



GOLDEN OCEAN™



GOLDEN OCEAN™

Consolidated financial statements 2011

Annual Report 2011

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DIRECTORS' REPORT FOR GOLDEN OCEAN GROUP LIMITED FOR THE YEAR ENDED DECEMBER 31, 2011

INTRODUCTION

Golden Ocean Group Limited ("Golden Ocean", "Group" or the "Company") is a leading international dry bulk shipping company based in Bermuda, mainly operating in the Capesize and Panamax market segments. The Golden Ocean Group fleet is managed by the fully owned subsidiary Golden Ocean Group Management (Bermuda) Ltd, who in turn has subcontracted services to Golden Ocean Management AS, based in Oslo, Norway, and Golden Ocean Management Asia Pte Ltd, based in Singapore.

Golden Ocean was established in 2004, and its shares were admitted to trading on the Oslo Stock Exchange in the same year. The Company obtained a secondary listing on the Singapore Stock Exchange in March 2010.

Starting off with a fleet of three vessels and options to acquire two newbuilding orders, the Company had a substantial growth in fleet size and business activity. Expansion has taken place both through purchases of second hand tonnage and newbuildings, as well as through time charter and bareboat agreements.

The Company now owns or controls 20 vessels, has 14 vessels (including two option vessels) under construction for delivery between 2012 and 2013, and has several chartered-in vessels. In addition, the Company has substantial time charter contract coverage.

MISSION STATEMENT AND STRATEGY

Our mission is to provide customers with flexible and reliable transportation services and develop strong industry relations with partners and customers, leading to superior returns to the Company's shareholders.

Golden Ocean is operating with a fully integrated commercial management structure responsible for all vessels and contracts. Technical operations and crewing of all owned vessels is outsourced to a few leading ship management companies. The Company is focusing on the Panamax and Capesize market. Golden Ocean Group is targeting low overhead and daily ship operating costs.

Golden Ocean seeks to optimize its investment and divestment decisions, and the short and long chartering positions, as a function of the cyclical nature of the business. In order to optimize the return to equity holders, the Company is seeking financing which includes an attractive combination of debt and equity. Golden Ocean is, in connection with ownership of vessels, focusing on the overall cash break-even rates needed to support the specific project as well as the Company.

To balance the operational risk Golden Ocean might seek charter coverage in the physical and financial markets. The growth of the Company can be achieved by acquiring additional tonnage through individual purchases, en bloc purchases, as well as small or large corporate transactions. The growth can also be achieved through entering into major short or long term contracts for transportation of goods and chartering of vessels.

Golden Ocean is positioning itself as an attractive investment vehicle for public investors. The major building blocks are transparency, good corporate governance, strong management team, competitive cost base, active business dealing, and attractive long term equity return and shareholder friendly information philosophy. Efficiently priced equity is a major condition for the growth of the Company. Through an attractively priced equity, Golden Ocean can act as a consolidator in a highly fragmented market.

MARKET DEVELOPMENT

For quite some time dry bulk analysts have focused on the order book and potential oversupply of dry bulk vessels. In 2011 more than 1,100 vessels entered the market out of which 250 were Capesizes and 290 Panamaxs. In other words, more or less one vessel from each segment was delivered every working day last year.

At the beginning of 2011 the official order book projected that as much as 140 mdwt was scheduled to be delivered during 2011. This represented as much as 25 per cent of the existing fleet back in January 2011. But the same trend as in 2009 and 2010 occurred also last year. A combination of delays, cancellations and restructuring of contracts resulted in a delivery ratio of 67 per cent compared to the official order book. Forecasters are questioning the quality of the input to the official order book, which mainly derives from lack of information when cancellation are done and not reported. In addition, the ambitious plans of many so called green field yards have not been realistic.

Scrapping, which is mainly a function of the spot market, was at a historic high in 2011. Almost 25 mdwt was scrapped and the average age of the vessels being scrapped was the lowest since 2003. Consequently the net fleet growth was 77 mdwt or close to 14 per cent of the existing fleet.

With such supply growth we should have expected a dramatic drop in utilization and earnings. That did not happen, at least not to the same extent as most analysts predicted. For the smaller sizes earnings were relatively flat throughout the year, while Capesize earnings were split with considerably higher returns in the second half compared to the first half of 2011. There were three factors that made the first half particularly difficult. Adverse weather in Australia, with flooding and bad weather conditions in general in the southern hemisphere, the earthquake and devastating tsunami in Japan plus a traditional high influx of newbuildings which takes place at the beginning of every calendar year.

Overall it is believed that the average utilization of the dry bulk fleet during 2011 was around 85 per cent: The increase in tonnes mile demand was close to 10 per cent, while volume growth on its own was less than 6 per cent. Other elements stabilising the balance were:

- Slow steaming
- Congestion
- Chinese coastal trade.

Since the start of the dry bulk super cycle in 2003 it has been an all about the China story. The country has accounted for about 95 per cent of incremental growth and the dependence of Chinese growth will remain the same coming years. In 2011 dry bulk imports to China increased by 21.5 per cent and in four months last year monthly imports of all dry bulk commodities exceeded 100 million mt.

Looking into the future most forecasters agree that 2012 will be a challenging year for owners of dry bulk tonnage. It is expected that net supply growth could almost reach same levels as in 2011, while demand growth is expected to be slightly lower resulting in lower spot earnings and further downward pressure on asset values. Further out on the curve analysts are giving good reasons for a potential positive fundamental trend shift. In 2013 the order book is considerably smaller and in spite of a bleak outlook for the European economies in particular, demand growth is expected to remain robust.

There are a couple of reasons worth mentioning in this context:

- A combination of poorer quality of the Chinese iron ore production and substantial new capacity of international iron ore entering the market will most likely give a positive arbitrage for Chinese Steel Producers.
- It is expected that Indian ore exports will continue to diminish, which in turn will result in longer sailing distances for iron ore in general
- Imported coal to China is only accounting for 6 per cent of the total Chinese coal consumption and similarly to iron ore it is expected that positive arbitrage will stimulate imports

- India will continue its strong growth in coal imports and could potentially be forced to import iron ore as well if analysts are right when they forecast Indian steel production in the years to come

HIGHLIGHTS IN 2011

In January 2011, Korea Line Corporation (“KLC”) filed a petition to the Korean court for rehabilitation, and such order was granted on 15 February 2011. Golden Ocean had two vessels, Golden Empress and Golden Eminence, on long-term charters to KLC. KLC terminated the charter contracts and redelivered the vessels on March 9 2011, resulting in a claim from the Company on KLC. The Company came to an agreement with KLC over the claim amount in February 2012. The Company will receive a small amount in 2012 and the rest will be part of the rehabilitation process, where 37% of the claim will be paid out as cash over 10 years. In addition the Company will be granted some shares in KLC.

In August 2011, the Company agreed to amend the daily charter rate for the Capesize Golden Beijing to \$23,000 per day, while the Company still has the full upside based on average earnings obtained up till \$38,250 per day. The Company also has 65 % of the upside between \$38,250 and \$49,000 per day and 30 % of the upside above this level, as per previous agreements.

In September 2011 the Company announced a share repurchase program of up to 45 million shares. The Company bought during the third and fourth quarter of 2011 a total of 3,490,107 shares at an average price of NOK 3.99. The Company cancelled the repurchased shares in January 2012.

In November 2011 the Company entered into a new financing agreement for four of the newbuilding contracts. After this financing the Company has only two unfinanced vessels of a total of 12 newbuilding vessels.

Throughout the year of 2011 the Company has agreed with Pipavav Shipyard Ltd (“Pipavav”) to extend delivery dates for some of the newbuildings at the yard. The first vessel from Pipavav was delivered in November 2011.

During 2011 the asset values dropped with more than 20%. Throughout the year the Company has made additional down payments on the loan agreements in accordance with the terms of the said agreements. In total the Company has paid down \$45 million from April 2011 to January 2012. The Company's strong cash position has made it possible to honor the agreements without any amendments.

Golden Ocean took during 2011 delivery of one Capesize vessels, Golden Zhoushan, and two Kamsarmax vessels, Golden Endurer and Golden Enterprise, from Jinhaiwan shipyard. The Company also took delivery of one ice class Panamax vessel, Golden Suek, from Pipavav Shipyard Ltd.

FINANCIAL REVIEW

Income statement

The Company's consolidated revenues for 2011 were \$317.1 million, which is \$67.8 million lower than the consolidated revenues for 2010. The revenues are down due to lower average charter rate on fixed vessels and lower earnings in the spot market. The number of owned vessels in the fleet has increased from 2010 to 2011; however the activity in the trading portfolio was reduced. Short term trading revenue was down from \$191.3 million to \$126.7 million for the year.

For the full year 2011 the consolidated operating profit was \$46.6 million, down from \$127.4 million in 2010. The 2011 numbers include an impairment of \$38.7 million on vessels and impairment on marketable securities of \$14 million, while the 2010 numbers included a reversal of impairment of \$16.8 million.

The Company's net profit for 2011 was \$14.3 million which is equivalent to earnings per share of \$0.03. In 2010 the Company had a net profit of \$108 million and earnings per share of \$ 0.24.

Balance sheet

In 2011, the Company's total assets are \$1.2 billion. This is at same level as at the start of the year. Total current assets decreased by \$63.3 million whereas non-current assets increased by \$48.2 million. The Company has taken delivery of vessels and part of the installments is paid with cash. In addition there has been a reduction in the value of the marketable securities.

During 2011 the current liabilities increased by \$29.6 million to \$99.3 million. Total non-current liabilities decreased by \$0.3 million to \$582.8 million. Net interest bearing debt was at year end 2011 amounting to \$518.3 million, compared to \$486.9 million in the preceding year.

The Company's total shareholders' equity decreased from \$574.5 million to \$529.9 million during 2011. This reflects the net Comprehensive Income for the year of \$7.4 million, adjusted for the dividends paid out in 2011 amounting to \$50.3 million and other adjustments of \$1.6 million.

Cash flow

Golden Ocean Group Limited had as of December 31, 2011 free cash and cash equivalent balance totaling \$126.7 million, which is a decrease of \$52.8 million compared to the preceding year. For the year the net cash provided by operating activities amounted to \$131.6 million, compared to \$165.2 million in 2010. Net cash used by investing activities amounted to \$131.5 million. Of this, \$119.2 million was used on installments for newbuildings. Net cash used in financing activities was \$52.8 million.

Going Concern

The Company considers itself to be in a financially healthy position in today's demanding dry bulk and financial debt markets. As such, pursuant to Section 3-3a of the Norwegian Accounting Act, the Board confirms that the going-concern assumption applies and that the annual accounts have been prepared on the basis of this assumption. For a description of subsequent events after the balance sheet date please see note 34 to the consolidated accounts.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Health, safety and the environment is one of the core values and a critical success factors for Golden Ocean. Golden Ocean's crew is outsourced to external ship managers. However, accidents on vessels are monitored by the Company. In 2011, Golden Ocean had three incidents that required medical treatment and four incidents were classified as Lost Time Injuries (LTIs). LTI frequency changed from one incident in 2010 to four in 2011 and incidents requiring medical treatment changed from one in 2010 to three in 2011. Golden Ocean has a zero accident philosophy which implies that no accidents or serious incidents are acceptable. Golden Ocean had no accidental discharges to the natural environment in 2011. The absence due to sickness is less than one percent.

HUMAN RESOURCES AND DIVERSITY

Golden Ocean has currently 16 employees who are mainly of Norwegian nationality. Females constituted 20 percent of the workforce, 50 percent of Management and 40 percent of the Board of Directors. The Company has an ambition to create a good working environment, and focuses on offering challenging and motivating work tasks and equal development opportunities to all employees, regardless of gender, nationality, culture or religion. Golden Ocean's policy is to promote equality of opportunity to females and males, and hiring, promotion, training and remuneration is based on qualifications such as education, experience and achievements.

CORPORATE GOVERNANCE

In connection with the Company's listing on the Oslo Stock Exchange there is a comply or explain requirement in relation to the Norwegian Code of Practice for Corporate Governance of October 21, 2010. For further information on the Code of Practice see separate attachment.



SHAREHOLDERS

Golden Ocean Group Limited is listed on the Oslo and Singapore Stock Exchanges. The largest shareholder is Hemen Holding Limited, which is a company indirectly controlled by a trust established by Mr. John Fredriksen, the Company's Chairman, President and CEO, for the benefit of his family. Hemen Holding Limited controls some 40 percent of the Company. In the shareholder register as of December 31, 2011 no other shareholder owns or controls more than 10 percent of the Company's shares. In total the twenty largest shareholders controls some 62.0 percent of the shares, with the remaining held by more than 9,400 investors. The number of outstanding shares in Golden Ocean per December 31, 2011 was 456,990,107. The Company held 3,490,107 treasury shares at the same time. The treasury shares were cancelled on January 4, 2012, and the updated number of outstanding shares after the cancellation is 453,500,000.

RISK FACTORS

A number of risk factors may adversely affect the Company. It should be noted that the risks described below are of a general nature and are not the only risks that may affect the Company's business or the value of its shares. Additional risks not presently known to the Board of Directors or considered immaterial at this time may also impair its business operations and prospects.

Market risks

The Company is exposed to the volatility inherent in the dry bulk market, where it has virtually all its assets and operations. The market is volatile and highly competitive. Demand for dry bulk transportation is closely linked to global economic trends, with risks of demand setbacks in periods of economic downturns. Supply of tonnage serving the dry bulk market is growing as an effect of large ordering in previous years. The market balance is difficult to predict, and there is no assurance that resulting rates will be sufficient to cover expenses and/or a return on the Company's capital. When the Company is performing cargo contracts the Company is exposed to bunker price fluctuations. Although we have entered and may enter into some hedging transactions to partially mitigate the risk of bunker rate fluctuations, such hedging or our hedging policy may not adequately cover our exposure to these fluctuations.

The Company has also been exposed to the volatility inherent in the dry bulk market through the nearly 10 per cent ownership in KTL, which have most of the assets in the dry bulk industry. These shares were sold in March 2012 (see note 34).

Operational risks

The Company's operations may be subject to a number of risks. This includes construction risks, risks of counterparties failing to honor their obligations, technical risks (including the service life of the Company's vessels and unexpected repair costs), risks inherent in marine operations such as groundings and collisions, as well as environmental risks. The Company has a relatively low number of employees. In the course of its activities, the Company may become part to legal proceedings and disputes. Insurance protection may not be adequate in all instances. All of these factors could have a significant impact on the Company's operations or financial position.

Interest rate and currency fluctuation risks

The Company will be exposed to risks due to fluctuations in interest rates and exchange rates. By the nature of the Company's business, its revenues are primarily earned in USD. The costs are also mainly in USD, the Companies loans are in USD and the Company reports in USD. Exchange rate risk is related to the cost of the management Companies as well as other costs incurred in other currencies than USD. The Company is exposed to the interest rate fluctuations through the loan agreements where the cost is based on a floating interest rate plus a fixed margin. Changes in the interest rates may have a material adverse impact in the financial performance of the Company. Although we have entered and may enter into some hedging transactions to partially mitigate the risk of exchange rate and interest rate fluctuations, such hedging or our hedging policy may not adequately cover our exposure to interest rate and exchange rate fluctuations.

Borrowing and leverage risks

Borrowings create leverage. To the extent income derived from assets obtained with borrowed funds exceed the interest and other expenses that the Company will have to pay, the Company's net income will be greater

than if borrowings were not used. Conversely, if the income from the assets obtained with borrowed funds is not sufficient to cover the cost of borrowings, the net income of the Company will be less than if borrowing were not used. Furthermore, the cash flow must be sufficient to meet the repayment schedule for the borrowed funds in order to avoid default under the financing facilities. The Company will seek to borrow only when the directors of the Company believe that such borrowings will benefit the Company after taking into account considerations such as the costs of the borrowing, the repayment schedules and the likely returns on the assets financed with the borrowed monies. However, no assurance can be given that the income will exceed the interest and costs associated with the loan, or be sufficient to repay the loan when due.

The Company's financing arrangements are subject to customary covenants. As is normal in the maritime industry, such covenants also relate to the market value of the Company's assets being financed. Given the volatility in the equity and debt markets, there can be no assurance that the Company will be able to secure financing or that such financing will be available at commercially reasonable rates, to meet the necessary payment terms under the construction contracts and keep the existing level of gearing on sailing vessels in place.

Taxation risks

Changes in taxation law or the interpretation of taxation law may impact the business, results of operations and financial condition of the Company. To the extent tax rules change, this could have both a prospective and retrospective impact on the Company, both of which could be material.

STRATEGY AND OUTLOOK

The Board of Golden Ocean has consistently expressed its concern for the rapidly growing order book which inevitably had to lead to lower utilization of the dry bulk fleet and declining spot earnings and asset values. As a consequence a conservative chartering strategy has been adopted over a period of time. Presently GOGL only has half a Capesize and one Kamsarmax vessel exposed to the spot market though index linked charter contracts. In 2013, 70 per cent of our Capesize capacity and 60 per cent of our Panamax capacity is covered.

The Company observes that the newbuilding program at both yards could face further delays. The situation will be monitored closely and may lead to further restructuring of some of the newbuildings.

Given the state of the spot market it is vitally important to focus on counterparty risk and continue to have a proactive strategy to protect the Company's values going forward.

Outlook

By mid 2013 Golden Ocean is expected to own a fleet of 26 vessels with an average age of around three years. This does not include long term time charters and bareboat charters with purchase options. The combination of high long term coverage, regular bank financing at competitive terms and loans reflecting present asset values constitutes a solid platform for further growth.

The total size of the order book has peaked and is presently being reduced based on massive deliveries. Based on recent drop in asset values and a continued downward pressure for the dry bulk sector in general, it is expected that attractive investment opportunities will arise. The risk / reward ratio for dry bulk looks more interesting and consequently the Company will increase its search for attractive investment opportunities within the sector. The Company should therefore hopefully be in the forefront to capitalize on the present low cycle and meet a potential positive trend shift with a bigger fleet.

The Company will seek for opportunities with limited equity investments and large exposure can be obtained. Due to high oil prices and new regulations imposed on the entire shipping industry, GOGL will focus on fuel efficient and eco friendly assets when analyzing acquisition candidates. Consequently, existing fleets of vessels is not the prime target for acquisitions.

Based on the homogenous fleet and the Company's outsourcing philosophy it is expected that both operating and administrative cost will remain low in the coming years.

Forward Looking Statements

This report may contain forward looking statements. These statements are based upon various assumptions, many of which are based, in turn, upon further assumptions, including Golden Ocean's management's examination of historical operating trends. Although Golden Ocean believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, Golden Ocean cannot give assurance that it will achieve or accomplish these expectations, beliefs or intentions.

Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in this report include the strength of world economies and currencies, general market conditions including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk market, changes in the Company's operating expenses including bunker prices, dry-docking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company.

The Board is confident in the outlook for the Company's businesses.

Hamilton, Bermuda, March 30, 2012
Board of Directors
Golden Ocean Group Limited
Oslo, March 30, 2012
Herman Billung
CEO Golden Ocean Management AS

BY: /s/ John Fredriksen
John Fredriksen
President, CEO and Chairman

BY: /s/ Tor Olav Trøim
Tor Olav Trøim
Vice President and Director

BY: /s/ Kate Blankenship
Kate Blankenship
Director

BY: /s/ Hans Christian Børresen
Hans Christian Børresen
Director

BY: /s/ Cecilie Fredriksen
Cecilie Fredriksen
Director



Golden Ocean Group Limited
Consolidated Comprehensive Income Statement

(in thousands of \$, except per share data which are in \$)

		Year ended December 31	
		2 011	2 010
	Note		
Operating revenue			
Revenue	3	316 294	378 629
Other operating income	3	822	6 250
Total operating revenue	3	317 116	384 879
Operating expenses			
Voyage expenses and commission		70 798	65 878
Vessel operating expenses		36 333	30 723
Charter hire expenses		72 627	139 384
Administrative expenses	4	10 732	10 074
Depreciation and amortisation	12,13,14,15	33 824	30 717
Impairment of vessels and vessels under construction	5	38 700	(16 800)
Total operating expenses		263 015	259 976
Other gains/losses net			
Gain on sale of assets		-	3 166
Impairment of marketable securities	18	(14 099)	-
Other gains/(losses) net	6	6 644	(632)
Total other gains/(losses) net		(7 455)	2 534
Operating profit		46 646	127 437
Interest income	7	1 195	827
Interest expense	8	(23 087)	(20 350)
Other financial items	9	(10 474)	209
Total net financial items		(32 366)	(19 314)
Profit before income tax		14 280	108 123
Income tax	10	(86)	(89)
Profit for the year		14 194	108 034
Profit attributable to:			
Owners of the parent		14 319	111 133
Minority interest		(125)	(3 099)
Profit for the year		14 194	108 034
Other comprehensive income			
Change in value of marketable securities	20	(6 871)	6 871
Total comprehensive income for the year		7 323	114 905
Comprehensive income attributable to:			
Owners of the parent		7 448	118 004
Minority interest		(125)	(3 099)
Total comprehensive income for the year		7 323	114 905
Basic and diluted earnings per share	11	\$0.03	\$0.24

See accompanying notes that are an integral part of these financial statements



Golden Ocean Group Limited
Consolidated Balance Sheet

		As at December 31	
<i>(in thousands of \$)</i>	Notes	2011	2010
ASSETS			
Non current assets			
Vessels and equipment, net	12	637 441	533 308
Vessels held under finance leases, net	13	147 991	155 187
Vessels under construction	14	216 965	262 337
Other long term receivables	17	7 501	7 010
Investment in associated companies/JV		1 575	558
Amount due from joint venture		-	905
Intangible assets	15	1 605	5 594
Total non-current assets		1 013 079	964 898
Current assets			
Cash and cash equivalents incl. restricted cash	16	138 284	180 041
Trade and other receivables	17	22 789	18 161
Derivative financial instruments	29	-	3 612
Available for sale financial assets	18	33 330	54 299
Inventories		4 590	6 207
Total current assets		198 992	262 320
Total assets		1 212 071	1 227 218

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent

Share capital	19	45 699	45 699
Additional paid in capital		104 801	104 801
Other reserves	20	14 110	23 506
Retained earnings		364 778	399 813
		529 389	573 820
Minority interest		496	644
Total Equity		529 885	574 464

Non-Current Liabilities

Long term debt	21	455 385	450 986
Obligations under finance leases	22	124 859	129 218
Other long term liabilities		2 508	2 808
Total non-current liabilities		582 752	583 012

Current Liabilities

Long-term debt - current portion	21	62 962	35 993
Obligations under finance leases – current portion	22	6 426	6 112
Derivative financial liabilities	29	5 719	-
Amount due to related parties	23	655	871
Trade payables and other current liabilities	24	23 672	26 766
Total current liabilities		99 434	69 742
Total liabilities and shareholders' equity		1 212 071	1 227 218

See accompanying notes that are an integral part of these financial statements



Golden Ocean Group Limited
Consolidated Cash Flow Statement
(in thousands of \$)

Year ended December 31
2011 2010

OPERATING ACTIVITIES

Profit for the period		14 194	108 034
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Share options		982	726
Profit on sale of assets		-	(3 166)
Impairment of marketable securities	18	14 099	9
Income associate / JV		(818)	(408)
Interest received	7	(1 195)	(827)
Interest paid		26 200	23 850
Depreciation and amortisation	12,13,14,15	33 824	30 717
Amortisation of deferred charges		652	271
Impairment	5	38 700	(16 800)
Long term receivables adjustment		(491)	(459)
Long term liabilities adjustment		(300)	2 808
Unrealized currency gains/losses	9	1 856	9 024
Unrealized agio/Hedge		-	(2 375)
Net change in:			
Amount due to related parties and JV		688	(2 073)
Derivative instrument receivable amounts	29	9 331	-
Trade and other receivables	17	(4 629)	10 958
Inventories		1 617	(1 819)
Trade payables and other current liabilities	24	(3 094)	6 810
Net cash provided by operating activities		131 615	165 280

INVESTING ACTIVITIES

Net maturity of restricted cash	16	(11 006)	11 281
Interest received	7	1 195	827
Payments on vessels		(119 252)	(173 031)
Net proceeds from sale of vessels incl. purchase option		-	171 223
Purchase of long term investments			(102)
Purchase of short term investment		(24)	-
Net cash used in investing activities		(129 087)	10 198

FINANCING ACTIVITIES

Payment of financing charges		(1 767)	(929)
Interest paid		(26 200)	(23 850)
Purchase own shares		(2 465)	-
Repayment of obligations under finance leases		(6 835)	(7 909)
Repayment of long term debt		(60 837)	(192 551)
Proceeds from long term debt		93 125	205 787
Payment of dividends	31	(50 312)	(57 432)
Net cash (used in) / provided by financing activities		(55 291)	(76 884)
Net change in cash and cash equivalents		(52 763)	98 593
Cash and cash equivalents at beginning of period		179 487	80 893
Cash and cash equivalents at end of period	16	126 724	179 486



Golden Ocean Group Limited
Consolidated Statement of
Changes in Equity

Total Attributable to equity holders of the parent

(in thousands of \$)

	Share Capital	Additional paid in capital	Other Reserves	Retained Earnings	Total	Minority interest	Total Equity
Restated balance at January 1, 2010	45 699	104 801	16 635	345 078	512 213	4 038	516 251
Comprehensive income for the period	-	-	6 871	111 133	118 004	(3 099)	114 905
Dividend paid	-	-	-	(57 124)	(57 124)	(308)	(57 432)
Value of services under stock options scheme	-	-	-	726	726	-	726
Minority interest	-	-	-	-	-	13	13
Balance at December 31, 2010	45 699	104 801	23 506	399 813	573 820	644	574 464
Comprehensive income for the period	-	-	(6 871)	14 319	7 447	(125)	7 323
Purchase of treasury shares	-	-	(2 465)	-	(2 465)	-	(2 465)
Currency translation / other	-	-	(61)	(24)	(84)	-	(84)
Dividend paid	-	-	-	(50 312)	(50 312)	-	(50 312)
Value of services under stock options scheme	-	-	-	982	982	-	982
Minority interest	-	-	-	-	-	(24)	(24)
Balance at December 31, 2011	45 699	104 801	14 110	364 778	529 389	496	529 885

1. GENERAL

Golden Ocean Group Limited (the “Company”, “Group” or “Golden Ocean”) was incorporated in Bermuda on November 8, 2004 as a limited company. The Company’s registered address is Par la Ville Place, Par la Ville Road, Hamilton, Bermuda. The Company was formed as a wholly owned subsidiary of Frontline Ltd. (“Frontline”), a Bermuda publicly listed company, for the purpose of acquiring, by way of contribution, certain drybulk shipping interests held by Frontline. These assets were transferred to the Company on December 1, 2004 and were, at the same date, capitalized in the Company’s accounts as contributed surplus.

The Company subsequently de-merged from Frontline and was listed on the Oslo Stock Exchange on December 15, 2004.

The Group consists of the Company and its subsidiary companies (note 32) and single purpose companies. The principal activities of the Group are ship ownership and operation. The Company is also involved in chartering activity, as well as sale and purchase of vessels. The Group operates a fleet of owned and leased Panamax and Capesize drybulk vessels. The Group may also trade forward freight agreements for the purpose of managing its exposure to vessel spot market rates and for speculating.

2. PRINCIPAL ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards and have been prepared on a going concern basis. This contemplates the realization of assets and liabilities in the ordinary course of business. No adjustments have been made in these financial statements to the carrying value of assets and classification of liabilities which may be necessary in the event that the Group is no longer a going concern.

The following are the significant accounting policies adopted by the Group:

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities (including special purpose entities) controlled by the Company. 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 Company has the intention to consolidate when the substance of the relationship between the Company and the entity indicates that the entity is controlled by the Company.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Joint ventures are entities that the Group have contractual arrangements with to jointly share the control with one or more parties. The Group’s interest in joint ventures is accounted for in the consolidated financial statements applying the equity method and the share of the joint venture post – acquisition profit or losses is recognized in one line in the income statement under other gain/losses net

Associates are all entities in which the Group has a significant influence, but not control, generally ownership between 20% and 50%. Investments in associates are accounted for by applying the equity method of accounting and are initially recognized at cost. The Group’s share of its associates post – acquisition profits or losses is recognized in the income statement under other gain/losses net. Total losses in the associates will not exceed the total investment in the Company if not any extra guarantees are given.

All intra-group transactions and balances are eliminated on consolidation.

**(b) Revenue and expenditure**

Revenue and expenditure are measured at fair value received or receivable and paid or payable respectively. A voyage is defined as starting after unloading at the end of the previous voyage, as long as a signed contract is in place (discharge to discharge basis). Under IAS 18, revenues are not allocated to ballast days, unless a signed contract is in place. In such circumstances the earning process starts when the goods are loaded on to the vessel and the voyage starts. The earnings process is completed upon discharge. Voyage related expenses (port expenses, bunkers expenses, broker commissions) for vessels without an agreed charter contract in place (idle time or freight seeking days), are expensed in the period incurred. Demurrage revenue is recognized if it is considered probable that the Group will receive payment.

Freight revenues from time charters are accounted for as operating leases under IAS 17 and are recognized on a straight-line basis over the rental periods of such charters, as service is performed.

Losses from time charters or voyage charters are provided for in full when they become probable in according with the provisions for onerous contracts in IAS 37.

Where the Group is party to a profit sharing arrangement, revenue is accounted for on a daily basis as earned and receivable in accordance with the terms of the arrangement.

Voyage expenses and commission consist mostly of expenses for dry voyages and includes bunker consumption, port cost and other voyage related expenses such as war risk insurance, cleaning etc. In addition broker commissions on both dry and tc-out voyages are included.

Vessel operations are outsourced to different Management companies who handle all the running cost for the vessels (salaries, lub.oil, insurances, spares and repair and maintenance. These costs are classified as vessel operating expenses and all costs are charged to the income statement when incurred. The Group capitalizes the cost of a dry docking at the time the dry docking takes place. The capitalized costs are written off as vessel running costs on a straight line basis over the estimated period to the next dry docking.

Charter hire expenses are net hire expenses for vessel on operational lease.

(c) Pensions

The Company has set up a defined benefit scheme with a life insurance company to provide pension benefits for its employees in Norway. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the National Insurance Scheme. Full retirement pension will amount to approximately 70% of the scheme pension-qualifying income (limited to 12G). The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is aged 67 years.

The Company 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 in accordance with the IFRS (IAS 19). Changes in the pension obligations as a result of changed actuarial assumptions and variations between actual and anticipated return on pension funds will be entered on the average remaining earnings period according to the "corridor" regulations.

(d) Leasing

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.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease

payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

(e) Translation of foreign currencies

The entity's functional and presentational currency is the United States Dollar (US Dollars, USD or \$) as most of the revenue and expenses of the Company and its subsidiaries are denominated in US Dollars.

Transactions in currencies other than the functional currency are recorded at the rate of exchange on the date of the transaction. At the balance sheet date all monetary items are translated at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at historical rates, unless such items are carried at fair value, in which case they are translated at the rate of exchange in effect at the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences on non-monetary items carried at fair value are included in the income statement for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognized directly in equity.

The Company has two financial lease vessels with purchase option exercise prices payable in Japanese Yen (JPY). The Lease creditors are retranslated into USD at each balance sheet day and correction due to currency change is reported under other financial items in the Consolidated Comprehensive Income Statement

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in US Dollars using the prevailing exchange rates on the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences are presented in equity.

(f) Property plant and equipment and depreciation

Assets are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the basis that the book value of the assets, less any estimated residual value, is written off on a straight line basis over the remaining useful life. In accordance with IAS16 – "Property, Plant and Equipment", the Group annually reviews the useful life and residual value of assets.

When the Company enters into newbuilding contracts, the Company assesses if it has a practice of settling similar contracts net in cash by entering into offsetting contracts or by selling the contract before taking delivery of the vessel. Similarly, when the Company enters into an agreement to buy a vessel, and subsequently enters into a contract to sell it prior to taking delivery, or a short time after delivery, the Company assesses if the contract to sell the vessel creates a practice of net settlement. Contracts settled net in cash are carried at fair value in the balance sheet and changes in the fair value are recorded in the income statement. Similarity is assessed on a contract by contract basis by evaluating past transactions where newbuilding contracts have been settled net in cash. As at the balance sheet date management believes that the Company does not have a past practice of settling any newbuilding contracts net in cash.

Other newbuilding contracts are treated as Property, Plant and Equipment in a separate category ("vessels under construction"), and accounted for at cost, including capitalized borrowing costs. Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds directly and indirectly 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. Borrowing costs are capitalized 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 eligible for capitalization.



All other borrowing costs are recognized in the income statement during the period in which they are incurred.

Assets in the course of construction are carried at cost, less any recognized impairment losses. Costs include professional fees and borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation commences when assets are available for their intended use.

The vessels are depreciated from the date the vessel is available for its intended use over the remaining useful life (25 years). Depreciation is calculated using the straight line method based on the cost of the vessels, less any estimated residual value. The vessels residual value and useful life are reviewed at the end of each year. Residual value is based on broker valuations at balance sheet date.

Vessels held under finance leases are depreciated over their expected useful lives on the same basis as owned vessels (25 years) or, where shorter, the term of the relevant lease.

Dry-docking costs are capitalized and written off over the estimated period to the next dry-dock. Unamortized costs are written off on disposal of the vessel.

The gain or loss arising on the disposal or retirement of a vessel is determined as the difference between the sales proceeds and the carrying amount of the asset is recorded the income statement.

Fixtures and equipment are depreciated over their expected useful lives.

(g) Intangible assets

Intangible assets represent part of the original consideration paid to acquire a fleet of vessels with existing time charter contracts in 2005. Intangible assets are amortized on a straight line basis over a 365 day period based on the minimum lease period for the individual vessels as defined by IAS 17. Intangible assets are not amortized until the vessel is delivered to the Group.

(h) Impairment

At each balance sheet date, the Group reviews the carrying amount of its non-current assets to determine if there is any indication the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Each vessel, newbuilding contract or lease vessel is considered as a Cash Generating Unit for the purpose of the impairment test.

The recoverable amount is the higher of the fair value of the asset including charter contract less costs to sell and value in use. The vessels are valued by independent brokers, and reflect the underlying economic value of the assets in normal market conditions (where supply and demand is in reasonable equilibrium) and assumes adequate time for a sale and a willing buyer and seller. The valuations from three independent brokers is prepared on a charter free basis and do not take into account the long-term charters that the Group has entered into for some of the vessels. The charter value is added to the broker value to find the fair value of the asset. In a period of inactivity, where transactions between willing buyers and sellers are limited, and where supply and demand are not in reasonable equilibrium, the Group does not rely on broker valuations to determine the recoverable amount but uses the value in use methodology. When determining the value in use, the discounted future cash flow is based on forward market revenues less an estimate of operating expenses over the remaining useful life at a WACC rate and a future growth factor. The Weighted Average Cost of Capital (WACC) is calculated as $\text{Debt Ratio} \times (20 \text{ year US Government bond} + \text{loan margin}) + \text{Equity Ratio} \times (20 \text{ years US Government bond} + \text{Beta} \times \text{Risk Premium})$. The Company has used a peer group of in total six dry bulk companies in order to calculate the beta and the debt and equity ratio and measured the risk for these companies relative to the world market index. The loan margin represents the current margin level that Golden Oceans can obtain in the market today.

Revenue on open positions is estimated by the Group based on the forward freight curve for the next five years and then an estimated growth for the remaining life. The growth factor expense is applied to at same level as growth factor. Assets are assessed individually.



When an impairment loss is identified the carrying value of the asset is reduced to the recoverable amount and the impairment loss is recorded in the income statement.

(i) Inventories

Inventories consist of bunker fuel on the vessels and stores (lub.oil) and other supplies. Inventories are valued at the lower of cost and net realizable value. Cost is calculated on a first in first out basis. Bunker stock on vessels chartered out is sold and belongs to the charterer.

(j) Financial instruments***Classification of financial assets***

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement of financial assets

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other financial items when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other (losses)/gains'.



Derivatives

Derivative financial instruments are initially measured at fair value on the date a derivative contract is entered into and are subsequently measured at the fair value. Movements in the fair value of derivative financial instruments that are not effective hedges are recognized in the income statement in other financial items.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less appropriate allowances for credit losses per the Group's accounting policy on note 2(m). If collection is expected in more than one year, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with a maturity of less than three months, and other highly liquid investments with a maturity of less than three months when acquired that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. IFRS standards indicates that a drop of more than 20% is classified as significant and that if the assets are below the cost price for six to twelve months, the period is considered to be prolonged. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

Trade and other payables

Trade payables are initially recognized at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortized cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement and redemption of borrowings is recognized over the term of the borrowings.

Substantial modifications of the terms of existing borrowings are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any costs or fees incurred are then recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the liability's carrying amount and are amortized over the modified liability's remaining term.



Convertible bonds

The liability component of the convertible bond is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the convertible bond as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible bonds is measured at amortized cost using the effective interest method. The equity component of the convertible bonds is not re-measured subsequent to initial recognition.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When the Company repurchases convertible bonds, the difference between the fair value liability component at the repurchase date and the original fair value is recognized in the income statement under other financial items. Any remaining gains or losses are recognized as a repurchase of the equity component of the convertible bond.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received.

(k) Share based payments

The Group issues equity settled share-based payments to certain directors and employees. Equity settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will vest and adjusted for the effect of non market-based vesting conditions.

The fair value is measured using a Black-Sholes model. The inputs used in the model are based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

(l) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board.

(m) Critical accounting estimates and judgments

Estimates and judgments are evaluated and based on experience and other factors that are believed to be reasonable under the current circumstances. The following summarizes the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the judgments made in applying the Group's accounting policies.

Asset impairment testing

The Group reviews its non-current assets for impairment at each balance sheet date as discussed in note 2(f). In order to assess if impairment exists, management estimates discounted future cash flows, residual values, and remaining lives of the assets. Market factors affecting expected future revenue, operating costs, residual values and obsolescence may affect the discounted future cash flows. Actual outcomes may vary significantly from the estimates of the discounted future cash flows.

Based on the model for WACC defined in (h) and the current values for the different parameters, the Company calculated a WACC of 7.3% for the end of 2011. This is down from 2010 due to lower levels for interest rates and the lower volatility for dry bulk stocks relative to the overall equity market, reducing the beta for the dry bulk peers. If the estimated cost of capital (WACC) used in the Vessel valuation model had been 1% higher, ceteris paribus, than management's estimate above, the Group would have recognized a total impairment of \$5.2 million on three of the open Panamax vessels. If the forward market had been 10 % lower, ceteris paribus, the Group would have recognized an impairment of \$14.8 million. If the broker values of the assets had dropped 10 %, ceteris paribus, the Group would have recognized \$nil in impairment. If the WACC had been 8.30%, and both the forward market rates and the broker values had decreased by 10%, the impairment would have been \$49.5 million. The Group has used 4% growth based on China growth as the main driven factor used in the terminal period between 5-

25 years and with 1% reduced growth to 3%, there would not have been recognized any impairment without changing other parameters simultaneously.

The Group also reviews its available for sale financial assets for impairment at each balance sheet date. In order to assess if impairment exists the Group considers whether there is a significant or prolonged decline in the fair value of the asset. The Group considers a decline in the fair value to be significant or prolonged when it is below average purchase price for three consecutive quarters.

Onerous contracts

The Group has made accruals and provisions for partially completed lease-in contracts and for losses or adjustments to existing and previously completed contracts. Revenue on open positions is estimated by the Group based on the forward freight curve. Provisions for losses on existing contracts are made when the unavoidable costs of the contract exceed the expected revenue. Management believes that the provisions made for these items are adequate based upon the information available. As these estimates are based upon information available at the balance sheet date, they are subject to change as further information becomes available. Such changes in estimates may affect the earnings of future periods.

The Group had made no accruals for onerous contracts at year end. All the TC-in contracts were fixed out with an expected gain at year end. A 10% reduction in revenue compared to FFA-curve at December 31, 2011 would not give any effect as onerous contract.

Legal provisions

The Group is party to various legal proceedings. Additional claims could be made that may not be covered by existing provisions or by insurance. There can be no assurance that there will not be further claims, proceedings or investigations. Such further claims may be material and impact future periods.

Leases

The Group is party to leasing transactions as both lessee and lessor. The accounting for a lease transaction is mainly determined by whether the lease is considered to be a finance lease or an operating lease. Management looks to the substance of the transaction in judging whether substantially all the risks and rewards of ownership are transferred.

(n) Recent accounting pronouncements

(ii) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2011 or later periods, but the group has not early adopted them.

IAS 19 (amendment), 'Employee benefits', effective 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

IAS 28 (revised), 'Associates and joint ventures', effective 1 January 2013. IAS28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 9, 'Financial instruments' (effective 1 January 2013). IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IFRS 10 'Consolidated financial statements' (effective 1 January 2013). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an

entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.

FRS 11 'Joint arrangements' (effective 1 January 2013). IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 'Disclosures of interest in other entities' (effective 1 January 2013). IFRS 12 includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 'Fair value measurement' (effective 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

3. SEGMENT INFORMATION

The Group's revenue and operating results relate to its chartering operations which are carried out internationally and cannot be attributable to any particular geographical location or separate into any various products. No analysis by either business or geographical segment is required by key management and is therefore not included in the financial reporting. Revenue recognized by category is analysed as follows:

<i>(in thousands of \$)</i>	2011	2010
Time charter and voyage charter revenue	316 294	378 629
	316 294	378 629
Other operating revenue	822	6 250
Total operating revenue	317 116	384 879

The Group has two counterparts that contribute more than 10% of the total operating revenues. One contributes to about 12% of the total operating revenues amounting to \$36 784 and the other counterpart contributes to about 14% amounting to \$42 988 (2010:\$35 551).

Other operating revenue of \$822 in 2011 (2010: \$6 250) is related to commercial management agreements with Knightsbridge Tankers Limited and Ship Finance International Ltd (for 2010 this was related to an amount received from Transfield related to an arbitration award in the Company's favor).

4. ADMINISTRATIVE EXPENSES

<i>(in thousands of \$)</i>	2011	2010
Employee benefit expense	5 752	5 183
Auditors' remuneration	206	365
Directors fee	292	284
Professional fees	2 202	2 174
Office and Travel expenses	2 280	2 068
Total Administrative expenses	10 732	10 074

5. IMPAIRMENT OF VESSELS AND VESSELS UNDER CONSTRUCTION

The Group booked an impairment of \$38.7 million in the first quarter of 2011 related to four sailing vessels and one newbuilding contract.

The impairment test is based on the higher of the market value of the vessel, including any charter contract, and the estimated value in use for the vessel. The market valuation of the vessel is based on the average estimated vessel value from three different brokers. The value in use calculation is based on expected discounted future cash flow for the vessel. Based on the valuations, the Company recorded an impairment loss for vessels of \$21.1 million based on broker values and \$17.6 million based on value in use calculation.

The Group did the same test in the fourth quarter 2011 by using updated assumptions as of December 31, 2011 and employing market forward rates being the average from Dec 12, 2011 to Jan 18, 2012. The test did not identify any further need for impairment for either the owned vessels, vessels under finance lease or for vessels under construction.

For impairment sensitivity see note 2m – asset impairment testing.

6. OTHER GAINS/ (LOSSES) NET

<i>(in thousands of \$)</i>	2011	2010
Gain/(loss) on foreign exchange contracts	-	(1 040)
Bunkers hedge	3 269	-
Joint venture with United Freight Carriers	818	408
Gain/(loss) from freight future contracts	2 557	-
Other gains/(losses) net	6 644	(632)

7. INTEREST INCOME

<i>(in thousands of \$)</i>	2011	2010
Interest on bank deposits	1 195	827
Total interest income	1 195	827

**8. INTEREST EXPENSE**

<i>(in thousands of \$)</i>	2011	2010
Interest on bank overdrafts and loans	17 467	13 423
Interest on obligations under finance leases	9 232	10 525
Interest expense	26 699	23 948
Less amounts included in the cost of qualifying assets	(3 612)	(3 598)
Total interest expense	23 087	20 350

9. OTHER FINANCIAL ITEMS

<i>(in thousands of \$)</i>	2011	2010
Foreign exchange losses	(1 856)	(3 491)
Dividend received	4 876	1 952
Interest swap	(13 408)	3 612
Other financial items	(86)	(1 864)
Other financial items	(10 474)	209

The foreign exchange losses of \$1 856 are related to the purchase option on Ocean Minerva and Golden Heiwa denominated in JPY. The fair value of the interest swap on December 31, 2011 was a liability of \$10 400.

10. INCOME TAX

At the date of this report, there is no Bermuda income, corporation, or profits tax, nor is there any withholding tax, capital tax, capital transfer tax, estate duty or inheritance tax payable by the Company.

The Company has obtained, from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966, an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to the Company or to any of its operations, or to the Company's shares, debentures or other obligations, except in so far as such tax applies to persons ordinarily resident in Bermuda and holding the Company's shares, debentures or other obligations, or any property in Bermuda leased or let to the Company.

The Company's subsidiaries Golden Ocean Management AS, Golden Ocean Management Asia Pte. Ltd. And Golden Ocean (Cyprus) Limited are subject to taxation in Norway, Singapore and Cyprus respectively. The tax charge for the year for Golden Ocean Management AS was \$82 (2010: \$85) and for Golden Ocean Management Asia Pte. Ltd. was \$4 (2010: \$4). The tax charge for Golden Ocean (Cyprus) Limited was \$0 (2010:\$12).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent for continuing operations is based on the following data:

<i>(in thousands of \$)</i>	2011	2010
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	14 319	111 133
Effect of interest expense on convertible debt	279	279
Earnings for the purposes of diluted earnings per share	14 598	111 412

<i>(in thousands of shares)</i>	2011	2010
Weighted average number or ordinary shares for the of basic earnings per share	456 990	456 990
Effect of dilutive potential ordinary shares:		
Convertible bonds	1 328	1 279
purposes		
of diluted earnings per share	458 318	458 269

<i>(in \$)</i>	2011	2010
Earnings per share basic	\$0.03	\$0.24
Earnings per share fully diluted	\$0.03	\$0.24



12. VESSELS AND EQUIPMENT, NET

The Group has the following owned vessels at December 31, 2011.

Vessel	Built	DWT	Flag
Channel Alliance	1996	171 978	Hong Kong
Channel Navigator	1997	172 058	Hong Kong
Golden Saguenay	2008	75 500	Hong Kong
Golden Opportunity	2008	75 500	Hong Kong
Golden Ice	2008	75 845	Hong Kong
Golden Feng	2009	170 500	Marshall Island
Golden Strength	2009	75 745	Hong Kong
Golden Shui	2009	170 500	Marshall Island
Golden Beijing	2010	176 000	Hong Kong
Golden Eminence	2010	79 447	Hong Kong
Golden Empress	2010	79 600	Hong Kong
Golden Endeavour	2010	79 600	Hong Kong
Golden Endurer	2011	79 600	Hong Kong
Golden Enterprise	2011	79 471	Hong Kong
Golden Zhoushan	2011	175 834	Hong Kong
Golden Suek	2011	74 500	Hong Kong

<i>(in thousands of \$)</i>	<i>Vessels</i>	<i>Drydocking</i>	<i>Fixtures and Equipment</i>	<i>Total</i>
Cost:				
At January 1, 2010	390 529	1 884	477	392 890
Additions	1 790	915	32	2 737
Transferred from vessels under construction (note 14)	406 249	-	-	406 249
Disposals	(219 527)	-	-	(219 527)
At December 31, 2010	579 041	2 799	509	582 349
At January 1, 2011	579 041	2 799	509	582 349
Additions	2 739	1 253	54	4 045
Transferred from vessels under construction (note 14)	150 935	-	-	150 935
At December 31, 2011	732 716	4 052	563	737 330
Accumulated depreciation and impairment:				
At January 1, 2010	36 227	1 131	253	37 611
Disposals	(7 207)	-	-	(7 207)
Depreciation	17 898	683	56	18 637
At December 31, 2010	46 918	1 814	309	49 041
At January 1, 2011	46 918	1 814	309	49 041
Impairment	28 200	-	-	28 200
Depreciation	22 590	-	58	22 648
At December 31, 2011	97 708	1 814	367	99 889
Carrying amount:				
At December 31, 2011	635 008	2 238	196	637 441
At December 31, 2010	532 123	985	200	533 308

The Group has pledged all of sailing vessels to secure various banking facilities (note 21).

During the year, the Group carried out a review of the recoverable amount of its vessel fleet including owned vessels (note 12), vessels held under finance leases (note 13) and vessels under construction

(note 14). The recoverable amounts of the relevant assets are determined as the higher of fair value less costs to sell and value in use. Impairment of owned vessels of \$28 200 was recorded in 2011.

13. VESSEL HELD UNDER FINANCE LEASES, NET

The Group has the following vessels on financial lease at December 31, 2011.

Vessel	Built	DWT	Flag
Golden Lyderhorn	1999	74 242	Hong Kong
Ocean Minerva	2007	75 698	Panama
Golden Heiwa	2007	76 662	Panama
Golden Eclipse	2010	79 600	Hong Kong
(in thousands of \$)			
Cost:			
At January 1, 2010			118 618
Additions			57 541
At December 31, 2010			176 159
At January 1, 2011			176 159
At December 31, 2011			176 159
Accumulated depreciation:			
At January 1, 2010			14 200
Depreciation			6 772
At December 31, 2010			20 972
At January 1, 2011			20 972
Depreciation			7 195
At December 31, 2011			28 168
Carrying amount:			
At December 31, 2011			147 991
At December 31, 2010			155 187

Vessels held under finance leases are depreciated on the same basis as owned vessels.

The Group leases M/V Golden Lyderhorn in from Mount Lyderhorn LLC, a third party. The substance of the transaction indicates that the activities of Mount Lyderhorn LLC are controlled by the Group and this makes it a special purpose entity under SIC Interpretation 12 – “Special purpose Entities” and should therefore be consolidated. The necessary information to consolidate is not available, and as a result Mount Lyderhorn LLC has not been consolidated. The Company expects that it would not have any impact on either the profit for the year or net assets of the Group but only affects the presentation of certain amounts in the balance sheet.

The Group carried out a review of the recoverable amount of vessels held under finance leases at the balance sheet date. The Group did not record any impairment losses as a result of the review.

14. VESSELS UNDER CONSTRUCTION

<i>(in thousands of \$)</i>	<i>New Buildings</i>
Cost value:	
At January 1, 2010	480 454
Additions	209 926
Cancellation	(38 594)
Reversal of Impairment	16 800
Transferred to vessels and equipment (note 12)	(406 249)
At December 31, 2010	262 337
At January 1, 2011	262 337
Additions	116 063
Impairment	(10 500)
Transferred to vessels and equipment (note 12)	(150 935)
At December 31, 2011	216 965

The Group has pledged most of the vessels under construction to secure various banking facilities (note 21).

Each vessel under constructions has separate loan agreements and all finance expenses before delivery are added to the cost of the vessel.

One Capesize vessels and two Kamsarmax vessels have been delivered to the Group during 2011 from Jinhaiwan Shipyard: M/V Golden Zhoushan, M/V Golden Endurer and M/V Golden Enterprise. In addition the first Panamax vessel from Pipavav Shipyard, M/V Golden Suek, has been delivered to the Group. The vessels that have been completed are transferred to vessel and equipment (note 12).

Additions include installments, capitalized interest (note 8) and supervision on newbuildings.

The vessels under construction are scheduled to be delivered as follows: Ten vessels during 2012 and two vessels in 2013.

For the purpose of impairment testing, the recoverable amounts for the vessels under construction are determined by the net present value of the estimated value in use minus the paid installments and other accrued cost plus the net present value of the remaining installments payable. Impairment of \$10 500 was recorded in 2011.

15. INTANGIBLE ASSETS, NET

<i>Cost and net book value (in thousands of \$)</i>	
Cost:	
At January 1, 2010	53 895
Amortisation	
At January 1, 2010	42 992
Charge for the year	5 309
At December 31, 2010	48 301
Charge for the year	3 990
At December 31, 2011	52 291
Carrying amount:	
At December 31, 2011	1 605
At December 31, 2010	5 594

Intangible assets represents part of the original consideration paid to acquire a fleet of vessels with existing time charter contracts in 2005. The remaining period of amortization is three months.

16. CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH

<i>(in thousands of \$)</i>	2011	2010
Current accounts	66 724	34 486
Short-term deposits	60 000	145 000
Cash and cash equivalents at year end	126 724	179 486
Restricted cash	11 560	554
Cash and cash equivalents including restricted cash at year end	138 284	180 040

Details of restricted cash are given in note 29.

17. TRADE AND OTHER RECEIVABLES

<i>(in thousands of \$)</i>	2011	2010
Trade receivables	7 460	3 004
Other receivables	16 578	13 247
Prepayments	6 251	7 715
Accrued income	-	1 205
	30 290	25 171
Less non-current portion: other receivables	(7 501)	(7 010)
Current portion	22 789	18 161

Non-current portion of other receivables relate to the sale of MV Bellflower in 2009 and are due within five years from the end of the reporting period. The non-current receivables are secured with a mortgage in the sold vessel. The current portion of other receivables consists of prepayment to managers and agents of \$5 800 and reclassification of bunkers inventory of \$3 000 where charterer have deducted bunkers before redelivery of the vessel.



The fair value of trade and other receivables are as follows:

<i>(in thousands of \$)</i>			Fair value	
	2011	2010	2011	2010
Trade receivables	7 460	3 004	7 460	3 004
Other receivables	16 578	13 247	16 883	13 601
	24 038	16 251	24 343	16 605

The fair values of the non current portion of the other receivables are based on the discounted cash flows of the assets. The discount rate equals LIBOR plus margin for an appropriate credit rating (6% for both 2011 and 2010).

As of December 31, 2011, trade receivables of \$3 700 were overdue but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

<i>(in thousands of \$)</i>	2011	2010
Up to 3 months	2 058	1 309
3 to 6 months	743	458
More than 6 months	978	363
	3 779	2 130

The carrying amounts of the Group's trade and other receivables are denominated in US dollars. The Group has made no provisions for impairment of trade receivables in 2011 (2010:\$nil).

18. AVAILABLE FOR SALE FINANCIAL ASSETS

<i>(in thousands of \$)</i>	
At January 1, 2010	-
Additions	47 428
Increase in value recognized as other comprehensive income	6 871
At December 31, 2010	54 299
At January 1, 2011	54 299
Impairment of marketable securities	(14 099)
Decrease in value recognized as other comprehensive income	(6 871)
At December 31, 2011	33 330

Available for sale financial assets consists of shares in Knightsbridge Tankers Limited (KTL) denominated in US Dollars. The shares were acquired through settlement of the sale of M/V Golden Future and M/V Golden Zhejiang. The Group owns 9.98% of the total shares in KTL at December 31, 2011. KTL is an international ship owning company listed on NASDAQ Stock Market (NASDAQ: VLCCF) and the primary business activity is international seaborne transportation of crude oil and dry bulk.

The Company booked an impairment of \$14 100 for the year 2011 related to the shares in Knightsbridge Tankers Limited. Previously increase in fair value booked under Other Comprehensive Income has therefore been reversed as loss for the year of \$6 900. The shares were sold in March 2012 (see note 34).

**19. SHARE CAPITAL**

Authorised share capital is as follows:

<i>(in thousands of \$)</i>	2011	2010
5,000,000,000 ordinary shares of \$0.10 par value each	500 000	500 000

Issued and fully paid share capital is as follows:

<i>(in number of shares)</i>	2011	2010
At January 1	456 990 107	456 990 107
Issued during the year	-	-
Shares repurchased and cancelled	-	-
At December 31, 2011	456 990 107	456 990 107

<i>(in thousands of \$)</i>	2011	2010
At January 1	45 699	45 699
Issued for cash	-	-
Shares repurchased and cancelled	-	-
At December 31, 2011	45 699	45 699

The Company's ordinary shares are listed on the Oslo Stock Exchange ("OSE") and Singapore Stock Exchange ("SGX"). The issued shares are fully paid. All issued shares in the Company are of the same class and have the same rights in the Company. Each share in the Company carries one vote.

In 2011 the Company purchased a total of 3,490,107 of the Company's own common stocks on Oslo Stock Exchange, at an average price of NOK 3.99. The buy-back program ended on 31 December 2011. The Company cancelled the treasury shares that the Company held on January 4, 2012. Following the cancellation of the shares, the outstanding issued shares in Golden Ocean Group Limited is 453,500,000.



The twenty largest shareholders as at December 31, 2011 are as follows:

Name	Number of Shares	outstanding shares
Hemen Holding Limited	183 666 158	40.19%
Deutsche bank AG London	25 812 413	5.65%
Skagen Kon-Tiki	13 684 761	2.99%
Clearstream Banking S.A	6 152 217	1.35%
Folketrygdfondet	5 743 400	1.26%
Swedbank	4 570 226	1.00%
Carling	4 000 000	0.88%
JPMorgan Chase bank	3 851 146	0.84%
Danske Bank A/S	2 762 292	0.60%
Odin Maritim	2 750 000	0.60%
Td Ameritrade Clearing Inc Seg	2 600 649	0.57%
State street bank and trust co	2 417 800	0.53%
Verdipapirfondet Dnb Navigator	2 384 693	0.52%
Bank of New York Mellon SA/NV	2 346 000	0.51%
ML Pierce Fenner & Smith	2 181 677	0.48%
Statoil Pensjon	2 027 194	0.44%
Tofte	2 000 000	0.44%
Citibank N.A New York Branch	1 984 020	0.43%
UBS AG, London Branch	1 970 602	0.43%
SHB Stockholm Clients account	1 804 084	0.39%
Total 20 largest shareholders	274 709 332	60.11%
Other shareholders	182 280 775	39.89%
Total	456 990 107	100.00%

Hemen Holding Ltd, or Hemen, is a Cyprus holding company, the shares of which are held in trusts established by Mr. John Fredriksen for the benefit of his immediate family.

20. OTHER RESERVES

Other reserves represent own shares acquired to be held as treasury shares, the gain or loss arising from the change in the fair value of marketable securities which are classified as available for sale financial assets (note 18) and the equity component of convertible bonds issued (note 29). Other reserves are broken down between the three categories as follows:

(in thousands of \$)	Treasury shares	Marketable Securities (change in fair value)	Convertible Bonds (equity component)	Other	Total
At January 1, 2010	-	-	16 635		16 635
Other comprehensive income (loss)	-	6 871	-		6 871
At December 31, 2010	-	6 871	16 635		23 506
At January 1, 2011	-	6 871	16 635		23 506
Purchase of treasury shares	(2 465)				(2 465)
Currency translation		-	-	(61)	(61)
Other comprehensive income (loss)		(6 871)	-		(6 871)
At December 31, 2011	(2 465)	-	16 635	(61)	14 110

21. LONG-TERM DEBT

<i>(in thousands of \$)</i>	2011	2010
Within one year	62 962	35 993
Between one and two years	43 620	49 747
Between two and five years	390 053	270 584
After five years	24 700	132 567
Total debt	521 335	488 891
Current portion	(62 962)	(35 993)
Long-term debt, nominal value	458 373	452 898
Deferred transaction costs	(2 988)	(1 912)
Long-term debt, net	455 385	450 986

Of the total debt, \$513 800 (2010: \$481 500) is secured by mortgages over sailing vessels and vessel under construction. The remaining debt of \$7 500 (2010: \$7 400) relates to the liability component of unsecured convertible bonds issued in December 2007.

<i>(in thousands of \$)</i>	2011	2010
Non-current		
Bank borrowings	455 385	443 600
Convertible bond	-	7 386
Finance lease liabilities	124 859	129 218
	580 244	580 204
Current		
Bank borrowings	55 422	35 993
Convertible bond	7 540	-
Finance lease liabilities	6 426	6 112
	69 388	42 105
Total borrowings	649 632	622 309

The short term debt includes \$15 200 in extraordinary down payments under the loan facilities during the first quarter 2012 in order to stay in compliance with the minimum value covenants as per December 31, 2011. All debt is in \$ at LIBOR plus a fixed margin of average 2.75 and is mainly repriced on a monthly basis.

22. OBLIGATIONS UNDER FINANCE LEASES

(in thousands of \$)	Within one year		2-5 years		6-10 years		Total	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Minimum Lease Payments								Restated
Interest	8 597	9 052	28 950	36 514	15 245	12 951	52 792	58 517
Purchase option	-	-	34 110	11 500	54 739	75 120	88 849	86 620
Instalments	6 426	6 112	28 843	34 559	7 167	8 039	42 436	48 710
Total Minimum Lease	15 023	15 164	91 903	82 574	77 151	96 110	184 077	193 848
Present Value of Lease Obligations							131 285	135 330
Current portion							6 426	6 112
Non-current portion							124 859	129 218

It is the Group's practice to lease certain vessels under finance leases. The average remaining lease term is 6 years (2010: 7 years). The discount rate used to calculate the present value of minimum lease payment was 7 percent (2010: 7 percent), using the implicit rate of the lease. All leases are on a fixed repayment basis.

The Group has recorded finance leases on four vessels at December 31, 2011 (December 31, 2010: four vessels). The Group has a purchase option and the exercise price of the option changes based upon the date the option is exercised. The table below lays out the approximate exercisable dates and purchase option amounts, based on the date the purchase options are expected exercisable, and the first lease renewal date.

(in thousands of \$)	Purchase option expected exercisable date	Purchase option amount	Lease renewal date
Golden Lyderhorn	September 2016	11 500	September 2016
Ocean Minerva	January 2018	21 189	January 2015
Golden Heiwa	March 2017	22 610	March 2015
Golden Eclipse	April 2020	33 550	April 2020

The purchase option exercise prices for Ocean Minerva and Golden Heiwa are denominated in JPY, and are JPY 1.64 billion and JPY 1.75 billion respectively. The \$ amount is based on the exchange rate at December 31, 2011.

The lease payments for the other vessels are denominated in US Dollars. The Group's finance lease obligations are secured by the lessor's title to the leased assets.

23. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Frontline Ltd and its subsidiaries and Ship Finance International Limited and its subsidiaries, are related parties due to the significant influence of a single shareholder.

Frontline Ltd provides the Group with certain administrative services under the terms of an administrative management contract relating to the Bermuda office. The Group also pays Frontline a fixed fee of \$24 per owned vessel for technical management. In the year ended December 31, 2011, the Group was charged \$388 (2010:\$294) under this arrangement. The Group also pays Frontline for supervision of the vessels under construction and the Group was charged \$3 288 (2010:\$4 662) under this arrangement. The Group has administrative expenses related to the London office of \$196 (2010:\$153).

On January 1, 2005 the Company entered into an agency agreement with Frontline whereby it provides chartering services in relation to Frontline's fleet of oil/bulk/ore carriers. Frontline pays the Company a fixed amount per vessel for charters arranged under this agreement. During the year \$81 (2010: \$96) was charged in respect of the agency agreement.

The Group has the following year end balances with related parties:

	Amounts owed to related parties	
<i>(in thousands of \$)</i>	2011	2010
Frontline Ltd and subsidiaries	655	871
Ship Finance Int. Ltd. and subsidiaries	-	-
Total	655	871

The amounts outstanding are unsecured, bear no interest, and will be settled in cash. No guarantees have been given or received.

No expense has been recognized in the period for any allowances for credit losses in respect of the amounts owed by related parties.

Remuneration of key management personnel and directors

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The Group, as a non EU country company, is not required to report director fees separately per person (NUES).

The remuneration of directors and CEO of Golden Ocean Management AS during the year was as follows:

<i>(in thousands of \$)</i>	2011	2010
Managing director	583	539
Director fees	292	270
Share based payments	73	68
Total	948	877

The table below shows the total number of shares owned directly or indirectly by the CEO of Golden Ocean Management AS and directors as at December 31, 2011.

	Number of shares	Percentage of outstanding shares
John Fredriksen (Chairman, CEO, President and Director)	*	*
Tor Olav Trøim (Director)	584 982	0.13%
Kate Blankenship (Director)	206 000	0.05%
Hans Christian Børresen (Director)	106 000	0.02%
Herman Billung (CEO)	50 000	0.01%
	946 982	0.21%

Hemen Holding Ltd, or Hemen, is a Cyprus holding company, the shares of which are held in trusts established by Mr. John Fredriksen for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the 183,666,158 ordinary shares held by Hemen. This is equivalent to 40.19 per cent of the outstanding shares.

**24. TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

<i>(in thousands of \$)</i>	2011	2010
Trade payables	1 707	2 720
Accruals	6 886	5 236
Income received in advance	8 644	12 309
Other current liabilities	6 434	6 501
Total	23 672	26 766

Income received in advance relates to time charter revenue received in advance for future periods and has therefore been deferred. Other current liabilities include non-current pension obligations of \$1 100 (2010:\$1 100).

The Group has no contingent liabilities in respect of legal claims arising in the ordinary course of business.

25. CAPITAL COMMITMENT

<i>(in thousands of \$)</i>	Within one year		2-5 years		Total	
	2011	2010	2011	2010	2011	2010
Vessels under construction	172 708	217 330	52 020	128 135	224 728	345 465

All newbuildings except two are currently financed. The capital commitment for unfinanced vessels was \$60 300 at the end of the year. This relates to the two last vessels from Jinhaiwan Shipyard, with expected delivery in first half of 2013.

26. OPERATING LEASES**Rental expense**

The future minimum rental payments under the Group's non-cancellable operating leases as of December 31, 2011 are as follows:

<i>(in thousands of \$)</i>	2011	2010
Within one year	10 774	14 418
In the second to fifth years	14 378	22 517
Total minimum lease payments	25 152	36 935

Total rental expense for the year ended December 31, 2011 for operating leases was \$62 627 (2010:\$139 384).

Rental income

The future minimum revenue to be received under the Group's non-cancellable operating leases as of December 31, 2011 is as follows:

<i>(in thousands of \$)</i>	2011	2010
Within one year	156 805	170 874
In the second to fifth years	399 849	386 664
Later than five years	180 695	171 878
Total minimum lease revenue	737 349	729 416

Total rental income for operating leases was \$316 294 for the year ended December 31, 2011 (2010:\$378 629).

27. SHARE BASED PAYMENTS

Equity settled share option scheme

On March 21, 2005 the Company approved a share option plan under which share options may be granted to directors and eligible employees. The plan has a limited term of ten years and the Board may grant up to 15 million options.

During the term of the plan the Board may grant options to acquire the Company's shares at a subscription price that the Board shall resolve, provided that such price is not lower than the average of the middle market quotations of the shares as derived from the Oslo Stock Exchange (or any stock exchange on which the Company's shares are traded) for the three immediately subsequent dealing days on that Exchange, and the nominal value of \$0.10.

The total vesting period is three years, where 1/3 of the option vest each year for options granted before 2010 under the above mentioned plan. For options granted during 2010 under the plan, the total vesting period is four years and 1/4 of the option vest each year, starting from 2012.

Details of the share options outstanding during the year are as follows:

	2011		2010	
	Number of share options	Weighted average exercise price USD	Number of share options	Weighted average exercise price USD
At the beginning of the year	4 062 500	1.72	1 312 500	4.26
Granted during the year	-	-	2 750 000	1.52
Exercised during the year	-	-	-	-
Outstanding at the end of the year	4 062 500	1.6	4 062 500	1.72
Exercisable at the end of the year	1 145 833	2.08	979 167	2.31

The options at the end of 2011 have a weighted average remaining contractual life of 3.7 years (2010: 4.7 years. There were no new options granted in 2011 (2010:2,750,000 shares). The Company's shares are traded on the Oslo Stock Exchange in Norwegian Kroner ('NOK'). All share option calculations have been made in NOK and converted at the exchange rate prevailing at the balance sheet date.

The Group recognized total expenses of \$982 (2010:\$726) relating to equity settled share-based payment transactions during the year.

28. PENSION PLAN

The Group has a defined benefit pension plan in NOK that covers 12 (2010:13) of total 16 employees (2010:14), as of December 31, 2011. The majority of the plan administration is handled by a third party insurance company.

The primary beneficiaries are residents of Norway and they are entitled to approximately 70 percent of their last year's salary at a retirement age of 67 years. The pension is transferable on death of the employee to the spouse or children up to a maximum of 60 percent of the employee's original benefit. The actuarial report is prepared on January 11, 2012. The actuarial report is performed on assumptions from the Groups Management which are also in line with NRS and insurance broker's recommendations as per January 1, 2012.



The cost in consolidated income statement is \$500 (2010: \$300). The net obligations of \$1 100 (2010:\$1 000) are included under other current liabilities.

29. FINANCIAL INSTRUMENTS

<i>(in thousands of \$)</i>	Loans and receivables	Derivative financial instruments	Available- for-sale	Total
At December 31, 2011				
Assets as per balance sheet				
Available-for-sale financial assets	-	-	33 330	33 330
Trade and other receivables excluding pre-payments (note 17)	24 038	-	-	24 038
Cash and cash equivalents	138 284	-	-	138 284
Total	162 322	-	33 330	195 652

<i>(in thousands of \$)</i>	Loans and receivables	Derivative financial instruments	Available- for-sale	Total
At December 31, 2010				
Assets as per balance sheet				
Available-for-sale financial assets	-	-	54 299	54 299
Trade and other receivables excluding pre-payments (note 17)	17 456	-	-	17 456
Derivative financial instruments	-	3 612	-	3 612
Cash and cash equivalents	180 041	-	-	180 041
Total	197 497	3 612	54 299	255 408

<i>(in thousands of \$)</i>	Derivative financial instruments	Other financial liabilities at amortised cost	Total
At December 31, 2011			
Liabilities as per balance sheet			
Borrowings incl. deferred charges (excl. finance lease liabilities) (note 21)	-	518 347	518 347
Finance lease liabilities	-	131 285	131 285
Derivative financial instruments	5 719	-	5 719
Trade and other payables excluding statutory liabilities (note 23,24)	-	24 327	24 327
Total	5 719	673 959	679 678



(in thousands of \$)

	Derivative financial instruments	Other financial liabilities at amortised cost	Total
At December 31, 2010			
Liabilities as per balance sheet			
Borrowings incl. deferred charges (excl. finance lease liabilities) (note 21)	-	486 979	486 979
Finance lease liabilities	-	135 330	135 330
Trade and other payables excluding statutory liabilities (note 23,24)	-	27 636	27 636
Total	-	649 945	649 945

Financial Risk Management

Through its activities the Group is exposed to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group makes use of derivative financial instruments such as foreign exchange forward contracts and interest rate swaps to moderate certain risk exposures.

Market risk

Interest Rate Risk

The Group's interest-bearing financial assets and liabilities make the Company exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows.

Breakdown of long-term debt with average effective interest rates:

(In thousands of \$)	2011		2010	
	Loan amount	Average interest rate	Loan amount	Average interest rate
Loan on vessels	444 950	3.61%	356 850	3.42%
Loans on vessels under construction	65 857	4.52%	122 743	3.42%
Convertible bond	7 540	5.98%	7 386	6.03%
Total	518 347		486 979	

Breakdown of cash and cash equivalents with average effective interest rates:

(In thousands of \$)	2011		2010	
	Amount	Average interest rate	Amount	Average interest rate
Current accounts	66 724	0.08%	34 486	0.20%
Short-term deposits	60 000	0.66%	145 000	0.27%
Restricted cash	11 560	0.08%	554	0.20%
Total	138 284		180 040	

Cash and cash equivalents and long-term debt (excluding convertible bonds) bear interest at LIBOR plus a fixed margin. The LIBOR is fixed mostly for one month periods. Debt issued at variable rates expose the Group to cashflow interest rate risks which is partially offset by the cash held at variable rates.

The convertible bond has a coupon rate of 3.625%, and the conversion price includes a premium of 40% from the issue date adjusted for dividend paid. The convertible bond exposes the Group to fair value interest rate risk.

The Group's debt at variable rate was denominated in US Dollars for both 2011 and 2010.

The convertible bonds recognized in the balance sheet are calculated as follows:

<i>(in thousands of \$)</i>	2011	2010
At January 1	7 386	7 227
Interest expense	433	438
Interest paid	(279)	(279)
Liability component at December 31	7 540	7 386

If interest rates as of December 31, 2011 and December 31, 2010 had increased / decreased by 1% with all other variables remaining constant, the decrease / increase in profit would have been \$4 000 (2010:\$ 3 900) mainly as a result of higher/lower interest expense on floating rate long-term debt. Interest directly attributable to the construction of vessels is capitalized and has no effect on profits. If interest rates had increased/decreased by 1% the effect on the amount capitalized would be \$900 (2010:\$1 100). The sensitivity is lower in 2011 than in 2010 because of a decrease in long-term debt attributable to vessels under construction.

The Group's chief financial officer monitors the sensitivity to the interest rates on a regular basis as part of her role.

Currency Risk

The value of monetary assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The majority of the Group's financial assets and liabilities are denominated in US Dollars and at December 31 2011, the only material assets and liabilities denominated in foreign currencies are financial lease obligations that have purchase options in JPY for M/V Golden Heiwa and M/V Ocean Minerva (note 22).

The Group monitors its exposure to currency risk on a regular basis. The Group can use forward foreign exchange contracts to mitigate currency risk for the Norwegian management Company when it finds it beneficial.

At December 31 2011, had the exchange rate between the JPY and US Dollars increased or decreased by 5 percent with all other variables held constant, the decrease or increase in obligations under finance leases would have been \$2 200 (2010:\$1 900).

At December 31 2011, had the exchange rate between the US Dollar and the Norwegian Kroner increased or decreased by 5 percent with all other variables held constant, the decrease or increase respectively in net assets would not be material.

Equity Price Risk

The Group has from time to time invested in marketable securities in shipping stocks on different stock exchanges, to take advantage of market movements in the equity markets.

All marketable securities present a risk of loss of capital. The Group moderates this risk through a careful selection of securities. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Group's overall market positions are monitored on a quarterly basis. The Group's maximum exposure to risk at the balance sheet date is \$33 300 (2010:\$54 300).

Commodity Price Risk

The Group is exposed to commodity price risk through derivative contracts on freight and bunkers. The Group takes positions from time to time in the freight forward market, either as a hedge to a physical contract or as a speculative position. The value of the freight forward agreements is booked mark to market through the income statement. The Company enters into cargo contracts from time to time. The



Company is then exposed to fluctuations in bunker prices, as the cargo contract price is based on an assumed bunker price for the trade. The Group has a policy to hedge all bunker exposure and uses bunker derivatives to hedge this risk. There is no guarantee that the hedge removes all the risk from the bunker exposure, due to possible differences in location and timing of the bunkering between the physical and financial position. The value of the bunker contracts is booked mark to market over the income statement.

Credit Risk

The Group is exposed to credit risk, inherent in the risk that a counterparty will be unable to perform under the time and voyage charter contracts and unable to pay amounts in full when due. Allowances are made for credit losses that have been incurred by the balance sheet date, if any. The maximum exposure to credit risk on cash and cash equivalents and trade and other receivables (ignoring collateral and credit quality) at December 31, 2011 was \$168 574 (2010:\$208 824).

Concentration of credit risk exists to the extent that at December 31, 2011 approximately 85% of cash and cash equivalents were held with two financial institutions with credit ratings according to Standard & Poor's as follows:

The Group has the following derivative financial instruments:

Counterparty	Rating	Geographical segment	2010	2010
<i>Cash and cash equivalents</i>				
Skandinaviska Enskilda Banken (SEB)	A+	Norway	57 744	172 647
Nordea	AA-	Norway	60 455	4 655
ABN Bank	A+	Netherland	2 654	-
Fokus bank	A	Norway	11 795	-
Other		Norway	5 636	2 739
			138 284	180 041

In addition concentration of credit risk exists to the extent that amounts of \$4 900 represent 66% of trade receivables are due from two counterparties. The Group does not expect any recoverability issues with these amounts and collected \$2 800 subsequent to the balance sheet date.

If there is no independent rating on the customers, the credit control department assesses the credit quality of the counterparty taking into account its financial position, past experience and other factors.

Given the current economic crisis and the number of counterparty defaults worldwide, the Group monitors the exposure to credit risk on a daily basis and manages risk by concentrating on chartering activities with a number of major shipping companies and financially strong counterparties and placing bank deposits with blue-chip financial institutions.

Liquidity Risk

The table below analyses the Group's long-term debt into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual principal repayments.



<i>(in thousands of \$)</i>	2011	2010
Within one year	62 962	35 993
Between one and two years	43 620	49 747
Between two and five years	390 053	270 584
After five years	24 700	132 567
Total debt	521 335	488 891
Current portion	(62 962)	(35 993)
Long-term debt, nominal value	458 373	452 898
Deferred transaction costs	(2 988)	(1 912)
Long-term debt, net	455 385	450 986

The table below analyses the Group's long-term interest obligations:

<i>(in thousands of \$)</i>	Within one year	Between one and two years	Between two and five years	After five years	Total
Short-term debt (excluding bank overdraft)	-	-	-	-	-
Long-term debt	23 860	21 543	37 892	2 345	85 640
Total	23 860	21 543	37 892	2 345	85 640

The interest obligations are calculated by using 5 year LIBOR (1.3) plus margin of 2.75 that gives interest rate of 3.88%.

The table below analyses the Group's obligations under finance leases into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows (note 22).

<i>(in thousands of \$)</i>	2011	2010
Within one year	15 023	15 164
Between two and five years	91 903	82 574
Between six and ten years	77 151	96 110
Total	184 077	193 848

Cash of \$11 560 (2010:\$554) has been restricted. A deposit of \$8 000 is related to minimum value covenants clause in one of the loan facilities. \$2 500 is related to deposits on trading in financial instruments and \$1 000 is a deposit for customer claim.

The Group's finance department monitors the liquidity position of the Group on a regular basis between each loan drawdown and repayment period, to ensure sufficient funds are available.

The Group is in a healthy financial position and is deemed to be able to cover all the short term liabilities and other cash requirements.

Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2011:

<i>(in thousands of \$)</i>	Level 1	Total
At December 31, 2011		
Assets		
Available-for-sale financial assets	33 330	33 330
Total assets	33 330	33 330
Liabilities		
Derivative financial instruments	5 719	5 719
Total liabilities	5 719	5 719



<i>(in thousands of \$)</i>	Level 1	Total
At December 31, 2010		
Assets		
Available-for-sale financial assets	54 299	54 299
Derivative financial instruments	3 612	3 612
Total assets	57 911	57 911

Level 1 is the fair value of financial instruments traded in active markets based on quoted market prices at the balance sheet date.

30. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board intends to return capital to shareholders either through dividends or share buyback. Golden Ocean operates in a cyclical industry, and the Boards' decision to pay out dividend or repurchase shares is therefore always considered in view of the Companies debt service requirements due in the short term, future CAPEX requirements and managements expectation about the future cash inflows. The amount paid out in dividends is also a function of the general market environment and counterparty issues. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long-term debt, obligations under finance leases and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at December 31, 2011 and December 31, 2010 were as follows:

<i>(in thousands of \$)</i>	2011	2010
Total borrowings	682 575	653 398
Less: Cash and cash equivalents	(138 284)	(180 041)
Net debt	544 291	473 357
Total equity	529 992	574 465
Total capital	1 074 283	1 047 822
Gearing ratio	51 %	45 %

31. DIVIDENDS PAID AND PROPOSED

<i>(in thousands of \$)</i>	2011	2010
<i>Declared and paid during the year</i>		
Final dividends from previous year	22 850	
First interim dividend	18 280	11 424
Second interim dividend	9 140	22 850
Third interim dividend	42	22 850
	50 312	57 124
<i>Proposed but not recorded</i>		
Final dividend for the year	-	22 850

The Group has paid dividend in 2011 of \$0.11 per share.



32. SUBSIDIARY COMPANIES

The following are the Company's active subsidiaries as at December 31, 2011:

Name	Country of residence	Ownership interest
Front Carriers Ltd	Liberia	100 %
Golden Beijing Inc	Liberia	100 %
Golden Brilliant Inc	Liberia	100 %
Golden Crystal Inc	Liberia	100 %
Golden Dena Corporation	Liberia	100 %
Golden Diamond Inc	Liberia	100 %
Golden Eclipse Inc	Liberia	100 %
Golden Effort Inc	Liberia	100 %
Golden Emerald Inc	Liberia	100 %
Golden Eminence Inc	Liberia	100 %
Golden Empress Inc	Liberia	100 %
Golden Endeavour Inc	Liberia	100 %
Golden Endurer Inc	Liberia	100 %
Golden Enterprise Inc	Liberia	100 %
Golden Excalibur	Liberia	100 %
Golden Excellence Inc	Liberia	100 %
Golden Explorer Inc	Liberia	100 %
Golden Express	Liberia	100 %
Golden Exquisite	Liberia	100 %
Golden Extreme Inc	Liberia	100 %
Golden Eye Inc	Liberia	100 %
Golden Feng Inc	Liberia	100 %
Golden Gunn Corporation	Liberia	100 %
Golden Hilton Shipping Corporation	Liberia	100 %
Golden Ice Inc	Liberia	100 %
Golden Nantong Inc	Liberia	100 %
Golden Opportunity Inc	Liberia	100 %
Golden Pearl Inc	Liberia	100 %
Golden President Shipping Corporation	Liberia	100 %
Golden Saguenay Inc	Liberia	100 %
Golden Sapphire Inc	Liberia	100 %
Golden Shui Inc	Liberia	100 %
Golden Strength Inc	Liberia	100 %
Golden Zhoushan Inc	Liberia	100 %
Golden Ocean Management Asia Pte Ltd	Singapore	100 %
Golden Ocean Management AS	Norway	100 %
Golden Ocean Group Management (Bermuda) Limited	Bermuda	100 %
Golden Ocean (Cyprus) Limited	Cyprus	100 %
Golden Ocean Trading Limited	Bermuda	87,81 %

The accounts of Golden Ocean Management AS are prepared in Norwegian Kroner, and the accounts of Golden Ocean Management Asia Pte. Ltd. are prepared in Singapore Dollars. At December 31, 2011 the foreign exchange on conversion to US Dollars is not material and has been recognized in the income statement.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of directors and authorized for issue on March 230, 2012.

34. SUBSEQUENT EVENTS

In 2011 the Company purchased a total of 3,490,107 of the Company's own common stocks on Oslo Stock Exchange, at an average price of NOK 3,99. The buy-back program ended on 31 December 2011. The Company cancelled the treasury shares that the Company held on January 4, 2012. Following the cancellation of the shares, the outstanding issued shares in Golden Ocean Group Limited is 453,500,000.

The Company reports broker values on all loan facilities to the banks each quarter. As per December 31, 2011, there were some facilities where the minimum value of the vessels were below the required levels defined in the loan agreements. The Company has therefore made, in accordance with the loan agreements, additional down payments of \$18.0 million on some of the loan facilities in first quarter 2012. The \$8.0 million that was placed as security under one facility has been released from the deposit account.

The Company has come to an agreement with Korea Line Corporation ("KLC") on the size of the claim the Company has towards KLC in relation to KLC's termination of charter contracts in January 2011. The Company will receive a small amount in 2012 and the rest will be part of the rehabilitation process, where 37% of the claim will be paid out as cash over 10 years. In addition the Company will be granted some shares in KLC.

The Company has on March 2012 been contacted by Sanko Steamship Co., Ltd. ("Sanko") who have requested the Company for deferred payments in relation to hire payments. Sanko has also sent out a press release on March 9, 2012, where they assure that they fully intend to meet all financial obligations and that they will restructure and strengthen the company's balance sheet.

In March 2012, the Company sold all of its common shares (2,438,199) in Knightsbridge Tankers Limited ("Knightsbridge"). The proceeds from the sale were \$34.1 million and will be recognised as a gain of approximately \$0.5 million in "other gains/losses net" in the consolidated income statement for Q1 2012.

To the shareholders and Board of Directors of Golden Ocean Group Limited

Independent auditor's report

We have audited the accompanying consolidated financial statements of Golden Ocean Group Limited ("Group") which comprise the consolidated balance sheet as of December 31, 2011, the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Board of Directors and the Management's responsibility for the financial statements

The Board of Directors and the Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors and the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Oslo, March 30, 2012

PricewaterhouseCoopers AS



Fredrik Melle

State Authorized Public Accountant (Norway)

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND PRESIDENT/CEO.

We confirm, to the best of our knowledge that the financial statement for the period January 1 to December 31, 2011 has been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and loss of the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties facing the group.

Hamilton, Bermuda, March 30, 2012

The Board of Directors of Golden Ocean Group Limited

BY: /s/ John Fredriksen
John Fredriksen
President, CEO and Chairman

BY: /s/ Tor Olav Trøim
Tor Olav Trøim
Vice President and Director

BY: /s/ Kate Blankenship
Kate Blankenship
Director

BY: /s/ Hans Christian Børresen
Hans Christian Børresen
Director

BY: /s/ Cecilie Fredriksen
Cecilie Fredriksen
Director

CORPORATE GOVERNANCE STATEMENT 2011

Golden Ocean Group Limited (the "**Company**") is a Bermuda registered company whose shares are listed on the Oslo Stock Exchange. As a result, the Company is required to publish an annual statement on the Company's principles for corporate governance compared to the Norwegian Code of Practice for Corporate Governance (the "**Code**"). The Code is published on the website of the Oslo Stock Exchange: www.ose.no. The Code is a non binding recommendation which all companies listed on the Oslo Stock Exchange are required to relate to on a "comply or explain" basis.

Golden Ocean Group Limited is committed to ensuring that its principles of corporate governance meet the highest standards and generally supports the principles set forth in the Code. Being subject to two different sets of corporate governance regulations (Norway and Bermuda), means, however, that Golden Ocean Group Limited will have to rely on some exceptions from the Code. As a Bermudian registered Company Golden Ocean Group Limited is also subject to Bermudian company law requirements, which in some matters differ from Norwegian law. Golden Ocean Group Limited's bye-laws are available on the Company's website: www.goldenocean.bm.

Golden Ocean Group Limited's corporate government policies and procedures are explained below in relation to the Code.

Corporate Governance

The board of Golden Ocean Group Limited (the "**Board**") recognizes the importance of sound corporate governance. Golden Ocean Group Limited has implemented a code of business ethics and conduct. The code has focus on the core values of honesty, respect and co-operation, and that these are applied in the employees' behaviour towards competitors, suppliers, shareholders and the market in general. The Board believes that the principles the Company adheres to in this respect represent a sound ethical standard.

Business

The business of Golden Ocean Group Limited and its subsidiaries (the "**Group**") is dry bulk shipping. The Company's annual report includes a more specific description of the Group's business, including the overall objectives and current strategy of the Company. The Company's annual report can be accessed at the Company's website.

Equity and dividend

Bermudian companies have an authorized and an issued share capital. The authorized share capital is the amount up to which the Board is authorized to issue shares. The bye-laws of the Company (bye-law 12) state that the unissued shares of the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions as the Board may determine. There is therefore, in accordance with Bermudian corporate law and the Company's Bye-Laws, no time limit on the Board's authority to issue shares up to the maximum authorized capital.

As at December 31, 2011 the issued share capital of Golden Ocean Group Limited was US \$ 45,699,010.7, representing 456,990,107 shares. The Company held 3,490,107 shares as treasury shares at per December 31, 2011. These shares were cancelled on January 4, 2012. After that, the issued share capital of the Company has been 45,350,000.00, representing 453,500,000 shares.

At present, the Board is authorized by the Company's general meeting to issue up to 5,000,000,000 shares in the Company with a par value of US\$ 0.10.

Accordingly, the Board has the authority after January 4, 2012 to issue a further 4,546,000,000 shares.

Bermudian law allows a company to repurchase its own shares for cancellation or to be held as treasury shares. This right is documented in the Company's bye-laws (bye-laws 9, 10 and 11). Unlike the



situation in Norwegian law (Public Limited Companies Act), which restricts a company's holding of treasury shares to 10% of the total shares in issue, and limits the authority of a board to resolve to acquire its own shares to a period of 18 months from when the authority is granted, there is no time limit within which the repurchase needs to take place under Bermudian law. A Bermuda company cannot, however, repurchase its shares if there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. In addition, if the company purchases its own shares, the consideration (i) may be paid in cash, (ii) be satisfied by the transfer or any part of the undertaking or property of the company having the same value, or (iii) a combination of (i) and (ii).

The Company's bye-laws 118 to 124 (inclusive) deal with dividends and other payments to shareholders and provide that the Board can declare cash dividends or distributions out of contributed surplus. Further, they allow the Company to pay a fixed cash dividend half yearly or on other dates. Bermudian law permits the Company to declare interim dividends out of profits and retained earnings. This differs from the position of a Norwegian public limited company which is not permitted to do this.

The Company has not adopted a fixed dividend policy. The Company believes, given the nature of its business, that not having a specific dividend policy is appropriate. Without a dividend policy the Company can reinvest its profits and expand the Company and its business. Having a fixed dividend policy may have the consequence that such opportunities are lost. The Company's goal is a high dividend capacity, and maximizing shareholder return. However, dividend payments will depend on the Company's financial situation, need for working capital and investments or acquisition possibilities from time to time.

Equal treatment of the shareholders

As a listed company, the Company is obliged to comply with the information requirements of the Oslo Stock Exchange. All information relevant to the Company's share price is published to the marked through Hugin Connector and the Oslo Stock Exchange. This is also made available immediately at the Company's website.

The Company has a secondary listing on the Singapore Stock Exchange. On a general basis, the Company is in compliance with the requirements on the Singapore Stock Exchange if the Company complies with the rules on the Oslo Stock Exchange and also publishes all messages on the SGX Net.

The Company publishes all reports, presentations and dates for financial releases on its website.

Golden Ocean Group Limited has only one class of shares.

Under Bermudian corporate law shareholders in a Bermudian company do not have any preferred right to subscribe for further shares when new shares are issued. The Company's bye-laws (bye-law 49) allows the Company, by ordinary resolution of the shareholders, to direct that new shares (or any of them) shall be offered in the first instance, either at par or at a premium, (subject to the provisions of the Bermudian Companies Act) to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively, or make any other provision as to the issue of new shares.

Golden Ocean Group Limited will, if acquiring its own shares, always do this through purchases on the Oslo Stock Exchange or the Singapore Stock Exchange at the prevailing stock exchange price.

The Company's policy is to enter into related party transactions solely on terms that are at least as favorable to the Company as those that can be obtained when contracting with an unrelated third party. Thus any contracts entered into between the Company and a related party is always made on arm's length market terms.

It follows from the Bermudian Companies Act that an officer or director of the Company shall, at the first available opportunity, notify the Board of his interest in any material contract of the Company. Further, the Company's bye-laws contain (in bye-laws 95-100) specific provisions addressing director's interests.



Freely negotiable shares

Subject to (i) Bermudian company law and (ii) the terms of the Company's bye-laws 38 to 42, inclusive, which deal with the transfer of shares, Golden Ocean Group Limited's shares are freely transferable provided that the shares are listed on an appointed stock exchange (which terms include the Oslo Stock Exchange and the Singapore Stock Exchange).

The Company's bye-law 39 (ii) gives the Board the option to decline to register the transfer of any shares if the registration of such transfer would be likely to result in 50% or more of the aggregate issued share capital of the Company being held or owned directly or indirectly by a person or persons resident for tax purposes in Norway.

Under the Company's bye-law 39 (ix) where a person or entity becomes the owner of more than 30% of the issued shares, the Board can decline to register the interest in excess of 30% unless the acquirer makes an offer to purchaser the remaining shares of the Company or agrees to sell part of the shares acquired to reduce the interest to below 30%.

General meeting

The bye-laws of Bermudian companies are generally extensive and regulate in detail matters relating to the internal management and activities of the Company. The Company's bye-laws 57 to 88 (inclusive) deal extensively and in detail with matters concerning general meetings of the Company, including the rights of shareholders. These bye-laws regulate annual and special general meetings, notices of general meetings, proceedings at general meetings, voting rights, and requirements to proxies.

The Company's general meetings are open to all of the Company's shareholders, and are held on an annual basis (subject to any need for any additional special general meeting at any time). The notice period for both annual and special general meetings is, under bye-law 58, no less than 7 days which shall be provided in writing. This exceeds the statutory period of at least 5 days' notice, contained in section 75(1) of the Bermudian Companies Act. Shareholders may exercise their vote through a representative or proxy. Bye-law 87 permits the Board, subject to the Bermudian Companies Act, to waive any of the provisions of the bye-laws related to proxies or authorizations and, in particular, the Board may accept verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any shareholder at general meetings. All shares have equal voting rights. No shareholder is permitted to own more than 30% of the outstanding shares of the Company pursuant to bye-law 39(xi). Other than that restriction, there are no restrictions on ownership or any known shareholder agreements. (See further discussion below at "Change in Control, takeovers").

Nomination Committee

Golden Ocean Group Limited has no nomination committee. The Board is able to nominate candidates for election as directors. In addition, the shareholder(s) have a common law right under Bermuda law to put forward nominations. This common law right is modified by section 79 of the Bermuda Companies Act which provides a framework within which shareholder(s) may put resolutions before a general meeting. The independence of the Board is commented on under the section below headed Corporate Assembly and Board of Directors.

The Board would also propose candidates for election as auditors, in the case of a need for re-election, and also proposals concerning the level of remuneration for directors and senior management.

Corporate assembly and board of directors

Golden Ocean Group Limited does not have a corporate assembly. This is not required under Bermudian company law. In accordance with the Company's bye-law 89, and subject to the Bermudian Companies Act, directors hold office until the annual general meeting following their election or until a successor is elected. The Company's bye-law 91 provides that the Company, in a special general meeting of the shareholders, may remove a director provided that notice of the special general meeting



has been given to the director not less than 14 days before the special general meeting. The director is entitled to be heard at the special general meeting. The shareholders may elect a person to replace the director so removed and, in the event they do not, the Board can appoint a director. The Board can appoint a new director to fill a casual vacancy until the annual general meeting.

The Company's bye-law 92 deals with resignation and disqualification of directors, and sets out certain events which would result in a director being disqualified, and thereby vacating his office. Amongst other events, these include a director becoming of unsound mind becomes bankrupt, or if he is prohibited by law from being a director.

The Board currently consists of five directors. Three of the directors, John Fredriksen, Tor Olav Trøim and Cecilie Fredriksen are not independent from Golden Ocean Group Limited's main shareholder, Hemen Holding Limited. Kate Blankenship and Hans Chr. Børresen are both independent. The composition of the Board therefore satisfies the recommendation of the Code for two independent directors.

The Company believes that in the context of its business and operations it is important to have a small and focused Board with a close working knowledge of Golden Ocean Group Limited's strategy and operations, and an ability to react quickly when the situation so requires. The current composition of the Board satisfies these needs.

The Board of directors' work

The Board receives quarterly financial reports with comments on the Group's economic and financial status. The Board discusses strategy and investment opportunities in meetings held as and when required. The Board holds –between four and six regular Board meetings each year. The Board attends to the organization of the Group, institutes plans and budgets and ensures that the Company's accounting and financial administration are in good order. The Board also actively supervises the day to day management of the Company's operations.

The Board is constantly evaluating the necessity to establish sub-committees. The Board can delegate its powers to committees under the Company's bye-law 103. The Company has appointed an audit committee as a sub-committee of the Board. The audit committee has meetings each quarter prior to the finalization of the quarterly reports.

The size and focus of the Board and its communication with the Company's management supports the view of the Board that other sub- committees are not required. The Board evaluates its work and competence constantly and adopts any required changes, always with a view to protecting the interests of the Company.

Compensation to the board of directors and executive employees

Total remuneration to key management and directors appear in the annual report.

Golden Ocean Group Limited has no compensation committee. The Company's Bye-law 94 deals with directors' fees and additional remuneration and expenses. Directors' fees are determined by the Company by ordinary resolution and in the absence of a determination to the contrary in the general meeting, the Board determines the compensation of individual directors.

Golden Ocean Group Limited has not, at present, established any written guidelines for the remuneration of the members of its executive management. Only immediate superiors are involved in the decision making process involving employment, pay, bonuses and incentives to employees. The remuneration to executive management is considered by the Company to be in line with market practice and prevailing conditions.

The day-to-day management of the Company is undertaken by Golden Ocean Management (Bermuda) Ltd. under the terms of a written management agreement. Golden Ocean Management AS (a Norwegian company in the Group), and Golden Ocean Management Asia Pte Ltd. (a Singapore company in the

Group), acts as sub-contractors to Golden Ocean Management (Bermuda) Ltd. on the terms of written management agreements. The management and employees of these two companies are experienced and qualified to perform the management tasks allocated to them.

The Company operates a share option incentive program for the Group's directors and employees. The general terms of the share option program have been approved by the shareholders in a general meeting.

Risk management and internal control

In general, the Board ensures that all necessary controls of the Group's business are carried out. This includes processes for internal controls, external audit, strategic assessment, business assessment, and management resources. In addition, the Company has invested in a risk management system that constantly keeps track of the positions of all vessels under operation. The Board receives a weekly report which provides an overview of the open positions and the sensitivity related to changes in market conditions.

The annual report does not include comments on the internal control and risk management systems.

Information and communication

Information of relevance to the Company's share price is communicated through the Company's website, and includes information relating to results and economic development. The Company's policy is to comply with all applicable standards aimed at securing a good information flow.

Golden Ocean Group Limited publishes annual and quarterly reports at its website. The Company acknowledges the importance of providing shareholders, and the equity market in general, with correct and relevant information about the Company and its activities.

Change in Control, takeovers

The bye-laws of Golden Ocean Group Limited do not include any mechanisms that hinder a takeover or deter takeover-bids. However, the Board will, in the event of a takeover-bid, take such actions that are considered to be in the best interests of the shareholders, such as advising the shareholders in the assessment of the bid and, if appropriate, seeking to identify a competing bidder.

If a take-over bid is made for Golden Ocean Group Limited's shares it is the opinion of the Board that the shareholders of the Company should be treated equally and provided with sufficient information and time to consider the same.

In connection with transfers of shares the Company's bye-law 39.(ix) contains terms to comply with the requirements of Norwegian securities law and states that if any person or entity becomes the owner of shares representing more than 30% of the then issued shares the Board can refuse to register the transfer unless the acquirer makes an offer for the purchase all of the Company's issued shares, or sells some of shares so that the ownership is reduced to less than 30%.

Auditor

The Company's independent auditor, appointed by its general meeting, is PricewaterhouseCoopers AS.

The Company employs the same auditing firm as all its subsidiaries. The auditor reviews the internal control system of the Group on a yearly basis and reports back to the Board. The auditor participates in the Board meeting that approves the annual accounts of the Company, and otherwise as required. The auditor provides a statement to the Board each year in connection with the annual audit. The shareholders authorize the board to set the auditor's remuneration in the annual general meeting.