

INFORMATION MEMORANDUM

prepared in connection with the contemplated merger of



Songa Bulk ASA and Axxis Geo Solutions AS

The information contained in this information memorandum (the "**Information Memorandum**") relates to the contemplated statutory merger between Songa Bulk ASA ("**Songa Bulk**" or the "**Company**"), a Norwegian public limited liability company listed on Oslo Axess and Axxis Geo Solutions AS ("**AGS**" and together with its subsidiaries, the "**AGS Group**"), a private limited liability company incorporated under the laws of Norway, through a transfer of all assets, rights and liabilities of AGS to Songa Bulk against consideration in the form of newly issued consideration shares (the "**Consideration Shares**") of Songa Bulk (the "**Merger**").

This Information Memorandum serves as an information memorandum as required under Section 3.5 of the Continuing Obligations for Stock Exchange Listed Companies (the "**Continuing Obligations**"), which apply in respect of agreements entered into by a company with shares admitted to trading on Oslo Axess concerning a transaction that constitutes a change of more than 100% in respect of assets, operating revenue or annual result. It also serves as a prospectus equivalent document for the purpose of listing of the Consideration Shares to be issued by the Company in connection with the Merger, cf. Section 7-5 no. 7 of the Norwegian Securities Trading Act of 29 June 2007. This Information Memorandum has been submitted to Oslo Børs ASA for review before it was published. This Information Memorandum is not a prospectus and has neither been approved nor reviewed by Oslo Børs ASA or the Norwegian Financial Supervisory Authority (Nw. Finanstilsynet) in accordance with the rules that apply to prospectuses. This Information Memorandum has been prepared in an English version only.

On 16 April 2019, Songa Bulk entered into a joint merger plan (the "**Merger Plan**") with AGS, in respect of the Merger. Pursuant to the Merger Plan, Songa Bulk will assume the assets, rights and liabilities of AGS as a whole against issuance of the Consideration Shares. The consummation of the Merger is expected to take place following expiry of the statutory creditor notice period on 1 July 2019. Upon consummation of the Merger, Songa Bulk ASA will change its name to "Axxis Geo Solutions ASA".

This Information Memorandum does not constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Information Memorandum.

This Information Memorandum may not be distributed or sent into the United States or any other jurisdiction in which such distribution would be unlawful or would require registration or other measures. The securities of the Company may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The securities of the Company have not been, and will not be, registered under the Securities Act. There will be no public offer in the United States.

In reviewing this Information Memorandum, you should carefully consider the matters described in Section 1 "*Risk Factors*" beginning on page 4.

The date of this Information Memorandum is 5 June 2019.

IMPORTANT INFORMATION

For the definitions of terms used throughout this Information Memorandum, including the preceding page, see Section 10 "*Definitions*".

No shares or other securities are being offered or sold in any jurisdiction pursuant to this Information Memorandum. All inquiries relating to this Information Memorandum must be directed to the Company. No other person is authorized to give any information about, or to make any representations on behalf of Songa Bulk in connection with the Merger. If any such information is given or representation made, it must not be relied upon as having been authorized by the Company.

The information contained herein is as of the date hereof and is subject to change, completion and amendment without further notice. There may have been changes affecting Songa Bulk subsequent to the date of this Information Memorandum. The delivery of this Information Memorandum shall not imply that there has been no change in Songa Bulk's affairs or that the information set forth herein is correct as of any date subsequent to the date hereof.

The contents of this Information Memorandum are not to be construed as legal, business or tax advice. Each reader of this Information Memorandum should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Information Memorandum, you should consult your stockbroker, bank manager, lawyer, accountant or other professional advisor. No due diligence has been made on Songa Bulk in connection with preparation of this Information Memorandum.

The distribution of this Information Memorandum in certain jurisdictions may be restricted by law. The Company requires persons in possession of this Information Memorandum to inform themselves about, and to observe, any such restrictions.

Currency Presentation

Unless otherwise indicated, all references in this Information Memorandum to "NOK" are to the lawful currency of Norway; all references to "U.S. dollars" or "USD" are to the lawful currency of the United States of America; and all references to "GBP" are to the lawful currency of the United Kingdom; and all references to "Euro" or "EUR" are to the lawful common currency of the European Union (the "EU") member states who have adopted the Euro as their sole national currency.

Governing Law

This Information Memorandum is subject to Norwegian law. Any dispute arising in respect of this Information Memorandum is subject to the exclusive jurisdiction of the Norwegian courts, with Oslo District Court as legal venue in first instance.

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APPENDICES

APPENDIX A:	CONSOLIDATED FINANCIAL STATEMENTS FOR AXXIS GEO SOLUTIONS AS FOR THE YEAR ENDED 31 DECEMBER 2018
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1 RISK FACTORS

Holders of shares in the Company (the "Shares") should consider the risks described below, as well as the other information in this Information Memorandum. The below risk factors should be carefully considered when analysing the Company and/or the Merger. The risks described could have a material adverse effect on the business, financial condition or results of operations of the Company including the AGS Group (describing the combined entity following completion of the Merger, hereinafter referred to as the "Combined Group"). Accordingly, the risks described herein could have a material adverse effect on the trading price of the Company's Shares. The risks and uncertainties described in this Section 1 "Risk Factors" are the material known risks and uncertainties faced by the Company and Combined Group as of the date hereof. The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialise individually or cumulatively.

1.1 Risks related to the Business of the Combined Group upon consummation of the Merger

1.1.1 *The current business of AGS is a relatively new business without historical financial accounts and operational history of relevance*

Although the current members of the management of AGS, who will also be transferred to the Company upon consummation of the Merger, have extensive experience from investing in and doing business within the oil and gas industry in general and seismic industry in particular, the current business of AGS is recently established, has a limited operating history and is without any substantial track record and with a lack of full transparency into future working capital and capital expenditure needs. Accordingly, investors will have limited historical financial and other information on which to base any decision to invest in the Company's securities. Hence, any investment in the Shares is similar to and bears the risks of, investment in a start-up company in general.

1.1.2 *Demand in the oil and gas industry, economic uncertainty and the volatility of oil and gas prices could have a material adverse effect on the Combined Group's future earnings, cash flow and financial position*

Demand for offshore geophysical services depends on the level of capital spending by the oil and gas companies, particularly exploration and development expenditures which can be negatively affected by a number of factors, including but not limited to, decreases in oil and gas prices, fluctuations in production levels and lack of satisfactory results from exploration activities. Also, changes in the legislative and fiscal framework governing the activities of the oil and gas companies could have a material impact on the demand for seismic services to be provided by the Combined Group. In particular, changes in political regimes could constitute a material risk factor for the Combined Group's sales to foreign customers. All such factors, and hence the level of demand, are outside the control of the Combined Group.

Demand for services supporting offshore exploration, development and production has historically been volatile and closely linked to the prices of oil and gas. Low oil prices typically lead to a reduction in capital expenditures as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the Combined Group's services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the Combined Group's services will generally lag oil and gas price increases. Moreover, increase in oil and gas prices may not increase demand for the Combined Group's services, as customers may reduce their levels of capital expenditures for seismic surveys and data interpretation for a variety of reasons, including their lack of success in exploration efforts. Further, in a situation of increased oil and gas prices, customers may have a long lead-time with respect to increasing their investments into seismic operations.

All of the above may also result in substantial fluctuations in the Combined Group's revenues from one financial reporting period to another, which in turn may make it difficult for investors to compare financial results and performance. Reduced demand, or low demand over time, for seismic surveys and data interpretation will have a material, negative impact on the Combined Group's earning, overall financial position and future prospects.

1.1.3 The amount of business and results of operations from the AGS business are subject to various risks inherent in international operations, such as complex legal matters in different jurisdictions, including differing and complex regulatory requirements

The seismic acquisition activities to be carried out by the Combined Group take place in several foreign countries and regions and changes in political regimes could constitute a material risk factor for the Combined Group's operations. Operations in international waters are also subject to risks of war or other armed conflicts, terrorist activities and political, civil or labour disturbances and embargos. Furthermore, the Combined Group's operations in foreign countries and regions may cause both legal and practical difficulties in case of a dispute or conflict. The Combined Group will operate in regions where the ability to protect contractual and other legal rights may be more limited than compared to regions with more well-established markets.

Further, the Combined Group's operations may take place in regions that may be politically volatile. Changes in the economic, regulatory and political situation in the regions of which the Combined Group's operations are dependent on could have material adverse effect on oil and gas exploration, field development and production activity and could, directly or indirectly, materially adversely affect the Combined Group's business prospects, results of operations and financial condition.

The seismic operations to be carried out by the Combined Group are subject to numerous international conventions as well as national, state and local law, and regulations in force in the jurisdictions in which AGS currently conducts, or where the Combined Group will conduct, its business. These laws and regulations relate to, inter alia, the protection of the environment, natural resources, human health and safety, taxes, certification and visa regulations, licensing and permits, and other requirements. In particular, compliance with environmental regulations may require significant expenditures and breaches may result in fines and penalties, which could be material. Whereas AGS pays and has paid particular attention to safety, conduct and the environment in its execution of business, stricter regulation or changes in the application of existing regulations may impose increased costs for operating the business of the Combined Group, or otherwise impact the Combined Group's financial condition, operating results or future prospects.

1.1.4 The AGS Group is and the Combined Group will continue to be exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanction programs

In certain countries there may be an inherent risk of bribery, corruption and unethical work practices. AGS currently has, and the Combined Group will continue to implement policies and operating procedures to reduce these risks. There can be no assurance, however, that such policies and procedures will be followed at all times or effectively detect and prevent violations of the relevant applicable laws or ethical standards the Combined Group intends to follow. Such violations could be subject to penalties, will require substantial attention and time from the management, will likely incur substantial costs and may thus have material adverse consequences on our business, results of operation and financial condition.

1.1.5 The Combined Group's profitability and cash flow may be negatively impacted by excess capacity in the seismic industry

The offshore seismic industry has from time to time experienced excess capacity and supply. If the capacity of new vessels and services delivered exceeds the capacity of vessels being scrapped and lost, the seismic capacity will increase. If the supply of seismic services increases and if the demand for seismic services does not increase correspondingly, the rates which the Combined Group will be able to obtain from its customers could materially decline. Further, the Combined Group could then be required to perform material depreciations of asset values on its balance sheet, which in turn would have a negative effect on the Combined Group's profit and loss

accounts. A reduction in future rates and the value of the Combined Group's seismic equipment, including any owned vessels, could have a material adverse effect on the Combined Group's business, financial condition, results of operations and cash flows.

1.1.6 The AGS business depends on proprietary technology and is exposed to risks associated with the misappropriation or infringement of technology

Trade secrets and intellectual property are recognised as important assets and potential reasons for disputes and legal proceedings. The offshore seismic industry and related sectors have experienced several such disputes during the recent years. AGS currently relies, and the Combined Group will continue to rely, on a combination of development, non-disclosure and other contractual provisions and restrictions on disclosure to protect the Company's intellectual property rights and trade secrets. Also, the right subsisting in a geophysical image under Norwegian law does not entail the right to prohibit others from taking new, original images from the same reservoir area. In general, there can be no assurance that the Combined Group's efforts to implement protective measures and to register (if possible and where appropriate) and defend its intellectual property rights will be sufficient. Further, there can be no assurance that competitors do not claim that the operations, technology and know-how of the AGS business violates such competitors' intellectual property rights. Should the Combined Group become involved in any such disputes, substantial attention and time from our management will be required, substantial costs are likely to be incurred and disputes may be adversely resolved, all of which may have material adverse consequences on the Combined Group's business, results of operation and financial condition.

1.1.7 Technological changes and new products and services introduced in the market may significantly affect the AGS business

The seismic and oil service industry are characterized by rapid changes and developments in technology, which may or may not be possible to register. Such changes and developments can often be driven by competitors of the Combined Group with substantial greater resources than those of the Combined Group. There can be no assurance that the Combined Group will be able to successfully commercialize new technology. Furthermore, there can be no assurance that the Combined Group will be able to respond to new technological developments and challenges or identify and respond to new market opportunities, or no assurance that the Combined Group will get access to new technology from the technology-/patent owners.

The Combined Group's technology projects and efforts to respond to technological innovations may require significant financial investments and resources. There can be no assurance that the Combined Group will have the necessary financial and human resources to respond to new technological changes and innovations and emerging competition.

Any failure by the Combined Group to respond to changes in technology and innovations may render the Combined Group's operations non-competitive and may have a material, negative effect on the Combined Group's results of operation, financial condition and future prospects.

1.1.8 The Combined Group's seismic acquisition operations are exposed to extreme weather and other hazardous conditions

The seismic acquisition operations of the AGS business is, and of Combined Group will be, exposed to extreme weather and other hazardous conditions, and perils that are customary for marine operations, including capsizing, grounding, collision, interruption and damage or loss from severe weather conditions, fire, explosions and environmental contamination from spillage. Any of these risks could result in damage or destruction of vessels or equipment, personal injury and property damage, suspension of operations or environmental damage. If any of these risks materialize, the Combined Group's business could be interrupted and the Combined Group could incur significant liabilities. In addition, many similar risks may result in limitations or cancellations of, or delays in, exploration and production activities of the Combined Group's customers, which could in turn adversely impact the Combined Group's operations and financial condition.

1.1.9 The Combined Group is subject to ongoing operational risks for which the Combined Group may not have adequate insurance or for which the Combined Group may not be able to procure adequate insurance on acceptable terms, if at all

The seismic acquisition business of AGS is, and the business of the Combined Group will be, subject to a number of risks and hazards, including adverse environmental conditions, accidents, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions. There can be no assurance that the Combined Group's insurances will cover all the potential risks associated with its operations. Unanticipated occurrences, insured or uninsured, could have a material adverse effect on the Combined Group's operating results and financial condition.

1.1.10 The Combined Group may be subject to taxation in many jurisdictions worldwide and could be obligated to pay additional taxes in various jurisdictions

AGS is currently, and the Combined Group will continue to be, subject to income tax in Norway and other jurisdictions worldwide. The Combined Group may face tax audits and investigations by both domestic and foreign authorities and the outcome of any audit could have negative impact in the Combined Group's operating and financial condition. Should the Combined Group be subject to tax audits or claims by local authorities, management may have to spend considerable time and resources on such auditor or defending such claims, substantial costs may be incurred and any such audit or claim may be resolved adversely to the Combined Group, all of which may have a negative effect on the Combined Group's result of operation and financial position.

1.1.11 The Combined Group may be dependent upon a small number of significant clients that may vary between years

The Combined Group may be dependent on a limited number of customers which in certain periods could provide a large part of the total revenues. This creates a risk of losing substantial revenue if one or a small number of clients terminate their contracts with the Combined Group. Also, the Combined Group may experience significant drop in revenues if such client contracts are not renewed or replaced when they expire according to their terms. Further, being highly dependent on a limited number of clients may impede or restrict the Combined Group in obtaining improved terms for its services.

1.1.12 The Combined Group is dependent on the continued performance of a limited number of key suppliers

The Combined Group may be dependent on a limited number of suppliers which provide critical elements of the Combined Group's operations. Certain supplies may also be difficult to source from other suppliers, will take time to obtain or will only be possible to obtain at increased cost. This creates a risk of having the operations curtailed or restricted if the suppliers stop their supplies. For example, the Combined Group will exclusively sub-contract services to process the acquired seismic data, and is hence highly dependent on the availability of such services, at reasonable terms /prices, being delivered with a sufficient level of quality. There can be no guarantee that there will be available processing capacity for the Combined Group's requirements in the future. Further, being highly dependent on a limited number of suppliers may impede or restrict the Combined Group in obtaining improved terms for the supplies.

If any of the foregoing occurs, it may have a material, negative effect on the Combined Group's revenues, financial position and prospects.

1.1.13 The Combined Group may fail to attract and retain qualified employees, including senior management, which may significantly affect the Combined Group's future business and operations

In order to succeed, the Combined Group will be highly dependent on keeping and attracting key personnel with deep understanding of the seismic industry as well as the oil and gas industry. The Combined Group is thus dependent upon the continued services and performance of its executive management team and other key personnel. The loss of the services of any of the executive management or key personnel may have an adverse

impact on the Combined Group, the risk of which is also increased by the low number of employees and the fact that most of the employees are regarded as key personnel. An inability to attract and retain and/or attract such professional and operational personnel could have an adverse impact on the Combined Group.

1.1.14 The Combined Group will be subject to competition in the markets where it carries out its operations, which may limit the Combined Group's ability to maintain or increase its market share or to increase prices to reach profitable levels

The seismic industry is highly competitive and AGS currently competes, and the Combined Group will continue to compete, with other companies with a substantially larger resource base. These and other competitors may be better positioned to withstand and adjust more quickly to volatile market conditions such as fluctuations in oil and gas prices and production levels, as well as changes in government regulations, cost levels and technological developments. AGS currently owns only one seismic vessel and no processing equipment, which may in a situation of shortage of vessels or processing capacity involve a disadvantage towards its competitors.

Additionally, there can be no assurance that the Combined Group will be able to respond to existing and new sources of competition. Increased competition and price pressure in the seismic market may materially adversely affect the Combined Group's business, results of operations and financial conditions.

1.1.15 AGS exclusively charter seismic vessels from project to project

Except from the vessel Neptune Naiad, AGS currently charters, and the Combined Group will continue to charter, vessels for contractually agreed periods. However, the Combined Group's need for vessels may vary from time to time, depending on the demand for the AGS business' services. If the number or quality of vessels available for surveys were to diminish below the Combined Group's requirements, the Combined Group's capacity to conduct surveys would be reduced. Moreover, a reduction in the number of vessels available to the Combined Group could result from damage or destruction to them or other property loss, injury to personnel or because the Combined Group cannot enter into or renew charters on economically reasonable terms or at all. Any reduction in the size or quality of the fleet may have a material adverse effect on the Combined Group's operating revenues and business.

1.1.16 Risk of obtaining regulatory approvals for acquisition of geophysical data

The acquisition of geophysical data is, in most jurisdictions, dependent on regulatory approval such as licenses, permits or similar which must be obtained before geophysical data may be acquired. There may be a risk that such regulatory approvals are not obtained or will only be obtained on conditions not acceptable to the Combined Group. Should this occur, it may have a negative impact on the Combined Group's revenue and profits from operations.

1.1.17 Dependence on prefunding from oil and gas companies

The offshore, seismic multi-client business model is, when taking into account the Combined Group's size and resources, to some extent dependent on securing pre-funding from oil companies or credit arrangements linked to sales with collaborating partners prior to initiating surveys. Thus, the Combined Group will be dependent on close cooperation and good working relationships with its customers and/or collaborating partners. There can be no guarantee that pre-funding or willingness from collaborating partners to enter credit arrangements linked to sales will be available at sufficient levels, or at all, which may materially adversely affect the Combined Group's future business, results of operations and financial condition.

1.1.18 Risks related to the late-sales potential of acquired seismic data

AGS has invested in acquisition of seismic data, and the Combined Group is planning to do so in the future. The Combined Group's future sales of seismic data are uncertain and depend on a variety of factors, many of which are beyond the Combined Group's control. In addition, the timing of these sales is unpredictable, and sales can vary greatly from period to period. With regard to the Utsira project, OBS MC Investments 1 AS (a TGS

company) has the right to purchase AGS' remaining 50% stake in the Utsira assets and data under the Aker BP and DUG agreements for a pre-determined amount if the Utsira data (covering at least 95% of the survey area) has not been delivered to OBS MC Investments 1 AS by end of Q3 2019. Should such option be exercised, the Combined Group may not be able to fully recover the costs of acquiring and processing the data.

Further, technological changes could make data in the library obsolete, and regulatory changes may affect the ability of our costumers (generally or in a specific location) to develop exploration programs, which could materially adversely affect the value of our seismic data. Unexpected release of data by authorities could also adversely affect the value of our seismic data.

The Company cannot guarantee that it will be able to meet expectations neither with respect to how much seismic data it will be able to sell nor at which price the seismic data will be sold in the future. As the Combined Group is a relatively small participant in the industry with a limited library, achieved sales and revenue on each project may have significant impact on the Combined Group's results and financial condition. If the Combined Group is not able to recover from sales of its seismic data the costs of acquiring and processing the data, development and production of multi-client data, the value of such seismic data would be impaired, and which again could materially adversely affect the Combined Group's business prospects, results of operations and financial condition.

1.1.19 Contractual risks

The income of the Combined Group will depend on contracts with customers regarding acquisition, processing and sale/licensing of seismic data. Each contract normally involves a substantial value or consideration. Any breach, or alleged breach, or other contractual disputes related to the relevant contracts might result in material losses or other negative effects on the Combined Group. Contracts may be governed by foreign laws which may create both legal and practical difficulties in case of a dispute or conflict. The Combined Group may also operate in regions where the ability to protect contractual and other legal rights may be limited compared to regions with more well-established markets.

The revenues of the Combined Group will be dependent on contract awards at competitive terms. Furthermore, the revenues of the Combined Group will depend on the financial position of the customers and the willingness of these customers to honour their obligations towards the Combined Group in a timely manner. There can be no guarantees that the financial position of the contract parties will be sufficient to adhere to the obligations under the contracts with the Combined Group. The inability of one or more of the contractual parties to make payment under the contracts might have a significant adverse effect on the results from operations or financial position of the Combined Group.

1.1.20 The Combined Group may become involved in claims and disputes, which may have a negative impact on the results and cash flows of the Combined Group

As a party to several contracts and other instruments, governing complex operational, commercial and legal matters which involve significant amounts, the Combined Group may from time to time be subject to commercial disagreements, contractual disputes, and, possibly, litigation with its counterparties, as well as insurance matters, environmental issues, and governmental claims for taxes or duties in its ordinary course of business. The Company cannot predict with certainty the outcome or effect of any current or future commercial disagreements, contractual disputes or litigation involving the Combined Group and its counterparties or others.

The Combined Group might suffer economical and reputational damage from its involvement in claims or disputes, which could lead to material adverse change to the Combined Group's financial condition, results of operation and liquidity, as well as the deterioration of existing customer relationships, and/or the Combined Group's ability to attract new customers, all factors which are important for the Combined Group's ability to continue to run its business.

1.2 Financial risks

1.2.1 *The Combined Group may incur substantial debt in the future, which may make it difficult for it to service its debt*

The Combined Group have incurred and may in the future incur debt or other financial obligations which could have important consequences to its business and holders of the Shares, including, but not limited to:

- making it difficult to satisfy the Combined Group's obligations with respect to the such indebtedness;
- increasing the Combined Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of the Combined Group's cash flow from operations to the repayment of the principal of its indebtedness and interest on such indebtedness, thereby reducing the availability of such cash flow;
- limiting the Combined Group's ability to obtain additional financing to fund working capital, capital investments, acquisitions, debt service requirements, business ventures, or other general corporate purposes;
- limiting the Combined Group's flexibility in planning for, or reacting to, changes in its business and the competitive environment and the industry in which the Combined Group does business; and
- adversely affecting the Combined Group's competitive position if its debt burden is higher than that of its competitors.

1.2.2 *The Company may become subject to restrictive debt covenants that may limit the Company's ability to finance its future operations and capital needs and to pursue business opportunities and activities*

Current and future debt agreements of the Combined Group may contain provisions which restrict the Combined Group from pursuing opportunities it may otherwise have done. This may relate to doing acquisitions, divestments, taking on new financial indebtedness and entering in to certain commercial agreements. Such restrictions may thus have as a consequence that the Combined Group cannot do transactions or enter into agreements which would have been to the benefit of the Combined Group and the shareholders of the Company.

1.2.3 *The Combined Group will require a significant amount of cash to service current and future debt and sustain its operations, and its ability to generate sufficient cash depends on many factors beyond its control*

The Combined Group's ability to make payments on, or repay or refinance, any debt and to fund working capital and capital investments, will depend on its future operating performance and ability to generate sufficient cash. This depends on the success of its business strategy and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors as well as the risks discussed in these "Risk Factors", many of which are beyond the Combined Group's control. The Company cannot assure that its business will generate sufficient cash flow from operations or that future debt and equity financings will be available to it in an amount sufficient to enable it to pay its debt, or to fund its other liquidity needs. The Company further cannot give assurance that it will be able to refinance any debt on commercially reasonable terms or at all. Any failure by the Combined Group to make payments on debt on a timely basis would likely result in a reduction of its credit rating, which could also harm its ability to incur additional indebtedness. There can be no assurance that any assets that the Combined Group may elect to sell can be sold or that, if sold, the timing of such sale will be acceptable and the amount of proceeds realized will be sufficient to satisfy its debt service and other liquidity needs.

If the Combined Group is unsuccessful in any of these efforts, it may not have sufficient cash to meet its obligations, which could cause an event of default under any debt arrangements and could result in the debt being accelerated, lending reserves and certain bank accounts being frozen, triggering of cross-default provisions, enforcement of security and the companies of the Combined Group, including the Company, being

forced into bankruptcy or liquidation, which could result in an investor losing its investment in the Shares in its entirety.

1.2.4 The Combined Group's working capital needs are difficult to forecast and may be subject to significant and rapid increases which could result in additional financing requirements that the Combined Group may not be able to obtain on satisfactory terms or at all

AGS is unable to predict with certainty the mid- and long-term working capital needed for the Combined Group going forward. This is primarily due to possible new acquisitions or divestments of current assets, large capital requirements for general operating expenses and possible capital expenditures in new equipment and technology. As the future level of income is also difficult to predict with any certainty due to uncertainties concerning prices for oil and gas and hence demand for the Combined Group's services, forecasting capital requirements is difficult and subject to substantial uncertainty, which could adversely affect the Combined Group's ability to obtain required funds on satisfactory terms, or at all.

1.3 Risks related to completion of the Merger

1.3.1 Risks related to completion of the Merger

Consummation of the Merger is conditional upon satisfaction of a number of conditions that are beyond the control of the Company, see Section 3.5 "Conditions for consummation of the Merger". Inter alia, Oslo Børs will customarily assess the Combined Company's suitability for continued listing in accordance with the Continuing Obligations. If the Merger is not consummated, transaction costs, including cost of advisors, will have been incurred without the expected benefits and possibly at the expense of other strategic opportunities. Further, Songa Bulk, should the Merger not be completed, may not maintain its listing on Oslo Axess. This would negatively affect the market for the Company's Shares, its business, results of operations and financial condition of the Company.

1.4 Risks related to the Shares

1.4.1 The market price of the Shares may fluctuate

The trading volume and price for the Shares may fluctuate significantly and may not always reflect the underlying asset value of the Combined Group. A number of factors outside the Combined Group's control may impact its performance and the price of the Shares, including but not limited to, quarterly variations in operating results, adverse business developments, changes in market sentiment regarding the Shares, the operating and share price performance of other companies in the industry in which the Combined Group operates, changes in financial estimates and investment recommendations or ratings. Changes in market sentiment may be due to speculation about the Combined Group's business in the media or investment community, changes to the Combined Group's profit estimates (if such have been provided), the publication of research reports by analysts and changes in general market conditions. If any of these factors actually occurs, this may have a material adverse effect on the pricing of the Shares. Also, a factor that could influence the price of the Shares is the Company's annual dividend yield (if any) as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Shares.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Combined Group, and these fluctuations may materially affect the price of the Shares.

1.4.2 Future sales, or the possibility for future sales of substantial numbers of Shares could affect the market price of the Shares

The Company cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on the market price of the Shares. Sales of substantial amounts of the Shares in the public market or the perception that such sales could occur, could adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares or the Company to sell equity securities in the future at a time and price that they deem appropriate.

1.4.3 Shareholders not participating in future offerings of Shares or other equity investments will be diluted

Shareholders not participating in future offerings of Shares or other equity instruments will be diluted. Under Norwegian law, unless otherwise resolved or authorized at the Company's general meeting of shareholders, existing Shareholders in the Company have pre-emptive rights proportionate to the aggregate amount of the Shares they hold with respect to offer shares and other equity investments issued by the Company for cash consideration. However, shareholders not able or that choose not to exercise such pre-emptive rights will experience dilution of their shareholding.

The exercise of pre-emptive rights by certain shareholders not residing in Norway may be restricted by applicable law, practice or other considerations, and such shareholders may not be entitled to exercise such rights, unless the rights and Shares are registered or qualified for sale under the relevant legislation or regulatory framework. Shareholders in jurisdictions outside Norway who are not able or not permitted to exercise their pre-emptive rights in the event of a future equity or other offering may suffer dilution of their shareholdings.

Furthermore, the general meeting of the Company may in the future pass resolutions to deviate from the pre-emptive rights of its shareholders.

1.4.4 Investors may not be able to exercise their voting rights for Shares registered in a nominee account

Beneficial owners of Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such Shares unless their ownership is re-registered in their names with the VPS prior to the Company's general meeting of shareholders. The Company cannot guarantee that beneficial owners of Shares will receive the notice of a general meeting of shareholders of the Company in time to instruct their nominees to either effect a reregistration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.

1.4.5 The ability to bring action against the Company may be limited under Norwegian law

The Company is a public limited company incorporated under the laws of Norway. The rights of holders of Shares are governed by Norwegian law and by the Articles of Association. These rights differ from the rights of shareholders in other jurisdictions, e.g. typical U.S. corporations. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. Under Norwegian law, any action brought by the Company in respect of wrongful acts committed against the Company takes priority over actions brought by shareholders in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, foreign securities laws. For these reasons investors may encounter difficulties in serving summons and other documents relating to court proceedings to any of the entities within the Combined Group and its management. For the same reason it may be more difficult and more costly for investors to obtain judgments against, and enforce judgments issued against, the entities within the Combined Group and its directors and management.

1.4.6 The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The Shares have not been registered under the U.S. Securities Act or any U.S. state or territory securities laws or any other jurisdiction outside Norway and are not expected to be registered in the future. As such, the Shares

may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and other applicable securities laws. In addition, there is no assurance that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

1.4.7 The Company's ability to pay dividends is dependent on the availability of distributable reserves and the Company may be unable or unwilling to pay any dividends in the future

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at a general meeting. Dividends may only be declared to the extent that the Company has distributable funds and the Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As the Company's ability to pay dividends is dependent on the availability of distributable reserves, the Company is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries. As a general rule, the general meeting may not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the general meeting does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividend in respect of the relevant period.

Distributions from the Company, if any, will normally be made in cash. The distributions will not be predictable and will depend on the realization of or distributions from underlying investments. Investors should not expect any, or any level of, distributions from the Company.

1.4.8 Investors in the U.S. may have difficulty enforcing any judgment obtained in the U.S. against the Company or the Company's Board Members or executive officers in Norway

The Company is incorporated under the laws of Norway and all of its current Board Members and executive officers reside outside the U.S. Future Board Members and executive officers may also reside outside the U.S. Furthermore, substantially all of the Company's assets and substantially all of the assets of the Company's Board members and executive officers are located outside the U.S. As a result, investors in the U.S. may be unable to effect service of process upon the Company or its Board Members and executive officers or enforce judgments predicated upon the civil liability provision of the federal securities laws of the U.S. The U.S. and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

1.4.9 Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK

The Shares will be priced and traded in NOK on the Oslo Stock Exchange and any future payments of dividends on the Shares will be denominated in NOK. Investors registered in the VPS whose address is outside Norway and who have not supplied the VPS with details of any NOK account, will, however, receive dividends by check or transferred into their local bank account in their local currency, as exchanged from the NOK amount distributed through the VPS. Investors registered in the VPS with a foreign bank account will receive the dividend in local currency. Checks cannot be issued in all countries and the investors with residence in one of those countries, will receive a letter asking them to provide DNB Bank ASA, being the Company's VPS registrar, with their foreign bank details for receiving the dividend. If it is not practical in the sole opinion of DNB Bank ASA to issue a check in a local currency, a check will be issued in USD. The issuing and mailing of checks will be executed in accordance with the standard procedures of DNB Bank ASA. The exchange rate(s) that is applied will be DNB Bank ASA's rate on the date of issuance. Exchange rate movements of NOK will therefore affect the value of these dividends and distributions for investors whose principal currency is not NOK. Further, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not NOK.

2 STATEMENT OF RESPONSIBILITY

This Information Memorandum has been prepared by Songa Bulk ASA and Axxis Geo Solutions AS to provide information about the Merger.

2.1 Responsibility statement by Songa Bulk

The Board of Directors of Songa Bulk ASA accepts responsibility for the information contained in this Information Memorandum about Songa Bulk, the Consideration Shares and the Merger. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

5 June 2019

The Board of Directors of Songa Bulk ASA

Arne Blystad
Chairman of the Board

Magnus Leonard Roth
Board Member

Christine Rødsæther
Board Member

Vibeke Gwendoline Fængsrud
Board Member

2.2 Responsibility statement by AGS

The board of directors of Axxis Geo Solutions AS accepts responsibility for the information contained in this Information Memorandum about the AGS Group, including but not limited to sections 1.1, 4.9, 5, 6 and 8, and confirms that, having taken all reasonable care to ensure that such is the case, the information about the AGS Group contained in this Information Memorandum is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

5 June 2019

The board of directors of Axxis Geo Solutions AS

Bjarte Henry Bruheim
Chairman of the board

Jogeir Romestrand
Board Member

Fredrik Platou
Board Member

Ole Andre Heggheim
Board Member

Njål Sævik
Board Member

Tore Rødal
Board Member

3 THE MERGER

3.1 Overview of the Merger

On 16 April 2019, the Company announced that it had entered into an agreement for the Merger between the Company and AGS (the "**Merger Plan**", incorporated by reference to this Information Memorandum, see Section 9.4 "*Incorporation by reference*"), with the Company being the surviving entity. The Merger Plan was approved by the annual general meeting in the Company and an extraordinary general meeting in AGS on 16 May 2019. The creditor notice period for the Merger will expire on 1 July 2019 and it is expected that the Merger will take effect on or about 2 July 2019.

Pursuant to the Merger Plan, all assets, rights and obligations of AGS will be transferred to the Company upon consummation of the Merger.

The Merger will be carried out as a merger pursuant to chapter 13 of the Norwegian Public Limited Liability Companies Act, whereby the Company will assume the assets, rights and obligations of AGS as a whole against issuance of the Consideration Shares.

Following expiry of the creditor notice period and subject to the fulfilment of the conditions for the consummation of the Merger, the Merger will be registered as completed in the Norwegian Register of Business Enterprises. AGS will be dissolved upon consummation of the Merger, and the share capital of the Company will be increased at the same time by way of issuance of the Consideration Shares to the shareholders of AGS.

3.2 The Parties to the Merger

Songa Bulk is an investment vehicle originally established to opportunistically invest in dry bulk assets. The Company has actively sought to manage the cyclicalities of the dry bulk market by investing at low levels and subsequently focus on returning capital to shareholders. Upon completion of the Star Bulk Transaction as further described in Section 4.2.3 "*The Transaction with Star Bulk Carriers Corp.*", Songa Bulk has exited the dry bulk industry. Songa Bulk has currently no operational activities and does not hold any vessels.

AGS is a privately held pure play ocean bottom node seismic company uniquely positioned to pursue both contract and multiclient seismic. AGS specializes on delivering tailored seismic solutions and flexible hands-on project management and execution. Its operation is based on a scalable asset light strategy through chartering of vessels and nodes to complete seismic surveys. See Section 5 "*Presentation of the AGS Group*" and Section 6 "*The Combined Group upon consummation of the Merger*" for further information about AGS and the business of the Company going forward.

3.3 Background and reason for the Merger

Following completion of the transaction with Star Bulk pursuant to which Songa Bulk sold all its vessels against consideration in cash and consideration shares in Star Bulk and the subsequent distributions of shares in Star Bulk and cash to the shareholders in Songa Bulk, Songa Bulk has been a listed entity without any operations and with limited assets. AGS' strategy has been to seek a listing on a regulated market in the near future. Through the Merger, AGS will obtain a listing of its operations and a larger shareholder base. For Songa Bulk, the Merger will contribute to a realisation of the remaining shareholder value in the Company.

3.4 Consideration

3.4.1 Valuation and consideration

In order to determinate a fair exchange ratio for the shareholders of both Songa Bulk and AGS, the parties have taken into account several factors, including underlying values, annual accounts and values in the balance sheets,

as well as the market value of the shares in the respective companies estimated on the basis of the latest issue price and market price for AGS and Songa Bulk, respectively. The valuation is based on an exchange ratio negotiated by the companies' boards in consultation with the companies' respective financial advisors, i.e. between independent parties, and is thus determined on market terms.

Based on the above, the following valuation of the parties in the Merger was agreed upon:

Songa Bulk	NOK 17,930,000
AGS	NOK 514,818,443

3.4.2 *Exchange ratio and Consideration Shares*

The shareholders of AGS will receive 1.4 shares in the Company per one (1) share they hold in AGS prior to the Merger, meaning that the shareholders of AGS upon consummation of the Merger will receive a total of 1,029,636,885 shares in the Company, representing 96.6% of all issued shares in the Company immediately following consummation of the Merger (the "**Consideration Shares**"). The issued Consideration Shares will be ordinary shares in the Company, and shall be equal to all other issued and outstanding shares in the Company.

AGS has issued 35,067,112 options to its key employees and directors under a share based incentive scheme. The incentive scheme will be continued in Songa Bulk following consummation of the Merger adjusting the number of shares in the combined entity to be received upon exercise and the terms of the options to ensure the options maintain their value. At the Company's annual general meeting held on 16 May 2019, the board of directors was granted the authority to increase the share capital by maximum NOK 1,700,911 to implement the option program.

Except in accordance with the provisions of the Merger Plan or subject to the other party's prior consent, none of AGS or Songa Bulk are allowed to, in the period until the consummation of the Merger, make amendments to their share capital or the number of shares, or to issue subscription rights, options or equivalent instruments who give the holder a right to demand a share issue or to acquire treasury shares. Correspondingly, neither AGS nor Songa Bulk are allowed to, in the period until the consummation of the Merger, adopt a resolution on distribution of dividend or other distributions.

The share capital in Songa Bulk will be increased by NOK 28,712,684.8137722 from NOK 1,000,000 to NOK 29,712,684.8137722 by the issuance of 1,029,636,885 shares in Songa Bulk. The total share contribution is NOK 514,818,443, of which NOK 28,712,684.8137722 is share capital and NOK 486,105,758.1862280 is other equity. No additional consideration shall be distributed.

A single shareholder's part of the Consideration Shares will often result in a decimal number. As only whole shares will be distributed to the shareholders, rounding will be necessary. General rounding rules will be applied for the distribution of the Consideration Shares to the shareholders in AGS. Consequently, the shareholders having a shareholding in AGS which entitles them to at least 0.5 Consideration Shares (possibly in addition to the whole number of Consideration Shares the person concerned is entitled to), will receive one share in Songa Bulk for his fractional part. Shareholders having a shareholding in AGS (possibly in addition to the whole number of Consideration Shares the person concerned is entitled to) which entitles them to less than 0.5 Consideration Shares, will not receive any Consideration Shares in Songa Bulk, i.e. such shares will be redeemed without any compensation.

Following the issuance of the Considerations Shares, there will be 1,065,498,885 issued shares in the Company. At the annual general meeting held on 16 May 2019, the Company resolved to carry out a 1:50 reverse share split, to be completed after issue of the Consideration Shares. Upon completion of the reversed share split, the par value of the shares will be increased to 1.394311 (rounded) and the number of Shares in issue will be reduced to 21,309,937 (including the Consideration Shares).

3.5 Conditions for consummation of the Merger

The consummation of the Merger is conditional upon satisfaction of a number of closing conditions, including but not limited to necessary consents from third parties, continued listing of the Company's shares on Oslo Axess and expiry of the creditor notice period without any creditor claims being made or such claims being handled/settled.

The conditions can be waived by AGS and Songa Bulk wholly or in part. If the conditions for consummation of the Merger have not been fulfilled within 30 October 2019, the Merger will lapse, unless the board of directors of AGS and Songa Bulk agree to extend the deadline for consummation of the Merger prior to the abovementioned date.

3.6 Resolutions to undertake and implement the Merger

At the annual general meeting of the Company held on 16 May 2019, the general meeting passed the following resolutions to approve the Merger Plan and to increase the share capital of the Company (office translation from Norwegian):

I. Approval of the merger plan

The merger plan dated 16 April 2019 for the merger of Axxis Geo Solutions AS (as the transferring entity) by the transfer of Axxis Geo Solutions AS' assets, rights and obligations in its entirety to Songa Bulk ASA (as the surviving entity), is approved.

II. Share capital increase with accompanying amendment to the articles of association:

- 1. The share capital is increased by NOK 28,712,684.8137722, from NOK 1,000,000 to NOK 29,712,684.8137722, by issuance of new shares each with a par value of NOK 0.027886224. The articles of association section 4 is amended accordingly.*
- 2. The subscription price shall be NOK 0.5 (approx.) per share. Thus, the total subscription amount is NOK 514,818,443, of which NOK 28,712,684.8137722 is allocated to the share capital and NOK 486,105,758.1862280 is other equity. The Merger is completed as a transaction for accounting purposes and the subscription amount corresponds to the value received by Songa bulk ASA.*
- 3. The shareholders in Axxis Geo Solutions AS will receive 1.4 shares of Songa Bulk ASA for each share of Axxis Geo Solutions AS at the time of completion of the Merger. The share capital increase is approved and subscribed by shareholder approval of the Merger. The number of consideration shares may be rounded down to avoid fractional shares.*
- 4. The contribution is settled by the transfer of the assets, rights and obligation as set out in Appendix 5 to the merger plan. Such transfer is effective upon the commencement of the Merger.*
- 5. The shares are equal with the Company's existing shares and carry dividend rights as from the time of registration of the capital increase with the Norwegian Register of Business Enterprises. There are no restrictions on the right to receive dividends.*
- 6. The capital increase is considered completed upon the time of registration of the merger with the Norwegian Register of Business Enterprises upon expiry of the creditor notice period and completion of the conditions set out in the Merger Plan.*
- 7. Expenditures of the capital increase is estimated to approximately NOK 30,000.*

3.7 Changes to the Merger Plan

Pursuant to the Merger Plan, the boards of directors of the companies jointly may, on behalf of the general meetings, implement non-material changes to the Merger Plan if necessary or required.

3.8 Consummation of the Merger

The consummation of the Merger will occur after the expiry of the six weeks period for the creditors to require payment or security and after the completion of the Merger has been registered with the Norwegian Register of Business Enterprises, cf. section 13-17 of the Norwegian Public Limited Liability Companies Act. The Merger is expected to be registered on or about 2 July 2019. The consummation of the Merger entails the following, which will occur on the date of the consummation:

- a) AGS' assets, obligations, rights and liabilities are transferred to Songa Bulk;
- b) the share capital in Songa Bulk is increased;
- c) AGS is liquidated;
- d) the shares in AGS are exchanged with shares in Songa Bulk;
- e) the articles of association of Songa Bulk are amended in accordance with the proposal in the Merger Plan;

in addition to other consequences which, pursuant to the Merger Plan, will occur at the date of the consummation of the Merger.

3.9 Accounting and tax matters

3.9.1 Accounting matters

The Merger will be booked as a transaction in such a way that AGS' assets and liabilities are calculated at fair value on the day the Merger is consummated in accordance with the acquisition method. In the accounts, the Merger will be booked as a reversed take-over, i.e. in the consolidated financial statement of Songa Bulk, AGS will be booked as the assignee company (continuity) and Songa Bulk will be booked as the assigning company (fair value).

The Merger Plan is expected to be carried out with accounting effect from the day the Merger is consummated. Until the day the Merger is consummated, separate accounts will be kept for the companies. See Section 6.6 "*The Merger's significance for the earnings, assets and liabilities of the Company*" for further information.

3.9.2 Tax consequences of the Merger

The Merger will be carried out with tax effect from the day the Merger is consummated, cf. Section 7.2 of the Merger Plan and section 11-10 of the Norwegian Taxation Act. The Merger will be carried out with tax continuity in Norway in accordance with the provisions on tax-free mergers, cf. chapter 11 of the Norwegian Taxation Act. Thus, Songa Bulk takes over the tax values which the repossessed assets, rights and liabilities have in AGS. The Merger is therefore not expected to trigger any direct tax consequences.

The parties have not assessed if the Merger has any tax implications for non-Norwegian shareholders.

3.10 Continued trading of the Shares in Songa Bulk

The Company intends to continue its listing on Oslo Axess following consummation of the Merger.

The Company has one class of shares in issue, and all shares provide equal rights in the Company. Each of the shares carries one vote. The Consideration Shares will be created under the Norwegian Public Limited Liability Companies Act and will be registered in book-entry form with the VPS under the Company's ordinary ISIN NO0010778095.

In connection with the contemplated change of name of the Company to "Axxis Geo Solutions ASA", it is expected that the ticker code will be changed to "AGS" with effect from on or about 3 July 2019.

3.11 Timetable for the Merger

The indicative timetable for consummation of the Merger and admission to trading of the Consideration Shares on the Oslo Axess is as follows (subject to change):

Expiry of creditor notice period	1 July 2019
Registration of the consummation of the Merger with the Norwegian Register of Business Enterprises	On or about 2 July 2019
Issue of Consideration Shares	On or about 2 July 2019
First day of trading in the Consideration Shares	On or about 3 July 2019

3.12 Interests of certain persons in the Merger

Except for the replacement of the current AGS options as further described in Section 3.4.2 "*Exchange ratio and Consideration Shares*", no agreements to the benefit of the members of the Board of Directors or management of Songa Bulk or AGS have been, or are expected to be, entered into as a result of the Merger.

3.13 Expenses related to the listing of the Consideration Shares

The Company's expenses relating to the Merger and the listing of the Consideration Shares, primarily fees to the Company's and AGS' advisors, are currently estimated to NOK 2.5 million. Additional expenses may be incurred.

3.14 Advisors

Wikborg Rein Advokatfirma AS has acted as legal advisor to the Company and Advokatfirmaet Schjødt AS has acted as legal advisor to AGS in connection with the Merger.

4 PRESENTATION OF SONGA BULK

4.1 Name, incorporation and registered office

Songa Bulk is a public limited liability company pursuant to the Norwegian Public Limited Companies Act, incorporated under the laws of Norway. The commercial and legal name of the Company is Songa Bulk ASA (to be renamed "Axxis Geo Solutions ASA" upon consummation of the Merger). The Company was established on 24 August 2016 and is registered with the Norwegian Register of Business Enterprises with business registration number 917 811 288. The Company's current registered business address is Haakon VII's gate 1, N-0161 Oslo, Norway. The telephone number is +47 23 11 82 70.

4.2 Historical business and activities and the transaction with Star Bulk Carriers Corp.

4.2.1 Overview

The purpose of the Company as included in its current Articles of Association is to own and operate vessels and to invest in ship-owning subsidiaries within the dry-bulk segment. Following completion of the Star Bulk Transaction as further described below, the Company has ceased its shipping activities and the Company does currently not own any vessels.

As further described in Section 3 "*The Merger*", the Company entered into the Merger Plan with AGS on 16 April 2019. The Merger, with the Company being the transferee company, is expected to take effect on or about 2 July 2019 upon which the Company's purpose will change to owning and/or operating vessels providing services to the oil and gas segment, including investment in other activities and entities related thereto. Please see Section 6 "*The Combined Group upon consummation of the Merger*" for a description of the business of the combined entity upon consummation of the Merger.

4.2.2 Historical business

The Company was founded in 2016 by the Blystad Group and Herman Billung. The Company was founded based on aligned interests between founders and shareholders, efficient and low cost set-up and a conservative leverage profile. Songa Bulk's main focus has been on returning capital to shareholders through asset sales and dividends as dry bulk fundamentals allow.

The Company has operated a fleet of up to 15 vessels, of which three vessels were acquired in 2016 and 13 vessels were acquired in 2017. All vessels were held in single purpose subsidiaries of the Company, all of which has been liquidated after completion of the Star Bulk Transaction. The Company has operated its vessels under different short-term time charter contracts and in the spot market.

On 17 December 2016, the Company's shares were admitted to trading on the Merkur Market under ticker code "SBULK-ME". The Company transferred its listing to Oslo Axess on 24 May 2017 with ticker code "SBULK".

4.2.3 The transaction with Star Bulk Carriers Corp.

On 14 May 2018, Songa Bulk entered into an agreement with Star Bulk Carriers Corp. ("**Star Bulk**", listed on NASDAQ Global Select Market with ticker code "SBLK"), regarding the sale of all of the Company's vessels against a consideration of 13,688,000 shares of Star Bulk (the Star Bulk Shares) and USD 144.55 million in cash (the "**Star Bulk Transaction**"). In addition Star Bulk acquired Songa Bulk's outstanding warrant program for 37,000 shares of Star Bulk and USD 450,000 in cash. The Star Bulk Transaction was approved in the Annual General Meeting of Songa Bulk on 6 June 2018 and was completed on 6 July 2018.

Songa Bulk used the cash proceeds to repay its then outstanding bond loan on completion at the mandatory prepayment price (104% of the USD 138,000,000 redemption amount, plus accrued interest).

The Star Bulk Shares have been distributed to the shareholders in Songa Bulk in three different corporate resolutions (i) a USD 151 million dividend of USD 4.2108 per share; (ii) a NOK 178,300,000 share capital decrease of NOK 4.972 per share; and (iii) a USD 10,446,357.10 dividend of USD 0.2913 per share. As at the date of this Information Memorandum, 13,665,071 Star Bulk Shares have been distributed to the shareholders in Songa Bulk in the above distributions. In addition, Songa Bulk has exercised (i) its put option towards Star Bulk for 6,971 Star Bulk Shares against a cash consideration equal to the cash alternative distributed to shareholders non-eligible to receive the Star Bulk Shares (USD 92,767.85) and (ii) its put option towards Star Bulk for 6,706 Star Bulk Shares being undelivered consideration shares to Songa Bulk Shareholders, against Star bulk irrevocably assuming, without recourse to Songa Bulk, the obligations to deliver the 6,706 (or any corresponding cash alternative) to the relevant Songa Bulk Shareholders. Songa Bulk currently holds 9,252 Star Bulk Shares.

4.3 Current Board of Directors

4.3.1 Overview

The Company's current Articles of Association provide that the Board of Directors shall consist of up to six board members elected by the Company's shareholders. The names and positions and current term of office of the Board Members as at the date of this Information Memorandum are set out in the table below.

Name	Position	Served since	Term expires
Arne Blystad	Chairman	August 2016	2019
Magnus Roth	Board member	November 2016	2019
Vibeke Gwendoline Fængsrud	Board member	April 2017	2019
Christine Rødsæther	Board member	April 2017	2019

The current composition of the Board of Directors is in compliance with the independence requirements of the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018 (the "**Corporate Governance Code**"), meaning that (i) the majority of the shareholder-elected board members are independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder-elected board members are independent of the Company's main shareholders (shareholders holding more than 10% of the Shares in the Company), and (iii) no members of the Company's Management serves on the Board of Directors.

The Company's registered business address at Haakon VII's gate 1, N-0161 Oslo, Norway, serves as the business address for the current board members in relation to their directorship of the Company.

At the annual general meeting of Songa Bulk held on 16 May 2019, new board members were elected to the Company's Board of Directors with effect from consummation of the Merger. Please see Section 6.3 for further information.

4.3.2 Brief biographies of the Board members

Set out below are brief biographies of the board members, including their relevant management expertise and experience and an indication of any significant principal activities performed by them outside the Company.

Arne Blystad, Chairman

Mr Blystad is an independent investor and co-founder of the Company. The Blystad Group, which is 100% owned and controlled by Mr Arne Blystad and his immediate family, has a long history in international shipping. His companies have historically been active in the sale and purchase market. In addition to shipping, the Group has investments in heavy-lift, a securities portfolio and real-estate. Mr Blystad is a Norwegian citizen and resides in Oslo, Norway.

Magnus Roth, board member

Mr Roth studied engineering at Linköping University between 1975 and 1977. Between 1977 and 1981 he was educated in the Royal Swedish Navy and left as a Captain in 1981. He received a Diploma in Shipping from London School of Foreign trade in 1982. From 1982 to 1983 Mr Roth was self-employed in Oberon Overseas AB in Stockholm, a company offering Supercargo service to shipping clients. In 1984 Mr Roth joined the Volvo Groups food sector, Witte International AS where he started up their fish trading in Ålesund, Norway. In 1989, the management did an MBO and established Scandsea International AS/AB, which became one of the world's leading in fish trading. In 1997 Mr Roth part-founded Ocean Trawlers, which became one of the leading vertically integrated seafood companies, which he departed from when selling his shares in April 2016. Mr Roth is a Swedish citizen and resides in Switzerland.

Vibeke Gwendoline Fængsrud, board member

Ms Fængsrud is the founder and CEO of House of Math AS, serves as a Director of the Board of Songa Bulk ASA and Maritime & Merchant Bank ASA, and has held various board memberships in academia. She is pursuing a Corporate Board Certificate at Harvard Business School. She has published 27 titles on mathematics and is doing a Lecturer in Mathematics and Physics with a Master's in Mathematics at the University of Oslo. Fængsrud also has an Executive B.Sc in International Business and Leadership from BI Norwegian Business School. Ms Fængsrud is a Norwegian citizen and resides in Oslo, Norway.

Christine Rødsæther, board member

Christine Rødsæther is a partner with the law firm Simonsen Vogt Wiig AS with more than 25 years' experience assisting international financial institutions, funds, project brokers, shipowners, shipyards and equipment suppliers with transactional work, contract negotiations, financings and restructurings. She has held a number of board positions within the maritime sector. She is also a member of the advisory board to the Norwegian Ministry of Trade, Industry and Fisheries on maritime development and a member of the Marshall Islands' flag's Quality Council. She graduated from the University of Bergen in 1989, with a master of laws in transnational business practice from University of the Pacific, California. Ms Rødsæther is a Norwegian citizen and resides in Bærum, Norway.

4.3.3 Shares held by board members

As of 3 June 2019, the Board Members have the following shareholdings in the Company:

Name	Position	No. of Shares
Arne Blystad ^{1) 3)}	Chairman	8,419,113
Magnus Roth ²⁾	Board member	6,209,036
Vibeke Gwendoline Fængsrud	Board member	5,412
Christine Rødsæther	Board member	3,124

1) The shares are held indirectly through Songa Trading Inc., Songa Bulk Chartering AS and Agmably AS, which are companies owned 100% by Mr Blystad and his immediate family.

2) The shares are held indirectly through Canomaro Shipping AS, a company owned 100% by Mr Roth.

3) Upon consummation of the Merger, companies controlled by Arne Blystad will receive Consideration Shares as current shareholder in AGS.

The Company has not issued any options or warrants.

4.3.4 Benefits upon termination

There are no agreements with any members of the Board of Directors or the Management which provide for benefits upon termination of their directorship.

4.4 Current Management

After completion of the Star Bulk Transaction, the Company's management has solely consisted of Mr Rønningen as Chief Executive Officer. Please refer to Section 6.4 for a description of the new management of the Company as from the time of consummation of the Merger.

The Company's registered business address at Haakon VII's gate 1, N-0161 Oslo, Norway, serves as the business address for the member of the Management in relation to his employment with the Company.

Thomas Rønningen, Chief Executive Officer

Mr Rønningen has worked as a Financial Controller for Arne Blystad AS since 2013 and year to date and is currently hired to the position as CFO of the Company under a consultancy agreement. From 2007 to 2013 he worked for Deloitte Norway in their offices in Oslo as an auditor, which included 1.5 years as an Audit Manager. He holds a Master of Business Administration degree from the Norwegian School of Economics as well as being a Norwegian State Authorised Auditor. Mr Rønningen is a Norwegian Citizen and resides in Asker, Norway.

Mr Rønningen currently holds nil Shares in the Company.

4.5 Corporate Governance

The Company endeavours to comply with the Corporate Governance Code. The Company is in compliance with the Corporate Governance Code except for the following deviations:

- the Company has not appointed a nomination committee. This represents a deviation from section 4 of the Corporate Governance. Due to the historical shareholder structure of the Company, a nomination committee has not deemed to be of importance and the Company, after consideration, decided to maintain a simple and cost-effective governance structure. The Board of Directors has continuously worked to constructively engage with shareholders to ensure that the interests of the shareholder base are taken into account in regards of the board composition;
- the Company has not appointed a remuneration committee. A compensation committee has not deemed to be of importance and the Company, after consideration, decided to maintain a simple and cost-effective governance structure. The Board of Directors will determine the remuneration and compensation scheme of the Company in accordance with applicable law; and
- the Company has not established guiding principles for how the Board of Directors will act in the event of a take-over bid. However, should such event occur, the Board of Directors will act in accordance with the Corporate Governance Code and applicable law.

4.6 Historical financial and other information

4.6.1 Historical financial information

As the Company's business and operations upon consummation of the Merger in all respects will be related to AGS, the historical information of the Company, both in respect of financial information and business activities, will not enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the Company, and of the rights attaching to the Shares. Consequently, information contained in this Information Memorandum will in all material respects relate to historical descriptions and figures from the activities carried out in AGS.

Historical audited financial information relating to the Songa Bulk Group for the financial years 2017 and 2018 is incorporated by reference to this Information Memorandum, see Section 9.4 "*Incorporation by reference*".

4.6.2 Auditor

The Company's historical financial information has been audited by the Company's independent auditor, PricewaterhouseCoopers AS ("**PWC**") with business registration number 987 009 713 and business address at Dronning Eufemias gate 8, N-0191 Oslo, Norway. PWC is a member of the Norwegian Institute of Public Accountants (Nw.: *Den Norske Revisorforening*). PWC was elected as the Company's independent auditor at the Company's annual general meeting on 18 April 2017. PWC has not audited or reviewed or produced any report on other information provided in this Information Memorandum.

4.7 Capital Resources

As at 31 December 2018, Songa Bulk had cash and cash equivalents of USD 10.6 million, total equity of USD 0.8 million and no interest bearing debt.

4.8 Significant changes in the financial or trading position of Songa Bulk since 31 December 2018

On 4 January 2019, the Company distributed a cash dividend of USD 0.26 per share, equalling a total distribution of USD 9.3 million.

On 29 January 2019, a total of 23,820 Star Bulk Shares were distributed to the shareholders in connection with the dividend resolution on 6 July 2018, the share capital reduction resolved on 5 June 2018 and the extraordinary dividend resolved on 3 October 2018.

On 18 March 2019, 6,971 Star Bulk Shares were transferred to Star Bulk against a consideration of USD 93,000, and 6,706 Star Bulk Shares were transferred to Star Bulk against no consideration. Please see Section 4.2.3 "*The transaction with Star Bulk Carriers Corp.*" for further information.

Except for the above events and the entering into of the Merger Plan, there have been no significant changes in the financial or trading position of Songa Bulk since 31 December 2018.

4.9 Working capital statement

The Company is of the opinion that the working capital available to the Combined Group is sufficient for the Combined Group's present requirements, for the period covering at least 12 months from the date of this Information Memorandum.

4.10 Corporate information and share capital

4.10.1 Share capital and share capital history

As at the date of this Information Memorandum, the Company's share capital is NOK 1,000,000 divided into 35,860,000 Shares, each with a par value of NOK 0.027886224. All the Shares have been created under the Norwegian Public Limited Companies Act, and are validly issued and fully paid. The Shares are registered in the VPS under ISIN NO 001 0778095.

The Company has one class of shares. The Company does not hold any treasury Shares.

The table below shows the development in the Company's share capital since the date of incorporation and to the date of this Information Memorandum:

Date	Type of change	Capital increase/ decrease (NOK)	Number of Shares issued	Total number of Shares	Par value (NOK)	New share capital (NOK)
24 August 2016	Incorporation		100	100	300	30,000
10 November 2016 ¹⁾	Capital increase and share split	1,144,905	228,981	229,081	5	1,174,905
10 November 2016 ²⁾	Capital increase	73,125,095	14,625,019	14,860,000	5	74,300,000
7 February 2017 ³⁾	Capital increase	5,000,000	1,000,000	15,860,000	5	79,300,000
17 February 2017 ⁴⁾	Capital increase	100,000,000	20,000,000	35,860,000	5	179,300,000
5 June 2018 ⁵⁾	Capital decrease	178,300,000	-	35,860,000	0.027886224	1,000,000
16 May 2019 ^{6) 7)}	Capital increase	28,712,684.8137722	1,065,496,885.263928	1,101,356,885.263928	0.027886224	29,712,684.8137722
16 May 2019 ⁷⁾	Reverse share split	-	-	21,309,937	1.394311	29,712,684.8137722

- 1) Share capital increase against contribution in kind. In connection with Songa Maru AS' acquisition of the vessel Songa Maru, Songa Shipholding had a receivable on Songa Maru AS of USD 1,144,905, which was contributed to the Company at par value against consideration of Shares. The subscription price for the Shares was USD 5 per Share, and 228,981 Shares were issued to Songa Shipholding.
- 2) Share capital increase against consideration in cash.
- 3) Share capital increase against consideration in cash.
- 4) Share capital increase against consideration in cash.
- 5) Share capital decrease by reduction of the par value from NOK 5 to NOK 0.027886224 resolved by the Company's annual general meeting on 5 June 2018 as part of the distribution of proceeds from the Star Bulk Transaction. The dividend was paid in 0.04629 consideration shares in Star Bulk per Songa Share, in cash or as distribution in kind.
- 6) Share capital increase against contribution in kind. The shareholders of AGS will receive 1.4 shares of Songa Bulk ASA for each share of AGS at the time of consummation of the Merger.
- 7) Subject to consummation of the Merger.

4.11 Ownership structure

As at the date of this Information Memorandum, the Company has approximately 795 shareholders. The Company's 20 largest shareholders as of 3 June 2019 are set out in the table below:

		Holding (no. of shares)	Percentage
1	CANOMARO SHIPPING AS	6,209,036	17,3
2	SONGA INVESTMENTS AS	4,711,900	13,1
3	SONGA TRADING INC	3,707,213	10,3
4	KARSTEN ELLINGSEN AS	1,405,061	3,9
5	LOTSO AS	1,187,601	3,3
6	CLEAN SHIP AS	1,005,000	2,8
7	RINGNES HOLDING AS	746,400	2,1
8	EIKA BALANSERT	745,614	2,1
9	EIKA NORGE	733,700	2,0
10	TITAN OPPORTUNITIES FUND IC SICAV	692,200	1,9
11	OLA RUSTAD A.S	555,000	1,5
12	EVERMORE GLOBAL VALUE FUND	489,735	1,4
13	INVESTIRE INVEST AS	400,000	1,1
14	Varr AS	383,289	1,1
15	CLEARSTREAM BANKING S.A.	381,682	1,1
16	THOMAS SKOGESTAD	379,596	1,1
17	SVEIN JARLE SVENDSEN	374,163	1,0
18	SOLAN CAPITAL AS	366,800	1,0
19	MARGENTUM AS	357,200	1,0
20	TYNS-RING AS	300,000	0,8
	Total (20 largest)	25,131,190	70,1

4.12 Majority shareholders

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. As of 3 June 2019 and to the best of the Company's knowledge, the following shareholders have holdings in excess of the statutory thresholds for disclosure requirements:

- Magnus Roth and related companies hold 6,209,036 Shares, equal to 17.31% of the total number of issued Shares in the Company
- Companies related to Arne Blystad hold 8,419,113 Shares, equal to 23.48% of the total number of issued Shares in the Company

4.13 Material contracts and dependency on patents and licences

Other than the Star Bulk Transaction as further described in Section 4.2.3 "*The transaction with Star Bulk Carriers Corp.*" and the Merger as further described in Section 3 "*The Merger*", the Company has not entered into any material contracts outside the ordinary course of business for the two years immediately preceding the date of this Information Memorandum or other contracts outside the ordinary course of business that contains any provision under which the Company has any obligation or entitlement that is material to the Company as of the date of this Information Memorandum.

The Company is not dependent on any patents or licenses, industrial, commercial or financial contracts or new manufacturing processes.

4.14 Legal proceedings

Neither the Company nor any other company in the Songa Bulk Group has been involved in any legal, governmental or arbitration proceeding during the course of the preceding twelve months, which may have, or have had in the recent past, significant effects on the Company's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

5 PRESENTATION OF THE AGS GROUP

5.1 Introduction

AGS is a private limited liability company pursuant to the Norwegian Private Limited Companies Act, incorporated under the laws of Norway. The commercial and legal name of the Company is Axxis Geo Solutions AS. The Company was established on 16 October 2006 and registered with the Norwegian Register of Business Enterprises with business registration number 990 691 371. The Company's registered business address is Brendehaugen 20, N-6065 Ulsteinvik, Norway.

AGS is an asset light setup primarily based on chartering of vessels and nodes, specialising in flexible and hands-on project management and executions. AGS is targeting both the contract acquisition and the multi-client acquisition seismic market, focusing on ocean bottom seismic surveys in shallow and midwater regions.

5.2 History and important events

The table below provides an overview of key events in the history of AGS.

2017	<ul style="list-style-type: none"> AGS acquired 100% of the shares in Axxis Geo Solution Inc. and the vessel M/V Neptune Naiad Successfully completed an equity offering of NOK 23.5 million in January Completion of significant upgrades to its vessel MV Neptune Naiad in March In August, Axxis Geo Solutions announced that the Neptune Naiad had completed mobilization and reconfiguration and departed Singapore to commence a 4 to 6 month contract in the Bintuni Bay, West Papua, Indonesia A NOK 23.7 million private placement directed at Havila Holding AS completed
2018	<ul style="list-style-type: none"> In Q2, M/V Neptune Naiad joined 3 other leased seismic vessels (Geo Caspian, M/v Pacific Finder and Havila Fortune) for one of the world's largest (1,560 km²) and most advanced OBN surveys in the North Sea (Utsira). In addition, two node handling systems were built and 9,300 nodes were leased in support of this project. In September, AGS won a USD 70 million contract with ONGC (the India state oil company), and the full operational capacity was transferred to India for the winter. AGS closed a collaboration agreement with TGS in December with the intention to co-invest as equal partners in multi-client projects within a defined area in the North Sea. The ongoing Utsira multi-client project is a part of this agreement (projected to be completed in Sep/Oct 2019).
2019	<ul style="list-style-type: none"> In January, outstanding warrants were exercised, providing AGS with NOK 32.1 million in new equity A private placement was completed in February raising NOK 62.4 million in new equity at NOK 0.70 per share

5.3 AGS Group structure

The current AGS Group structure is illustrated in the structure chart below:

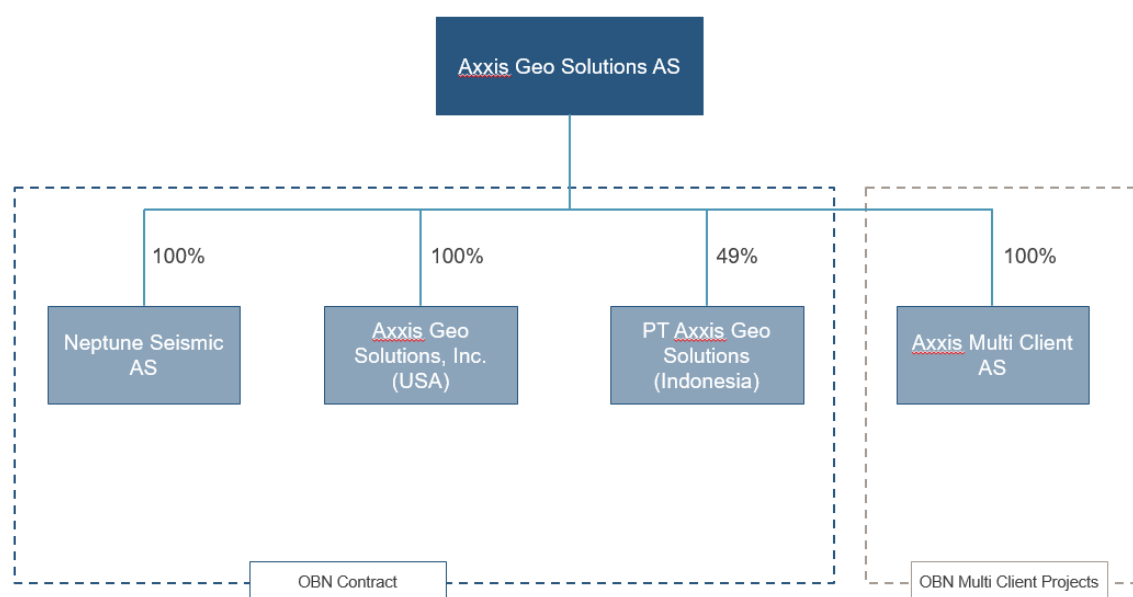


Figure 5.1: Legal structure AGS pre-merger

Below is a description of the companies in the AGS Group:

Axxis Geo Solutions AS is the parent company of the AGS Group and holds all material contracts and assets except for the current Utsira contract and all future MC activity. AGS is incorporated in Norway.

Axxis Geo Solutions, Inc. is a management company with only administration and some consultancy services and costs, incorporated in the US.

Axxis Multi Client AS owns and operates the AGS Group's multi-client operations. Multi-client assets from the Utsira project lays in this company.

Neptune Seismic AS is a dormant and empty company incorporated in Norway.

PT Axxis Geo Solutions (Indonesia) is a company with limited activity incorporated in Indonesia. AGS holds 49% of the shares in PT Axxis Geo Solutions but controls 100% of the votes.

5.4 Overview of the AGS business

5.4.1 Introduction

AGS' operations are related marine acquisition of seismic data, with focus on Ocean Bottom Node (OBN) seismic. OBN seismic is further explained in Section 8.4 "*Ocean Bottom Seismic (OBS) technologies*" and Section 8.5 "*Ocean Bottom Seismic (OBS) applications*". AGS focuses on both proprietary seismic surveys (contract seismic) as well as multi-client seismic. Going forward, the management of AGS estimates that AGS's activity levels will be split roughly 50/50 between contract and multi-client seismic over the long run, subject to customer demand.

AGS has an asset light setup, which means that its services are primarily based on chartering of vessels and nodes, rather than owning those assets. Currently, AGS operates five high-quality vessels, of which four vessels are chartered on short-term contracts and one, Neptune Naiad, is owned by AGS. Further, AGS leases 9000 OBN nodes and associated ship based equipment from Geospace which had a minimum commitment of 6

months. AGS is now past the 6 month minimum commitment period and can either keep or return the nodes at any point in time.

In terms of seismic survey design, AGS is specialising in flexible and hands-on project management and executions, focusing on ocean bottom seismic surveys in shallow and midwater regions. Shallow and midwater regions are less costly to serve, and according to AGS management, shallow and midwater regions represent 60-70% of the total OBN seismic market.

AGS has a global focus in terms of survey locations. Examples of shallow and midwater regions of interest to AGS include the Norwegian Continental Shelf, Asia, Egypt, US Gulf of Mexico, Mexico, West-Africa and the Barents Sea. AGS will furthermore predominantly target brownfield projects as it is a less cyclical market than greenfield projects in addition to the fact that brownfield projects are often a part of an oil company's production budgets rather than exploration budgets. According to the AGS' management's experience, production budgets are more flexible, sizeable and accessible than exploration budgets. Brownfield projects are also known as near-mine projects, and refer to areas with existing facilities where mineral deposits (such as oil) are previously discovered.

5.4.2 Technology

AGS has a technology-agnostic node handling system produced by Evotec, formerly part of the Kongsberg Marine Group. The node handling system offers a flexible solution that can handle any node system and the system can be placed on almost any vessel. Nodes are attached on a rope and the handling system is configured to hold the rope still while nodes are attached manually. The system is simple to use and has a production cost of approx. USD 2 million. By having a node agnostic and flexible handling system, AGS is de-risking project scheduling as AGS can shift the system onto any vessel with minimal requirements for modifications on the vessels. An illustration of the handling system is included in Figure 5.2 below.

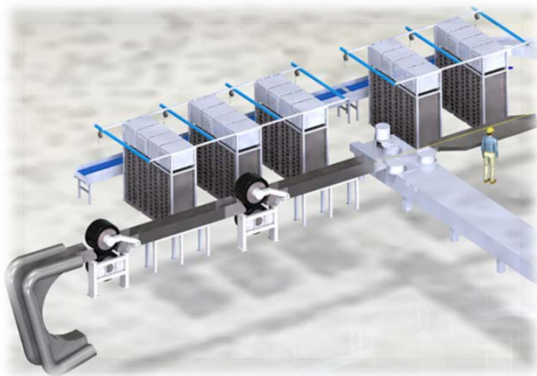


Figure 5.2: AGS' technology-agnostic node handling system produced by Kongsberg Evotec.

5.4.3 Multi-client business

Approximately 50% of AGS' activities are related to multi-client surveys. Currently, the management of AGS sees limited competition in the OBN multi-client segment and aims to become a dominating player. It is also under the impression that it can receive a first mover advantage, as competitors will have limited incentives to overshoot areas with existing OBN data from AGS. OBN multi-client surveys are more capital intensive than contract surveys as seismic companies rarely receive prefunding that exceeds the survey cost. Consequently, AGS is prepared to invest in multi-client acquisitions with the expectation that late sales will yield returns in excess of regular contract rates. The dynamics of multi-client seismic is further described in Section 8.9.2 "Multi-client seismic projects".

Currently, AGS is performing a multi-client survey in the Utsira area (see Figure 5.3 below). The survey is part of the collaboration agreement with TGS as described below. The survey comprises an area of ~1,560 km² and is to date the largest OBN survey conducted in the North Sea. The project started up in July 2018 with full ramp up of four vessels in August 2018. Approximately ~900 km² was covered by the end of Q4 2018, which is also status as of the date of this Information memorandum. Due to harsh weather environment, the survey was paused during the winter season with scheduled start-up in July 2019. The survey is estimated to be completed in Sep/Oct 2019. OBS MC Investments 1 AS (a TGS company) has the right to purchase AGS' remaining 50% stake in the Utsira assets and data under the Aker BP and DUG agreements for a pre-determined amount if the Utsira data (covering at least 95% of the survey area) has not been delivered to OBS MC Investments 1 AS by end of Q3 2019.

AGS received solid prefunding for the project with Aker BP as main sponsor. Until the survey is completed, all received funding will be recognised as pre-funding and AGS has received prefunding support amounting to more than USD 50 million per Q1 2019.

In December 2018, AGS closed a collaboration agreement with TGS with the intention to co-invest as equal partners in multi-client projects within a defined area in the North Sea. The ongoing Utsira multi-client project is a part of this agreement as the area of mutual interest covers the core part of the central North Sea up to and including the Utsira area. Under the collaboration agreement, the parties will work together to develop opportunities to co-invest in multi-client OBN projects. TGS will have a right to process all new node data acquired under this collaboration.

AGS's multi-client business and assets are controlled by Axxis Multi Client AS. As per 31 December 2018, AGS had capitalised multi-client assets of approx. USD 24.9 million on its balance sheet.

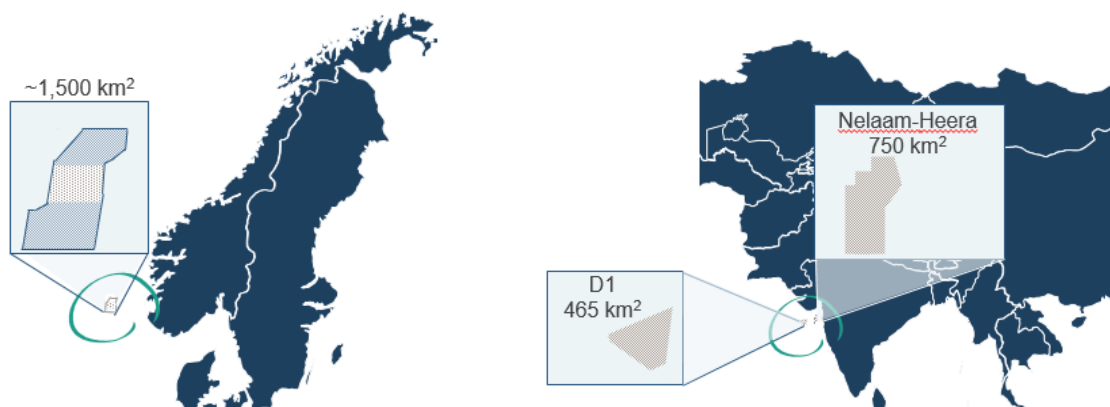


Figure 5.3: To the left, AGS' multi-client project in the Utsira area and to the right, AGS' contract project for ONGC in the Mumbai High area in India.

5.4.4 Contract acquisition

AGS is also targeting proprietary seismic surveys (contract seismic) and is currently operating five vessels on contract for Oil and Natural Gas Corporation (ONGC) in the Mumbai High area in India. AGS focuses on close collaboration with clients in order to optimise survey design and to deliver quality seismic data. As described in Section 5.4.1, AGS has an asset light setup that allows AGS to offer client-friendly solutions that meet the client's demand. AGS experiences that contract seismic clients may have certain requirements regarding processing partner or other survey solutions, equipment or crew provider and AGS' asset light setup enables AGS to offer any solution. This setup is according to the management of AGS considered an advantage for AGS.

In September 2018, AGS won a USD 100 million contract with ONGC in India, in a consortium comprising 70% AGS and 30% SAEExploration (SAE), implying that AGS' share of the USD 100 million project is USD 70 million. Due to SAE's existing and strong relationship with ONGC, SAE was fronting the bid. AGS and SAE agreed on a strategic collaboration and according to the agreement, AGS is responsible for the entire offshore acquisition operation, and SAE provides onshore data processing support, contract holding and client interface.

The survey comprises the first part of a larger three years acquisition program over the Mumbai High area where AGS is of the opinion that successful performance is key for further contract work and collaboration with ONGC. The current survey comprises two fields with a combined area of ~1,215 km² (see Figure 5.3 above for the ONGC project). The project was commenced in Q4 2018, and following a somewhat slow ramp-up phase, AGS picked up speed and ~460 km² of the total area was covered per Q1 2019. Recognised contract revenue from the project amounts to USD 26 million per Q1 2019, and the project is expected to be completed by beginning of June 2019.

5.5 Current AGS board of directors, management and employees

5.5.1 Board of directors

The current board of directors of AGS consists of the following directors:

Bjarte Henry Bruheim, chairman: Mr Bruheim has more than 40 years of international board and management experience. Mr Bruheim is a serial entrepreneur and co-founder of AGS.

Jogeir Romestrand, board member: Mr Romestrand has more than 30 years of experience from the oil service business. He currently holds various senior positions and directorships. Mr Romestrand is co-founder of AGS.

Fredrik Platou, board member: Mr Platou has more than 15 years of international board and management experience, and is currently CEO in Arne Blystad AS. He has been employed in key positions in various investments on behalf of the Blystad Group since 2006.

Ole Andre Heggheim, board member: Mr Heggheim has more than 30 years of international board and management experience including Remøy Shipping, Aker Kvaerner, PGS and Pareto Securities. He also holds solid seismic, maritime and financial experience.

Njål Sævik, board member: Mr Sævik has more than 30 years of international board and management experience with Havila Shipping ASA and ODIM ASA. Mr Sævik is currently CEO of Havila Shipping.

Tore Rødal, board member: Mr Rødal has more than 30 years of board and management experience across a wide range of material, mineral and property companies.

5.5.2 Management

The current AGS management consists of the following individuals:

Lee Parker, President and CEO: Mr Parker is Co-founder of AGS. He is a highly qualified international executive with over 30 years of demonstrated leadership as an oilfield services executive. Reported to CEO managing a USD 400 million global oilfield services division. Mr Parker has operated as an officer in private equity mode with successful exit in 2006, subsequently operated as an officer of a US public company for six years until its privatization. Mr Parker has successfully expanded global markets, introduced new technology and achieved year-on-year international growth of more than 30% from 2006 to 2009.

Svein Knudsen, CFO: Mr Knudsen is a Norwegian citizen with a Bachelor of Science in Business Administration from Appalachian State University in North Carolina, USA. Mr Knudsen's previous roles include 11 years in the position of CFO with EMGS and senior roles in the finance and treasury functions at PGS, and prior to this; two years within the investment bank division of Nordea Bank in Norway. Most recently Mr Knudsen has acted as a non-executive director, MultiClient Geophysical ASA, a listed Norwegian seismic company, and executive advisor to other listed companies in the seismic sector.

Rick Dunlop, EVP Operations: Mr Dunlop is Co-founder of AGS and EVP Operations. He holds an MBA and 35 years of broad ranging global experience in the geophysical services industry in roles from Project Manager to Senior Vice President at a US public company.

Neville Mathers, Global Operations Manager: Mr Mathers has 34 years' experience in the oil exploration industry worldwide across a varied range of exploration methods, in an equally diverse number of countries. With a mechanical engineering background, his extensive field experience across these environments and cultures, and ability to adapt, makes him a leader in his field.

5.5.3 Employees

There are currently three employees in AGS and three employees in the AGS subsidiary, Axxis Geo Solutions Inc.

5.5.4 Consultancy agreements with board members

In May 2017, AGS entered into a consultancy agreement with Bjarte Bruheim, chairman of the board of AGS. According to the agreement, Mr Bruheim's employment was initially 50%, entitling him to an annual payment of USD 216,000. After AGS was awarded a multi-client project higher than USD 50 million in revenue, the agreement assumed a 100% employment, entitling Mr Bruheim to an annual payment of USD 432,000. In addition, AGS is to cover costs related to consultancy activity.

In June 2017, AGS entered into a consultancy agreement with Rome AS, a company fully owned by Jogeir Romestrand. According to the agreement, Rome AS is entitled to an annual payment of approximately NOK 1.2 million. In addition, AGS is to cover costs related to consultancy activity.

5.5.5 Benefits upon termination

Upon termination of employment, save for termination of employment upon good cause by the Company, Mr Parker is eligible to a severance pay of 1.5 x annual base salary, Mr Dunlop is eligible to a severance pay of 1.5 x annual base salary and Mr Knudsen is eligible to a severance pay of 12 months' salary and benefits.

5.5.6 Share option program for management and board of directors

AGS has implemented an option-based incentive program for its executive management, key employees and Directors. At the date of this Information Memorandum, 35,067,112 options have been issued under the program, of which 19,500,000 options were issued in 2017 with a strike price of NOK 0.1949 and 15,567,112 options were issued in 2018 with a strike price of NOK 0.3157. All 2017-options have vested and will expire on 12 September 2023. 50% of the 2018 options (as awarded to each individual under the program) vested on award date (27 September 2018), 25% will vest on first anniversary and last 25% will vest on second anniversary of award date. The 2018-options may be exercised within 5 years from vesting date.

Below is an overview of options for shares in AGS held by current directors and board members in AGS:

Name	2017: Strike NOK 0.1949	2018: Strike NOK 0.3157
Lee Parker	4,000,000	2,300,000
Svein Knutsen	2,500,000	1,300,000
Rick Dunlop	2,500,000	1,300,000
Neville Mathers	2,000,000	500,000
Bjarte Bruheim	4,000,000	2,300,000
Jogeir Romestrand	2,500,000	2,000,000
Fredrik Platou	1,000,000	500,000
Njal Sævik	-	1,500,000
Ole Andre Heggheim	1,000,000	500,000
Tore Røldal	-	1,500,000
(Others)	-	1,867,112

As described in Section 3.4.2, the options will be continued in Songa Bulk following consummation of the Merger adjusted for number of shares and strike price.

5.6 Current ownership structure

The current ownership structure in AGS is set out in the table below:

Shareholder	# shares	Ownership
Songa Investments AS	118 043 456	16.05 %
Havila Holding AS	112 715 718	15.33 %
Rome AS	87 473 455	11.89 %
Bjarte Bruheim	84 702 022	11.52 %
W2 Seismic AS	63 055 729	8.57 %
TRH AS	30 958 504	4.21 %
Johs. Hansen Rederi AS	23 608 690	3.21 %
Ronja Kapital AS	23 000 000	3.13 %
Lee Parker	19 978 203	2.72 %
Remco AS	19 316 201	2.63 %
Alcides Shipping AS	16 096 835	2.19 %
Ajea AS	15 857 143	2.16 %
Kjøllås Stansekniver AS	14 285 714	1.94 %
Stette Invest AS	14 285 714	1.94 %
Sean and Carol Parker	10 301 972	1.40 %
Bjørnulf AS	9 316 500	1.27 %
Urbanium Gruppen AS	6 438 734	0.88 %
Krefting AS	6 438 733	0.88 %
Richard Dunlop	5 150 987	0.70 %
Others	54 430 608	7.40 %
Total	735 454 918	100.00 %

5.7 Legal proceedings

To the knowledge of the Company, neither AGS nor any other company in the AGS Group has been involved in any legal, governmental or arbitration proceeding during the course of the preceding twelve months, which may

have, or have had in the recent past, significant effects on the company's financial position or profitability, and AGS is not aware of any such proceedings which are pending or threatened.

5.8 Borrowings

As of the date of this Information Memorandum, the AGS Group's interest-bearing debt consists of a NOK 29,750,000 3-year term loan facility entered into with Eksportkreditt AS as lender and Danske Bank and Giek as guarantors. The loan is repaid in 12 quarterly instalments and final repayment date is 24 September 2021. The agreement is subject to customary financial covenants and undertakings. Furthermore, AGS is not entitled to pay any dividend or make other distributions to its shareholders without the prior written consent of Eksportkreditt.

In addition, AGS has borrowed in aggregate USD 4 million from three of its current main shareholders, namely Havila Holding AS, TRH AS and Songa Investments AS. The loan agreement was entered into on 29 April 2019 and the loan amount shall be repaid within 21 June 2019. The loan is subject to a 12% interest p.a.

In relation to the sale of 50% of the Utsira project to OBS MC Investments 1 AS (a TGS company) in December 2018, Axxis MC has executed a USD 20 million promissory note for the acknowledge of its debt towards OBS MC Investments 1 AS in relation to the Aker BP pre funding for the Utsira Project. The promissory note falls due for payment on 30 September 2019. As of the date of this Information Memorandum approximately USD 14 million is outstanding. Cash flow from sale of multiclient licences from the Utsira multiclient project shall be applied as down-payment of the promissory note.

6 THE COMBINED GROUP UPON CONSUMMATION OF THE MERGER

6.1 Combined Group structure

The Combined Group structure following consummation of the Merger is illustrated in the structure chart below:



6.2 Address, company name etc.

Upon consummation of the Merger, the Company will change its name to "Axxis Geo Solutions ASA" and operate under the business name Axxis Geo Solutions ASA.

The Company's head office will be moved to the current premises of AGS in Strandveien 50, N-1366 Lysaker, Norway and the Combined Group's operations will be managed from the head office and the premises in Ulsteinvik, Houston and Jakarta.

6.3 The board of directors

As resolved in the annual general meeting of the Company on 16 May 2019, the following directors have been elected with term of office from the time of consummation of the Merger:

- Rolf Rønningen
- Jogeir Romestrand
- Eirin Inderberg
- Fredrik Platou
- Njål Sævik
- Vibeke Fængsrud
- Nina Skage

Rolf Rønningen, Chair of the board: Rolf Rønningen has over 35 years of seismic industry experience and has held senior positions at GECO, PGS and Eastern Echo Ltd., and most recently at Polarcus Limited where he held the position of CEO from 2008 until February 2015. His experience covers both technical and operational management of towed streamer seismic vessels and seabed operations. Mr Rønningen holds a B.Sc. in Computer Sciences from the Kongsberg Ingeniørhøgskole in Norway. Mr. Rønningen is a Norwegian citizen and resides in Drammen, Norway.

Jogeir Romestrand, board member: Jogeir Romestrand is the co-founder of AGS and has been a member of the board of AGS since the company's incorporation in 2007 (former "Neptune Offshore AS"). Mr Romestrand has over 35 years of experience from the oil service industry and has held various senior positions such as CEO of ODIM, which was sold to Rolls Royce in 2009, and board member in inter alia Polarcus and Spectrum. Mr Romestrand is currently employed at his family owned investment company, Rome AS, and holds directorships in certain companies in which Rome AS has invested.

Eirin Inderberg, board member: Eirin Inderberg has over 20 years' experience as a lawyer and is currently Head of Legal in Topaz Energy and Marine Limited, an OSV and logistics provider, headquartered in Dubai, with main operations in Caspian, Russia, West Africa and Middle East. Mrs Inderberg was formerly General Counsel of Eastern Echo Ltd. and Polarcus Limited, where she also held the office of company secretary and served as director in several subsidiaries of Polarcus Limited. Prior to this, Mrs Inderberg worked for the law firm Wikborg Rein Advokatfirma AS in Oslo and London, and as a lawyer at the Oslo Stock Exchange. Mrs Inderberg holds a law degree from the University of Oslo, Norway, and a bachelor degree in Business Administration and Economics from the California Lutheran University, US. Mrs Inderberg is a Norwegian citizen and resides in Dubai, United Arab Emirates.

Fredrik Platou, board member: Fredrik Platou has served as a board member of Songa Bulk since December 2016 and is the CEO of Arne Blystad AS. He has more than 15 years of management experience due to key positions in various investments on behalf of the Blystad Group. Mr Platou holds a degree from the Norwegian School of Economics and Business Administration (NHH).

Njål Sævik, board member: Njål Sævik has been a member of the board of directors of AGS since December 2017 and the CEO of Havila Shipping ASA since the company's incorporation in 2003. He has over 30 years of international board and management experience and is currently inter alia the chairman of the board of Havila AS and a board member in the Norwegian Shipowner Association; Ni Tankers AS and Neptun Invest AS. Mr Sævik is a trained ship master and was educated in administration and management at Ålesund Maritime College, graduating in 1994. Mr. Sævik is a Norwegian citizen and resides in Norway.

Vibeke Fængsrud, board member: Please see information in Section 4.3.2 above.

Nina Skage, Board Member: Nina Skage became Managing Director at Norwegian School of Economics and business administration (NHH) in January 2014 and Director for External Relations and Fundraising in 2017 at NHH. From 1988 to 2013, she held various positions in the Norwegian food industry group Rieber & Søn ASA (sold to Orkla ASA in 2013), including Director of Personnel and Organisational Development, Director of Corporate Communications, Director of Business Unit Food Service and Director of Marketing TORO. Mrs Skage has her education in business administration and management from St. Cloud State University, Minnesota. Mrs Skage has been on the boards of Biomega, AFF and GC Rieber Skinn, and currently serves as board member in Havila Shipping ASA, Eiendoms kreditt, Dyrket.no, PODTOWN, CCT and Bergen Music Festival. Mrs Skage is a Norwegian citizen and resides in Bergen.

6.4 Management

The Management of the Company following consummation of the Merger will consist of the members of the current management of AGS as further described in Section 5.5.2 above.

6.5 The Merger's significance for the employees and the employment

There are currently no employees in the Company. All employees in AGS will be transferred to the Company. Following consummation of the Merger, there will be approximately seven employees in the Combined Group.

6.6 Strategy and outlook following consummation of the Merger

6.6.1 Strategy

The Company's business strategy following consummation of the Merger is to secure OBN contacts and develop multi-client OBN programs. This is achieved by hiring in vessels, personnel and equipment to secured contracts and multi-client projects. This asset light model yields cost efficiency and should, along with operational

efficiency when on contracts and projects, lead to cost benefits which will, according to the management of AGS, give a comparative advantage in securing new contracts and profitable projects.

6.6.2 Outlook

AGS is pursuing several interesting contracts and multi-client possibilities with ongoing negotiations and tendering activities for OBN seismic acquisitions in the North Sea during the summer months of 2019. The Utsira project is expected to re-commence in July 2019 and be completed in Sep/Oct 2019. AGS is looking at possible testing and minor projects both before the start of the Utsira project as well as after completion.

The current ONGC project is a part of a larger three years acquisition project, and AGS is competing to be awarded another project in India by ONGC with expected start up in Q4 2019. The potential project is assumed to have a contract period of at least 4 to 6 months.

There are also several larger multi-client projects on tender in Europe, Middle-East and India. Should AGS be awarded larger projects occurring within the same time period, the execution will likely be performed by a second AGS crew. AGS is aiming to have two crews operating at full capacity during 2020, as compared to the one crew that has been operating during 2018 and 2019.

6.7 The Merger's significance for the earnings, assets and liabilities of the Company

Pursuant to the Merger Plan, all assets, rights and obligations of AGS will be transferred to the Company upon consummation of the Merger. The historical earnings, assets and liabilities of AGS are presented in Section 7 below.

7 SELECTED HISTORICAL FINANCIAL INFORMATION OF THE AGS GROUP

The following summary of consolidated financial data has been derived from AGS' audited consolidated financial statements as of and for the year ended 31 December 2018 with comparable numbers for the year ended 31 December 2017 (the "**AGS Financial Statements**"). The AGS Financial Statements have been prepared in accordance with the accounting principles prescribed by International Financial Reporting Standards ("**IFRS**") as adopted by the International Accounting Standards Board ("**IASB**") and approved by the European Union ("**EU**"). The selected consolidated financial data set forth in this Section should be read in conjunction with the financial statements attached hereto as Appendix A.

The AGS Financial Statements have been prepared on a historical cost basis. The financial statements of AGS' subsidiaries have been prepared for the same reporting year as AGS, using consistent accounting policies. The AGS Financial Statements are presented in Norwegian kroner (NOK). Please see note 2 in the AGS Financial Statements, for a description of the AGS Group's significant accounting policies.

7.1 Selected historical financial information

7.1.1 Consolidated income statement

The table below sets out selected data from the AGS Group's audited consolidated income statement for the years ended 31 December 2018 and 2017.

	For the year ended 31 December <i>(audited)</i>	
<i>(all figures in NOK thousand)</i>	2018	2017
Revenue	53 378	34 071
Cost of sales	-47 395	-51 219
Personnel expenses	-14 955	-4 797
Other operating expenses	-31 204	-9 572
Amortization & Impairment of multi-client	-	-
Depreciation, amortization & impairment	-23 526	-8 407
Operating profit (loss)	-63 703	-39 923
Finance income	6 747	1 285
Finance costs	-19 892	-2 904
Net financial items	-13 145	-1 619
Profit before income tax	-76 849	-41 542
Income tax (expense)	11 857	27 673
Profit (loss) for the period	-64 992	-13 869
Attributable to the owners of the parent	-64 992	-13 869
Other comprehensive income (loss) for the period		
<i>Items that may be reclassified to profit and loss</i>		
Currency translation differences	331	24
Total comprehensive income (loss) for the period	-64 661	-13 845
Earnings (loss) per share		
Basic earnings per share	-0,13	-0,03
Diluted earnings per share	-0,13	-0,03

7.1.2 Consolidated statement of financial position

The table below sets out selected data from the AGS Group's audited consolidated statement of financial position as at 31 December 2018 and 2017.

	For the year ended 31 December <i>(audited)</i>	
<i>(all figures in NOK thousand)</i>	2018	2017
ASSETS		
Non-current assets		
Goodwill	15 917	15 914
Multi-client library	216 987	-
Deferred tax asset	40 037	28 090
Property, plant and equipment	139 133	65 007
Investments in associated companies	-	-
Other non-current assets	419	51
Total non-current assets	412 491	109 062
Current assets		
Inventories	16 923	72
Trade receivables	34 239	4 847
Other current assets	55 883	4 990
Bank deposits, cash in hand	66 866	2 679
Total Current Assets	173 910	12 588
Total Assets	586 402	121 650
EQUITY		
Share capital and other paid in capital	99 538	99 538
Other reserves	-69 936	-8 748
Total equity	29 602	90 791
LIABILITIES		
Non-current liabilities		
Borrowings non-current	-	-
Total non-current liabilities	-	-
Current liabilities		
Borrowings current	29 856	8 548
Account payables	180 808	19 501
Contract liabilities	155 353	-
Other short-term liabilities	190 783	2 811
Total current liabilities	556 800	30 860
Total liabilities	556 800	30 860

Total equity and liabilities	586 402	121 650
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7.1.3 Consolidated statement of cash flow

The table below sets out selected data from the AGS Group's audited consolidated statement of cash flow for the years ended 31 December 2018 and 2017.

<i>(all figures in NOK thousand)</i>	For the year ended 31 December <i>(audited)</i>	
	2018	2017
Profit (loss) before tax	-76 849	-41 542
Taxes paid	-423	-
Depreciation and amortization	23 526	8 407
Agio - disagio without cash flow effects	2 078	-13
Interest expense	6 818	2 463
Interest paid	-6 712	-2 415
Share based payment cost	3 473	-
Change in trade receivables	-29 392	-4 449
Change in account payables	161 307	18 295
Change in inventories	-16 851	-72
Change in other current assets	-50 893	-4 990
Change in contract liabilities	155 353	-
Change in other current liabilities	188 395	652
Net cash from operating activities	359 830	-23 665
Cash flow from investment activities		
Investment in property, plant and equipment	-98 089	-30 738
Investment in multi-client library	-216 987	-
Cash received/paid from non-current receivables	-368	-51
Cash effect investments in new subsidiaries	-	-187
Net cash flow from investment activities	-315 444	-30 976
Cash flow from financial activities		
Proceeds from borrowings	29 750	8 500
Repayment of borrowings	-8 500	-
Proceeds from new equity	-	48 571
Net cash flow from financial activities		
Net change in cash and cash equivalents	65 636	2 430
Cash and cash equivalents balance 1.1.	2 679	236
Effects of exchange rate changes on cash and cash equivalents	-1 450	13
Cash and cash equivalents balance 31.12.	66 866	2 679

7.1.4 Consolidated statement of changes in equity

The table below sets out selected data from the AGS Group's audited consolidated statement of changes in equity for the years ended 31 December 2018 and 2017.

(all figures in NOK thousand)

	Share capital	Share surplus	Capital paid, not registered	Retained earnings	Currency translation differences	Total equity
Equity 1.1.17	38 125	-	5 000	-24 499	-	18 626
Profit (loss) for period	-	-	-	-13 869	-	-13 869
Other comprehensive income (loss)	-	-	-	-	24	24
Total comprehensive income (loss) for the period	-	-	-	-13 869	24	-13 845
Transactions with owners						
Transfer from share capital to other reserves	-29 596	-	-	29 596	-	-
Registration of share capital	2 095	2 905	-5 000	-	-	-
New shares issued - cash settled	20 263	28 307	-	-	-	48 571
Shares issued as consideration in business combination	8 585	8 147	-	-	-	16 732
Debt conversion	10 624	10 082	-	-	-	20 706
Equity 31.12.17	50 096	49 442	-	-8 772	24	90 791
Equity 1.1.2018	50 096	49 442	-	-8 772	24	90 791
Profit (loss) for period	-	-	-	-64 992	-	-64 992
Other comprehensive income (loss)	-	-	-	-	331	331
Total comprehensive income (loss) for the period	50 096	49 442	-	-73 764	355	26 130
Transactions with owners						
Share based payment				3 473		3 473
Equity 31.12.18	50 096	49 442	-	-70 291	355	29 602

7.2 Significant changes in the financial or trading position of the AGS Group since 31 December 2018

Other than as set out below, there have been no significant changes in the financial or trading position of the AGS Group since 31 December 2018:

- On 6 January, outstanding warrants in AGS were exercised, and the subscriptions for 141,639,893 new shares in the company provided AGS with NOK 32.1 million in new equity.
- On 28 February, a private placement raising NOK 32.4 million in new capital was completed. The subscription price in the private placement was NOK 0.70 per share.
- On 16 April, AGS entered into the Merger Plan for the consummation of the Merger, please refer to Section 3 above.
- On 29 April 2019, AGS entered into a USD 4 million loan agreement with three main shareholders.

7.3 Auditor

The AGS Financial Statements have been audited by the company's independent auditor, Ernst & Young ("EY") with business registration number 976 389 387 and business address at Dronning Eufemias gate 6, N-0191 Oslo, Norway. EY is a member of the Norwegian Institute of Public Accountants (Nw.: *Den Norske Revisorforening*).

8 MARINE SEISMIC INDUSTRY AND MARKET OVERVIEW

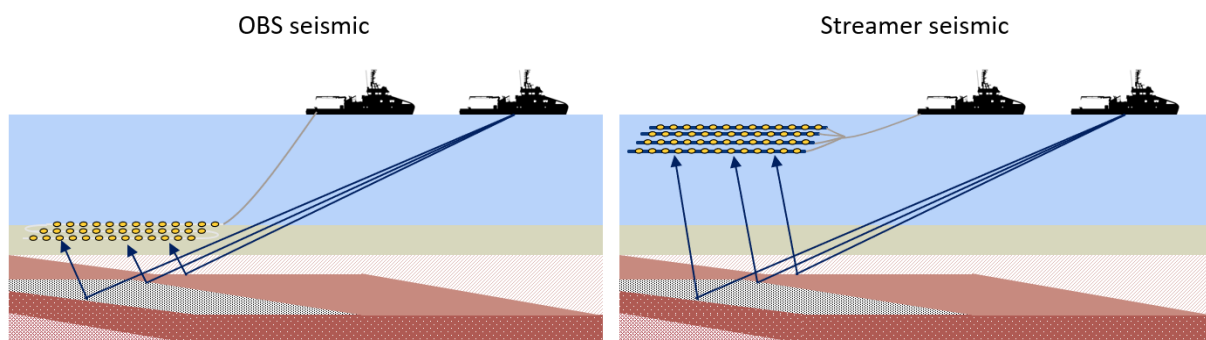
This Section discusses the industry and markets in which the AGS Group operates. Certain information in this Section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organisations, consultants and analysts, in addition to market data from other external and publicly available sources, and the AGS' knowledge of the markets. The following discussion contains forward-looking statements. Any forecasts and other forward-looking statements in this Section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 9.3 "Cautionary note regarding forward-looking statements" for further details.

8.1 Marine seismic industry overview

In the oil and gas industry the exploration and production (E&P) companies seek to minimize the risks related to their exploration, development and production. This fuels a need to obtain information about the seabed subsurface's geophysical attributes in order to better understand the structural formations and composition of subsurface materials, and especially reveal the potential for pockets of hydrocarbons in the form of oil and gas. Such data can be valuable throughout the reservoir life cycle, from exploration and development to production. Examples include better characterisation of reservoir prospects, increased drilling efficiency and being able to identify resources in new and complex plays (sub-salt etc.). Several technologies exist to acquire geophysical measurement, including gravimetric, magnetic MT, seismic and CSEM surveying.

Seismic subsurface imaging is done by geophysicists who run seismic data through software processing using complex mathematical models to produce a map of the subsurface structures and formations. Marine seismic data are recorded by devices that detect reflected energy pulses (waves) using hydrophone sensors, either towed behind a streamer vessel (streamer seismic) or in the form of nodes or cables placed on the ocean bottom (ocean bottom seismic - OBS). The energy pulses are produced by compressed air guns located on a source vessel. These pulses are reflected by the different layers beneath the seabed subsurface. Through advanced mathematical interpretation the strength and duration of the different waves can create a subsurface image. As such, oil and gas companies can make more informed decisions regarding whether or not they should drill, and where to drill if the data suggests so. Seismic images also bear information about fracture patterns, lithology (types of rock), structures and fluid contents which can be used in deciding drilling and completion methods.

Illustration 8.1 – Ocean bottom seismic (OBS) vs. streamer seismic



Note: Streamer vessel and node-handling vessel can also function as source vessel

8.2 Historical development of marine seismic

Through the many decades of development in the seismic industry different technologies and methodologies have emerged, creating distinctions in the different applications of seismic activities. At one end of the spectrum you have single streamer seismic using only hydrophones to create two-dimensional (2D) images that are used

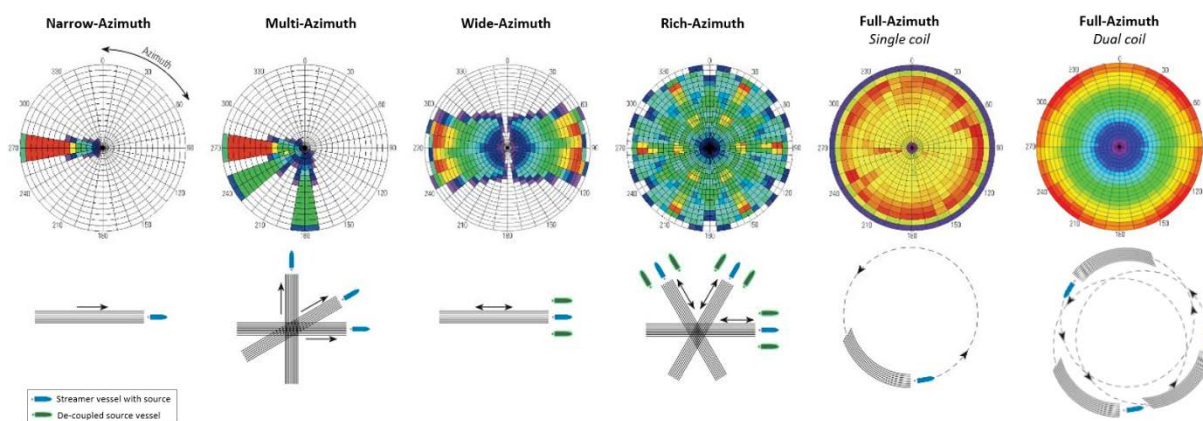
for exploration purposes. At the other end you have stationary ocean bottom sensors equipped with three orthogonally-oriented geophones and one hydrophone known as four-component (4C) that can create a three-dimensional (3D) images over a fourth dimension, namely time, known as reservoir monitoring (4D).

The development of current seismic technologies has been ongoing since the first use of digital recording in the 1960s. At this time digital data enabled processing and interpretation by computers, rendering the previous analogue recording technology obsolete. Experience enabled systematic corrections of errors thereby increasing the data quality substantially. Moreover, technological advances in storage, database management, computer filings and algorithms made for more consistent and reliable subsurface images.

In the 1980s 2D seismic was the dominant method to acquire information about the seabed subsurface. The marine acquisitions were done using one line fitted with receivers, known as a streamer, that were located slightly below the sea surface and towed behind a vessel. To get a better understanding of the seabed subsurface three-dimensional images were needed. Initially, geophysicists and geoscientists had to speculate on the characteristics between each slice of 2D images. However, during the 1980s the commercial development of 3D seismic acquisition progressed. Enabled by cost reductions in computer processing power and developments in acquisition methods widespread use of 3D seismic emerged. By towing several streamers in parallel behind one vessel the collected data enabled geophysicist to create more complete and comprehensive 3D images. This allowed more information to be extracted, such as geological horizons, rock types and fluid properties as well as fault planes and structures. Consequently, this made it easier for the geophysicist to pinpoint the paths of the hydrocarbons. This led to new reservoirs being discovered. Concurrently, exploration and production costs fell, accompanied by the overall risk associated with finding oil and gas.

During the period 1990-2005 adoption of the 3D seismic accelerated. Entering the 21st century, this was the industry standard and viewed as a vital pre-drill tool. Further improvements in vessel and equipment technology reduced the cost of 3D data significantly. Despite the lower costs the falling commodity prices during the end of the 1990s resulted in E&P companies handing out fewer contracts for new seismic surveys. Consequently, seismic vessel utilisations plummeted. To offset the low vessel utilisation some seismic survey companies figured they could acquire their own proprietary seismic data, store it in their own library, capitalise it as an asset for later sale and license it to multiple clients when demand recovered, hence the term multi-client (MC). Since the inception of the MC business model a hybrid version has emerged where the end-users cover only parts of the costs associated with the acquisition and processing, called pre-funding. This way the seismic survey companies and the E&P companies share the risks. This reduces the cost for the E&P companies, and consequently the initial revenue for the seismic survey companies. However, in return, the E&P companies accept that their competitors may purchase the same data and end up competing for the same prospects, which for the seismic survey companies means subsequent revenue streams, termed late-sales.

From 2005 to 2010 there was an increase in prices of oil and gas leading E&P companies to increase their seismic survey spending substantially. Due to the historically low success rate on exploration wells E&P companies' drilling program started to become costly. As a result, there was an increased pace in innovation with emphasis on subsurface image quality. Several approaches emerged in the attempt to better the quality. One of the developments were the increase in the number of streamers towed behind each vessel, increasing steadily in the period, reaching 24 streamers at the most. Another development was the switch away from linear acquisition patterns or so-called narrow-azimuths. By shooting seismic surveys in different azimuths (directions) over the same area, the data could be combined for better image detail. This technique was termed multi-azimuth (MAZ). By also de-coupling the source from the streamer vessel and using multiple source vessels that shoot from different angles and distances, a wide-azimuth (WAZ) technique was developed. Several hybrid survey configurations of MAZ and WAZ emerged during the same period. The typical survey configuration for different azimuths are illustrated in illustration 8.2 below. In the same period the E&P companies grew an interest in 4D seismic, essentially acquiring seismic data over the same area over regular intervals to monitor the development in producing reservoirs. This way they could better understand how the fluids and gases had moved which allowed the E&P companies to optimise oil and gas recovery rates.

Illustration 8.2 – Azimuths at different streamer configurations

The financial crisis in 2008 slowed growth and development somewhat but in 2010 the price of Brent crude increased, eventually reaching levels of USD 90 by year end. The activity was therefore high from the start of 2011 with high crude prices partly transferred down on the seismic contracts. Oil prices saw a strong downturn in the second half of 2014 reaching a low-point in the beginning of 2016 before prices picked up to levels between USD 40 to USD 60. In this period many seismic companies experience strained balance sheets as well as low vessel utilisation. After some time, oil prices started to recover followed by improved environment and outlook for the seismic industry. Last twelve months saw Brent crude price fluctuate between USD 50 and USD 70 with a current positive outlook on E&P spending.

8.3 Recent developments in technology and methodology

As the data acquisition efficiency has increased so has the dynamics and spending in the seismic industry. Accompanying this increase in efficiency comes a four-fold increase in spending. In absolute terms the E&P companies have allocated significantly more on seismic surveys. It is especially the increased efficiency and the ability to acquire data on large-scale regional surveys that have yielded the historically high growth in the seismic market.

Parallel to the development of streamer seismic, the ocean bottom seismic followed suit. OBS is widely viewed as the technology that provides the highest quality seabed subsurface images. By placing receivers on the seabed, the noise in the data is materially reduced. Further, placing receivers on the bottom enables measurement of earth vibrations through the three geophone sensors, enriching the data. Also, because the source is fully de-coupled from the sensors one can achieve full-azimuth, further adding to image quality. In addition to providing higher quality images, the OBS technology also alleviated the issue with imaging structures and hydrocarbons below salt by enabling longer offsets, a problematic issue with streamer seismic. Lastly, a similar issue with streamer seismic, namely imaging below gas pockets, was mitigated by OBS equipment also recording so-called shear waves.

8.4 Ocean Bottom Seismic (OBS) technologies

8.4.1 Ocean bottom cables (OBC)

Ocean bottom cables (OBC) have historically been the most widely used equipment for OBS data collection according to Magseis.¹ The concept is based on incorporating a series of receivers along the cables which are then laid on the seabed by releasing the cable behind a vessel. Such cables are, according to Magseis, around 30 km long at maximum and with receivers typically placed every 25 meters, when excluding Magseis' equipment. The cables are connected either to a buoy or a vessel whereby the data are sent through the cables to the storage

¹ Magseis Prospectus, December 2018

unit onboard the vessel/buoy. In addition, the receivers are also powered by electricity through the cables. An independent, de-coupled source vessel shoots energy pulses in a grid above the cables at the sea floor. Magseis state that OBC are being used on water depths down to ~700 meters. However, they note that cables have been used down to 2,000 meters. OBC entail advantages such as real-time control of operations as well as higher deployment speeds and lighter equipment weight relative to nodes. Disadvantages include structural vulnerability since one fracture in the cable may disable the rest. Power source failure will also disable the whole cable. In addition, the length of the cables has a maximum length due to loss of signal strength along the cable, demanding signal enhancers. Ocean bottom cables are also unsuited for ultra-deep waters as for example different layers of water currents substantially reduce precision.

Examples of seismic ocean bottom cables are Schlumberger's Q-Seabed, Seabed Geosolutions' Sercel SeaRay, ION's VectorSeis Ocean II (VSO II) and Magseis-Fairfield's Marine Autonomous System (MASS) where the latter is a hybrid system so that receivers can be detached and also function as nodes.

8.4.2 Ocean bottom nodes (OBN)

Ocean bottom nodes (OBN) are autonomous sensors powered by batteries that can either be placed on the seabed by a remotely operated vehicle (ROV) or by attaching the nodes on a rope (NOAR) and releasing the rope behind a vessel. Depending on deployment method (ROV vs. NOAR) and the sampling density (i.e. distance between nodes) OBN surveys will have a large variation in survey acquisition speed, however lower than OBC. The highest node deployment speed is obtained by NOAR but will depend on several factors such as type of node, node-handling system and the skill of the employee(s) involved if the system is not fully automated. As such, certain setups may be able to deploy at speeds close to OBC. OBN data acquisition method utilize the same principal of a de-coupled source vessel shooting over the grid on the seafloor. According Magseis1, nodes usually range from 30 kg to 150 kg depending on water depth, where the heaviest are used for ultra-deep waters and the lightest are used for shallow waters. Advantages of OBN include the possibility of operating only one vessel although this is less efficient in many cases, usability down to water depths of 4,000 meters and highly robust systems with low technical downtime. In many cases the sampling density is sparser compared to OBC, reducing image quality. However, OBN have more flexibility on this matter and can also obtain higher sampling density and image quality than OBC, as this will only mean using more nodes placed closer together. Compared to OBC the nodes are heavier and larger and will consequently limit the amount of equipment that can be brought on-board the vessel. Since the nodes are battery dependent and last for approximately 70 days, recollection for recharging may be necessary before a shooting is complete.

Examples of ocean bottom nodes are Magseis Fairfield's Z-series (Z100, Z700, Z3000, ZXPLR and ZLoF) and MASS hybrid system, Seabed Geosolutions' Manta and CASE Abyss, Geospace Technologies' OBX-series (OBX 60, OBX 90, OBX 150 and OBX 750E) and inApril's A3000. Of these companies, Geospace Technologies, Magseis Fairfield and inApril offer nodes for lease or purchase.

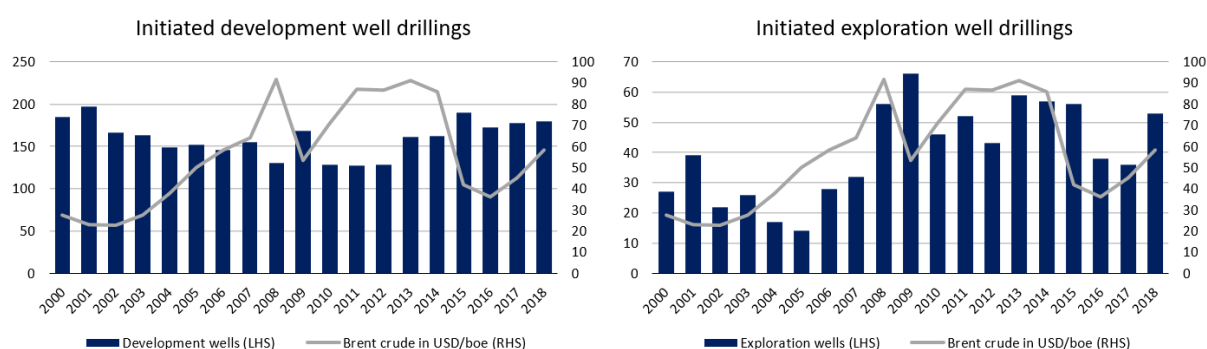
8.5 Ocean bottom seismic (OBS) applications

Application of seismic data can be categorised into two segments; exploration and appraisal & development. The latter also include acquisition over producing fields. The first category, exploration, is the search for new oil and gas reserves. The second category comprise of field appraisal and development programs of already discovered reserves of hydrocarbons.

OBS has historically been used for production and field appraisal purposes in close proximity to offshore infrastructure or newly discovered reserves. One of the main reasons for this is the apparent less cost-efficient acquisition method when compared to streamer seismic. The higher costs and longer durations of surveys are the results of the nature of operations such as limitations on deployment speeds, recovery speeds and the amount of equipment that can be brought onboard and later deployed in one operation. It therefore makes more sense to pay more when you first have a discovery confirmed and want more detailed images of the reservoir to know where and how to drill. In addition, OBS is better suited close to infrastructure.

Historically, the spending on producing fields or fields under development has been less volatile and exerted less cyclicity compared to exploration spending. This is mainly because of the more long-term characteristics of the investment decision in these fields, making them harder to unwind. Additionally, these fields are lower risk investments when comparing them to exploration which results in exploration being the first thing to cut during cost savings. As a result, production seismic, maximising output from fields in production, stays a priority relative to exploration seismic which may be scaled back during downturns. This effect can be observed more clearly when looking at the number of drilled development wells and drilled exploration wells on the Norwegian Continental Shelf (NCS) relative to the prevailing oil price at the time. As illustrated in illustration 8.3 the number of drilled exploration wells increase after a time of increasing oil price while a decline in the oil price typically leads to a decline in drilled exploration wells the year after. The graph also illustrates how the number of drilled exploration wells move in waves, exerting cyclicity. These features are not apparent for development wells. Albeit slight fluctuations appear, the overall pictures depict a fairly stable number of drilled development wells with low correlation with the oil price. Given the shorter contracts in the seismic industry, OBS investments will exert more cyclicity than development drilling. However, OBS should remain less cyclical over time compared to streamer seismic, due to the strong link to production spending.

Illustration 8.3 – Drilled development wells vs. drilled exploration wells on the Norwegian Continental Shelf



Source: Norwegian Petroleum Directorate, Factpages (Wellbore). Data available at:
<http://factpages.npd.no/factpages/Default.aspx?culture=en> (accessed 7 May 2019 16:36)

8.6 Selection of typical clients in the seismic industry

Seismic data are sold to oil and gas companies working with exploration and production. There are numerous of these, typically categorised as either major, national or independent oil companies. In table 8.1 below, a selection of typical clients to the seismic companies are provided.


Table 8.1 – Selection of typical clients in the seismic industry

Major oil companies	bp	Anadarko	ExxonMobil	Shell	REPSOL	eni	equinor	TOTAL	Chevron
National oil companies	CNPC	ONGC	PETROBRAS	PEMEX	OMV	ADNOC	ارامكو السعودية	Saudi Aramco	
Independent oil companies	AkerBP	Lundin Petroleum	Cairn	TULLOW	ROSNEFT	PERENCO			

8.7 Competitive landscape in the marine seismic industry

The industry includes geological, geophysical and reservoir services, technical software, survey services, multi-client (MC) sales, seismic data processing and contract seismic sales, among others. Many companies that offer services to the offshore sector may provide these services either internally or as a part of a package where some services are outsourced. Most similar to AGS' business operations are the marine seismic acquisition companies that acquire seismic data through seismic surveys and sell the data to the E&P companies. Several companies exist, and a non-exhaustive list of the most notable players are provided in table 8.2. Many of the listed players are listed in Norway on the Oslo Stock Exchange. Although the companies are providing similar services, they differentiate themselves in several matters such as geographies, bathymetry, survey designs, equipment, methodology and services as well as sales model (MC vs. Contract sales) and exploration vs. production seismic to name some.

Table 8.2 – Major companies within marine seismic data acquisition surveying

Major companies - Marine seismic data acquisition surveying					
Ticker	Company	Country	Ticker	Company	Country
CGG-FR	 CGG	FRANCE	TGS-NO	 TGS-NOPEC Geophysical Company ASA	NORWAY
MSEIS-NO	 Magseis Fairfield ASA	NORWAY	FUR-NL	 Fugro N.V.	NETHERLANDS
IO-US	 ION Geophysical Corporation	UNITED STATES	SAEX-US	 SAExploration Holdings, Inc.	UNITED STATES
PGS-NO	 Petroleum Geo-Services ASA	NORWAY	Private	 Seabed Geosolutions BV	NETHERLANDS
PLCS-NO	 Polarcus Limited	UNITED ARAB EMIRATES	Private	 Shearwater GeoServices AS	NORWAY
SBX-NO	 SeaBird Exploration Plc	CYPRUS	Private	 OceanGeo Ltd.	UNITED KINGDOM
SPU-NO	 Spectrum ASA	NORWAY	Private	 BGP, Inc.	CHINA

Note: Spectrum and TGS announced on 2 May 2019 a statutory merger whereby TGS will be the surviving entity after completion (expected in Q3 2019)

In the OBS segment of the seismic industry the OBC and OBN players have different equipment and as such different specifications. Typically, the critical factors are production rates and addressable water depth. These differences prevent certain players to tender on the same surveys due to their lack of eligibility. In practice this reduces the actual competition where in some cases only two or three players compete for the same contract. Of the companies in table 8.2 the majority are either pure streamer seismic players or have their main focus on the aforementioned. These include CGG and Fugro which are integrated geophysical companies, PGS, TGS, Spectrum, SeaBird Exploration, Polarcus and Shearwater GeoServices. Key OBS players include Magseis Fairfield, ION, SAExploration, Seabed Geosolutions which is a joint venture between CGG and Fugro, and OceanGeo, a subsidiary of ION. BGP have both streamers and OBS equipment and tend to partner with the other companies. The revenue streams from seismic data acquisitions usually falls in one of two categories; contract sales and multi-client (MC) sales. SeaBird Exploration, Shearwater GeoServices, Seabed Geosolutions, SAExploration, OceanGeo, Fugro and Magseis Fairfield operate on contract only. Spectrum and TGS are pure-play MC companies. Several companies utilize both types of business models using acquisition of data for a multi-client library as a buffer that can ensure utilisation in periods without contracts. CGG, BGP, ION, PGS and Polarcus operate such business models. To the best of AGS management's knowledge it does not exist any OBS multi-client libraries to this day. This leaves an opportunity on the table that AGS will seek to capitalise on.

8.8 Geographies and their typical characteristics

Oil and gas reserves are found on all continents with seismic surveys taking place in all these regions. Many of the major reserves are found on the Norwegian Continental Shelf (NCS), outside Brazil, in the US Gulf of Mexico (GoM), on the coast of West-Africa and in the Red Sea to mention a few. Ocean bottom geology and water depth vary from location to location and some technologies and methodologies are therefore better suited than other for particular locations. AGS will focus on shallow and midwater depths which means that the following geographies are most applicable; NCS, Asia, Egypt, US GoM, Mexico, West-Africa and the Barents Sea. Given that the water depths in these regions are mainly below 300 meters allow AGS to deploy the nodes using NOAR. Management estimate that geographies in the shallow and midwater segment account for approximately 60-70% of the OBS market. It is therefore the largest chunk of the OBS market and the least costly to serve.

Table 8.3 – Geographies: geology, water depth, acquisition methodology and share of market

	Shallow and midwater (<300m)	Deep water	Complex geology
Geography	<ul style="list-style-type: none"> ▪ NCS ▪ Asia ▪ Egypt ▪ US GoM ▪ Mexico ▪ West-Africa ▪ Barents Sea 	<ul style="list-style-type: none"> ▪ US GoM ▪ Brazil ▪ West-Africa 	<ul style="list-style-type: none"> ▪ Red Sea ▪ Parts of US GoM
Acquisition methodology	<ul style="list-style-type: none"> ▪ Rope ▪ ROV ▪ Cable 	<ul style="list-style-type: none"> ▪ ROV 	<ul style="list-style-type: none"> ▪ Rope ▪ ROV
% of OBS market	60%-70%	20%-30%	10%-20%

Note: Management assessment and estimates

8.9 Contract seismic services vs. multi-client seismic projects

8.9.1 Contract seismic services

Contract sales are sales from contracts entered into directly with the client. Pricing can either be based on the prevailing spot market prices at the time or negotiated on a project to project basis. Contracted surveys usually range from one to six months in duration and can include options to extend surveys to seasonal and multi-year contract terms.

The relevant E&P companies typically issue invitations to tender directly to the various seismic survey providers. This is usually done within two to six months prior to the expected initiation of the project survey. Invitation recipients are at the sole discretion of the E&P company with direct awards being rare but not unheard of. With tenders two to six months prior, the awards are usually given somewhere between one to four months before commencement. The tender activity level is dependent on several factors such as licensing round activity in a specific region, operational seasons which are at the mercy of weather conditions, new discoveries and the general conditions guiding E&P spending levels.

8.9.2 Multi-client seismic projects

Multi-client projects are surveys that are done without a specific contract with a client but rather undertaken by the seismic survey companies on a speculative basis. The intended deliverables are a fully processed region of seismic data that can subsequently be licensed to E&P companies on a non-exclusive basis. On some MC

surveys the seismic companies reduce their risk exposure by collaborating with a client that underwrite the project by investing in a license up front, known as MC pre-funding. The commercial risk is higher than with contract sales, but in return subsequent multiple sale of licenses in the next 5 to 10 years (late sales) are expected to yield returns in excess of regular contract seismic rates. In addition to license fees paid by each new client there can also be uplift fees which are contractually committed by existing licensees when trigger events occur. Such events can include joint operating agreements, acreage awards, commencement of drilling operations, farm-ins, formation of bidding groups for purposes of bidding for acreage and M&A activity where the acquiring entity does not already own a license. The exclusive rights to market the data are still owned by the seismic company.

This business model gives E&P companies the benefit of high-quality data at a lower cost than if they were to acquire them on contract rates. However, the downside comes with lack of exclusivity to the data and little or no survey configurations to their own specifications. Data can in many cases be from open acreage, or acreage that is due for full or partial relinquishment, anticipating future licensing rounds by relevant authorities. The data are used by the E&P companies for lowering risk and identifying prospects before making a bid for acreage or creating field development plans.

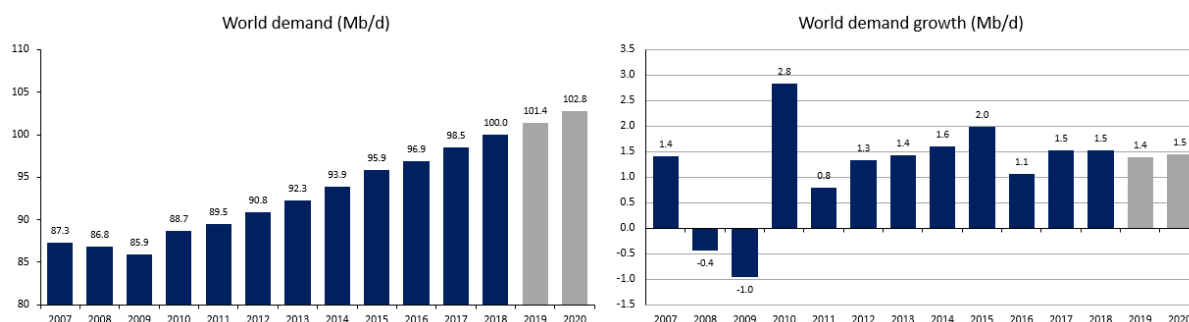
8.10 General marine seismic market drivers

E&P spending and general oil market fundamentals are key factors in determining the prosperity of the seismic market as the very nature of the business rely on the oil industry's continued investments. Underlying factors such as oil and gas supply and demand, E&P spending levels and reserve replacements dictate the growth of the market going forward.

8.10.1 Oil and gas demand

The world demand for petroleum products has been a steady journey of growth, only disrupted by the financial crisis which added two years of decline in 2008 and 2009. Demand recovered quickly and has since continued on its steady growth path. By 2018 the global demand reached 100 million barrels per day. Since 1997 growth has averaged 1.5% per year with EIA forecasting a similar growth pace of 1.4% for 2019 and 2020. This corresponds to almost 1.5 million barrels per day in increase from the previous year. Although there is a decline in OECD demand for petroleum products, a large increase in demand from non-OECD countries help offset this, yielding overall increase.

Graph 8.1 – World demand for oil and gas



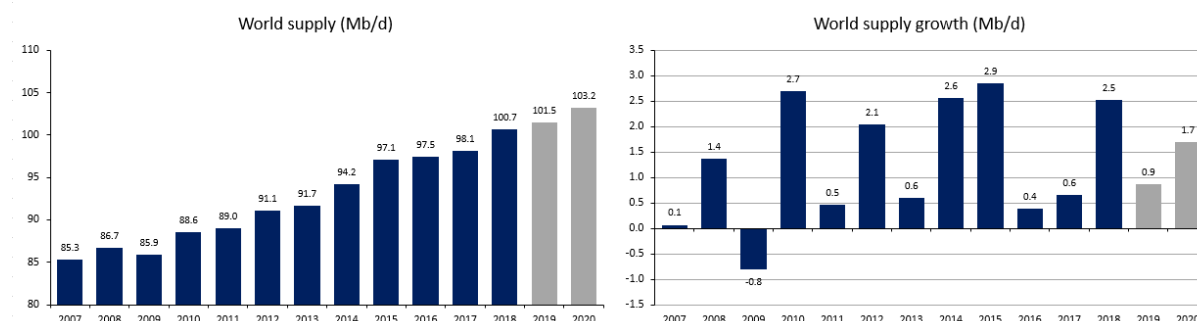
Source: U.S. Energy Information Administration (EIA). Data available at: https://www.eia.gov/outlooks/steo/data/browser/#/?v=6&f=A&s=&start=1997&end=2020&linechart=PAPR_OECD&id=&motype=0&ctype=linechart (accessed 6 May 2019 20:44 GMT +2)
 Note: Oil and gas defined per EIA's definition of "Petroleum and Other Liquids"

8.10.2 Oil and gas supply

Before 2014 a healthy market balance of supply and demand prevailed with fairly stable oil price levels and strong growth on both sides. During late 2014 evidence of oversupply surfaced, fuelled by a booming shale oil

production in the U.S. This resulted in record production increases of 2.6 and 2.9 million barrels per day in 2014 and 2015. According to the EIA-figures, a slight oversupply is expected the coming two years, albeit the absolute combined increase in these years (2.6 Mb/d) is below the demand growth (2.9 Mb/d).

Graph 8.2 – World supply of oil and gas



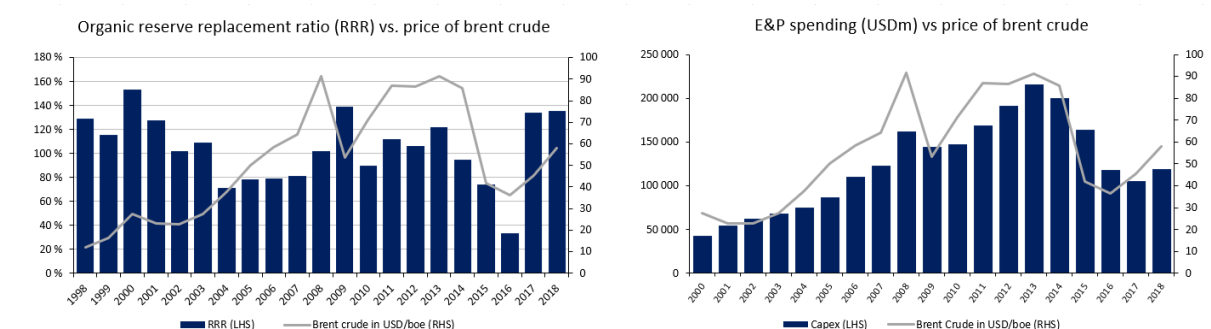
Source: U.S. Energy Information Administration (EIA). Data available at: https://www.eia.gov/outlooks/steo/data/browser/#/?v=6&f=A&s=&start=1997&end=2020&linechart=PAPR_OECD&id=&maptype=0&ctype=linechart (accessed 6 May 2019 20:44 GMT +2)

Note: Oil and gas defined per EIA's definition of "Petroleum and Other Liquids"

8.10.3 Projected global E&P spending

In recent years the oil companies have struggled to discover necessary new sources to supply the growing demand. This is evident by their organic oil and gas reserve replacement ratio (RRR) which highlights how much of current production that can be replaced by their new discoveries. This has provided further incentive for the oil companies to increase their efforts to find new oil. As it is cheaper to expand production to easily accessible reserves, this has been the main strategy. However, as more oil fields are being depleted, new fields are located in more distant locations, in deeper waters and with more complex ocean bottom geology. This has increased the marginal cost of production and resulted in a steady increase in E&P spending until 2014 where the oil price took a downturn.

Graph 8.3 – Organic reserve replacement ratio (RRR) and E&P spending vs. oil price development



Source: Organic reserve replacement ratio (new reserves excluding acquired/divested reserves divided by production) is calculated as the average of the eight super majors within E&P, ExxonMobil, Royal Dutch Shell, BP, Chevron, Total, Eni, ConocoPhillips and Equinor. Capital expenditure (Capex) is calculated as the total of the aforementioned eight super majors. Data is gathered and compiled by Carnegie Research based on publicly available company information.

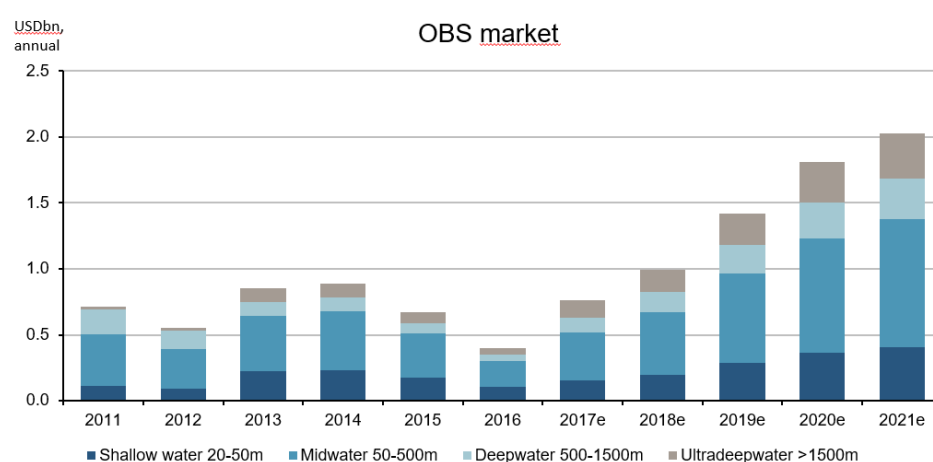
Graph 8.3 illustrates how the eight largest oil companies' organic reserve replacement ratio declined from 1998 to 2016 and that they, as a consequence, had to increase their efforts to find new oil through increased spending. The increased spending due to increased marginal cost of production could be defended by higher oil price in the period 2010 to 2014. However, when the oil price plummeted in late 2014 the oil companies answered by lowering their spending. Given the logical narrative and clear correlation between E&P spending and oil price it

can be assumed that higher future oil prices would likely increase the E&P spending, which has been the case so far in 2017 and 2018.

8.11 Ocean bottom seismic (OBS) market

Graph 8.4 illustrates the development of the OBS market since 2011. As one would expect, the market took a downturn after the oil price dropped in the second half of 2014. Because of some lag, 2014 still recorded an all-time high for the OBS market with around USD 750 million in total annual OBS sales. The following years, 2015 and 2016, experienced decline due to substantial cuts in E&P spending. Since the bottom in 2016, to 2018, the compounded annual growth rate has been approximately 58%. During the turnaround year of 2017 the market almost doubled in size. Estimates suggest a healthy compounded annual growth rate of approximately 20% from 2019 to 2021.

Graph 8.4 – Ocean bottom seismic (OBS) market size and development



Source: Magseis, ION Geophysical

If history should repeat itself then parallels to the historical development of streamer seismic suggest that efficiency increases are yet to come, allowing more cost-efficient data acquisitions. Such reduced costs combined with OBS' exposure to production seismic could prove significant drivers for steady growth going forward. In addition, further technological and methodical developments may prove better suited for exploration purposes, adding to the potential size of the market.

9 ADDITIONAL INFORMATION

9.1 Documents on display

Copies of the following documents will be available for inspection at the Company's registered offices during normal business hours for a period of twelve months from the date of this Information Memorandum:

- the Company's certificate of incorporation and Articles of Association;
- all report, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in the Information Memorandum; and
- this Information Memorandum.

9.2 Sources of industry and market data

In this Information Memorandum, the Company has used industry and market data obtained from independent industry publications, market research and other publicly available information. The information in this Information Memorandum that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain, from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. While the Company has compiled, extracted and reproduced industry and market data from external sources, the Company has not independently verified the correctness of such data. The Company cautions prospective investors not to place undue reliance on the abovementioned data.

Unless otherwise indicated in the Information Memorandum, the basis for any statements regarding the Combined Group's competitive position is based on AGS management's own assessment and knowledge of the market in which it operates.

9.3 Cautionary note regarding forward-looking statements

This Information Memorandum contains certain forward-looking information and statements, including, but not limited to, certain statements set forth under Section 6 "*The Combined Group upon consummation of the Merger*" and Section 8 "*Marine Seismic Industry and Market Overview*", and elsewhere in this Information Memorandum. Such forward-looking information and statements are based on the current, estimates and projections of the Company or assumptions based on the information currently available to the Company. Such forward-looking information and statements reflect current views with respect to future events and are subject to risks, uncertainties and assumptions. The Company cannot give assurance to the correctness of such information and statements. The forward-looking information and statements can generally be identified by the fact that they do not relate only to historical or current facts. The forward-looking statements can be identified by the use of forward-looking terminology, including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear in a number of places throughout this Information Memorandum and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial position, operating results, liquidity, prospects, growth, strategies and the industry in which the Group operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Group's actual financial position, operating results and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Information Memorandum. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements.

The information contained in this Information Memorandum, including the information set out under Section 1 "*Risk factors*", identifies additional factors that could affect the Company's financial position, operating results, liquidity and performance. Readers are urged to read all Sections of this Information Memorandum and, in particular, Section 1 "*Risk factors*" for a more complete discussion of the factors that could affect the combined entity's future performance and the industry in which the combined entity will operate.

These forward-looking statements speak only as of the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Information Memorandum.

9.4 Incorporation by reference

Section in the Information Memorandum	Disclosure requirement	Reference document and link	Page in reference document
Section 4.6	Audited historical financial information	Songa Bulk ASA – Annual report 2017 https://www.songabulk.no/wp-content/uploads/sites/83/2018/04/Songa-Bulk-ASA-Annual-Report-2017.pdf	12 – 33
		Songa Bulk ASA – Annual report 2018 https://www.songabulk.no/wp-content/uploads/sites/83/2019/03/Songa-Bulk-ASA-Annual-Report-2018.pdf	9 – 26
Section 4	Audit report	Songa Bulk ASA – Annual report 2017 https://www.songabulk.no/wp-content/uploads/sites/83/2018/04/Songa-Bulk-ASA-Annual-Report-2017.pdf	49 – 52
		Songa Bulk ASA – Annual report 2018 https://www.songabulk.no/wp-content/uploads/sites/83/2019/03/Songa-Bulk-ASA-Annual-Report-2018.pdf	41 – 44
Section 4	Accounting policies	Songa Bulk ASA – Annual report 2017 https://www.songabulk.no/wp-content/uploads/sites/83/2018/04/Songa-Bulk-ASA-Annual-Report-2017.pdf	16 – 19
		Songa Bulk ASA – Annual report 2018 https://www.songabulk.no/wp-content/uploads/sites/83/2019/03/Songa-Bulk-ASA-Annual-Report-2018.pdf	13 – 16
Section 3	Merger Plan	https://www.songabulk.no/wp-content/uploads/sites/83/2019/04/Fusjonsplan-inkl-vedlegg-signert-alle.pdf	All

10 DEFINITIONS

In the Information Memorandum, the following defined terms have the following meaning:

AGS	Axxis Geo Solutions AS, with business registration number 990 691 371
AGS Financial Statements	AGS' audited consolidated financial statements as of and for the year ended 31 December 2018 with comparable numbers for the year ended 31 December 2017
AGS Group	AGS and its consolidated subsidiaries
Articles of Association	The Company's articles of association
Board Members	Members of the Board of Directors of the Company
Board of Directors	The Board of Directors of the Company
CEO	Chief executive officer
Combined Group	The combined entity following completion of the Merger
Company or Songa Bulk	Songa Bulk ASA, with business registration number 917 811 288
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance published on 17 October 2018 by the Norwegian Corporate Governance Board
CSEM	Controlled-source electromagnetic
EEA	The European Economic Area
EIA	(U.S.) Energy Information Administration
EU	The European Union
EU Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State
EY	Ernst & Young AS
E&P	Exploration and production
Forward-looking statements	Statements made that are not historic and thereby predictive as defined in Section 9.3 of this Information Memorandum. Such statements are identified by forward-looking terms such as "aim", "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will" and "could" or similar words or phrases
GoM	Gulf of Mexico
IASB	The International Accounting Standards Board
IFRIC Interpretations	Interpretations of the IFRS made by the IFRS Interpretations Committee
IFRS	International Financial Reporting Standards
ISIN	International Securities Identification Number
MAZ	Multi-azimuth
MC	Multi-client
Merger	The contemplated statutory merger between Songa Bulk and AGS as set out in the Merger Plan dated 16 April 2019
Merger Plan	The joint merger plan entered into between Songa Bulk and AGS dated 16 April 2019
M&A	Mergers and acquisitions
NCS	Norwegian Continental Shelf
NOAR	Nodes on a rope
NOK	Norwegian Kroner, the lawful currency of the Kingdom of Norway
Norwegian FSA	The Norwegian Financial Supervisory Authority (Nw.: <i>Finanstilsynet</i>)
Norwegian Institute of Public Accountants	The professional body for public accountants licensed by the Norwegian FSA to practice as statutory auditors in Norway (Nw.: <i>Den Norske Revisorforening</i>)
Norwegian Public Limited Companies Act	The Norwegian Public Limited Companies Act of 13 June 1997 No. 45 (Nw.: <i>"allmennaksjeloven"</i>)
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 28 June 2007 no. 75 (Nw.: <i>verdipapirhandelloven</i>)
OBC	Ocean bottom cables
OBN	Ocean Bottom Nodes

OBS:	Ocean Bottom Seismic
OECD:	The Organisation for Economic Co-operation and Development
Oslo Stock Exchange:	Oslo Børs ASA, or, as the context may require, Oslo Axess, a Norwegian regulated market place operated by Oslo Børs ASA
PWC:	PricewaterhouseCoopers AS, the Company's independent auditor with business registration number 987 009 713.
ROV:	Remotely operated vehicle
RRR:	Reserve replacement ratio
Share(s):	Shares in the share capital of the Company, each with a par value of NOK 0.027886224, or any one of them
Songa Bulk:	Songa Bulk ASA
Songa Shipholding:	Songa Shipholding AS, previously named Blystad Shipholding AS
UK:	The United Kingdom
UN:	The United Nations
U.S. or United States:	The United States of America
U.S. Securities Act:	The U.S. Securities Act of 1933, as amended
USD, U.S. dollars, U.S.\$ or \$:	United States Dollars, the lawful currency in the United States
VPS:	The Norwegian Central Securities Depository (<i>Nw.: Verdipapirsentralen</i>)
WAZ:	Wide-azimuth

APPENDIX A

Signers:

Name	Method	Date
Heggheim, Ole Andre	BANKID_MOBILE	2019-05-29 16:39 GMT+2
Platou, Fredrik	BANKID_MOBILE	2019-05-29 16:44 GMT+2
Rødal, Tore	BANKID	2019-05-29 17:20 GMT+2
Romestrand, Jogeir	BANKID	2019-05-29 18:02 GMT+2
Sævik, Njål	BANKID_MOBILE	2019-05-30 02:08 GMT+2
Bruheim, Bjarte	BANKID	2019-05-30 22:16 GMT+2

**This document package contains:**

- Front page (this page)
- The original document(s)
- The electronic signatures. These are not visible in the document, but are electronically integrated.



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Annual Report 2018

Axxis Geo Solutions Group



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THE BOARD OF DIRECTORS' REPORT 2018

Axxis Geo Solutions Group

Operations and location

Axxis Geo Solutions Group comprise Axxis Geo Solutions AS (referred to as the "Company" or the "Parent") and its subsidiaries (together referred to as the "Group").

The Group is engaged in the international geophysical industry and focuses its activities in the growing Ocean Bottom Node ("OBN") segment of the marine seismic market. The Company's registered office is at Brendehaugen 20, 6065 Ulsteinvik, further the Group is located with operational offices in Oslo, Houston and Jakarta.

The Group's business strategy is to secure OBN contacts and develop multi-client OBN programs and hire in vessels, personnel and equipment to secured contracts and multi-client projects. The asset light model does yield a cost efficiency and should, along with operational efficiency when on contracts and projects, lead to cost benefits which will give a comparative advantage in securing new contracts and profitable projects.

Going concern

The capital needs of the Group will be linked to the growth rate the Group decides to take on, and thus, in an accelerated growth scenario new capital can be needed. This potential need will however be carefully planned and added commitments will not be entered into without a prudent financial plan.

The board confirm that the financial statements have been prepared under the assumption of going concern.

The equity ratio as of December 31.12.2018 is 5%. Subsequent to 31.12.18, two equity issues strengthened the equity of the group providing MNOK 94.5 in new capital.

Based on the secured backlog for 2019, estimates on profit and loss forecasts and liquidity assumptions for the year 2019, the board confirm that the going concern assumption is fulfilled.

Comments related to the financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union («EU»).

The notes are an integral part of the consolidated financial statements. This is the first consolidated IFRS financial statements presented by the Group.

The consolidated financial statements have been prepared on a historical cost basis. The financial statements of the subsidiaries have been prepared for the same reporting year as the Company, using consistent accounting policies. The consolidated financial statements are presented in Norwegian kroner (NOK).



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Income statement

The 2018 Group's revenues of MNOK 53.4 is higher than the previous year's revenues of MNOK 34.1. The Group's activities increased significantly when the Group in June 2018 secured adequate prefunding, mobilized for a 4 vessels operation and started on the largest high-density multi-client OBN project ever. And when the 2018 portion of the multi-client project was completed, the Group started on a MUS\$ 70.0 contract in India with the similar operational effort. Due to IFRS15 multi-client pre-funding will first be reflected in the Group revenue next year after the survey has finished.

The Group's 2018 EBITDA is negative with MNOK 10.1, up from the previous year's MNOK 31.5 negative.

The depreciation expense together with a currency loss of MNOK 13.1 recorded under Financial Expense were the key factors for the 2018 loss of MNOK 65.3.

Balance sheet

The Group's non-current assets as of December 2018 is MNOK 412.5, up from MNOK 109.1 in December 2017. This is mainly due to new multi-client library of MNOK 137.9 and increase in OBN seismic equipment of MNOK 98.1.

Total current asset of the Group as of December 2018 is MNOK 173.9 compared to MNOK 12.6 in December 2017. Cash is ending at MNOK 66.9, Stock and other current assets due to operations is MNOK 72.8 and accounts receivables is MNOK 34.2.

Equity as of December 2018 is ending at MNOK 29.6.

The Group's total current liabilities is increasing with MNOK 556.8 due to increase in trade payables, contract liabilities and other current liabilities.

Other current liabilities are including the debt from Eksportkreditt as short-term loan due to breach of the loan terms as of December 2018. The Company received a waiver for the covenants from Eksportkreditt in May 2019.

- 1) Liquid asset of no less than 120% of outstanding loan from Q219
- 2) Equity ratio of 30% from Q219 until Q419 and thereafter 35% till final maturity date

Cash flow

Cash flow from operations is MNOK 355.4 for 2018 compared to negative cash flow in 2017 with MNOK 23.7 The change is mainly due to increase in depreciation of OBN equipment, increase in trade payable and increase in other short-term debt.

Cash flow from investment activities is MNOK 311.0 for 2018 compared to MNOK 31.0 for 2017. The Group has invested MNOK 212.6 in Utsira multi-client project and MNOK 98.1 in OBN equipment.

Cash flow from financial activities for 2018 is related to new loan from Eksportkreditt of MNOK 29.8 and repayment of MNOK 8.5 to short-term loan from one of the shareholders Havila Holding AS compared to new equity of MNOK 48.6 and new loan from Havila Holding AS of MNOK 8.5 for 2017.



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Risk

The Group is exposed to risk factors including, but not limited to, the factors described below.

Market risk

The Group is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand from our clients. The Group is experiencing renewed growth in the OBN segment; however, no assurance can be provided with regards to future market development. The Group's business performance depends upon production and development spending by oil and gas companies. Historically, in times of low oil price, demand in exploration spending has been reduced in much greater extent than production related spending, where the Group is active.

Credit risk

Delayed or loss of payments from customers/clients may adversely impair the Group's liquidity. The concentration of the Group's customers in the oil and gas industry may impact the Group's overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic- and industry conditions. The Group evaluates the credit quality of its potential clients during contract negotiations to minimize the risk of payment delinquency, but no assurance can be given that the Group will be able to avoid this risk.

Liquidity risk

The Group may need access to long-term funding. There can be no assurance that available funding sources are accessible when needed nor can there be any assurance that the Group will be able to raise new equity on favourable terms and in amounts necessary to conduct its on-going and future operations, should this be required. Furthermore, there can be no assurance that the Group will be able to obtain additional shareholder funding. Failure to access necessary liquidity could require the Group to scale back its operations or could have other materially adverse consequences for its business and its ability to meet its obligations.

Foreign exchange risk

The Group's significant operations in foreign countries expose it to risks related to foreign currency movements. Currency exchange rates fluctuate due to several factors, and these include; international balance of payments, economic and financial conditions, government intervention, speculation and other factors. Changes in currency exchange rates relative to the USD may affect the USD valued assets of the Group – primarily the one vessel owned by the Company. Changes in currency may also affect the Group's local expenses when operating abroad. The Group's expenses are primarily in USD and NOK. As such, the Group's earnings are exposed to fluctuations in the foreign currency market.

The revenue and cash flow from operations gives the Group adequate working capital for ongoing operations and commitments. The liquidity risk will primarily be towards funding further growth, and the Board will not engage in growth plans which is not prudently funded, and thus, have the option to stop or delay such plans. Furthermore, the Board recognizes that the Group is dependent on relative few customers and that not properly managing the credit and foreign exchange risks might have a significant adverse effect on the Group's financial position. The Group's revenue is primarily from large international oil and gas companies, including companies owned whole or in part by governments, and the Board deems the Group's exposure to credit risk as relatively limited due to the nature of the Group's customer base.



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The working environment and personnel

The total number of employees in the Group are three.

The Board of Directors consists of six men.

There have not been any serious injuries or accidents in the current or prior year. In 2018 the average sick day percentage for the work force was zero.

The Group's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, gender, sexual orientation or religion. Respect for the individual is the cornerstone of this policy and the Group also aims to treat its employees with dignity and respect.

The Environment

Our commitment to the environment forms an integrated part of our Health & Safety Policy, which may be described in the following statement:

"AGS and its subsidiaries strive to be one of the geophysical industry's leading organizations for providing protection for the health, safety, environment, and culture of our employees and the areas in which we operate. Plans for such are designed and managed by skilled coordinators and supported by the Board, Senior Management and all our employees.

AGS recognizes that in today's global market, a safe and healthy workplace, protection of local environment and cultures of the areas in which we operate together with quality services and products, will lead us to achieve our goals. AGS's promise to these areas is a continuous process."

Research and development

The Group does no material research and development activity.

Allocation of Net Profit (loss)

The Board of Directors has proposed the net loss for the Group of KNOK 64 931 to be attributed to accumulated earnings and other equity.

The Group's distributable equity as of 31.12.2018 was zero.

Lysaker 29 May 2019

Bjarte Bruheim
Chairman

Jogeir Romestrand
Board member

Ole Andre Heggheim
Board member

Fredrik Platou
Board member

Njål Sævik
Board member

Tore Rødal
Board member



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Consolidated Income statement
Axxis Geo Solutions Group
NOK 1000

	Note	Full year 2018	Full year 2017
Revenue	3, 4	53,378	34,071
Cost of sales	5	-47,395	-51,219
Personnel expenses	21, 22	-14,955	-4,797
Other operating expenses		-31,204	-9,572
Amortization & Impairment of multi-client	11b	-	-
Depreciation, amortization & impairment	11a	-23,526	-8,407
Operating profit (loss)		-63,703	-39,923
Finance income	6	6,747	1,285
Finance costs	6	-19,892	-2,904
Net financial items		-13,145	-1,619
Profit before income tax		-76,849	-41,542
Income tax (expense)	7	11,857	27,673
Profit (loss) for the period		-64,992	-13,869
Attributable to the owners of the parent		-64,992	-13,869
Other comprehensive income (loss) for the period			
<i>Items that may be reclassified to profit and loss</i>			
Currency translation differences		331	24
Total comprehensive income (loss) for the period		-64,661	-13,845
Earnings (loss) per share			
Basic earnings per share	27	-0.13	-0.03
Diluted earnings per share	27	-0.13	-0.03



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Consolidated Balance Sheet - Assets

Axxis Geo Solutions Group

NOK 1000

	Note	31.12.18	31.12.17	1.1.17
Assets				
Non-current assets				
Goodwill	11b	15,917	15,914	-
Multi-client library	3, 4, 11b	216,987	-	-
Deferred tax asset	7	40,037	28,090	-
Property, plant and equipment	11a, 17	139,133	65,007	40
Investments in associated companies	24	-	-	15,395
Other non-current assets		419	51	5,923
Total non-current assets		412,491	109,062	21,358
Current assets				
Inventories	12	16,923	72	-
Trade receivables	9	34,239	4,847	398
Other current assets	4, 10	55,883	4,990	-
Bank deposits, cash in hand	8	66,866	2,679	236
Total Current Assets		173,910	12,588	634
Total Assets		586,402	121,650	21,992



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Consolidated Balance Sheet - Equity and liabilities
Axxis Geo Solutions Group
NOK 1000

	Note	31.12.18	31.12.17	1.1.17
EQUITY				
Share capital and other paid in capital	19	99,538	99,538	43,125
Other reserves	19	-69,936	-8,748	-24,499
Total equity		29,602	90,791	18,626
LIABILITIES				
Non-current liabilities				
Borrowings non-current		-	-	-
Total non-current liabilities		-	-	-
Current liabilities				
Borrowings current	13, 14	29,856	8,548	-
Account payables		180,808	19,501	1,206
Contract liabilities	4	155,353	-	-
Other short-term liabilities	18	190,783	2,811	2,159
Total current liabilities		556,800	30,860	3,365
Total liabilities		556,800	30,860	3,365
Total equity and liabilities		586,402	121,650	21,992

Lysaker, 29 May 2019

Bjarte Bruheim
Chairman

Jogeir Romestrand
Board member

Ole Andre Heggheim
Board member

Fredrik Platou
Board member

Njål Sævik
Board member

Tore Rødal
Board member



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Consolidated Statement of changes in Equity

Axxis Geo Solutions Group

NOK 1000

	Note	Share capital	Share surplus	Capital paid, not registered	Retained earnings	Currency translation differences	Total equity
Equity 1.1.17		38,125	-	5,000	-24,499	-	18,626
Profit (loss) for period		-	-	-	-13,869	-	-13,869
Other comprehensive income (loss)		-	-	-	-	24	24
<i>Total comprehensive income (loss) for the period</i>		-	-	-	-13,869	24	-13,845
<i>Transactions with owners</i>							
Transfer from share capital to other reserves		-29,596	-	-	29,596	-	-
Registration of share capital		2,095	2,905	-5,000	-	-	-
New shares issued - cash settled		20,263	28,307	-	-	-	48,571
Shares issued as consideration in business combination		8,585	8,147	-	-	-	16,732
Debt conversion		10,624	10,082	-	-	-	20,706
Equity 31.12.17		50,096	49,442	-	-8,772	24	90,791
<i>Transactions with owners</i>							
Share based payment	22	-	-	-	3,473	-	3,473
Equity 1.1.2018		50,096	49,442	-	-8,772	24	90,791
Profit (loss) for period		-	-	-	-64,992	-	-64,992
Other comprehensive income (loss)		-	-	-	-	331	331
<i>Total comprehensive income (loss) for the period</i>		<i>50,096</i>	<i>49,442</i>	<i>-</i>	<i>-73,764</i>	<i>355</i>	<i>26,130</i>
<i>Transactions with owners</i>							
Share based payment	22	-	-	-	3,473	-	3,473
Equity 31.12.18		50,096	49,442	-	-70,291	355	29,602



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Consolidated Cash Flow Statement
Axxis Geo Solutions Group
NOK 1000

	Note	Full year 2018	Full year 2017
Profit (loss) before tax		-76,849	-41,542
Taxes paid	7	-423	-
Depreciation and amortization	11a, 11b	23,526	8,407
Agio - disagio without cash flow effects		2,078	-13
Interest expense	6	6,818	2,463
Interest paid		-6,712	-2,415
Share based payment cost	22	3,473	-
Change in trade receivables	9	-29,392	-4,449
Change in account payables		161,307	18,295
Change in inventories	12	-16,851	-72
Change in other current assets	10	-50,893	-4,990
Change in contract liabilities	4	155,353	-
Change in other current liabilities	18	188,395	652
Net cash from operating activities		359,830	-23,665
Cash flow from investment activities			
Investment in property, plant and equipment	11a	-98,089	-30,738
Investment in multi-client library	11b	-216,987	-
Cash received/paid from non-current receivables		-368	-51
Cash effect investments in new subsidiaries		-	-187
Net cash flow from investment activities		-315,444	-30,976
Cash flow from financial activities			
Proceeds from borrowings	13	29,750	8,500
Repayment of borrowings	13	-8,500	-
Proceeds from new equity		-	48,571
Net cash flow from financial activities		21,250	57,071
Net change in cash and cash equivalents		65,636	2,430
Cash and cash equivalents balance 1.1.	8	2,679	236
Effects of exchange rate changes on cash and cash equivalents		-1,450	13
Cash and cash equivalents balance 31.12.		66,866	2,679



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Note 6	Financial items
Note 7	Tax
Note 8	Bank deposits, cash in hand
Note 9	Trade receivables
Note 10	Other current assets
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Note 11b	Intangible assets
Note 12	Inventories
Note 13	Interest bearing debts
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Note 16	Information about fair value
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Note 1 General information about the Company and Basis of Presentation

General information

Axxis Geo Solutions AS ("AGS") is the parent company of a group of companies focusing on the ocean bottom seismic market. Unless stated otherwise, references herein to the "Company", the "Group" and "AGS" refer to Axxis Geo Solutions AS and its subsidiaries. The Company has a proprietary technology-agnostic node handling system and is currently operating five vessels with more than 9,000 nodes. In 2018 the 100% owned subsidiary Axxis Multi-Client AS ("AMC") was established in order to divide the operational seismic business of AGS and the multi-client library business, where the latter is supposed to be conducted from AMC. AGS is a limited liability company incorporated in Norway on 16 October 2006. The Company's headquarters is at Ulsteinvik, Norway. The address is Brendehaugen 20, 6065 Ulsteinvik.

Basis of Preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union («EU»). The notes are an integral part of the consolidated financial statements. This is the first consolidated IFRS financial statements presented by the Group. See note 26 for further information.

The consolidated financial statements have been prepared on a historical cost basis. The financial statements of the subsidiaries have been prepared for the same reporting year as the Company, using consistent accounting policies. The consolidated financial statements are presented in Norwegian kroner (NOK).

The consolidated financial statements of AGS were authorized by the Board of Directors on 29 May 2019.

Going concern

The capital needs of the Group will be linked to the growth rate the Group decides to take on, and thus, in an accelerated growth scenario new capital can be needed. This potential need will however be carefully planned, and added commitments will not be entered into without a prudent financial plan.

The financial statements have been prepared under the assumption of going concern.

The loan from Eksportkreditt was in breach of the loan terms as of December 2018. The Company received a waiver for the covenants 15 May 2018:

- 1) Liquid asset of no less than 120% of outstanding loan from Q219
- 2) Equity ratio of 30% from Q219 until Q419 and thereafter 35% till final maturity date

The equity ratio (Equity/Total assets) as of December 31 January 2018 was 5%. Subsequent to 31.12.18, two equity issues strengthened the equity of the group providing MNOK 94.5 in new capital. Based on the secured backlog for 2019, estimates on profit and loss forecasts and liquidity assumptions for the year 2019, the board confirm that the going concern assumption is fulfilled.



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Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018.

Subsidiaries are all entities over which the Company has control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date AGS gains control until the date AGS ceases to control the subsidiary. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of AGS are eliminated in full on consolidation.

Presentation and functional currency

AGS presents its consolidated financial reports in NOK, which also is the functional currency of the parent. For presentation in consolidated accounts, the assets and liabilities of subsidiaries with functional currency other than NOK are translated into NOK at the rate of exchange prevailing at the reporting date and their statement of profit or loss are translated at the average exchange rate for the period. Exchange rate differences arising from the translation to presentation currency are recognized in OCI.

Foreign Currency

Transactions in foreign currencies are translated to NOK using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in non-functional currencies are translated into functional currency spot rate of exchange ruling at the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in non-functional currencies are recognized in the income statement.

Revenue recognition

Revenue from contracts with customers comes from two different business models.

Contract seismic surveys is projects where the Group performs seismic services in accordance with customer specifications and the customer is the owner of all data collected. The contracts can include both collection of data and processing. If both services are included in a contract, the contract consist of two performance obligations.

Multi-client is granting of licenses to the Group's multi-client library. In the contracts the customer gets a non-exclusive right to use the data from a specific survey, where the Group already has, or will collect and process data. The Group owns the data in the library. Before the Group initiates a new multi-client survey, there will already be contracts with one or more customers. Revenues from these contracts are defined as prefunding revenues. The advantages for pre-funding customers are generally the possibility to influence the project specifications, early access to acquired data, and discounted prices Revenues from contracts that are signed after the survey is complete are defined as *Late sales*.



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Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received for services in the ordinary course of the Group's activities. Revenue is shown net of withholding and value-added taxes. Revenue is recognized as follows:

Contract seismic surveys

The Group recognises contract revenue (whether priced as lump sum, day rate or unit price) based on the percentage of completion method (POC). Progress is measured in a manner generally consistent with the physical progress on the project. The revenue recognition is based on a split between acquisition work and data processing, if both services are included in the contract. For the acquisition work the progress is measured on the number of energy releases in the water. The progress of the data processing is measured based on estimated time of completion. Any amount received exceeding recognized revenue, is recorded on the balance sheet as a contract liability. Conversely, recognized revenue exceeding payments received is recognized as a contract asset, or a receivable if there is a right to payment that is not conditional of additional performance.

The contracts may include mobilization fees. These payments are included in the transaction price. No revenue is recognized before the data acquisition commences.

Any mobilization cost is capitalized as a cost to fulfil a contract, and are amortized over the data acquisition period. The costs primarily relates to relocation of vessels and other preparation costs that can be directly allocated to the contract. The Group incur these costs to be able to fulfill the contract, and they are capitalized to the extent that they are expected to be recovered by the contract.

Multi-client pre funding

The Company recognizes pre-funding revenue as "right to use" licenses and the revenue is recognized at the point in time when the "right to use" license is transferred to the customer. When the license is transferred to the customer depends on the specific contract, but is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data.

Cost to obtain contracts

Incremental cost of obtaining contracts with customers are recognized as an asset to the extent that the entity expects to recover those costs. The incremental cost of obtaining a contract are those costs that would not have incurred if the contract had not been obtained. The costs are amortized over the same period as revenue for the related contract is recognized.

Multi-client late sales

Customers are granted a license from the group which entitles them to access a specific part of the multi-client data library. The license payment is fixed and is required when the license is granted. The late sale revenue is recognized when a valid licensing agreement is signed, and the multi-client library data made accessible to the customer.



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Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Costs of all repairs and maintenance are expensed as incurred. Depreciation of property plant and equipment is calculated using the straight-line method, over the estimated useful life.

The assets' residual values, useful lives, and method of depreciation are reviewed at each balance sheet date and adjusted if appropriate. If an asset's carrying amount is greater than its estimated recoverable amount, the asset is immediately written down to the recoverable amount.

Assets under construction are carried at cost, less accumulated impairment. Depreciation commences when the asset is ready for its intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group only has operational lease contracts.



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Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with defined useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least every financial year end.

Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level.

Multi-client library***Capitalization***

The multi-client library consists of geophysical data to be licensed to customers on a non-exclusive basis. Directly attributable costs associated with the production and development of multi-client projects such as data acquisition and processing, and direct project costs are capitalized. Cost directly attributable to data acquisition and processing include vessel costs, payroll and related costs for crew, project management, agent, other related project costs, hardware/software costs and mobilization costs when relocating a vessel to the survey areas.

Amortization

The multi-client library will be amortized from the date the processed data are ready to be transferred to customers, using straight line amortization with a useful life between five and seven years. Before the library is completed, the Group test for impairment annually. The Group will perform an additional impairment test after pre-funding revenues are recognized.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The group's inventory consists primarily of fuel.



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Taxes

a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured using the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the group operates and generates taxable income. Withholding taxes are included in the tax expense to the extent that a tax credit is available in the income tax in the home state.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

b) Deferred tax

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted on the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Employee benefits

Pension obligations

The group operates a defined contribution plan.

The net pension cost for the period is presented as an employee expense.

Share based payment

The Group has an option plan for employees and members of the BoD. The fair value of options granted under the plan is recognized as employee benefit expense with a corresponding increase in equity. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest, based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

Provisions

Provisions are recognized when the group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Trade receivables

Accounts receivables sale of goods and services are held to collect contractual cash flows. They are initially recognised at the transaction price from sale of goods or services, and are subsequent measured with a provision for expected credit loss. Impairment provisions are based on an individual assessment of each debtor. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.



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Other financial assets

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments other than account receivables

Receivables other than account receivables from sale of goods and services are also held in a business model to collect the contractual cash flows. The receivables are subsequently measured at amortized cost with a provision for expected credit loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

Financial liabilities represent a contractual obligation to deliver cash in the future. Financial liabilities, with the exception of derivatives, are initially recognized at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortized cost. Financial liabilities are derecognized when the obligation is discharged through payment or when the Group is legally released from the primary responsibility for the liability.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash at hand, deposits held at call with banks with original maturities of three months or less.

Standards and interpretations issued, but not yet effective

IFRS 16 Leasing is the new standard on accounting of leasing. The standard will be effective from financial years starting 1 January 2019 or later for. IFRS 16 replaces IAS 17 Leases with amendments. The Group decided to not adopt the new standard before the effective date. The Group will use a simplified implementation method where the right to use asset will equal the lease liability 1 January 2019. The Group will use a discount rate based on the marginal borrowing rate 1 January 2019.

The Group has decided to use the practical expedient in IFRS 16 for short term leases, and will therefore not recognise a lease liability and right to use asset for lease contracts with a duration of less than one year. Most of the Groups' lease contracts had a remaining lease term of less than one year 31 December 2018. Because of this, the Group will not be significantly affected by the new standard.

The Group expect to recognize lease liability and right to use asset of NOK 2 million 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments - The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The Group does not expect any effect of the new interpretation.

The Group does not expect any material implementation effects for any of the other new or amended standards or interpretations.



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Note 2.1 Key accounting estimates and judgement

The group makes estimate and assumptions concerning the future. The resulting accounting estimates could deviate from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Revenue recognition

The group uses the percentage of completion method in accounting for revenue for contract seismic surveys. Progress is measured in a manner generally consistent with the physical progress on the project. Use of the percentage of completion method requires the group to estimate the services performed to date as a proportion of the total service to be performed. The proportion of services performed to total services to be performed can differ from management's estimate, influencing the amount of revenue recognized in the period.

Cooperation agreement with TGS-NOPEC Geophysical Company ASA (TGS)

The Group currently has one multi-client library under development. The Group have entered into an agreement with TGS, where the parties have agreed that the library will be a jointly owned asset and each party will be entitled to 50% of the revenues generated by the library.

TGS will contribute a fixed amount of cash to the project, while AGS are responsible for all costs. Management has evaluated the substance of the agreement, and concluded that the contract is not within the scope of IFRS 15. This is because it is considered to be a collaboration agreement as TGS is not considered to be a customer. Management has established an accounting policy where the rules for joint operations in IFRS 11 *Joint arrangements* are used by analogy. The Group recognize its cost for the 50% share as an intangible asset, and will recognize its 50% share of revenues generated by the library.

Recognition of deferred tax asset

The Group has recognized a deferred tax asset that primarily relates to loss carried forward. Management expects that completion of existing contracts in 2019 and 2020 will generate taxable profits that is higher than the current tax loss carried forward.



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Note 3 Segment information

The Group operates two segments, Multi-client and Contract, based on the two different revenue streams for the company.

The segment reporting is based on the accounting principles used in the internal reporting, and deviates from IFRS. In the segment reporting, multi-client pre-funding revenues are recognized based on the percentage of completion method, compared to delivery of processed data according to IFRS. In the segment reporting, there is a depreciation charge for the multi-client library equal to 63% of recognised revenues, while the financial statements are based on a principle where depreciation begins when the library is completed.

Revenue recognition for the Contract segment is based on the same principles as the IFRS financial statements.

Operating expenses are allocated to the segments based on the use of resources and assets.

Share based payment cost and capitalised cost of obtaining contracts has not been allocated to segments.

2018	Multi-client	Contract	Total
Contracts for seismic surveys	-	53,378	53,378
Multi-client pre-funding	125,494	-	125,494
Multi-client late sales	-	-	-
Total revenues	125,494	53,378	178,872
Operating expenses, less capitalization	48,190	-98,683	-50,493
Selling, general & administrative	-30,532	-12,154	-42,686
EBITDA	143,152	-57,460	85,693
Amortization multi-client library	-79,061	-	-79,061
Depreciation and other amortization	-15,774	-7,752	-23,526
Operating profit (loss)/ EBIT	48,318	-65,212	-16,894



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Reconciliation with Income statement

Revenue in financial statements	53,378
Revenue in segment reporting	178,872
<i>Difference in timing of revenue recognition</i>	-125,494
Difference in timing amortization of multi-client library	79,061
Share-based payment expense (refer to note 22)	-3,473
Capitalized cost to obtain a contract	3,097
Operating profit (loss) in Income Statement according to IFRS.	-63,703

The Multi-client business was started in 2018. All activities in the Group in 2017 was in the Contract segment, hence no segment reporting for 2017 is presented.

Vessel and equipment is utilized by both segments, and depreciation is allocated based on use. Investments in multi-client library in the period of NOK 217 million only relates to the the multi-client segment.

Total revenue from contracts with customers split into geographical markets:

Geographical markets	Segment reporting		Financial statements	
	2018	2017	2018	2017
Norway	125,494	-	-	-
Asia	53,378	34,071	53,378	34,071
Total revenues	178,872	34,071	53,378	34,071

Major customers	Segment reporting		Financial statements	
	2018	2017	2018	2017
Customer 1	95,899	-	-	-
Customer 2	29,595	-	-	-
Customer 3	45,226	-	45,226	-
Customer 4	8,152	34,071	8,152	34,071
Total revenues	178,872	34,071	53,378	34,071



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Note 4 Revenue from contracts with customers

Revenue from following categories of customer contracts (NOK 1000)	2018	2017
Contracts for seismic acquisition	53,378	34,071
Multi-client projects pre-funding	-	-
Multi-client projects late sales	-	-
Total revenue from contracts with customers	53,378	34,071

Revenue recognition (NOK 1000)	2018	2017
At a point in time	-	-
Over time	53,378	34,071
Total revenues from contracts with customers	53,378	34,071

Cost to fulfill contracts and cost to obtain contracts (NOK 1000)	2018	2017
Assets recognized for costs to fulfill a contract (mobilization costs)	29,382	1,892
Amortization of assets recognized for cost to fulfill a contract	-10,024	-
Assets recognized for costs to obtain a contract	3,098	-
Amortization of assets recognized for cost to obtain a contract	-	-

Assets related to cost to fulfill and cost to obtain contracts is presented as other current assets in the balance sheet.

Contract liabilities (advanced payments from customers) (NOK 1000)	2018	2017
Advanced payments received	155,353	-
Recognized revenue related to advanced payments received	-	-
Total current contract liabilities	155,353	-

Performance obligations

Contract seismic and imaging

The contracts for seismic surveys have an expected duration of less than one year. Because of this, the Group does not disclose information about transaction price allocated to unsatisfied or partly unsatisfied performance obligations for these contracts. Contracts for seismic surveys usually have a billing schedule with frequent billings, so there will not be a material difference in timing of the payments and the progress in the projects.

Multi-client Pre-funding

The Group has at year end 2018 completed approximately 57% of an ongoing multi-client survey in the North Sea. This is a collaboration project where the Group has a 50% share. The Group's share of contracted pre-funding revenue is USD 26 million (NOK 226 million) which will be recognized as a revenue when the data is transferred to the customers. This is expected to occur in 2020. All contract liabilities recognized relates to these contracts.

For pre-funding contracts a significant portion of the payments is received during the data collection phase, which is before the customer receives the final processed data.



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Note 5 Cost of Sales

Cost of sales (NOK 1000)	2018	2017
Vessel cost	-234,423	-22,730
Crew & project management	-78,053	-17,755
Seismic, source and node equipment	-142,924	-8,440
Other operating expenses	-67,949	-3,956
Mobilization amortization	-10,024	-4,972
Mobilization cost capitalized	37,748	6,630
Multi-client capitalization - gross (see note 11b)	448,229	-
Total cost of sales	-47,395	-51,219

Note 6 Financial items

Interest and other financial income (NOK 1000)	2018	2017
Interest income	203	14
Other finance income	3	558
Exchange gains	6,541	713
Total interest and other finance income	6,747	1,285

	2018	2017
Interest expenses	6,402	2,419
Interest expenses suppliers	416	44
Depreciation of capitalized borrowing costs	-	-
Exchange losses	13,074	441
Total interest and other finance expenses	19,892	2,904

Exchange gains and losses relates to bank deposits, account receivable and payable.



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Note 7 Tax

(NOK 1000)	2018	2017
Specification of tax expense for the year		
Current income tax (including withholding tax)	(91)	(423)
Change in deferred tax	11,948	28,096
Total tax income (expense)	11,857	27,673

Reconciliation of actual against expected tax expense at the income tax rate of 23%

Profit before tax	(77,119)	(41,542)
23% (2017: 24%) tax	17,737	9,970
Tax effect from:		
Non taxable income	-	-
Recognition of deferred tax asset not previously recognized	-	21,066
Permanent differences	(1,034)	501
Change of tax rate in Norway	(1,399)	(1,233)
Difference in tax rate in foreign activities	(3,447)	(2,630)
Calculated tax income (expense) for the group	11,857	27,673
 Effective tax rate for the group	 15.4 %	 66.6 %

(NOK 1000)	2018	2017
Temporary differences		
Non-current assets	(53,612)	(21,291)
Contract	-	-
Trade receivables	11,055	-
Other accruals	(3,098)	-
Accumulated loss carried forward	227,640	143,424
Temporary differences 31.12.	181,985	122,132
Deferred tax assets (22% / 23%)	40,037	28,090

The Group has recognized a deferred tax asset that primarily relates to loss carried forward. Management expects that completion of existing contracts i 2019 and 2020 will generate future taxable profits that is higher than the loss carried forward.



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Note 8 Bank deposits

(NOK 1000)	31.12.18	31.12.17	1.1.17
Bank deposits	66,333	2,679	236
Restricted bank deposits	533	-	-
Total bank deposits	66,866	2,679	236

Restricted bank deposits relates to employee withholding tax. This desoposits are subjected to regulatory restrictions and are therefore not available for genereal use by the entities within the Group. The account can be used to settle employee withholdig tax.

Note 9 Trade receivables

(NOK 1000)	31.12.18	31.12.17	1.1.17
Trade receivables	34,239	4,847	398
Provisions for bad debts	-	-	-
Net trade receivables	34,239	4,847	398

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. Trade receivables are classified as current assets as they are generally due for payment within 30 to 60 days. Trade receivables are recognized initially at the amount of unconditional consideration, unless significant financing components exist. In such instances, trade receivables are recognized at fair value. Refer to note 14 (i) for information about credit risk and expected credit loss.

Related parties transactions is disclosed in note 20.

Note 10 Other current assets

(NOK 1000)	31.12.18	31.12.17	1.1.17
Prepayments	23,149	2,868	-
Mobilization	29,382	-	-
Cost to obtain contracts	3,098	-	-
Other current receivables	255	2,123	-
Total other current assets	55,883	4,990	-



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Note 11a Property, plant and equipment

(NOK 1000)	Vessel	Seismic and node equipment	Other tangible assets	Total tangible assets
Cost at 1.1.17	-	-	441	441
Additions	59,447	13,912	15	73,374
Disposal	-	-	-441	-441
Cost at 31.12.17	59,447	13,912	15	73,374
Accumulated depreciation 1.1.17	-	-	-401	-401
Depreciation	-7,119	-1,248	-40	-8,407
Disposal	-	-	441	441
Accumulated depreciation 31.12.17	-7,119	-1,248	-	-8,367
Net carrying amount 31.12.17	52,328	12,664	15	65,007
 Cost at 1.1.18	 59,447	 13,912	 15	 73,374
Additions	2,246	94,410	1,365	98,021
Disposal	-	-369	-	-369
Cost at 31.12.18	61,693	107,953	1,380	171,026
Accumulated depreciation 1.1.18	-7,119	-1,248	-	-8,367
Depreciation	-10,247	-13,043	-236	-23,527
Disposal	-	-	-	-
Accumulated depreciation 31.12.18	-17,365	-14,291	-236	-31,893
Net carrying amount 31.12.18	44,327	93,662	1,144	139,133
 Economic life	 3-10 year	 3-5 years	 3-10 years	

Depreciation is calculated using the straight-line method to allocate their cost over their useful lives.

There were no impairment charges in 2018 or 2017.



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Note 11b Intangible assets

	Goodwill	Multi-client library
Cost at 1.1.17	-	-
Additions	15,914	-
Cost at 31.12.17	15,914	-
Cost as of 1.1.18	15,914	-
Currency translations adjustment	3	-
Capitalized expenses	-	448,229
Transfer of share to project partner	-	-231,242
Amortization expense	-	-
Carrying value at 31.12.18	15,917	216,987

2018 is the first year the Group has operated a multi-client project. With reference to Note 1 the Group has entered into an agreement with TGS to cooperate in the current project, as well as potential future projects. Each partner will have a 50% interest in the library under development. Revenues generated by the library will also be shared on a 50/50 basis. TGS will contribute a fixed amount of cash to the project, while the Group are responsible for all costs. See note 2.1 for information about judgement used in determining the accounting policy.

The Group has recognised its cost for the 50% share as an intangible asset.

The asset will be amortised from the date the processed data are ready to be transferred to customers.



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GOODWILL

6 January 2017 the Group acquired 100% of the shares in Axxis Geo Solutions Inc. The fair value of the net identifiable assets was NOK 818 thousands. The consideration was 85 849 786 shares issued from Axxis Geo Solutions AS, with a fair value of NOK 16.7 million. The difference between the fair value of the consideration and net assets acquired was recognized as goodwill.

The AGS group goodwill is related to the investment in the subsidiary AGS Inc, and the value is related to the knowledge and competence of the employees in the subsidiary. Virtually all operational capacity and know-how resides in AGS Inc. and is strongly tied to the development and value of the parent company and the Group.

IMPAIRMENT TEST OF GOODWILL

The Company tests whether goodwill has suffered any impairment on an annual basis. For the 2018 and 2017 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period which is expected economic lifetime related to goodwill.

Present value of estimated future cash flows for each CGU is calculated using a discount rate after tax. This is based on a risk-free rate, plus a risk premium and small business premium.

The following assumptions have been used for calculation of value in use as of 31.12.2018:

- Discount rate: 12,44 %
- Long-term growth rate: 2 %

No reasonable changes in the assumptions would cause an impairment at the end of the reporting periods.

Note 12 Inventories

(NOK 1000)	31.12.18	31.12.17	1.1.17
Purchased finished goods	16,923	72	-
Provision for obsolescence	-	-	-
Net inventories	16,923	72	-

The inventories mainly consist of fuel and lubricant oils.

The Group has not expensed any impairment of inventories during the periods.



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Note 13 Interest bearing debt

(NOK 1000)	31.12.18	31.12.17	1.1.17
Non-current borrowings	-	-	-
Current borrowings	29,856	8,548	-
Total borrowings	29,856	8,548	-

Details of the Group's exposure to risk arising from current and non-current borrowings are set out in note 14, Financial risk management.

31.12.18 all current borrowings relates to a loan from Eksportkreditt. The general terms of the loan agreement is has a duration of three years from September 2018, with twelve consecutive quarterly repayment instalments. The rate of interest on the loan is NIBOR plus a margin of 0,5 % p.a, in addition to guarantee commissions. Effective interest for the loan is 7,87 % p.a.

The loan is presented as current due to breach of the loan terms as of December 2018. The Company received a waiver for the covenants 15 May 2018. The amended covenants requires the Group to have:

- 1) Liquid assets of no less then 120% of outstanding loan from Q2 19
- 2) Equity ratio of 30% from Q2 19 until Q4 19 and thereafter 35% till final maturity date (September 2021)

BALANCE SHEET VALUE OF ASSETS PLACED AS SECURITY (NOK 1000)	31.12.18	31.12.17	1.1.17
Property, plant and equipment	139,133	-	-
Inventories	16,923	-	-
Trade receivables	34,239	-	-
Total balance sheet value of assets placed as security	190,294	-	-

Movements in financial activities

(NOK 1000)	2018	2017
Borrowings 1.1.	8,548	-
Proceeds from borrowings	29,750	8,500
Repayment of borrowings	-8,500	-
<i>Non cash movements</i>		
Change in accrued interest	58	48
Borrowings 31.12.	29,856	8,548



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Note 14 Financial risk management

The Group is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand from our clients. The Group is experiencing renewed growth in the Ocean Bottom Node (OBN) segment; however, no assurance can be provided with regards to future market development. The Group's business performance depends upon production and development spending by oil and gas companies. Historically, in times of low oil price, demand in exploration spending, where the Group is active, has been reduced in much greater extent than production related spending.

Financing risk

The Group use bank loans in addition to equity for financing purposes. The purpose of these financial instruments is to ensure that the Group has financial flexibility for investments that are necessary for the Group's operations. In addition, the Group has financial instruments such as trade receivables, trade payables etc. which is directly related to the business's daily operations. The Group does not use financial instruments for hedging purposes. Risk management procedures have been established by the Board and handled by the CFO.

The Group is exposed to financial risk linked to interest rate risk, liquidity risk, currency risk and credit risk. The Group's management has a continuous assessment to identify and evaluate financial risks, and sets guidelines for how to handle them.

The Group does not have any financial derivatives in 2017 or 2018.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk related to trade receivables and other current receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has not experienced any credit losses. Current and expected future customers are oil and gas companies with sound credit ratings. Also for other companies in the industry, historic credit losses has been neglectable. Because expected credit loss is considered to be a clearly immaterial amount, no provision has been made.

2018

(NOK 1000)

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	0%	0%	0%	
Carrying amount trade receivables	34,239	-	-	-	34,239
Loss allowance	-	-	-	-	-

2017

(NOK 1000)

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	0%	0%	0%	
Carrying amount trade receivables	4,847	-	-	-	4,847
Loss allowance	-	-	-	-	-



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Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due without special agreement in advance.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Market risk - interest rate

The Group's main interest rate risk arises from loan from Eksportkreditt/GIEK, which expose the group to cash flow interest rate risk. The Group does not use financial instruments to hedge interest rate risk. The Group has no financial leases. All charter parties are on short-term leases, i.e. less than one year.

Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so there is no significant interest rate risk associated with these financial assets and liabilities.

The Group's sensitivity to potential changes in interest rates with an increase in 50 basis points would increase interest expense for the period with approximately NOK 37 thousands for 2018 (2017: NOK 42 thousands).

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Group's strategy for managing liquidity risk is to have sufficient liquidity at all times in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the Group's reputation. The Group may need access to long-term funding. There can be no assurance that available funding sources are accessible when needed nor can there be any assurance that the Group will be able to raise new equity on favorable terms and in amounts necessary to conduct its on-going and future operations, should this be required. Furthermore, there can be no assurance that the Group will be able to obtain additional shareholder funding. Failure to access necessary liquidity could require the Group to scale back its operations or could have other materially adverse consequences for its business and its ability to meet its obligations.

The table below provides an overview of the maturity profile of all financial liabilities. For bank loans the stated amount of book value is included estimated interest payments. Other items are stated at booked amounts. In cases where the counterparty may claim earlier redemption, the amount is placed in the earliest period the payment may be required from the counterparty.

2018 (NOK 1000)	Remaining term			Total
	Under 1 year	1-2 year	2-3 year	
Borrowings	29,856	-	-	29,856
Account payables	180,808	-	-	180,808
Other current liabilities	190,783	-	-	190,783
Total	401,447	-	-	401,447

2017 (NOK 1000)	Remaining term			Total
	Under 1 year	1-3 year	3-5 year	
Borrowings	8,548	-	-	8,548
Account payables	19,501	-	-	19,501
Current tax liabilities	130	-	-	130
Other current liabilities	2,811	-	-	2,811
Total	30,990	-	-	30,990



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(iv) Market risk - foreign exchange rates

The Group operates internationally and is exposed to foreign exchange risk, primarily the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group is exposed to currency risk as more than 80 % of the groups revenues are in USD. Profit after tax for the Group is also affected by changes in exchange rates, as earnings from foreign companies are converted to NOK using the average exchange rate for the period.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

The table below shows the Group's sensitivity to potential changes in exchange rates. The calculation takes into account the currency translation of all consolidated foreign subsidiaries. The calculation in the table shows the effect on consolidated profit / loss on the average exchange rate.

(NOK 1000)	Change in exchange rate USD/NOK	Effect on profit before tax	Effect on equity
2018	+ 10 %	-5,454	-5,454
	- 10 %	4,958	4,958
2017	+ 10 %	0.2	0.2
	- 10 %	-0.2	-0.2

The Group's significant operations in foreign countries expose it to risks related to foreign currency movements. Currency exchange rates fluctuate due to several factors, and these include; international balance of payments, economic and financial conditions, government intervention, speculation and other factors. Changes in currency exchange rates relative to the USD may affect the USD valued assets of the Group – primarily the one vessel owned by the Company. Changes in currency may also affect the Group's local expenses when operating abroad. The Group's expenses are primarily in USD and NOK. As such, the Group's earnings are exposed to fluctuations in the foreign currency market.



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Note 15 Categories of financial instruments

2018

(NOK 1000)	Financial assets at amortized cost	Total
ASSETS		
Other non-current assets	419	419
Trade receivables	34,239	34,239
Cash and cash equivalents	66,866	66,866
Total financial assets	101,523	101,523

	Financial liabilities at amortized cost	Total
LIABILITIES		
Interest-bearing non-current liabilities		
Interest-bearing current liabilities	29,856	29,856
Account payables	180,808	180,808
Other current liabilities	190,783	190,783
Total financial liabilities	401,447	401,447

2017

(NOK 1000)	Financial assets at amortized cost	Total
ASSETS		
Loans to associates		
Other non-current assets	51	51
Trade receivables	4,847	4,847
Other current receivables	230	230
Cash and cash equivalents	2,679	2,679
Total financial assets	7,808	7,808



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LIABILITIES	Financial liabilities at amortized cost	Total
Interest-bearing non-current liabilities		
Interest-bearing current liabilities	8,548	8,548
Account payables	19,501	19,501
Other current liabilities	2,811	2,811
Total financial liabilities	30,860	30,860

Assets and liabilities per 1 January 2017 are measured at amortized cost as presented in balance sheet.

The Group's exposure to various risks associated with the financial instruments is discussed in note 14 Financial risk management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Note 16 Information about fair value

Due to the short-term nature of cash and cash equivalents, trade receivables and other current receivables, their carrying amount is considered to be the same as their fair value.

Borrowings has variable interest rates, and fair value is considered to be approximately the same as carrying value. The carrying amount of trade and other payables are considered to be the approximately the same as their fair values, due to their short-term nature.

The Group does not hold any financial derivatives.



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Note 17 Leases and commitments

Leases

The Group leases vessels, equipment and offices under non-cancellable operating leases.

The leases have varying terms, escalation clauses and renewal rights.

On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

(NOK 1000)	0-1 year	1-2 years	2-5 years	Later than 5 years	Total
Vessels	90,903	-	-	-	90,903
Equipment	13,597	-	-	-	13,597
Offices	900	920	358	-	2,179
Total	105,401	920	358	-	106,679

The Group has leased three vessels, Geo Caspian, Havila Fortune and Pacific Finder, under time charter agreements that expires during 2019.

Non-cancellable lease payments for offices relates to two contracts, that both had a remaining lease term of more than one year at the end of the reporting period. Two additional lease contract for offices have commenced in 2019.

Note 18 Other current liabilities

(NOK 1000)	31.12.18	31.12.17	1.1.17
Holiday pay owed	192	-	-
Other accrued costs	70,128	2,811	2,159
Balance against multi-client project partner	120,463	-	-
Total other current liabilities	190,783	2,811	2,159

Balance against multi-client (MC) project partner is related to the collaboration agreement with TGS, which gives TGS the right to 50% of the pre-funding received as well as further pre-funding and late sales related to the ongoing MC project Utsira. The balance will be settled through distribution of future customer payments to TGS.



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Note 19 Share capital and shareholder information

Axxis Geo Solutions AS share capital is NOK 50 095 875 divided into 500 958 750 shares, with each share having a par value of NOK 0,10. The Company has one class of shares, all shares provide equal rights, including the right to any dividends in line with 2017. Each of the shares carries one vote in line with 2017. Neither AGS nor any of its subsidiaries directly or indirectly owns shares or treasury shares in the Company.

Changes in number of shares	Shares
Number of shares 1.1.17	85,290,949
Registration of share capital	20,948,165
Shares issued as consideration in business combination	85,849,786
Debt conversion	106,239,111
New shares issued - cash settled	202,630,739
Number of shares 31.12.17	500,958,750
Changes in number of shares in 2018	-
Number of shares 31.12.18	500,958,750

Paid/proposed dividend

The board has decided not to propose any dividend for 2018.

The major shareholders in Axxis Geo Solutions AS 31 December 2018 were as follows:

Shareholders	Total shares	Ownership	
		share	Voting share
Bjarte Bruheim	84,702,022	16.9	16.9
Rome AS	78,888,477	15.7	15.7
Havila Holding AS	75,143,812	15.0	15.0
Songa Investments AS	75,118,563	15.0	15.0
W2 Seismic AS	42,924,893	8.6	8.6
TRH AS	22,373,526	4.5	4.5
Lee Parker	19,316,203	3.9	3.9
Alcides Shipping AS	16,096,835	3.2	3.2
Johs. Hansen Rederi AS	15,023,712	3.0	3.0
Remco AS	15,023,712	3.0	3.0
Bjørnulf AS	8,028,754	1.6	1.6
Payco AS	6,438,734	1.3	1.3
Richard Dunlop	5,150,987	1.0	1.0
Total >1% ownership share	464,230,230	92.7	92.7
Total other shareholders	36,728,520	7.3	7.3
Total number of shares	500,958,750	100.0	100.0

The major shareholders in Axxis Geo Solutions AS 31 December 2017 were the same as presented above.

31 December 2018 Axxis Geo Solution AS had issued 127 454 909 warrants to shareholders with exercise price at NOK 0,1949 per share, and 37 571 906 warrants with and exercise price of NOK 0,3157 per share. All warrants was exercised 6 January 2019.

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers 31 December 2018 were as follows:



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Board of Directors	Position	Total shares	Ownership share	Voting share	Number of options
Bjarte Bruheim	Chairman	84,702,022	16.9	16.9	6,300,000
Rome AS 1)		78,888,477	15.7	15.7	4,500,000
Havila Holding AS 2)		75,143,812	15	15	1,500,000
Songa Investments AS 3)		75,118,563	15	15	1,500,000
W2 Seismic AS 4)		42,924,893	8.6	8.6	1,500,000
TRH AS 5)		22,373,526	4.5	4.5	1,500,000

1) Owned by Jogeir Romestrand	Board member
2) Partly owned by Njål Sævik	Board member
3) Represented by Fredrik Platou	Board member
4) Represented by Ole Andre Heggheim	Board member
5) Owned by Tore Rødal	Board member

Share and options owned by management 31 December 2018 were as follows:

Executive management	Position	Number of shares	Number of options
Lee Parker	CEO	19,316,203	6,300,000
Richard Dunlop	EVP Operations	5,150,987	3,800,000
Svein Knudsen	CFO	-	3,800,000

The major shareholders in Axxis Geo Solutions AS 31 December 2017 were the same as presented above.
There has not been any change in number of shares from 2017 to 2018.

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers 31 December 2017 were as follows:

Board of Directors	Position	Total shares	Ownership share	Voting share	Number of options
Bjarte Bruheim	Chairman	84,702,022	16.9	16.9	6,300,000
Rome AS 1)		78,888,477	15.7	15.7	4,500,000
Havila Holding AS 2)		75,143,812	15	15	1,500,000
Songa Investments AS 3)		75,118,563	15	15	1,500,000
W2 Seismic AS 4)		42,924,893	8.6	8.6	1,500,000

1) Owned by Jogeir Romestrand	Board member
2) Partly owned by Njål Sævik	Board member
3) Represented by Fredrik Platou	Board member
4) Represented by Ole Andre Heggheim	Board member

Share and options owned by management 31 December 2017 were as follows:

Executive management	Position	Number of shares	Number of options
Lee Parker	CEO	19,316,203	4,000,000
Richard Dunlop	EVP Operations	5,150,987	2,500,000
Svein Knudsen	CFO	-	2,500,000



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Note 20 Related parties

The ultimate parent of the Group is Axxis Geo Solutions AS.

The Groups transactions and balances with other group companies in 2018 mainly relates to time charter for vessels and consultancy fees. See figures below for balances with related parties:

Transactions with related parties (NOK 1000)	2018	2017
Hired vessels		
Lease payments Havila Fortune - controlled by Havila Holding AS	21,503	-
Lease payment Geo Caspian - controlled by Havila Holding AS	48,421	-
Ship management services		
Remøy Shipping controlled by W2 Seismic AS	954	21
Consultancy services		
Impact Geo Solutions controlled by Bjarte Bruheim	5,965	985
Rome AS controlled by Jogeir Romestrand	3,447	190
Interest and guarantee payments		
Interest on loan from Havila Holding AS	340	48
Guarantee and pledge agreement from Bjarte Bruheim	-	308
Guarantee and pledge agreement from Lee Parker	-	70
Guarantee and pledge agreement from Rome AS	-	304
Guarantee and pledge agreement from Songa Investments AS	-	290
Guarantee and pledge agreement from TRH AS	-	86
Guarantee and pledge agreement from W2 Seismic AS	-	166
Interest ONGC guarantee to Havila Holding AS	2,553	-



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Balances with related parties (NOK 1000)	2018	2017	1.1.17
Current borrowings			
Havila Holding AS	-	8,500	-
Accounts payable			
Impact Geo Solutions controlled by Bjarte Bruheim	1,230	-	-
Rome AS	455	388	-
Havila Ships AS controlled by Havila Holding	6,878	-	-

The Company did not have any significant outstanding balances with related parties as of 31 December, 2018 and 2017. All transactions with related parties are priced on arm's length basis.

The two main shareholders of AGS AS, Bjarte Bruheim with 16,7 % of the shares and Rome AS with 15,75 % of the shares both deliver consultancy services to the board in addition to being Chair of the board, and board member of AGS AS. All work performed by these related parties is regulated in separate consultancy agreements. AGS AS did not have any significant outstanding balances with any of these investors and board members at year end.



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Note 21 Personnel expenses and remunerations

(NOK 1000)	2018	2017
Wages and salaries	10,021	4,036
Social Security costs	634	311
Pension costs	132	52
Other remuneration	695	398
Share based payment expense (refer to note 22)	3,473	-
Total personnel expense	14,955	4,797

Number of employees at 31.12

Group companies in Norway	1	0
Group companies abroad	2	2

The Group has a defined contribution pension plan. The contribution plan is a retirement plan in which the Group pays fixed contributions to a separate legal entity. The Group has no further payment obligations once these contributions have been paid. Contributions are booked as cost on an ongoing basis. The Group meets the requirements for occupational pension scheme under the Act on Obligatory Occupational Pensions. The contribution pension scheme in Norway meets the legal requirements.

No loan or collateral has been granted to the CEO, the Chairman of the Board or other related parties.

Chief executive officer and other Executive officers

In 2018, the Group paid compensation to its executive officers as follows:

(NOK 1000)

Name	Fixed salary	Bonus	Other benefits	Pension benefits	Share based payment cost	Total cost	Number of options held
Svein Knudsen (CFO)	1,600	-	137	132	377	2,246	3,800,000
Lee Parker (CEO)	2,715	1,759	-	-	625	5,100	6,300,000
Rick Dunlop (EVP Operations)	2,064	717	137	-	377	3,294	3,800,000



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In 2017, the Group paid compensation to its executive officers as follows:

(NOK 1000)							
Name	Fixed salary	Bonus	Other benefits	Pension benefits	Share based payment cost	Total cost	Number of options held
Svein Knudsen (CFO)*	-	-	-	-	-	-	2,500,000
Lee Parker (CEO)	1,415	123	-	-	-	1,538	4,000,000
Rick Dunlop (EVP Operations)	1,415	123	-	-	-	1,538	2,500,000

* Svein Knudsen was employed 1.5.2018, and before that he was a consultant. Consultancy fees are not included in amounts above.

Board of Directors

In 2018, the Group paid following compensations to Board of Directors:

(NOK 1000)				Share based		Number of
Name	Position	Director since	Term expire	Fee	payment cost	options held
Bjarte Henry Bruheim	Chairman of the Board	16/10/2006	2019*	434	625	6,300,000
Jogeir Romestrand	Board Member	08/09/2009	2019*	346	446	4,500,000
Fredrik Platou	Board Member	20/02/2017	2019*	216	149	1,500,000
Njål Sævik	Board Member	06/11/2017	2019*	-	147	1,500,000
Ole Andre Heggheim	Board Member	20/02/2017	2019*	216	149	1,500,000
Tore Røddal	Board Member	27/06/2018	2020*	-	147	1,500,000

* The main rule is that board members are elected for 2 years at a time, until the Annual General Meeting the year in question 2 years after the election.

The Group did not pay any compensation to the Board of Directors in 2017.

See note 19 for shares held by the Group's Board of Directors.



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Note 22 Share based payments programs

The Group has a share based payment scheme for employees and members of the BoD.

The options granted gives the holder right to purchase a defined number of shares at a predetermined price if the vesting conditions are met. The exercise price has been set to fair value of the shares at grant date.

Set out below are summaries of options granted under the scheme:

	2018		2017	
	Average exercise price per share option (NOK)	Number of options	Average exercise price per share option (NOK)	Number of options
As at 1.1	0.1949	19,500,000		-
Granted during the year	0.3157	15,567,112	0.1949	19,500,000
As at 31.12	0.2553	35,067,112	0.1949	19,500,000
Vested 31.12		27,283,556		-
Exercisable 31.12		27,283,556		-
Share based payment cost recognised in the period (NOK 1000)		3,473		-

No options expired during the periods covered by the above table.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2018	Share options 31 December 2017
15.9.17	15.9.27	0.1949	19,500,000	19,500,000
27.9.18	27.9.28	0.3157	15,567,112	-
Total number of options			35,067,112	19,500,000

The exercise price for both grants was fair value at the grant date. The options can be exercised by buying shares as settlement where one options give right to one share.

For the 2017 grant, there was a vesting condition related to accumulated EBITDA for the Group. These options were fully vested in 2018, and can be exercised until September 2023. The fair value at grant date (0,10 NOK/option) has been recognized as an expense in 2018.

For the 2018 grant, 50% of the options vested on grant date, while the remaining option will vest over the next two years (25% in 2019, 25% in 2020). These vested options can be exercised until September 2023. Fair value at grant date was NOK 0,16 per option.

The fair value has been estimated using the the Black-Scholes option pricing model. When calculating fair value at grant date, the group has assumed a volatility of 49% from comparable peers in the oil and gas services for both grants, 0 expected dividends, and a risk free interest rate of 1,57% for the 2017 grant, and 1,98% for the 2018 grant.



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Note 23 Auditors fee

Expensed audit fee (excluding VAT) (NOK 1000)	2018	2017
Statutory audit	211	70
Tax advice (incl. technical assistance with tax return)	198	167
Other attestation services	-	-
Other assurance services	-	-
Total auditors fee	409	237

Note 24 Subsidiaries and associated companies

The Group comprise of the following legal entities as at 31 December 2018

Subsidiary of AGS AS:	Jurisdiction	Equity interest %	Voting rights %
Neptune Seismic AS	Norway	100%	100%
Axxis Geo Solution Inc.	USA	100%	100%
Axxis Geo Solutions PT*	Indonesia	49%	100%
Axxis Multi Client AS	Norway	100%	100%

The Group comprise of the following legal entities as at 31 December 2017

Subsidiary of AGS AS:	Jurisdiction	Equity interest %	Voting rights %
Neptune Seismic AS	Norway	100%	100%
Axxis Geo Solution Inc.	USA	100%	100%
Axxis Geo Solutions PT*	Indonesia	49%	100%

* The formal shareholdings in Axxis Geo Solutions PT is 49 %. The Group has control of operating decisions and is exposed to 100 % of variability of the companys' results through a shareholder agreement. Because of this, no non-controlling interest has been recognised in the financial statements.



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1 January 2017

Axis Geo Solutions AS did not have any subsidiaries 1 January 2017. Two associated companies was accounted for using the equity method

Associated company of AGS AS	Jurisdiction	Equity interest %	Carrying value
Neptune Seismic AS	Norway	50%	54
Neptune Seismic DIS	Norway	49.5 %	15,341
Total			15,395

Neptune Seismic DIS was the owner of the vessel Neptune Naiad, while Neptune Seismic AS was the principal of Neptune Seismic DIS. In January 2017 the vessel was transferred to AGS AS at a price corresponding to the carrying value of the vessel. Hence, the transaction did not result in any gain or loss. The other investors issued a seller credit for their share of the transaction price, which subsequently converted to share capital in AGS.

Later in 2017, AGS acquired the remaining shares in Neptune Seismic AS. The company had no remaining activities.



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Note 25 Events after the reporting period

Two new recent transactions have strengthened the equity of the group. On January 6th 2019 outstanding warrants were exercised, and subscriptions for 141 639 893 number of shares provided AGS AS with MNOK 32.1 in new capital. The earlier communicated private placement initiative was completed February 28th. MNOK 62.4 in new capital was raised at NOK 0.70 per share.

The new number of outstanding shares is now 735 454 918.

On 16 April 2019 Songa Bulk ASA ("Songa Bulk") and Axxis Geo Solutions AS ("AGS") entered into a joint merger plan (the "Merger Plan"), pursuant to which Songa Bulk will assume the assets, rights and obligations of AGS against issuance of shares in Songa Bulk to existing shareholders of AGS (the "Merger"). The exchange ratio in the Merger is based on an equity value of Songa Bulk of NOK 17.93 million, corresponding to a price per share of NOK 0.5, and an equity value of AGS of NOK 514.82 million, corresponding to a price per share of NOK 0.7.

The shareholders of AGS will receive 1.4 shares of Songa Bulk per one (1) share in AGS, meaning that the shareholders of AGS upon completion of the Merger will receive a total of 1,029,636,885 shares in Songa Bulk, representing 96.6% of all issued shares in Songa Bulk immediately following completion of the Merger. The consideration shares issued will be ordinary shares in Songa Bulk, and shall be equal to all other issued and outstanding shares in Songa Bulk.

The completion of the Merger is also conditional upon satisfaction of a number of closing conditions, including but not limited to approval by the general meetings in Songa Bulk and AGS, necessary consents from third parties, continued listing of Songa Bulk on Oslo Axess and expiry of the creditor notice period without any creditor claims being made. The completion of the Merger and the issuance of the consideration shares are expected to take place shortly after expiry of the creditor notice period in June 2019, subject to the abovementioned conditions being fulfilled.

For accounting purposes, this is considered to be a reverse takeover where AGS is the acquirer.



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Note 26 First time adoption of IFRS

This is the first consolidated IFRS financial statements presented by the Group. The Group has previously presented consolidated financial statements according to the Norwegian Accounting Act and generally accepted accounting policies in Norway (NGAAP). The date of transition was 1 January 2017. As there was very limited activity in the Group at the date of transition, non practical expedients in IFRS 1 is used.

For the balance sheet dates and periods presented, the differences between IFRS and NGAAP can be summarized as follows:

Equity 1.1.17

Equity 1.1.17 according to NGAAP	18,627
Equity 1.1.17 according to IFRS	18,627
Difference	-

Profit for the period 2017

Profit for the period 2017 according to NGAAP	-15,461
Profit for the period 2017 according to IFRS	-13,869
Difference	-1,592

The difference relates to:

Amortization of goodwill in NGAAP financial statements	-1,592
--	--------

Equity 31.12.17

Equity 31.12.17 according to NGAAP	89,199
Equity 31.12.17 according to IFRS	90,791
Difference	-1,592

The difference relates to

Amortization of goodwill in NGAAP financial statements for business combination in 2017	-1,592
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Profit for the period 2018

Profit for the period 2018 according to NGAAP	-29,309
Profit for the period 2018 according to IFRS	-65,262
Difference	35,953

The difference relates to:

Amortization of goodwill in NGAAP financial statements	-1,592
Multi-client pre funding revenue based on percentage of completion in NGAAP financial statements	125,494
Amortization multi-client library in NGAAP financial statements	-79,061
Share based payment expense	3,743
Capitalization of cost to obtain a contract in IFRS financial statements	-3,097
Change in deferred tax asset for items listed above	-9,534
Net effect on profit for the period	35,953

Equity 31.12.18

Equity 31.12.18 according to NGAAP	60,220
Equity 31.12.18 according to IFRS	29,602
Difference	30,618

The difference relates to

2017 differenses carried forward	-1,592
2018 differenses in profit and loss	35,953
Share based payment expense adjusting IFRS equity	-3,743
Total differenses	30,618

Changes in cash flow statement compared to previous GAAP	2018	2017
Operating cash flows reported in IFRS financial statements	359,830	-23,665
Operating cash flows reported in previous GAAP	387,261	-8,392
Difference	-27,431	-15,273

Cash outflow mobilization cost reported as investing activity in previous GAAP compared to operating activity in IFRS financial statements	-37,748	-6,630
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Cash flows loan from Havila, presented as operating activity in previous GAAP, compared to financing activity in IFRS financial statements	8,500	-8,500
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Effects of exchange rate differences presented as operating cash flow in previous GAAP, compared to reconciling item in IFRS financial statements	1,450	-13
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Other classification differences between operating and investing activities	367	-130
Total differences	-27,431	-15,273



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Note 27 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. The warrants and options described in note 19, are not included in the number of dilutive shares, since the Group report a loss in both periods presented.

Basic earnings per share	2018	2017
Profit attributable to the ordinary equity holders of the company	-64,992	-13,869
Average number of outstanding shares	500,958,750	436,083,880
Basic earnings per share (NOK)	-0.13	-0.03
Diluted earnings per share	2018	2017
Profit attributable to the ordinary equity holders of the company	-64,992	-13,869
Average number of outstanding shares	500,958,750	436,083,880
Diluted earnings per share (NOK)	-0.13	-0.03



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Axxis Geo Solutions AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Axxis Geo Solutions AS (the Group), which comprise the consolidated balance sheets as at 31 December 2018, consolidated income statement, the consolidated statements of cash flows and consolidated changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Group's annual report other than the financial statements and our auditor's report thereon. The Board of Directors (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal

control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Group's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 29 May 2019

ERNST & YOUNG AS



Finn Ole Edstrøm

State Authorised Public Accountant (Norway)