Hunter Group ASA
Third-quarter results 2017

Highlights

Financial highlights

- Total consolidated revenues was NOK 10m in Q3 2017 and NOK 33m YTD 2017 (Dwellop included from May 2017).
- EBITDA was negative with NOK 9m in Q3 2017 and negative with NOK 20m YTD 2017.
- EBIT was negative with NOK 12m in Q3 2017 and negative with NOK 97m YTD 2017, including a write off of NOK69m (please see note 3 for further details).
- Net income was negative with NOK 13m in Q3 2017, equivalent to negative earnings per share of NOK 0.01. Net income YTD 2017 was negative with NOK 79m equivalent to negative earnings per share of NOK 0.08.
- Cash position as of 30.09.2017 was NOK 287m, identical to last quarter, and total interest bearing debt was NOK 16m.

Key events in Q3 2017

- Increased attention from the market with respect to WOR and well intervention cantilever (WIC) due to enhanced value proposition.
- Change in sales focus towards high value products and systems, materializing in increased opportunities, however with longer decision processes.
- Sound cash collection in Dwellop, documenting results of implemented account receivable follow-up.
- Concluded reorganization and cost reduction in Indicator AS, providing minimal costs going forward.
- Business opportunities for Indicator currently being evaluated.
- No material development in the patent infringement accusations from WellPartner. Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. Management still believes that these accusations will not impact the business negatively.
- Continuously in process of assessing transactions.

Business review

Hunter Group

The management continued assessment of numerous investment opportunities within the oil service sector.

Focus and capital discipline is key when assessing opportunities in order to generate sustainable value.

General for the market, is relatively low M&A activity within targeted segments, therefore the management team has spent a lot of time in search of potential candidates.

One of the challenges, is to find the right opportunity, where combination of sustainable value proposition and capital structure will generate long term shareholder value for Hunter Group.

Indicator

Reorganization of Badger Explorer technology in a new Indicator AS was completed during the quarter.

The reorganized Indicator has limited cash burn from year end.

Indicator has continued the dialogue with CNPC-DR for sponsoring of the Development Program, however the dialogue with CNPC-DR is challenging.

Hunter Group is pursuing alternatives with respect to Indicator and will keep the investors updated accordingly.

Dwellop

Gulf Marine Services (GMS) received approval from American Bureau of Shipping (ABS) for its self-propelled self-elevating support vessel (SESV), outfitted with Dwellop’s Cantilivered Work Over Rig (WOR). The SESV is now being marketed and Dwellop’s WOR solution has received considerable interest.

The market is still very demanding and no significant orders were received in Q3, neither has any significant tenders quoted by Dwellop been awarded to competitors.

The sales team has been strengthened with more resources and coordination of efforts which has contributed to an increased flow of quotations.

In September Dwellop was certified according to the new ISO 9001:2015 standard.

No material development in the patent infringement accusations from WellPartner. Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. Management still believe that these accusations will not impact the business negatively.

In October, Dwellop received a termination notice from ENI with respect to rental of an tension frame for the Goliat platform. Dwellop is assessing whether to initiate action regarding the legality of the termination. The monthly rental revenues was NOK 0.7m (please see note 10 for further information).

Financial key figures

Financial key figures in Q3

- Total revenues was NOK 10m and operating expenses came in at NOK 18m, excluding depreciation and write downs, whereof NOK 3m was recognized as one off costs and relates to restructuring of Indicator and acquisition of Dwellop. EBITDA was negative with NOK 9m.
- EBIT was negative with NOK 12m.
- Net income was negative with NOK 13m, equivalent to negative earnings per share of NOK 0.01.
- Total consolidated equity was NOK 429m and total interest bearing debt was NOK 16m.
- Total consolidated cash position was NOK 287m, identical to Q2 2017 cash position.
- Cash flow from operations was positive with NOK 1m mainly driven by significant working capital release during the quarter.
- Cash flow from investments came in at NOK 0m due to zero investments during the quarter.
- Net cash flow from financing was negative with NOK 1m, particularly driven by repayment of long term debt in Dwellop.

Financial key figures YTD 2017

- Total revenues was NOK 33m with the acquisition of Dwellop included from May 2017. Operating expenses came in at NOK 54m, excluding depreciation and write downs, whereof NOK 9m was recognized as one costs and relates to restructuring of Indicator and acquisition of Dwellop. EBITDA was negative with NOK 20m.
- EBIT was negative with NOK 97m, including a write off of NOK 69m related to the Badger technology.
- Net income was negative NOK 79m, equivalent to negative earnings per share of NOK 0.08.
- Cash flow from operations was negative with NOK 22m.
- Cash flow from investments came in at negative NOK 62m, whereof NOK 60m relates to the Dwellop transaction.
- Net cash flow from financing was NOK 361m, particularly driven by private placements and repair equity issues of NOK 385m.

Outlook

The outlook for oil services still remains challenging. Even with oil price levels above USD 60 and oil companies apparently are entering into expansion mode, operational and investments decisions are lagging. It is anticipated that the increased oil price, in combination with reserves depletion is likely to improve activity levels in the oil and gas industry.

A positive market signal is that oil companies now have started to pay for engineering studies.

Looking forward there are reasons to believe that there will be an improvement in the market for Dwellop, as activity is increasing and numbers of RFQ's (Request For Quotation) are rising. Furthermore, Dwellop is in discussions with clients regarding WOR, WIC and Hunter Crane and management strive to materialize these opportunities.

In light of the positive market signals, Hunter Group will continue to focus on investment in technologies within oil companies "opex territory" which will increase their return on existing offshore infrastructure.

Condensed consolidated financial statements for the first nine months of 2017

Consolidated income statement

	Quarters			Year to date		
Unaudited figures in NOK 1 000	Q3 2017	Q3 2016	Note	30.09.2017	30.09.2016	31.12.2016
Revenues						
Revenues	9 535	5		32 579	47	66
Total Revenues	**9 535**	**5**		**32 579**	**47**	**66**
Operating expenses						
Raw matrials and consumables	1 041	201		15 011	1 497	1 561
Payroll expenses	8 741	1 166		19 639	2 996	4 140
Depreciation and amortisation expense	3 681	15	3	6 132	95	99
Net write-down intangible assets and capitalized grants	0	0	3	69 374	0	0
Other operating expenses	8 296	731		21 229	3 088	4 391
Capitalised development cost	0	-632		-1 915	-3 105	-3 515
Total operating expenses	**21 760**	**1 481**		**129 470**	**4 571**	**6 676**
Operating profit (loss)	**-12 225**	**-1 476**		**-96 890**	**-4 524**	**-6 610**
Interest income	317	0		1 667	0	0
Finance income	1 242	0		1 966	0	0
Other financial income	0	0		0	0	0
Interest expenses	-188	-105		-491	-347	-445
Other financial expenses	-1 960	0		-2 542	0	0
Net financial income (loss)	**-590**	**-105**		**601**	**-347**	**-445**
Profit (loss) before taxes	**-12 815**	**-1 581**		**-96 289**	**-4 871**	**-7 055**
Tax on ordinary result	0	0	8	17 796	0	0
Net profit (loss)	**-12 815**	**-1 581**		**-78 493**	**-4 871**	**-7 055**
Earnings per share	-0,01	-0,09		-0,08	-0,26	-0,38
Earnings per share diluted	-0,01	-0,09		-0,08	-0,26	-0,38

	Quarters		Year to date		
Unaudited figures in NOK 1 000	Q3 2017	Q3 2016	30.09.2017	30.09.2016	31.12.2016
Total comprehensive income					
Profit (loss) for the period	-12 815	-1 581	-78 493	-4 871	-7 055
Other	0	0	0	0	0
Translation differences	0	0	0	0	0
Comprehensive income for the period	**-12 815**	**-1 581**	**-78 493**	**-4 871**	**-7 055**
Total comprehensive income attributable to:					
Equity holders of the parent	-12 815	-1 581	-78 493	-4 871	-7 055
Non-controlling interest	0	0	0	0	0
Total comprehensive income	**-12 815**	**-1 581**	**-78 493**	**-4 871**	**-7 055**

Consolidated balance sheet

Assets

(Unaudited figures in NOK 1 000)	Note	30.09.2017	30.06.2017	30.09.2016	31.12.2016
NON-CURRENT ASSETS					
Research and development	2, 3	19 259	20 688	149 316	149 632
Patents and customer relationships	2, 3	20 279	21 648	387	387
Goodwill	2, 3	58 655	58 655	0	0
Total intangible assets		**98 193**	**100 990**	**149 703**	**150 019**
Property, plant, equipment & machineries		26 322	27 206	28	24
Total tangible assets		**26 322**	**27 206**	**28**	**24**
TOTAL NON-CURRENT ASSETS		124 515	128 196	149 730	150 043
CURRENT ASSETS					
Inventories		13 273	1 188	0	0
Total inventories		**13 273**	**1 188**	**0**	**0**
Accounts receivables		24 771	48 314	0	0
Other short-term receivables		3 894	6 816	2 227	605
Total current receivables		**28 664**	**55 131**	**2 227**	**605**
Cash and cash equivalents		**286 827**	**286 815**	**327**	**335**
TOTAL CURRENT ASSETS		328 764	343 133	2 554	940
TOTAL ASSETS		**453 279**	**471 329**	**152 284**	**150 983**

Equity and Liabilities

(Unaudited figures in NOK 1 000)	Note	30.09.2017	30.06.2017	30.09.2016	31.12.2016
EQUITY					
Share capital	4	163 948	163 948	2 317	2 317
Share premium	4	504 507	504 507	218 070	218 070
Additional paid-in capital	4	0	0	3 869	3 935
Other equity	4	-239 835	-227 082	-163 219	-165 403
TOTAL EQUITY		428 619	441 373	61 037	58 919
LIABILITIES					
Capitalized grants	3	0	0	81 500	81 500
Other interest-bearing debt		12 600	13 500	0	0
Total non-current liabilities		**12 600**	**13 500**	**81 500**	**81 500**
Trade creditors		4 585	7 483	1 979	2 063
Accrued public charges and indirect taxes		-222	563	456	281
Taxes payable		0	0	0	0
Debt financial institutions		3 600	3 600	6 910	6 889
Other current liabilities		4 097	4 811	402	1 331
Total current liabilities		**12 060**	**16 456**	**9 747**	**10 564**
TOTAL LIABILITIES		24 660	29 956	91 247	92 064
TOTAL EQUITY AND LIABILITIES		**453 279**	**471 329**	**152 284**	**150 983**

Consolidated cash flow statement

Unaudited figures in NOK 1 000	Quarters Q3 2017	Q3 2016	Note	Year to date 30.09.2017	30.09.2016	Year end 31.12.2016
Contribution from operations before tax	-9 201	-1 494		-21 835	-4 727	-6 730
Change in accounts receivables and accounts payables	20 708	-861		9 402	-1 098	-1 015
Change in inventory	-12 086	0		-4 370	0	0
Change in other receivables and payables and other	1 362	542		-5 151	-298	-376
Net cash flow from operating activities	783	-1 813		-21 953	-6 124	-8 121
Capitalization of development cost	0	-632		-1 915	-3 105	-3 516
Net investments in PPE & intangible assets	0	0	2	-60 000	0	0
Net cash flow from investment activities	0	-632		-61 915	-3 105	-3 516
Public grants	0	0		1 061	2 619	5 166
Contribution from industry partners	0	2 500		0	6 500	6 500
Interest received	317	3		1 667	22	30
Interest paid	-188	-108		-491	-369	-488
Proceeds from borrowings financial institution	-900	89		-8 654	198	178
Capital contribution	0	0	4	385 368	0	0
Transaction cost capital contribution	0	0	2	-18 069	0	0
Net cash flow from financing activities	-772	2 484		360 882	8 970	11 386
Total net changes in cash flow	**12**	**39**		**277 014**	**-259**	**-251**
Cash in acquired company	0	0	2	9 478	0	0
Cash and cash equivalents beginning of period	286 815	288		335	586	586
Cash and cash equivalents end of period	**286 826**	**327**		**286 826**	**327**	**335**
Profit (loss) attributable to equity holders of the parent	-12 815	-1 581		-96 289	-4 871	-7 055
Employee options	61	-33		125	-298	-232
Depreciation	3 681	15		6 132	95	99
Net write-down intangible assets and capitalized grants	0	0		69 374	0	0
Financial income	-317	-3		-1 667	-22	-30
Financial expenses	188	108		491	369	488
*** Contribution from operations before tax**	**-9 201**	**-1 494**		**-21 835**	**-4 727**	**-6 730**

Changes in various cash flow items year to date September 30, 2017 is reflecting the change in Dwellop's items from May 2, 2017 to September 30, 2017.

Consolidated statement of changes in equity

Unaudited figures in NOK 1 000	Note	Share Capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity as of 01.01.2016		2 317	218 070	4 167	-158 347	66 207
Total comprehensive income per 3Q 2016		0	0	0	-4 871	-4 871
Option plan payment		0	0	-298	0	-298
Equity as of 30.09.2016		2 317	218 070	3 869	-163 218	61 038
Total comprehensive income 4Q 2016		0	0	0	-2 185	-2 185
Option plan payment		0	0	66	0	66
Equity as of 31.12.2016		2 317	218 070	3 935	-165 403	58 919
Total comprehensive income per 3Q 2017		0	0	0	-78 493	-78 493
Private placement 16 January 2017		45 000	0	0	0	45 000
Private placement 28 February 2017		75 000	225 000	0	0	300 000
Private placement 7 March 2017		10 000	0	0	0	10 000
Private placement 31 March 2017		7 592	22 776	0	0	30 368
Issuance of shares 22 May 2017		24 038	56 731	0	0	80 769
Transactions costs and reclassifications		0	-18 069	-3 935	3 935	-18 069
Option plan payment		0	0	0	125	125
Equity as of 30.09.2017		**163 947**	**504 507**	**0**	**-239 836**	**428 619**

Notes to the Hunter Group condensed consolidated financial statements for the first nine months 2017

1A. Accounting principles

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the financial statements as of 31 December 2016 (IFRS as adopted by EU). Please refer to the financial statements for 2016 for description of the accounting policies. The Group has adopted the following accounting policies in 2017 because of the acquisition:

Consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. The Company assesses whether there are any indications that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired. Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating units, to which the goodwill relates.

Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost incurred in bringing raw materials to its present location and condition are accounted for by purchase cost on a first in, first out basis. Cost incurred in bringing finished goods and work in progress to its present location and condition are accounted for by cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Revenue recognition

Revenue from sale of goods is recognised at the time of delivery. Services are recognised as they are delivered. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The percentage of completion is measured based on the proportion of hours incurred for work performed to date relative to the estimated total estimated hours in the project. For projects that are expected to generate a loss, the entire estimated loss is taken immediately.

1B. Accounting effect of the new standards

IFRS 15 Revenue from contracts with customers

IASB and FASB have issued a new joint standard for revenue recognition, IFRS 15. The standard supersedes all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of promised goods or services to customers, and then at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. The standard applies to all income contracts and contains a model for recognition and measurement of sale of certain non-financial assets.

Hunter Group is in the process of evaluation the potential consequences of the new standard. The main focus is assessment of long term contracts as they represent a material part of the Group's total revenue. It is expected that revenue recognition over time will continue as the main accounting method for long-term contracts. The Company is currently measuring progress on ongoing projects based on hours incurred for work performed to date relative to the estimated total hours in the project, and the new standard might change the principle for how accruals of progress for ongoing projects at period end will be measured. There is no material ongoing projects in the company at 30 September 2017. The assessment for the accounting impact for the new standard will continue in 2017. The standard has accounting effect from 1 January 2018, and the company has not yet decided if they will implement the standard by applying the full retrospective method or the modified retrospective method.

IFRS 16 Leases
Effective from 1 January, 2019, IFRS 16 covers the recognition of leases and related disclosure in the financial statements, and will replace IAS 17 Leases. In the financial statement of lessees, the new standard requires recognition of all contracts that qualify under its definition of a lease as right-of-use assets and lease liabilities in the balance sheet, while lease payments are to be reflected as interest expense and reduction of lease liabilities. The right-of-use assets are to be depreciated in accordance with IAS 16 Property, Plant and Equipment over the shorter of each contract's term and the assets' useful life. The standard consequently implies a significant change in lessees' accounting for leases currently defined as operating leases under IAS 17, both with regard to impact on the balance sheet and the statement of income. With regards to lessor accounting IASB has decided to substantially carry forward the lessor accounting model in IAS 17. The standard requires adoption either on a full retrospective basis, or retrospectively with the cumulative effect of initially recognizing the standard as an adjustment to retained earnings at the date of initial application.

The Company is currently in process for review of its rental agreements for assessing if these will change category from operational to financial lease at time of implementing the new standard. The new standard is expected to have an impact on the accounting of leasing of premises as the Company rent the buildings it operates its business from. It has not yet been analyzed in detail what consequences the new standard will have for the consolidated accounts.

Hunter Group will adopt IFRS 16 on 1 January, 2019.

2. Business combinations

Hunter Group ASA completed the acquisition of all the shares in Dwellop pursuant to a share purchase agreement (the "SPA") dated 2 May 2017 (the "Acquisition"). As a result thereof, Dwellop became a wholly-owned subsidiary of the Company. As consideration for the shares in Dwellop, the Company issued 192,307,692 new ordinary Shares, each with a par value of NOK 0.125 and with a fixed subscription price of NOK 0.65 per Share. In addition NOK 60,000,000 was settled in cash.

The consideration of the shares is NOK 60,000,000 in cash in addition to issuance of 192,307,692 ordinary Shares at a fair value at the closing date of NOK 0.42 resulting in a total purchase price of NOK 140,769,231. The Company has provisionally determined that the excess value based on the purchase price compared to book values as of 31 December 2016 primarily relates to patents value and customer relation value.

Dwellop is an independent systems and technology provider delivering topside handling equipment for well intervention, workover and plugging & abandonment (P&A) operations. A large part of the business is focused on the design and manufacturing of high quality mechanical and structural wireline, coil tubing and pipe handling equipment for the global well intervention market. Dwellop's business model covers both sale and rental of equipment and systems to E&P companies, service providers and vessel/rig owners, and the company has a broad product portfolio for safe and cost efficient well intervention operations.

The acquisition has been accounted for using the acquisition method. The completion of the acquisition was done on 2 May 2017 and the company has been consolidated into the Hunter group from 2 May 2017.

Purchase price allocation Dwellop AS	**TNOK**
Equity Dwellop AS at acquisition date	66 936
Excess value patents	9 298
Excess value customer relationships	10 672
Deferred tax on excess values	(4 793)
Fair value of identified net assets	82 113
Fair value of consideration	140 769
Goodwill	**58 656**

Unaudited figures in NOK 1 000	Book value of purchased assets and liabilities	Fair value adjustment	Fair value of purchased assets and liabilities
Goodwill	-	58 655	58 655
Patents	2 187	9 298	11 486
R&D assets	21 640	-	21 640
Customer relationships	402	10 672	11 074
Tangible fixed assets	27 770	-	27 770
Total non-current assets	**51 999**	**78 625**	**130 625**
Inventories	9 244	-	9 244
Account receivables	48 330	-	48 330
Cash	9 482	-	9 482
Total current assets	**67 055**	**-**	**67 055**
Total assets	**119 055**	**78 625**	**197 680**
Equity	**66 937**	**73 833**	**140 769**
Deferred tax	13 062	4 793	17 855
Long-term liabilities	17 965	-	17 965
Total non-current liabilities	**97 964**	**78 626**	**176 590**
Accounts payable	13 692	-	13 692
Public duties payable	1 170	-	1 170
Other current liabilities	6 229	-	6 229
Total current liabilities	**21 091**	**-**	**21 091**
Total equity and liabilities	**119 055**	**78 626**	**197 680**

The majority of recognised goodwill is related to potential projects and workforce that do not qualify for recognition according to IAS 38.

The transaction costs of NOK 18 million have been registered directly against other equity.

The table below sets out the pro forma income statement of Hunter Group for the nine months ended 30 September 2017 as if the transaction had been completed 1 January 2017.

Operating revenues and expenses	TNOK
Revenues	69 255
Total operating revenues	**69 255**
Raw matrials and consumables used	37 962
Payroll expenses	30 618
Depreciation and amortisation expense	11 020
Write-down intangible assets	69 374
Other operating expenses	27 757
Capitalised development cost	-1 915
Total operating expenses	**174 816**
Operating profit (loss)	**-105 561**
Interest income	1 687
Finance income	3 161
Other financial income	0
Interest expenses	-611
Other financial expenses	-3 987
Net financial items	**250**
Profit / (loss) before taxes	**-105 310**
Taxes (+)/tax income (-)	18 099
Net income	**-87 212**

The Company has recognised the following assets in the statement of financial position (including internal built up assets such as development costs).

Unaudited figures in NOK 1 000 Per 30 September 2017	Goodwill	Customer relationships	Patents	Development costs	Total
Cost at 1 January 2017	0	0	400	149 632	150 032
Additions through aquisition of Dwellop	58 655	11 074	11 485	21 640	102 854
Additions in the period	0	0	0	1 915	1 915
Government grants	0	0	0	-1 061	0
Cost at 30 September 2017	58 655	11 074	11 885	172 125	253 740
Accumulated impairments at 30 September 2017	0	0	389	150 485	150 874
Accumulated depreciations at 30 September 2017	0	985	1 309	2 381	4 675
Book value at 30 September 2017	**58 655**	**10 089**	**10 188**	**19 259**	**98 191**
This nine months depreciation	0	985	1 296	2 381	4 662
This nine months impairment charges	0	0	389	150 485	150 874

Unaudited figures in NOK 1 000

Year ended 31 December 2016	Patents	Development costs	Total
Cost at 1 January 2016	400	147 768	148 168
Additions in the year	0	3 516	3 516
Government grants	0	-1 651	-1 651
Cost at 31 December 2016	400	149 633	150 033
Accumulated depreciations at 31 December 2016	13	0	13
Book value at 31 December 2016	**387**	**149 633**	**150 020**
This years depreciation	13	0	13

The additions of goodwill, customer relationships and patents are related to the business acquisition of Dwellop AS, see note 2. The goodwill is in its entirety related to the cash generating unit of Dwellop.

3. Impairment

The write-down of intangible assets of NOK 150,9m in 2Q 2017 related to the Badger Technology, and was due to a change of course and position from the new owners and new directors. A comprehensive assessment of the Badger Technology including the possibilities for commercializing was performed. The conclusion was that the possibility of an early commercialization was less likely. As such, the related Capitalized grants of NOK -81,5m were also derecognized in 2Q 2017. The contractual obligations related to any future earnings in the Indicator will remain should there be commercializing possibilities in the future. Net write-down amounted to NOK 69.4m.

According to the Development Program, the industry partners have first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Indicator explorers at market price for a period of up to 6 years from commercialization.

4. Equity transactions

On 16 January 2017, the private placement consisting of 360,000,000 new ordinary shares for gross proceeds of NOK 45 million with a subscription price of NOK 0.125 was registered in The Register of Business Enterprises.

On 28 February 2017, the private placement consisting of 600,000,000 new ordinary shares for gross proceeds of NOK 300 million with a subscription price of NOK 0.50 was registered in The Register of Business Enterprises.

On 7 March 2017, the private placement consisting of 80,000,000 new ordinary shares for gross proceeds of NOK 10 million with a subscription price of NOK 0.125 was registered in The Register of Business Enterprises.

On 31 March 2017, the private placement consisting of 60,735,150 new ordinary shares for gross proceeds of NOK 30.4 million with a subscription price of NOK 0.50 was registered in The Register of Business Enterprises.

On 19 May 2017, BXPL has issued 192,307,692 new ordinary shares at fair value of 0.42 per share totaling NOK 140.8 million as part of the consideration for the purchase of shares in Dwellop AS. The share issue was registered on 22 May 2017 in The Register of Business Enterprises.

5. Segment information

The operating segments were established in May 2017 when the Company acquired Dwellop AS.

For management purposes the group is organized into business units based on its products and services and has three reportable segments, as follows:

- Hunter Group, which is the holding company that includes group services
- Indicator, which performs research and develop of the Badger Exploration Tools
- Dwellop, which produces and sells products related to enhanced oil recovery

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Unaudited figures in NOK 1 000 **Nine months ended 30 September 2017**	**Hunter Group**	**Indicator**	**Dwellop**	**Adjustments and eliminations**	**Consolidated**
Operating revenue					
External customers	0	128	32 452	0	32 579
Inter-segment	0	0	0	0	0
Total operating revenues	**0**	**128**	**32 452**	**0**	**32 579**
Income / (expenses)					
Depreciation and amortization	7	15	2 519	3 591	6 132
Net impairment charges	0	69 374	0	0	69 374
Segment profit (loss)	**-17 748**	**-69 304**	**-6 271**	**14 830**	**-78 493**
Total assets	**420 671**	**1 972**	**89 054**	**-58 418**	**453 279**
Total liabilities	**741**	**1 126**	**37 498**	**-14 705**	**24 660**

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

6. Construction contracts

The table below includes information of incurred contract costs, recognised profits and losses relating to ongoing long-term construction contracts.

Unaudited figures in NOK 1 000	**30.09.2017**
Contract costs incurred	7 649
Recognised profits	-1 619
Recognised losses	0
Contract costs incurred and recognised profits (less recognised losses) to date	6 030
Progress billings	-774
Due from (to) customers	5 256
Due from customers (asset)	0
Due to customers (debt)	0
Due from (to) customers	0

7. Transactions with related parties

The following table provides the total amount of transactions with related parties controlled by the members of the executive management of Hunter Group for the first nine months year of 2017. All related party transactions have been entered into on an arm's length basis.

Transactions with related parties	**30.09.2017**	**30.09.2016**
Purchased services in NOK 1 000	3 248	1 202

In June 2013, Hunter Group entered into a consultancy agreement with one of its shareholders, Dalvin Rådgivning AS. Mr. Gunnar Dolven, acting CFO of Hunter Group first nine months of 2017, is a shareholder and director of Dalvin Rådgivning AS. For the first nine months of 2017, consultancy services and travel expenses for totally NOK 724,052 were invoiced by Dalvin Rådgivning AS. The agreement with Dalvin Rådgivning AS was terminated 30 June 2017.

In March 2016, the Company entered into a consultancy agreement with the Company's former CEO and its shareholder Mr. Steinar Bakke and his company S. Bakke Consulting AS. This agreement was terminated 30 November 2016; however, the Company extended the agreement into first nine months of 2017. Services for NOK 5,000 was invoiced for the first nine months of 2017.

In May 2017, the Company entered into two consultancy agreements with Middelborg AS, a shareholder in Hunter Group. Middelborg AS is owned by Mr. Lundkvist who was elected chairperson of the nomination committee of Hunter Group at the annual general meeting in May 2017 for two years.

- Mr. Lundkvist shall act as a transaction advisor to the Company with a success fee payable for transactions resulting from these services.
- Mr. Vegard Urnes, employed as an Investment Manager in Middelborg AS, to perform the services as interim CEO of Hunter Group.

Middelborg AS has invoiced the Company NOK 2,104,947 for the first nine months of 2017, mainly for interim CEO services from February to September.

During the first nine months of 2017, the Company has rented office space and purchased various services from Navis Finance AS for NOK 214,416. Mr. Urnes, through Novasuper AS, and Mr. Lundkvist, through Middelborg AS, are shareholders and directors in Navis Finance.

In May 2017, the Company entered into a consultancy agreement with Gudbrandsneset AS. Gudbrandsneset is own by the Company's VP Business Development (hired on 60% basis) and chairman in Dwellop Mr. Eirik Bergsvik. Services for NOK 186,000 was invoiced for the first nine months of 2017.

8. Tax cost

Hunter Group ASA has reassessed the probability of the deferred tax asset that was not recognized before the business combination with Dwellop AS. A deferred tax asset of NOK 18m has been recognized by Hunter Group and is offset by the existing deferred tax liability in Dwellop at the acquisition in May 2017, resulting in an tax income in the income statement of NOK 18m.

For a specification of temporary differences as per 31.12.16, please see the annual report of 2016 for Hunter Group ASA. Temporary differences as per 31.12.16 mainly consisted of loss carried forward of NOK -165m. As per 30.09.17 net temporary differences for the Group is estimated to approximately NOK -267m. Calculated net deferred tax asset (24%) of approximately NOK 64m has not been recognized in the Consolidated Financial Statements as per 30.09.17.

9. Subsequent events

Further cost reduction measures are implemented, mainly related to Indicator, with full effect from 2018 and onwards.

10. Provisions, commitments and contingent liabilities/assets

Dwellop received 23. June 2017 notification from Oslo District Court that Wellpartner AS has initiated legal proceedings against the company, alleging that Dwellop AS has infringed upon a tension frame patent. Dwellop has responded to these accusations, however there has been no material development in the case during the quarter.

Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. Management still believes that these accusations will not impact the business negatively.

Dwellop received termination notice 4th October 2017 from ENI with respect to rental of a tension frame for the Goliat platform. Dwellop is assessing whether to initial action regarding the legality of the termination. The monthly rental revenues was NOK 0.7m and original contract was due February 2019.

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HUNTER GROUP