 30 June 2023 at our website www.cosl.no.

Health, Security and Environment

COSL seeks to become one of the preferred suppliers within all its business areas. HSE is one of the fundamental focuses to ensure safe and efficient operations. The business operates in compliance with national and international rules and regulations, also comprising mandatory plans and procedures to monitor external environment and prevent environmental damage from offshore operations.

Focus areas in 2023

COSL carries forward the efforts to reach our ultimate HSE goal of Zero injuries and damage to personnel, the environment and asset. With this we strive to ensure that we adapt to changes and manage our activities in a safe and effective manner.

Our Safe Work Planning and Execution tool has been implemented on all units. In 2023 we will continue to follow-up on our expectations and understanding surrounding its use, to ensure that we draw more effect from evaluating work performance and giving constructive feedback.

We will continue building on our experiences and update our processes to clearly define a system which is reasonable and valuable for the offshore workers. We are depending on all employees to involve themselves and contribute to build a solid company culture and ensure that COSL maintains our position as one of the preferred suppliers of drilling services.

Our key focus is to mobilise and operate our units in a Safe and Efficient manner and with true Low Emissions, and our most important tool in achieving this is strict compliance with our Quality, Health, Safety & Environment (QHSE) Policy in everything that we do. We live up to our core values; Honesty, Motivation and Co-operation. Our Company Management System (CMS), which includes our Policies and Procedures is our common system for making us fully aligned in performing safe operations.

COSL Norwegian AS believes that we have established good processes to achieve our goals, and we are aware this requires constant management focus, setting the expectations, providing the necessary training and follow-up.



Company risks

COSL Norwegian AS and its subsidiaries are exposed to market risks, geographical risks, political risks, operational risks, financial risk, and strategic risks. The risk for COSL Norwegian AS is indirectly through ownership of asset companies for the different rigs. The Board and subsidiaries' management manage these risks through ensuring a close supervision of the operation, retaining a close relationship with the external management providers and through continuous reporting and monitoring. Strict safety management system is implemented to ensure a safe and efficient operation and working environment in the rig operations. Major factors in determining market risks are future oil and gas prices.

Financial risk

COSL Norwegian AS is exposed to many different financial market risks arising from the normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of our assets, liabilities, or future cash flows. To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks.

The U.S. Dollar is COSL Norwegian AS's internal management reporting currency and functional currency for reporting to head office in China. The currency exposure related to cash flow and the net result arises mainly from balances nominated in non-USD currencies.

The company's future capex program will be financed with cash flow from operation in subsidiaries, intercompany loans, and shareholder loan from China Oilfield Services Ltd.

Shareholders and equity, parent company

COSL Norwegian AS's only shareholder is COSL Singapore International Ltd which again is a fully owned subsidiary of China Oilfield Services Limited.

Sandnes, 12 June 2023

The Board of Directors of COSL Norwegian AS

Zhou Bingwen
Chairman of the Board

Frank Tollefsen
Member of the Board

Bing Li
Member of the Board

Arild Stakkestad
Member of the Board



Financial Statements

COSL Norwegian AS

Org. Nr.: 992.831.510

2022



COSL Norwegian AS Profit and loss statement

All figures in USD

NOTE	OPERATING REVENUE AND OPERATING EXPENSES	2022	2021
	Other revenue	-	196 587
	Total revenue	-	196 587
2	Other operating expenses	15 781	306 691
	Total operating expenses	15 781	306 691
	Operating profit/(loss)	(15 781)	(110 104)
	FINANCIAL INCOME AND FINANCIAL EXPENSES		
3	Group contribution from subsidiaries	11 350 320	495 019
4	Interest received from group companies	11 417 800	4 894 227
5	Other financial income	(27 900 433)	(6 392 175)
6	Impairment of financial assets	(70 580 671)	(264 914 782)
7	Interest paid to group companies	(32 821 622)	(19 570 470)
8	Other financial expenses	(28 142)	(10 997)
	Financial items, net	(108 562 748)	(285 499 178)
	Profit/(loss) on ordinary activities before taxation	(108 578 529)	(285 609 281)
9	Tax on ordinary income	-	-
	PROFIT/(LOSS) FOR THE FINANCIAL YEAR	(108 578 529)	(285 609 281)
	ALLOCATION OF NET PROFIT/(LOSS) AND EQUITY TRANSFERS		
	Transferred (to)/from retained earnings	108 578 529	285 609 281
	Total allocations and equity transfers	108 578 529	285 609 281

**COSL Norwegian AS**
Balance sheet at 31 December

All figures in USD

NOTE	ASSETS	2022	2021
	Non-current assets		
	Intangible assets		
	Financial non-current assets		
10	Investments in subsidiary companies	305 125 430	375 706 100
11	Loans to group companies	480 098 130	496 753 759
	Other assets	3 986	3 969
	Total financial non-current assets	785 227 547	872 463 829
	Total non-current assets	785 227 547	872 463 829
	Current assets		
	Receivables		
12	Intercompany receivables	149 538 605	137 759 314
	Total receivables	149 538 605	137 759 314
	Current investments		
13	Cash and cash equivalents	12 708 448	4 592 055
	Total current assets	162 247 054	142 351 369
	TOTAL ASSETS	947 474 600	1 014 815 198

COSL Norwegian AS
Balance sheet at 31 December**SHAREHOLDERS EQUITY AND LIABILITIES**

	Shareholders equity		
	Paid-in capital		
14	Share capital	285 449 514	285 449 514
14	Share premium account	723 651 248	723 651 248
	Total paid-in capital	1 009 100 761	1 009 100 761
	Retained earnings		
14	Retained earnings	(1 542 410 394)	(1 433 831 865)
	Total retained earnings	(1 542 410 394)	(1 433 831 865)
	Total shareholders equity	(533 309 633)	(424 731 104)
	Liabilities		
	Provisions for liabilities and charges		
	Other non-current liabilities		
15	Loans from group companies	827 313 633	641 783 572
	Total non-current liabilities	827 313 633	641 783 572
	Current liabilities		
15	Current portion of loans from group companies	350 000 000	350 000 000
16	Intercompany liabilities	303 470 600	447 762 730
	Total current liabilities	653 470 600	797 762 730
	Total liabilities	1 480 784 233	1 439 546 302
	TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	947 474 600	1 014 815 198

Signed, 12 June 2023

Bingwen Zhou
ChairmanFrank Tolleisen
BoardmemberAnid Stakkestad
BoardmemberBing Li
Boardmember



COSL Norwegian AS

Cash flow statement

	2022	2021
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	(108 578 529)	(285 609 281)
Impairment of fixed and intangible assets	70 580 671	264 914 782
Net foreign exchange gains / (losses)	27 900 433	6 392 175
Change in working capital	(162 272 442)	41 805 321
Net cash flow from operations	<u>(172 369 868)</u>	<u>27 502 996</u>
CASH FLOW FROM INVESTMENT ACTIVITIES:		
CASH FLOW FROM FINANCING ACTIVITIES:		
Change in loans payable to group companies, net	(5 043 800)	(3 738 306)
Change in loans receivable from group companies, net	185 530 060	25 640 000
Net change in equity due to merger	-	(54 381 856)
Net cash flow from financing activities	<u>180 486 260</u>	<u>(32 480 162)</u>
Net change in bank deposits, cash and equivalents	8 116 392	(4 977 166)
Bank deposits, cash and equivalents at 1 January	<u>4 592 056</u>	<u>9 569 222</u>
Bank deposits, cash and equivalents at 31 December	<u>12 708 448</u>	<u>4 592 056</u>



COSL Norwegian AS

Notes to the accounts, year ended 31 December 2022

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 USD 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 USD 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.

Related party transactions

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.

Cost of sales and other expenses

In principle, cost and other expenses are recognised in the same period as the revenue to which they relate.

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

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 2022 (2021: 0).

Board of Directors and Management remuneration

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 (Ernst and Young AS) is invoiced to group company COSL Drilling Europe AS and no remuneration is paid or

Note 3 Income from Subsidiaries

Transaction type	Company	2022	2021
Group contribution income with tax effect	COSL Craft Ltd	11 350 320	495 019
Total Group contribution		11 350 320	495 019

COSL Craft Ltd does not have a bank accounts so the Group contribution is reducing the Intercompany liability

Group contribution received in 2022 was USD 11 350 320 (NOK 112 444 212) and USD 495 019 (NOK 4 374 685) in 2021 from COSL Craft Ltd

Note 4 Interest received

Transaction type	2022	2021
Interest received from Group Cash Pool arrangement	6 356 544	1 148 149
Interest received from COSL Drilling Europe AS	5 043 800	3 738 306
Interest received from Bank of Communication	17 456	7 771
Total interest received	11 417 800	4 894 227

Note 5 Other financial income

Other financial income	2022	2021
Net agio gain	(27 900 433)	(6 392 175)
Net other financial income	(27 900 433)	(6 392 175)

Note 6 Impairment of financial assets

Impairments have been recognised in 2022 for subsidiaries where the carrying value of the investment in subsidiary exceeded the estimated fair value of equity of the subsidiary per 31.12.2022. The exchange have been favorable for the measurement of several subsidiaries in the balance, but this is recognized as a temporarily effect and therefore the company has chosen not to reverse prior years impairments.

Company	2022	2021
COSL Drilling Europe AS	251 608 605	(264 513 695)
COSL Rig Ltd	(514 094)	(102 740)
COSL Confidence Pte Ltd	-	(298 347)
Impairment recognised	251 094 511	(264 914 782)

Note 7 Interest paid

Transaction type	2022	2021
Interest paid for ong and short term loans to CNOOC or COSL	32 821 622	19 570 470
Total interest paid	32 821 622	19 570 470

For more detailes reference to note 15

Note 8 Other financial income and expenses

Other financial expenses	2022	2021
Interest on overdue payments	19 146	-
Bank charges	8 996	10 997
Net other financial expenses	28 142	10 997



Note 9 Income tax expense

Payable tax	2022	2021
Profit/(loss) before tax	(108 578 529)	(285 609 281)
Permanent differences	91 984 493	279 591 025
Taxable NOKUS income	-	20 018
Currency translation effect on carry-forward loss due to interest limitation	14 302 863	(3 305 748)
Currency translation effect on carry-forward loss	6 062 061	228 234
Currency translation effect on valuation allowance	(20 364 924)	3 077 514
Change in temporary differences	(3 612 298)	(5 395 748)
(Utilize)/increase in Tax loss carry forward	20 206 335	11 393 986
Taxable income / (loss)	-	-
Payable tax on profit (22%)	-	-
Temporary differences	2022	2021
Fixed assets	(14 448 192)	5 395 748
Tax loss carry forward due to interest limitations rules	(118 208 287)	(132 511 150)
Tax loss carry forward	(874 461 119)	(803 337 516)
*Tax loss carry forward due to merger	-	(56 979 330)
Total temporary differences	(1 007 118 598)	(987 432 248)
Calculated net deferred tax asset / (liability) (22%)	221 566 092	217 235 095
Valuation allowance	(221 566 092)	(217 235 095)
Total deferred tax asset / (liability) recognized (22%)	-	-
Total tax (expense) / income		
Payable tax	-	-
Deferred tax	-	-
Total tax (expense) / income	-	-

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

*The tax loss from the merged company COSL Oil and Gas AS missed in the disclosure in 2021.

Note 10 Investments in subsidiaries

Company	Date of acquisition	Registered office	Voting share	Ownership share
COSL Drilling Europe AS	2008	Norway	100 %	100 %
COSL Rig Ltd	2007	Bermuda	100 %	100 %
COSL Superior Ltd	2007	Bermuda	100 %	100 %
COSL Craft Ltd	2007	Bermuda	100 %	100 %
COSL Seeker Ltd	2007	Bermuda	100 %	100 %
COSL Confidence Pte Ltd	2007	Singapore	100 %	100 %
COSL Drilling Singapore Pte Ltd	2007	Singapore	100 %	100 %
COSL Strike Pte Ltd	2007	Singapore	100 %	100 %

Company	Impairment recognised in 2022	Net bookvalue 31.12.2022	Net bookvalue 31.12.2021	Equity 31.12.2022	Profit/(loss) 2022
COSL Drilling Europe AS (**)	(70 066 577)	119 960 839	190 027 416	(148 955 262)	(15 318 370)
COSL Rig Ltd (**)	(514 094)	5 538 564	6 052 658	5 444 117	(530 936)
COSL Superior Ltd	-	34 016 251	34 016 251	34 084 702	(16 370)
COSL Craft Ltd (**)	-	91 400 051	91 400 051	92 684 893	1 576 764
COSL Seeker Ltd (*)	-	-	-	(472 877)	(113 781)
COSL Drilling Singapore Pte Ltd (*)	-	30 350 692	30 350 692	32 155 890	36 187
COSL Strike Pte Ltd (*)	-	1 343 082	1 343 082	3 103 121	(3 354)
COSL Confidence Pte Ltd (*)	-	22 515 950	22 515 950	22 477 360	(38 589)
Total investment in subsidiary companies	(70 580 671)	305 125 430	375 706 100	40 521 943	-14 408 448

* The equity and the profit/(loss) is derived from the Group's internal financial reporting, as statutory accounts for 2022 were not yet available.

** These subsidiaries are intermediate holding companies, having investments in several other subsidiaries in the Group. The presented equity and result relates to the directly owned subsidiary only, as no consolidated accounts are prepared for intermediate holding entities.



Note 11 Loans to Group Companies

Loans receivable from group companies consist of:

Counterpart	Relationship to the counterpart		2022	2021
		Interest rate	1,04%	0,72%
COSL Drilling Europe AS	Subsidiary		480 098 130	496 753 759
	Subsidiary	Libor +3.0%		
Total			480 098 130	496 753 759
Maturity				
After 5 years			480 098 130	496 753 759
Total			480 098 130	496 753 759

COSL Norwegian AS has an unsecured loan to subsidiary COSL Drilling Europe AS. The total amount of the loan facility is 1.3 billion US dollars. Subject to the terms of the loan agreement, advances may be drawn by the borrower at any time until the termination date. Interest is accrued yearly upon the aggregate principal amount of outstanding advances.

Note 12 Intercompany receivables

Counterpart	Relationship to the counterpart	2022	2021
COSL Rig Ltd	Subsidiary	33 145	33 145
China Oilfield Services Ltd	Ultimate parent company	-	935 249
Group Cash pool	Subsidiaries	149 505 461	136 790 920
Total		149 538 606	137 769 314

Note 13 Cash, banks and group cash pool

The Company is the main account holder for the group cash pool arrangement with Sparebanken 1 SR Bank. The group cash pool is a multiple currency arrangement with accounts denominated in Norwegian Kroner, British Pound, US Dollar and Euro. There is no line of credit or overdraft facility for the group cash pool as a total, but there are no overdraft limits for individual companies within the group cash pool.

Group cash pool balances are specified as follows:	2022	2021
Group cash pool balance/(overdraft) due to COSL Norwegian AS	(65 113 510)	(109 019 799)
Group cash pool balances due to subsidiaries	218 439 310	249 001 887
Group cash pool balances due from subsidiaries (overdrafts)	(149 505 461)	(136 790 920)
Total net group cash pool balance per 31 December	3 820 340	3 191 168

Other bank balance not included in the cash pool:

Bank of Communication	8 888 109	1 400 888
Cash and cash equivalents	12 708 448	4 592 056

The Company's bank balances are denominated in US Dollar.

COSL Norwegian AS is the 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.

Note 14 Share capital and shareholder information

Equity at 31 December 2021	285 449 514	723 651 248	(1 433 831 865)	(424 731 104)
<i>This year's change in equity:</i>				
Profit/(loss) of the year	-	-	(108 578 529)	(108 678 529)
Equity at 31 December 2022	285 449 514	723 651 248	(1 542 410 394)	(533 309 633)

The share capital in the company at 31 December 2022 consists of the following classes:

Ownership structure	Number of shares		Ownership share	Voting share
	Shares	Total		
COSL Singapore International Pte Ltd.	1 541 228 656	1 541 228 656	1	1
Total number of shares	1 541 228 656	1 541 228 656	1	1

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



Note 15 Loan from Group Companies

Loans from group companies

in USD	Rate	2022	2021
Non-current			
Long-term COSL shareholder's loan no 1	1,04% (0,72%)	25 794 605	90 005 709
Long-term COSL shareholder's loan no 1 (May 2022)	2,38 %	130 000 000	-
Long-term COSL shareholder's loan no 1 (August 2022)	3,38 %	300 000 000	-
Long-term COSL shareholder's loan no.2	1,04% (0,72%)	156 352 000	90 777 863
Bond loan from COSL Finance (BVI) Limited	3,28 %	-	461 000 000
Loan from CNOOC	SOFRA plus 0,4%	132 295 186	-
Loan from OOGC	SOFRA plus 0,4%	82 871 842	-
Total non-current portion of interest-bearing debt		827 313 633	641 783 572

Current	Rate	2022	2021
Short term loan from OOGC	Libor + 0,5%	350 000 000	350 000 000
Total current portion of interest-bearing debt		350 000 000	350 000 000

Maturity non-current borrowings

Later than one year and not later than four years

Five years and later	827 313 633	641 783 572
Total non-current borrowings	827 313 633	641 783 572

*All loans are presented including interest in 2022.

COSL Shareholder's loan no. 1

This is an unsecured loan with China Oilfield Services Limited. The loan interest is based on a fixed rates in 2021 and in 2022. The loan is repaid based on COSL Norwegian AS cash flow from time to time. The company has the right to choose to pay the accrued interest quarterly, semi-annually, annually or as may be otherwise agreed with the lender. The original loan the Company and COSL has committed to extend the repayment of the loan until 31th December 2023. For the agreement which were made in May and August 2022, The maturity dates are May 2025 and in August 2027, and they are therefore presented as non-current liability.

COSL Shareholder's loan no. 2

This is an unsecured loan with China Oilfield Services Limited. The loan interest is based on a fixed rates in 2021 and in 2022. The loan is repaid based on COSL Norwegian AS cash flow from time to time. The company has the right to choose to pay the accrued interest quarterly, semi-annually, annually or as may be otherwise agreed with the lender. The original loan the Company and COSL has committed to extend the repayment of the loan until 2025.

In May 2017, the company entered into a loan facility agreement (unsecured) with China Oilfield Services Limited for USD 80 million revolving ("COSL Shareholder loan"). The loan is repaid based on COSL Norwegian AS cash flow from time to time. Interest is fixed at 1.04% in 2022.

The company has the right to choose to pay the accrued interest quarterly, semi-annually, annually or as may be otherwise agreed with the lender. In order to ensure a smooth re-financing, The Company and China Oilfield Services Limited has committed to extend the repayment of the loan until 12th May 2023 and it is therefore presented as non-current liability.

Bond Loan from COSL Finance (BVI) Limited

The loan and interest was repaid in 2022

Loan from CNOOC

In August 2022, the company entered into a loan facility agreement (unsecured) with CNOOC Group, for upto USD 132 million ("CNOOC"). The loan interest is based on SOFR(1M) + 0.4%. The maturity date is in August 2027

Loan from OOGC

In August 2022, the company entered into a loan facility agreement (unsecured) with OOGC, a subsidiary of CNOOC, for upto USD 82 million ("OOGC"). The loan interest is floating based on SOFR(1M) + 0.4%. The maturity date is set to August 2027

Short term loan from OOGC

In July 2016, the company entered into a loan facility agreement (unsecured) with OOGC, one of the CNOOC subsidiaries, for up to USD 350 million ("OOGC loan"). The loan interest is based on LIBOR (1M) + 0.5%. The loan can be extended based on the negotiation between the company and OOGC.

Covenants

There are no covenants relating to the loans outstanding as of December 31, 2022



Note 16 Intercompany liabilities

Intercompany payables consist of:

Counterpart	Relationship to the counterpart	2022	2021
COSL Offshore Management AS	Subsidiary	-	101 738
COSL Craft Ltd	Subsidiary	85 031 290	95 300 735
COSL Drilling Pan Pacific Labon Ltd	Related party	-	74 384 756
China Oilfield Service Limited	Ultimate parent company	-	28 973 614
Group Cash Pool		218 439 310	249 001 887
Total		303 470 600	447 762 730

Note 17 Going Concern

The Company's equity as of 31 December 2022 has been lost and amounts to USD 533.3 million (negative) (2021: USD 424.7 million)

In 2022, the market has been becoming tight, day rate in North Sea is increased significantly, this will help COSL Norwegian AS to build its equity. The Board believe that the market will improve over the next years.

The Group/Company is mainly financed by parent company and related party loans ("COSL Shareholder loans"), which may be converted by China Oilfield Services Ltd (COSL) to additional equity. COSL has guaranteed to provide financial support to COSL Norwegian AS and its subsidiaries. COSL will provide continuing financial support to the COSL Norwegian Group companies if required to enable them to operate as a going concern and to meet their obligations, for at least 12 months from the date of directors' report, and that such financial support include to provide necessary funding to the companies as well as not calling for payments of the amounts that the Companies owe to COSL. This has been formalized through a signed supporting letter.

On the basis of the above, the Company's ability to continue to carry out its objectives and commitments in the foreseeable future is supported and the financial statements have been prepared under the assumption of the Company's ability to continue as a going concern



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COSL Norwegian AS

**Financial statements for the parent company
and consolidated financial statements for the group
2022**

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COSL Norwegian AS

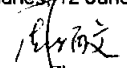
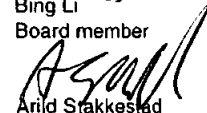
Consolidated Statement of Profit and Loss and Other Comprehensive Income

in USD thousands	Notes	2022	2021
Contract revenue	3	89 684	60 704
Reimbursables	3	-	1 522
Other	3	-	1 731
Operating revenues		89 684	63 958
Rig operating expenses	4, 5	103 814	96 425
General and administrative expenses	4, 5, 6	7 182	8 244
Depreciation & Amortization	9, 10	54 455	65 086
Impairment		-	228 200
Operating expenses		165 450	397 955
Operating profit / (loss)		(75 767)	(333 998)
Interest expense (net)	7	(30 226)	(21 860)
Net foreign exchange gains / (losses)		3 467	119
Other financial items		(72)	(50)
Net financial items		(26 832)	(21 791)
Profit / (loss) before taxes		(102 599)	(355 788)
Income tax benefit / (expense)	8	7	(120)
Net profit / (loss) for the year		(102 591)	(355 908)
Other Comprehensive Income / (Loss) - net of tax		-	-
Total Comprehensive Income / (Loss)		(102 591)	(355 908)
Total Comprehensive Income / (Loss) attributable to: Owners of the company		(102 591)	(355 908)

**COSL Norwegian AS**
Consolidated Statement of Financial Position

in USD thousands	Notes	31.12.2022	31.12.2021
Assets			
Non-current assets			
Rigs and equipment	9, 10	787 751	778 747
Right of use assets	11	698	2 057
Total non-current assets		788 448	780 804
Current assets			
Trade receivables	12,13	22 417	54 195
Other receivables and prepayments	12,13	215 735	222 699
Inventory	14	23 945	23 898
Cash and cash equivalents	15	33 379	17 220
Total current assets		295 476	318 012
Total assets		1 083 924	1 098 816
Equity and liabilities			
Equity			
Issued capital	16, 17	285 450	285 450
Share premium	17	713 570	713 570
Retained earnings		(1 668 356)	(1 565 764)
Total Equity		(669 336)	(566 744)
Non-current liabilities			
Deferred tax liability		-	8
Long-term shareholder's loans (interest bearing)	18, 19	1 144 043	1 003 057
Non current liability	20	1 337	8 134
Lease Liability		185	1 192
Total non-current liabilities		1 145 565	1 012 391
Current liabilities			
Accounts payable		38 827	22 448
Short term loan (interest bearing)	18	350 000	350 000
Current portion of lease liability		710	974
Accrued interest		-	54 028
Other short term debt	21	218 038	225 579
Income taxes payable		119	140
Total current liabilities		607 695	653 169
Total equity and liabilities		1 083 924	1 098 816

Sandnes, 12 June 2023


Bingwen Zhou
Chairman of the Board
Frank Tollefsen
Board member
Bing Li
Board member
Arid Stakkestad
Board member



COSL Norwegian AS
Consolidated Statement of Cash Flows

in USD thousands	Notes	2022	2021
Profit / (loss) before income tax		(102 599)	(355 788)
<i>Adjustments for:</i>			
Depreciation & Amortization	5, 8	53 203	63 547
Impairment	5, 8	-	228 200
Decrease / (increase) in trade and other receivables		38 743	42 231
Decrease / (increase) in inventory		(47)	(1 108)
Decrease / (increase) in other long-term receivables		353	130
Increase / (decrease) in trade and other payables		8 839	(5 060)
Increase / (decrease) in other long-term debt (deferred revenue)		(6 797)	8 134
Interest cost without cash effect		(54 028)	4 377
Income taxes paid	12	(21)	47
Net cash flow from (used in) operating activities		(62 355)	(15 293)
Net (addition)/disposal of rigs and equipment	5	(62 206)	(10 503)
Net cash flows from (used in) investing activities		(62 206)	(10 505)
Increase of interest-bearing debt	16	140 722	25 621
Net cash flows from (used in) financing activities		140 722	25 621
Net change in cash and cash equivalents		16 160	(178)
Cash and cash equivalents at beginning of the period		17 220	17 397
Cash and cash equivalents at end of the period	13	33 379	17 220



COSL Norwegian AS
Consolidated Statement of Changes in Equity

<i>in USD thousands</i>	Issued capital	Share premium	Retained earnings	Other comprehensive income	Total
Equity at December 31, 2020	285 450	713 570	(1 209 857)	-	(210 837)
Net profit	-	-	(355 908)	-	(355 908)
Equity at December 31, 2021	285 450	713 570	(1 565 764)	-	(566 744)
Net profit	-	-	(102 591)	-	(102 591)
Equity at December 31, 2022	285 450	713 570	(1 668 356)	-	(669 336)



COSL Norwegian AS
Subsidiaries included in the group accounts

<u>Subsidiaries</u>	<u>Registered office</u>	<u>Ownership interest</u>	<u>Voting share</u>	<u>Included in financial statements from</u>
COSL Superior Ltd	Bermuda	100 %	100 %	2008
COSL Force Ltd	Bermuda	100 %	100 %	2008
COSL Craft Ltd	Bermuda	100 %	100 %	2008
COSL Seeker Ltd	Bermuda	100 %	100 %	2008
COSL Boss Ltd	Bermuda	100 %	100 %	2008
COSL Rig Ltd	Bermuda	100 %	100 %	2008
COSL Confidence Pte Ltd	Singapore	100 %	100 %	2008
COSL Drilling Europe AS	Norway	100 %	100 %	2008
COSL Drilling Singapore Pte Ltd	Singapore	100 %	100 %	2008
COSL Strike Pte Ltd	Singapore	100 %	100 %	2008
COSL Pioneer Pte Ltd	Singapore	100 %	100 %	2008
COSL Promoter Pte Ltd	Singapore	100 %	100 %	2008
COSL Innovator Pte Ltd	Singapore	100 %	100 %	2008
COSL Offshore Crew AS	Norway	100 %	100 %	2008
COSL Offshore Management AS	Norway	100 %	100 %	2008



COSL Norwegian AS

Note 1 - Corporate information

COSL Norwegian AS is a public limited liability company incorporated and domiciled in Norway. The address of the main office is Vestre Svanholmen 4, 4013 Sandnes, Norway.

The principal activity of COSL Norwegian AS and its subsidiaries is the investment in and operation of semi submersible drilling rigs and accommodation rigs.

Note 2 - Summary of significant accounting policies

2.1 - Basis of preparation

The consolidated financial statements of COSL Norwegian AS and its subsidiaries (the "Group") are prepared in accordance with simplified International Financial Reporting Standards (IFRS) as defined by the Norwegian Accounting Act §3-9. From this follows that principles for measurement and recognition are according to IFRS, while the income statement, balance sheet and cash flow statements including notes are presented in accordance to the Norwegian Accounting Act's remaining sections, unless there are specific references to IFRS and its framework. In these instances, the IFRS framework is applied.

The consolidated financial statements are prepared on a historical cost basis, except for investments bought for market purposes or available-for-sale which have been measured at fair value. The Group financial statements are presented in USD. This is also the functional currency of the parent company.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.2 - Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.3 - Critical accounting estimates and judgements

Estimates

The preparation of financial statements in accordance with IFRS requires management to exercise judgement and to make estimates and assumptions that affect the application of policies, reported amounts of revenue, expenses, assets and liabilities and disclosures. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.



Onerous contract

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

Rig assets

Depreciation is based on of the useful lives of the rigs and their residual values. Estimates may change due to changes in scrap value, technological development, competition and environmental and legal requirements. Management reviews the future useful lives of each component and the residual values of the rigs annually, taking into consideration the above mentioned factors. Any changes in estimated useful lives and/or residual values impact the depreciation of the vessels prospectively. See section 2.9 Property, plant and equipment.

Consideration is given annually to determine whether there is any indication or impairment of the carrying amount of the Group's rig assets. If any indication exists, a rig's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, management must estimate future cash flows from the rigs based on an appropriate discount rate. This calculation will be based on management's estimate of future use, revenue generating capacity of the assets and assumptions of future market conditions.

2.4 - Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over rendered services to the customer. Sometimes, the Group receives short-term advances from customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The revenue is primarily derived from drilling contracts with customers. The core promise in the contracts with the customers is to be available to provide drilling services over the operation period of a contract. Drilling services primarily comprise of providing the mobile offshore drilling unit, crews, related equipment and services necessary to operate the rig. The contract rates include both a lease component and a service component. Services are provided as a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Therefore, the Group follow the series guidance in IFRS 15 and treat the series of distinct services as a single performance obligation. Revenue is based on the transactions price in the contracts with the customers. The main part of the transaction price is dayrates, which range from a full operating dayrate to lower or zero rates for periods when drilling operations are interrupted. Payment of the dayrate based transaction price is usually due on a monthly basis. Some contracts entitle the Group to receive compensation for mobilisation and demobilisation, contract preparation, customer, requested goods and services or capital upgrades. The compensations are either as fixed lump-sums or based on variable dayrates. Lump₁sums are usually paid up-front or when certain milestones are met. The payment terms do not contain any significant financing components.



Revenue from drilling contracts is generally recognised in the period from commencing a contract and until completion of the drilling programme ("the drilling operation period"). No revenue is recognised in the mobilisation and demobilisation period.

2.5 – Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.6 - Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

For contracts that constitutes, or contains a lease, the Group separates lease components if it benefits from the use of each underlying asset either on its own or together with other resources that are readily available, and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract. The Group then account's for each lease component within the contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. If an observable stand-alone price is not readily available, the Group estimates this price by maximising the use of observable information.

Recognition of leases and exemptions

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



2.7 - Foreign currency

The financial statements for the group are presented in US Dollar ("USD") which is the functional currency for the group. The functional currency of COSL Norwegian AS is the Norwegian Kroner ("NOK"). The functional currency for COSL Norwegian's subsidiaries is either NOK or USD. When translating financial statements for foreign entities from local currency into USD, assets and liabilities are translated using year-end exchange rates, and results are translated using the average exchange rates for the reporting period.

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates in effect at the dates of the initial transactions.

2.8 - Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 - Property, plant and equipment

Rigs and equipment are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition. In situations where it can be clearly demonstrated that expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the asset beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the asset.

Depreciation is calculated using the straight-line method for each asset, after taking into account the estimated residual value, over its expected useful life. Components of fixed assets with different economic useful lives are depreciated over their respective useful lives. The expected useful lives of the assets are as follows:

Rigs 30 years

Equipment and components of rigs 5-10 years

Office equipment, cars etc. 3-10 years

Certain elements, such as costs recognized in connection with major classification/SPS, have shorter useful lives and are depreciated over shorter periods.

5 yearly spesial survey expenses are regarded as a separate part of the rig value and are classified as depreciation over 5 years.

Newbuilding contracts include payments made under the contracts, capitalized interest and other costs directly associated with the newbuilding program. Capitalized value is reclassified from rigs under construction to rigs upon delivery from the yard, which is when the asset is considered available for its intended use and depreciation commences.

The residual values and useful lives of the assets are reviewed and adjusted if appropriate at each balance sheet date.



2.10 - Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.11 - Inventory

Inventories consist of spare parts, materials and supplies held for consumption and are stated at the lower of cost or net realizable value.

2.12 - Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognized through profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.



2.13 - Financial assets

The Group classifies its financial assets into the following categories: loans and receivables, held-to-maturity investments, financial assets at fair value through profit and loss and available-for-sale assets. Financial assets are initially recognized at fair value. Subsequent remeasurement of financial assets is determined by their designation that is reviewed annually.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at nominal value less any allowance for impairment. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such upon initial recognition or are not classified in any of the other financial assets categories. Subsequent to initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized as a separate component of equity until the investment is derecognized, at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques.

2.14 - Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for bad debt is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

2.15 - Cash, cash equivalents and cash flow statement

Cash represents cash on hand and deposits with banks that are repayable on demand. Cash equivalents represent short-term, highly-liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less. The cash flow statement is prepared using the indirect method.

2.16 - Long-term interest-bearing debt

All borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

First year installments of long-term debt are classified as current liabilities.



2.17 - Taxes

Income tax payable for the current and prior periods is measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the profit and loss statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.18 - Segment information

Segment information is prepared in conformity with the accounting policies adopted for the Group's consolidated financial statement. There have not been any significant transactions between the segments.



COSL Norwegian AS

Note 3. Segment information

The Group's risks and rates of return are affected predominantly by the differences in rig business segments. The business segments are therefore the primary segment reporting format. The type of income related to the rig is therefore specified.

Secondary information is reported geographically. The operating businesses are organized and managed separately according to the nature of the rigs provided, with each segment representing a strategic business unit that offers different rigs.

The segment for semi-submersible drilling rigs comprises of three rigs. In 2022 one rig operated in Norway, from June till August and two rigs operated in the in UK one rig operated whole year and the other commenced the contract mid-May. The rig in Norway was held ready for operation at CCB in Norway prior and after the contract.

In 2021 two rigs were operating in Norway, one till end March and one from mid-February till mid-May and the last was operating in UK from mid-December, the two rigs in Norway were held ready for operation at CCB in Norway in between operations and the rig in UK was held ready for operation outside Edinburgh.

There are no transactions between the segments.

Segment information 2022

in USD thousands	Semi submersible drilling rigs	Total
Contract revenue	63 210	63 210
Contract revenue to related party	26 474	26 474
Total revenues	89 684	89 684

Contract revenue to related party is mainly related to the operation of COSLInnovator for CNOOC.

Segment information 2021

in USD thousands	Accommodation rig	Semi submersible drilling rigs	Total
Contract revenue		60 704	60 704
Reimbursables to related party		1 522	1 522
Deferred revenue		1 460	1 460
Gain sale of Accommodation rig	270		270
Total revenues	270	63 687	63 958

Reimbursable to related party is mainly related to the management of COSLProspector. As this is not a rig owned by COSL Norwegian Group, the management of this work has been recharged with an mark-up to the owner company. The rig commenced operation end June 2019 and then the management agreement was replaced with a bareboat agreement until end of April 2020. Thereafter any work performed by COSL Norwegian Group companies has been charged via the management agreement including a mark-up.

Other revenue relates to amortization of deferred mobilization income, deferred modification income and amortization of Equinor contract value. This was ended March 2021.



COSL Norwegian AS
Note 4. Operating expenses

in USD thousands		2022	2021
Rig operating expenses			
Crew expenses	Note 10	47 790	37 299
Repair and maintenance		51 641	53 887
Insurance		4 382	4 498
Other operating expenses		-	741
Total rig operating expenses		103 814	96 425

		2022	2021
General & administrative expenses			
Employee benefits expense	Note 10	4 933	3 596
Provision for obsolete stock	Note 15	1	739
Other administrative expenses		2 248	3 909
Total general & administrative expenses		7 182	8 244

Other administrative expenses includes business tax and surcharges and administration fees.

Fees to the auditors are included in general and administrative expenses and are shown below:

in USD thousands, excluding VAT		2022	2021
Audit fees		430	219
Total auditor's remuneration		430	219



COSL Norwegian AS

Note 5. Employee benefit expense

in USD thousands		2022	2021
Salaries and bonus		49 221	35 102
Social security tax		5 926	4 949
Pension costs	Note 6	2 941	4 271
Other		(5 365)	(3 427)
Total employee benefit expense		52 723	40 895
Number of full-time equivalent positions at December 31		434	291

		2022	2021
Included in Crew expenses	Note 4	47 790	37 299
Included in General and administrative expenses	Note 4	4 933	3 596
Total employee benefit expense		52 723	40 895

Remuneration to Board of Directors

No remuneration was paid to the board members in 2022 and 2021. The board members did not receive shares or options for shares in 2022 or 2021.

All board members are employed by other COSL companies (Ultimate parent company).



COSL Norwegian AS
Note 6. Pensions

The Group has various pensions plans for its employees.

Subsidiaries COSL Drilling Europe AS and COSL Offshore Management AS have defined contribution pension plan which meet the requirements under Norwegian laws to provide an occupational pension scheme.

Subsidiary COSL Offshore Crew AS operates according to UK regulation regarding pension plan for its UK employees. The Company makes contributions for pension premiums with 6.0% of annual salary. All employees must contribute with a minimum on 2 %. The pension plan is covered and administrated through an insurance company.

Total contributions to the contribution pension plans were USD 2.657 thousand in 2022 (2021: USD 2.004 thousand).

COSL Drilling Europe AS and COSL Offshore Management AS have AFP pension arrangement, the cost for 2022 was USD 284 thousand, for 2021 it was USD 795 thousand.

The Group may at any time make alterations to the terms and conditions of the pension scheme and undertake that they will inform the employees of any such changes. The benefits accruing under the scheme are funded obligations.

All pension schemes are calculated and accounted for in accordance with the IFRS (IAS 19R).



COSL Norwegian AS

Note 7. Interest income and expense

in USD thousands	2022	2021
Interest income		
Related parties		
Bank interest	112	100
Total interest (Cost)/Income	112	100
Interest expense		
Related parties	(30 076)	(21 415)
Bank interest	(262)	(545)
Total interest expense	(30 338)	(21 960)
Net interest (expense)/income	(30 226)	(21 860)



COSL Norwegian AS

Note 8. Income tax

Reconciliation of total income tax expense during the year to the income tax expense at the statutory income tax rate applicable in Norway:

	2022	2021
Profit / (loss) before tax	(102 599)	(355 788)
Tax at Norway's statutory income tax rate of 22%	22 572	78 273
Adjusted for:		
Effect of different tax rates in other countries (1)	(19 722)	(75 490)
Non-taxable income and expense	(6 204)	(4 061)
Non-taxable currency effects & translation adjustments (3)	27 648	10 982
Change in temporary differences (offset against valuation allowance)	710	2 188
Utilize / (increase) tax loss carry forward	(24 998)	(12 011)
Other	2	-
Income tax benefit / (expense)	7	-120
Effective tax rate	0 %	0 %

Income tax balance in the balance sheet is specified as follows:

	2022	2021
Current income tax payable	(119)	(140)
Prepaid income tax	0	0
Total income tax receivable / (payable)	(119)	(140)

Deferred income tax at December 31 relates to the following:

	2022	2021
Deferred tax assets:		
Fixed assets	1 153	2 088
Deferred revenue (net)	-	-
Pension	-	-
IFRS 16 Leasing (net)	-	(8)
Group interest carried forward	32 348	36 248
Tax losses carried forward in Norway (2)	231 901	231 947
Valuation allowance	(265 402)	(270 283)
Deferred tax assets	-	(8)

Deferred tax liabilities:

Fixed assets	-	-
Deferred tax liabilities	-	-

Net deferred income tax asset / (liability) - (8)

Deferred tax cost

	2022	2021
Deferred tax, opening balance	(8)	-
Deferred tax, ending balance	-	(8)
Deferred tax benefit / (expense)	8	(8)



	2022	2021
Current income tax		
Current income tax charge, Norway	16	(99)
Current income tax charge, outside Norway	1	(26)
Deferred income tax		
Relating to origination and reversal of temporary differences	(8)	8
Income tax benefit / (expense)	<u>7</u>	<u>(119)</u>

The income tax rates imposed in the tax jurisdictions in which the Group conducts operations vary, as does the tax base to which the rates are applied. In some cases, tax rates may be applicable to gross revenue, statutory or negotiated deemed profits, or other bases utilized under local tax laws, rather than to net income. In addition, the rigs are frequently moved from one tax jurisdiction to another. As a result, the consolidated effective income tax rate may vary substantially from year to year, depending on the relative components of earnings generated in taxing jurisdictions with different tax rates.

(1) Including income and expenses arising on consolidation entries for which a different tax rate is applicable than the nominal tax rate in Norway of 22%

2) Total tax losses carried forward in Norway amount to USD 1,201 million (NOK 11.9 billion) per 31.12.2022 (2021: USD 1,219 million (NOK 10.4 billion)). The tax losses carried forward are available for an indefinite period to offset against future taxable profits. Deferred tax asset have not been recognized to the extent where future recoverability is uncertain. The tax return of the Company and its subsidiaries are routinely examined by relevant tax authorities, and in the ordinary course of business, certain items in the tax returns are questioned or challenged. The Company believes that adequate tax provisions have been made for open years.

(3) Includes tax effect of differences arising from foreign exchange effects relating to the Norwegian Kroner, which is the basis for taxation of the parent company and some group companies.



COSL Norwegian AS Note 9. Rigs and equipment 2022

In thousand USD	Semi submersible drilling rigs	Construction in Progress	Other	Total
Acquisition cost at January 1, 2022	2 141 546	11 273	41 630	2 194 449
Newbuilding, upgrades and reconstruction	36 138	26 436	107	62 681
Disposals	(475)	-	-	(475)
Acquisition cost at December 31, 2022	2 177 209	37 709	41 737	2 256 655
Accumulated depreciation at January 1, 2022	1 393 863	-	21 839	1 415 702
Depreciation cost 2022	51 339	-	1 864	53 203
Accumulated depreciation at December 31, 2022	1 445 202	-	23 702	1 468 904
Net carrying value at December 31, 2022	732 007	37 709	18 035	787 751

2021

In thousand USD	Accommodation rig	Semi submersible drilling rigs	Construction in Progress	Other	Total
Acquisition cost at January 1, 2021	532 758	2 128 982	12 851	41 576	2 716 166
Newbuilding, upgrades and reconstruction	-	11 048	-	-8	11 040
Transfer from under construction	-	1 516	(1 578)	62	-
Reclass from accumulated depreciation	(532 283)	-	-	-	(532 283)
Disposals	(475)	-	-	-	-475
Acquisition cost at December 31, 2021	-	2 141 546	11 273	41 630	2 194 449
Accumulated depreciation at January 1, 2021	532 283	1 104 195	-	19 698	1 656 176
Depreciation cost 2021	-	61 468	-	2 079	63 547
Reclass to acquisition cost	(532 283)	-	-	-	(532 283)
Disposals	-	-	-	62	62
Impairment of assets (1)	-	228 200	-	-	228 200
Accumulated depreciation at December 31, 2021	-	1 393 863	-	21 839	1 415 702
Net carrying value at December 31, 2021	-	747 683	11 273	19 791	778 747

(1) Impairment of rigs and equipment:

As at 31.12.2022 and at 31.12.2021 management evaluated the need for impairment of the carrying value of rig and equipment assets, concluding that the semi submersible rig did not need to be impaired in 2022. The impairments in 2021 was 228,2 MUUSD Semi submersible rigs (see note 8).

Accumulated impairments per December 31, 2022 amounts to USD 768.200 thousand for the semi submersible drilling rigs.

The depreciation cost does not include the depreciation of lease accounting.



COSL Norwegian AS

Note 10. Impairment testing of rigs & equipment

An impairment test of rig & equipment assets ("PP&E") is performed every year, if no indicators are identified during the quarterly assessments as such. For the evaluation of impairment indicators, management concluded each drilling rig to be an identical cash-generating unit ("CGU"). The recoverable amount of the cash-generating unit has been determined based on value-in-use ("VIU") calculations using cash flow projections based on a five-year rolling plan plus financial budget for fiscal year 2023 approved by Board of Directors. The post-tax discount rate applied to the cash flow projections is 8.34%, and the cash flow is calculated till the end of the rigs' useful life.

Based on the impairment assessment per 31.12.2022, management has identified no need for impairment of rig & equipment assets. 2021 the impairment recognition was USD 228,2 million.

The impairment trigger assessment of the cash-generating unit for 31 December 2022 is most sensitive to the following assumptions:

- Discount rate: A post tax discount rate of 8.34% has been applied, which reflect specific risks relating to the cash generating units.
- Investments: Capital expenditures are based on estimated annual amounts required for maintenance to keep all rigs operating continuously and expected dry-dock every 5 year.
- Day rates: For the short term period, day rates are based on contracts currently in place. For the mid- to long term, day rates are based on managements' expectations on future market developments with reference to external rig market development reports.
- Utilization rates: The utilization rates applied varies between 90% till 95% based on historic trends per region and current market situation. Furthermore, for rigs currently without contract a utilization rate of 0% is applied for the period in which the rig is expected not to be able to have secured and commenced on a new contract.
- Operating expense per day: Operating expenses are based on company's historic experience and budgets approved by the Board of Directors.
- Tax rate: An estimated effective tax rate of 22% has been applied for semi drilling rig business.
- Inflation: An inflation rate of 2% is applied to day-rates and operating expenses in the period beyond the five-year rolling plan and financial budget.

The values assigned to key assumptions which includes rig utilization rate, day rate and projected expenses are consistent with external information sources and historical trends.



COSL Norwegian AS

Note 11. Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

In 2022 the company's borrowing interest rate (annual) change to 0,59% for the short term borrowing. The warehouse lease option period was executed. The rent at the office at Forus was reduced for 6 months in the period 1/10/2021 to 31/3/2022 this lead to a recalculation of the lease liability

The Group has offices and warehouse lease agreements. The warehouse lease ended 01.04.2022, and the company has executed a one year options, the agreement has been renegotiated in 2023. The office lease at Vestre Svanholmen ends at 31.12.2024.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies "the short term lease" and "lease of low value assets" recognition exemption for these leases.

2022

Right of use assets Assets	Mongstad	Offices at Forus	Total
Discount Rate	0,59 %	0,59 %	
Opening Balance	1 090	967	2 057
Addition/execute options and reduce the price	-	-	-
Depreciation	-863	-369	-1 252
Agio	-40	-68	-107
End Balance	188	510	698

Lease Liability	Mongstad	Offices at Forus	Total
Discount Rate	0,59 %	0,59 %	
Opening Balance	614	578	1 192
Addition	-	-	-
Lease payment	-588	-337	-925
Agio	-34	-63	-97
Accrued interest	8	7	15
End Balance	-0	185	185

2021

Right of use assets Assets	Mongstad	Offices at Forus	Total
Discount Rate	2,35 %	2,84 %	
Opening Balance	750	1 502	2 252
Addition/execute options and reduce the price	959	-205	754
Lease payment	-642	-379	-1 021
Accrued interest	22	49	72
End Balance	1 090	967	2 057

Lease Liability	Mongstad	Offices at Forus	Total
Discount Rate	2,35 %	2,84 %	
Opening Balance	163	1 094	1 257
Addition	959	-205	754
Lease payment	-531	-360	-891
Accrued interest	22	49	72
End Balance	614	578	1 192



COSL Norwegian AS

Note 12. Trade receivables, other receivables and prepayments

Trade receivables are specified as follows:

in USD thousands		2022	2021
Trade receivables from third parties		4 990	1 537
Trade receivables from related parties	Note 13	17 427	52 658
Total trade receivables		22 417	54 195

Trade receivables are non-interest bearing and are generally on 30-60 days terms.

Movements in the provision for impairment of trade receivables is as follows:

in USD thousands		2022	2021
Provision for impairment at 1 January		84 264	84 264
Provision for impairment at 31 December		84 264	84 264

Other receivables and prepayments are specified as follows:

in USD thousands		2022	2021
Other receivables from related parties	Note 13	213 443	220 852
Prepayments		1 519	1 226
Other		772	620
Total other receivables and prepayments		215 735	222 699

Other receivables and prepayments are non-interest bearing and are generally on 30-60 days terms.



COSL Norwegian AS
Note 13. Related parties

In the normal course of its business, the Company enters into a number of transactions with related parties.

All transactions with related parties have been made on an arms length basis and are settled on a regular basis. The table below provides the total amount of transactions, which have been entered into with related parties for the relevant financial year. Sales and purchases from related parties relates to services rendered under the above mentioned management agreements.

2022	Sales to related parties	Purchases from related parties	Interest owed to related parties	Amounts owed by related parties	Amounts owed to related parties
in USD thousands					
COSL	25 562	-	30 076	230 870	558 095
Total related parties	25 562	-	30 076	230 870	558 095
2021	Sales to related parties	Purchases from related parties	Interest owed to related parties	Amounts owed by related parties	Amounts owed to related parties
in USD thousands					
COSL	1 508	-	21 176	297 409	608 894
Total related parties	1 508	-	21 176	297 409	608 894



COSL Norwegian AS
Note 14. Inventory

in USD thousands	2022	2021
Spare parts	23 946	24 638
Provision for obsolescence	(1)	(739)
Total inventory	<u>23 945</u>	<u>23 898</u>

Inventory relates to spare parts and tools held at stock both offshore at rigs and onshore at Mongstad base. The value in the balance sheet is at historical cost less provision for obsolescence.



COSL Norwegian AS
Note 15. Cash and cash equivalents

The Company had Cash and cash equivalents denominated in the following currencies at the end of the period:

in USD thousands	2022	2021
US dollar	(2 652)	21 663
Norwegian kroner	(11 441)	(2 510)
Great British Pound	47 162	(2 264)
Other	310	332
Total	33 379	17 220

Restricted cash and cash equivalents

Restricted bank withheld employee tax	1 586	1 428
Restricted bank account regarding pension	446	491
Total	2 032	1 920



COSL Norwegian AS

Note 16. Shares and shareholders

As of December 31, 2022, COSL Norwegian AS is a wholly-owned subsidiary of COSL Singapore Ltd. Board members and senior management owned no shares as of December 31, 2022.

Note 17. Issued capital

Issued capital

in USD thousands, unless otherwise indicated	Number of shares	Share capital	Paid-in premium
Share issue, June 23 2008 (date of incorporation)	100 000	20	-
Share issue, September 5 2008	1 541 228 656	285 430	713 570
Balance at December 31, 2022	1 541 328 656	285 450	713 570

All issued shares have a par value of NOK 1 and are of equal rights. COSL Norwegian AS is incorporated in Norway and the share capital is denominated in NOK. In the table above, the share capital and paid-in premium is translated to USD at the foreign exchange rate in effect at the time of each share issue.



COSL Norwegian AS

Note 18. Interest-bearing debt

in USD thousands

	Rate	2022	2021
Non-current			
Long-term COSL shareholder's loan no.1	1,04% (0,72%)	772 524	451 279
Long-term COSL shareholder's loan no.2	1,04% (0,72%)	156 352	90 778
COSL Finance (BVI) Limited -Bond Loan	(3,28%)	-	461 000
Loan from CNOOC	SOFR plus 0,4%	132 295	-
Loan from OOGC	SOFR plus 0,4%	82 872	-
Total non-current portion of interest-bearing debt		1 144 043	1 003 057

*Figures in brackets are for 2021.

Current

Loan from OOGC Loan	1 m Libor plus 0,5%	350 000	350 000
Total current portion of interest-bearing debt		350 000	350 000

Maturity interest bearing debt

Within one year		350 000	350 000
Later than one year and not later than four years		1 144 043	1 003 057
Five years and later		-	-
Total non-current and current borrowings		1 494 043	1 353 057

COSL Shareholder's loan no. 1

This is an unsecured loan with China Oilfield Services Limited. The loan interest is based on a fixed rates in 2021 and in 2022. The loan is repaid based on COSL Norwegian AS cash flow from time to time. The company has the right to choose to pay the accrued interest quarterly, semi-annually, annually or as may be otherwise agreed with the lender. The original loan the Company and COSL has committed to extend the repayment of the loan until 31th December 2023. For the agreement which were made in May and August 2022, The maturity dates are May 2025 and in August 2027, and they are therefore presented as non-current liability.

COSL Shareholder's loan no. 2

This is an unsecured loan with China Oilfield Services Limited. The loan interest is based on a fixed rates in 2021 and in 2022. The loan is repaid based on COSL Norwegian AS cash flow from time to time. The company has the right to choose to pay the accrued interest quarterly, semi-annually, annually or as may be otherwise agreed with the lender. The original loan the Company and COSL has committed to extend the repayment of the loan until 2025.

In May 2017, the company entered into a loan facility agreement (unsecured) with China Oilfield Services Limited for USD 80 million revolving ("COSL Shareholder loan"). The loan is repaid based on COSL Norwegian AS cash flow from time to time. Interest is fixed at 1.04% in 2022.

The company has the right to choose to pay the accrued interest quarterly, semi-annually, annually or as may be otherwise agreed with the lender. In order to ensure a smooth re-financing, The Company and China Oilfield Services Limited has committed to extend the repayment of the loan until 12th May 2023 and it is therefore presented as non-current liability.

COSL Finance (BVI) Limited -Bond Loan

The loan and interest was repaid in 2022.

Loan from OOGC

In August 2022, the company entered into a loan facility agreement (unsecured) with CNOOC Group, for upto USD 132 million ("CNOOC"). The loan interest is based on SOFR(1M) + 0.4%. The maturity date is in August 2027.

Loan from OOGC

In August 2022, the company entered into a loan facility agreement (unsecured) with OOGC, one of the CNOOC subsidiaries, for upto USD 82 million ("OOGC"). The loan interest is based on SOFR(1M) + 0.4%. The maturity date is in August 2027.

Short term loan from OOGC

In July 2016, the company entered into a loan facility agreement (unsecured) with OOGC, one of the CNOOC subsidiaries, for up to USD 350 million ("OOGC loan"). The loan interest is based on LIBOR (1M) + 0.5%. The loan can be extended based on the negotiation between the company and OOGC.

Covenants

There are no covenants relating to the loans outstanding as of December 31, 2022.



COSL Norwegian AS

Note 19. Financial instruments and risk management

Risk Management Overview

The Group is exposed to a number of different financial market risks arising from our normal business activities. Financial market risk is the possibility that fluctuations in currency exchange rates or interest rates will affect the value of our assets, liabilities or future cash flows.

To reduce and manage these risks, management periodically reviews and assesses its primary financial market risks. Once risks are identified, appropriate action is taken to mitigate the specific risk. The primary strategy used to reduce our financial risk is the use of spot exchange with financial institutions, where appropriate. Currency spot are used periodically in order to minimize the Company's various net exposures, as well as minimizing specific exposures. The group only trade with high reputation financial institutions on the currency exchange.

It is the management's policy to enter into the currency spot with only highly rated financial institutions. The currency spot is only used for the purpose of managing risk associated with currencies. The Group does not trade or use instruments with the sole objective of obtaining financial gain on fluctuations in currencies or interest rates.

Currency Risk:

The U.S. Dollar is Group's reporting currency as well as the currency for most of the Group's revenues. The currency exposure related to cash flow and the net result arise mainly from administration and operating expenses, nominated in non-USD currencies, mainly NOK. Most of the company's administration expenses and operating expenses in Norway (excluding depreciation) are incurred in NOK currencies.

Changes in the value of the U.S. Dollar relative to these currencies could expose the Group to currency risk. To minimize the impact of foreign exchange movements on the Group's results, the Group periodically enters into currency spot for USD/NOK to minimize the currency risks associated with certain firm commitments and/or forecasted exposures.

	Increase / decrease USD rate against NOK	Effect on profit before tax
2022	+/- 10%	+USD 7.8 mill. / USD - 6,3 mill.
2021	+/- 10%	+USD 5.0 mill. / USD - 4,1 mill.

Interest Rate Risk:

The Group's exposure to the risk of changes in the market interest rates relates primarily to the long term debt obligations with floating interest rates. The risk management objective for interest rate risk is to minimize the variations of cash flows arising from changes in interest rates.

At 31 December 2022, 60,8% of the interest bearing debt was floating (2021: 34,9%). The table below shows the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's profit before tax.

	Increase / decrease in basis point on floating interest debt	Effect on profit before tax
2022	+/- 50 bps	+/- USD 2,83 mill.
2021	+/- 50 bps	+/- USD 1,75 mill.

**Credit Risk:**

The Group trades with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant. There is no other significant concentration of credit risk within Norwegian companies in the Group.

Liquidity Risk:

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tool considers the maturity of its financial assets, projected cash flows from operations and forecasted investments in newbuildings.

The liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group maintains sufficient cash for its daily operation via cash deposit.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

At 31 December 2022	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years
Interest-bearing loans	-	350 000	-	1 144 043
Other liabilities	218 038	-	-	-
Trade payables	38 827	-	-	-

At 31 December 2021	Less than 3 months	3 to 12 months	1 to 3 years	Over 3 years
Interest-bearing loans	-	350 000	-	1 003 057
Other liabilities	225 579	-	-	-
Trade payables	22 448	-	-	-

Capital Management:

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. The Group monitors its capital structure using an equity ratio, which is total equity divided by total assets. The Group's policy is to keep a reasonable equity ratio, also considering the Group's shareholder's loans.

	2022	2021
Total equity (excl. COSL Shareholder Loans)	-669 336	-566 745
Total equity (incl. COSL Shareholder Loans)	474 707	436 312
Total assets	1 083 924	1 098 815
Equity ratio (excl. SHL)	-61,8 %	-51,6 %
Equity ratio (incl. SHL)	43,8 %	39,7 %



COSL Norwegian AS
Note 20. Non current liability

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received from the contract. A provision for loss on onerous contracts would be made by the Group if it has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The Group estimates the provision on onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under the drilling service contract. The expected economic benefits are estimated based on the signed drilling services contract by reference to contracted day rate, expected utilization rate while unavoidable costs are estimated based on budget and historical cost level that the Group is obligated to execute under the drilling service contract.

The Group conducted an assessment of the drilling service contract and recognized a provision of 9,467 thousand USD for onerous contracts at 31 December 2022. The provision is split between short term for the drilling contract estimated for 2023 and long term (non-current) for contracts.

	<u>2022</u>	<u>2021</u>
Within one year	8 130	9 891
Later than one year and not later than four years	1 337	8 134
Total provision for Onerous Contract	9 467	18 025



COSL Norwegian AS

Note 21. Other short-term debt

in USD thousands	2022	2021
Accrued payroll and related costs	4 185	6 338
Short term liabilities to related party, COSL Drilling Pan-Pacific Ltd	41	41
Short term liabilities to related party, COSL Drilling Pan-Pacific (Labuan) Ltd	203 497	207 638
Onerous contract accrual	8 130	9 891
VAT, wagetax, business tax payable	1 347	1 540
Other payables	838	132
Total other short-term debt	218 038	225 579

The majority of the other short-term debt are payable within 0 till 90 days.
Other short term debt is non-interest bearing.



COSL Norwegian AS

Note 22. Going Concern

The Group's equity as of 31 December 2022 has been lost and amounts to USD 669.3 million (2021: USD 566.8 million loss). The change is the operational loss for 2022, due to relatively low day rates and COSL Promoter held ready for operation. The equity of the Company is lost with an amount of USD 474.1 million (2021: USD 424.7 million loss).

In 2022, the Group has signed several LOI and contracts for 2023 and 2024, this will help COSL Norwegian AS to rebuild its equity. The Board believe that the market will improve over the next years.

The Group/Company is mainly financed by parent company and related party loans ("COSL Shareholder loans"), which may be converted by China Oilfield Services Ltd (COSL) to additional equity. COSL has guaranteed to provide financial support to COSL Norwegian AS and its subsidiaries. COSL will provide continuing financial support to the COSL Norwegian Group companies if required to enable them to operate as a going concern and to meet their obligations, for at least 12 months from the date of directors' report, and that such financial support include to provide necessary funding to the companies as well as not calling for payments of the amounts that the Companies owe to COSL. This has been formalized through a signed supporting letter.

Per 31 December 2022, the Group's equity including COSL Shareholder loans amounts to USD 824.7 million, which implies an adjusted equity ratio of 76.1%. This has been assessed by the Board as sufficient to continue business operations of the Group and the Company.

The Group furthermore had a positive bank balance per 31 December 2022 of USD 33,4 million.

On the basis of the above, the Group's ability to continue to carry out its objectives and commitments in the foreseeable future is supported and the financial statements have been prepared under the assumption of the Group's ability to continue as a going concern.



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of COSL Norwegian AS

Opinion

We have audited the financial statements of COSL Norwegian AS (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2022 and 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. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the balance sheet of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for opinion

We conducted our audit in accordance with 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 and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors) is responsible for the other information. 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 board of directors' report contains the information required by applicable legal requirements and 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 the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that



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the information required by applicable legal requirements is not included in the board of directors' report, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, 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 and the Group'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 the Group, 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 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 the 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 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, 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 and the Group'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 and the Group'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 and the Group to cease to continue as a going concern.

Independent auditor's report - COSL Norwegian AS 2022

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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Stavanger, 19 June 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Erik Søreng
State Authorised Public Accountant (Norway)

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Independent auditor's report - COSL Norwegian AS 2022

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"By my signature I confirm all dates and content in this document."

Erik Søreng

State Authorised Public Accountant (Norway)

On behalf of: Ernst & Young AS

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