



# Annual report 2017

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## Highlights

### Financial highlights in 2017

- Total revenues was NOK 44.0m with the acquisition of Dwellop included from May 2017. Operating expenses came in at NOK 74.8m. EBITDA was negative with NOK -30.7m.
- EBIT was negative with NOK -111.1m, including a write off of NOK 69.4m related to the Badger technology.
- Net income was negative NOK -96.3m, equivalent to negative earnings per share of NOK -0.09.
- Cash flow from operations was negative with NOK -25.5m mainly driven by negative net contributions from operations before tax.
- Cash flow from investments came in at negative NOK -65.6m, whereof NOK -60.0m relates to the Dwellop transaction.
- Net cash flow from financing was NOK 360.8m, particularly driven by private placements and repair equity issues of NOK 385.4m.
- Cash position as of 31.12.2017 was NOK 279.5m and total interest bearing debt was NOK -15.3m.

### Key events in 2017

- New strategy launched January with focus on acquisition of oil service technology.
- Raised total NOK 385m in private placements.
- Changed name and ticker from Badger Explorer ASA ("BXPL") to Hunter Group ASA ("HUNT").
- New board of directors and management team.
- Closed the acquisition of Dwellop AS in May for NOK 185m, of which NOK 60m in cash consideration and NOK 125m in HUNT shares at NOK 0,65 per share with a three-year lock-up.
- Change the development strategy for the Badger tool, which led to write off of capitalized development costs.
- Executed reorganization of Hunter Group and cost reduction initiatives in Indicator AS (previously Badger Explorer ASA).
- Gulf Marine Services (GMS) received approval from American Bureau of Shipping (ABS) for its 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 sales team in Dwellop 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.

## Corporate governance policy

Hunter Group ASA's Board of Directors approved this updated Corporate Governance Policy on 29th August 2017.

### 1. Introduction

Corporate Governance regulates the responsibilities of the executive personnel and the Board of Directors of Hunter Group ASA and its subsidiaries. The subsidiaries adopt the relevant governing documents.

Hunter Group ASA ("HUNT", "the Company" or "the Group") is a Norwegian public limited company which shares are listed on the Oslo Børs/Oslo Stock Exchange (Oslo Axess list) and it is therefore subject to the corporate governance requirements as set out in the Norwegian Code of Practice for Corporate Governance. HUNT works according to the Norwegian Code of Practice for Corporate Governance dated 30th October 2014 ([www.nues.no](http://www.nues.no)). Where HUNT does not fully comply with the recommendations, an explanation or comment is given.

Oslo Børs/Oslo Stock Exchange prescribes that companies listed on the Oslo Børs/Oslo Stock Exchange must publish a report in their annual report on the Company's corporate governance.

HUNT aims to have effective systems in place for communication, monitoring, accountability, and incentives that also enhance the market value, corporate profit, long-term strength, continuity and overall success of the business of HUNT. In addition to strengthen the confidence amongst its shareholders.

### 2. Reporting on Corporate Governance

Hunter Group ASA's Board of Directors review and approves this Corporate Governance Policy annually, which can also be found on its website ([www.huntergroup.no](http://www.huntergroup.no)) and is included in the annual report.

The Company's basic corporate values are incorporated in the Company's management system. The Board of Directors has implemented ethical guidelines and a corporate social responsibility policy, which are reviewed and re-issued annually.

### 3. Business

In the Article of Association HUNT's business is described as follows:

Hunter Group is an investment company focusing on oil systems and technology providers. The Company believes that products and technologies facilitating enhanced oil recovery ("EOR") at low costs will continue to be attractive going forward as it will increase oil companies' returns on existing assets. The strategy is to take part of the consolidation in the oil service industry to build a portfolio of companies.

The main investment is Dwellop AS, an independent systems and technology provider delivering topside handling equipment for well intervention, work-over and plugging & abandonment (P&A) operations.

The Badger Explorer technology for exploring and mapping of hydrocarbon resources is organized in the subsidiary Indicator AS. The development activities in Indicator AS has been put on hold in order to explore viable strategies to create shareholder value.

The Company's objectives and principal strategies are described in the annual report.

### 4. Equity and Dividends

The development of the Group's equity up to 31 December 2017 is described in the "Statement of change in equity" in the financial statements of the annual report.

HUNT's dividend policy aims to yield a competitive return on invested capital to the shareholders through a combination of dividends and share price development. Due to the business development within the oil service technology space, no dividend has been proposed for the 2017.

At the Company's general meeting on 31 May 2017 and in an extra ordinary meeting 6 December 2017, the Board of Directors was granted a mandate to increase the Company's share capital by up to NOK 40,000,000 as well as to acquire up to 10,000,000 of the Company's own shares to be used in connection with the Company's share incentive program as well as for certain other purposes.

## Corporate governance policy

The mandate granted by the Company's general meeting on 31 May 2017 (as amended by the Company's extraordinary general meeting on 6 December 2017) is valid up until the annual general meeting in 2019. The authorizations are in accordance with Norwegian Code of Practice for Corporate Governance.

### 5. Equal Treatment of Shareholders and Transactions with Close Associates

HUNT has one class of shares and is dedicated to apply equal treatment to all shareholders.

The decision to waive the existing shareholders' pre-emption rights in the event of an increase in the share capital must be justified. The Board of Directors will disclose such a justification in the stock exchange notification in connection with the increase in share capital.

If a transaction between the Company and a shareholder of the Company, a shareholder's parent company, a member of the Board of Directors or a member of executive personnel (or related parties to such persons) is considered to be material in accordance with the Norwegian Code of Practice for Corporate Governance, the Board will obtain a valuation from an independent third party. This will not apply if the GM's approval for such transactions is required according to the Norwegian Public Limited Companies Act §3-8.

Board members and the executive personnel shall notify the Board of any material direct or indirect interest in any transaction entered into by HUNT.

#### Deviation from the Norwegian Code of Practice for Corporate Governance:

The shareholders' pre-emptive rights are exempted because the Group wishes to be able to (i) use share issues for its employees, Directors and others important stakeholders with the Group as a part of the Group's share incentive scheme and (ii) issue shares towards certain specifically chosen institutional investors or others if required or desired in conjunction with the Group's expansion, development and/or strategic acquisitions.

### 6. Freely Negotiable Shares

All HUNT shares carry equal rights and are freely negotiable. Each share represents one vote at the GMs. The nominal value per share amounts to NOK 1.25. At the date of this annual report, there are no restrictions regarding transferability in the Group's Articles of Association or any other transfer restrictions related to HUNT's shares.

### 7. General Meetings ("GM")

The shareholders exercise the highest authority in HUNT through GMs.

In 2018 the Annual General Meeting of HUNT will be held on 9 May. The Group's financial calendar has been published in a notice to the Oslo Stock Exchange and is available on HUNT's website. The AGM shall approve the annual accounts, the annual report, distribution of dividend, and otherwise make such resolutions as required under the Corporate Governance Policy and the applicable law.

The Board shall publish notices of GMs and any supporting material, such as the agenda, recommendations of the Nomination Committee, the information about the shareholder's right to propose resolutions in respect of matters to be dealt with by the General Meeting and other documents as set out in the bye-laws of the Group, no later than 21 days prior to the day of the GM, on the Group's website ([www.huntergroup.no](http://www.huntergroup.no)). The Board will also ensure that the distributed notice and all supporting material are sufficiently detailed. The Board will make reasonable efforts to enable as many shareholders as possible to attend.

## Corporate governance policy

The notice shall also include information on the procedure of representation through proxy, as well as a proxy that allows giving separate voting instructions for each matter to be considered by the General Meeting and for each candidate nominated for election. The Group will nominate a person who will be available to vote on the shareholder's behalf if the shareholder has not appointed a proxy.

The Board shall make such notices of General Meetings and the relevant supporting material available through the notification system of Oslo Børs/Oslo Stock Exchange and on the Group's website no later than 21 days prior to the day of the GM.

Every shareholder has the right to put matters on the agenda of a General Meeting along with a proposed resolution within the statutory timeframe.

The shareholders may be asked to notify their attendance prior to the GM. The deadline for the notification of attendance for the AGM will be as close to the meeting as possible. Shareholders who are unable to attend may vote by proxy. A proxy form shall be attached to the notice of the GM.

The GM's chairperson shall be independent. The Company's Board and the chairperson of the GM shall ensure that the shareholders vote separately for each candidate nominated for a corporate body.

HUNT will publish the minutes of GMs (alternatively only such resolutions that were not made in accordance with the proposals made in the notice to the GM) through the notification system of Oslo Børs/Oslo Stock Exchange and on its website no later than 15 days after a GM has been held, and will maintain them available for inspection in the Company's offices. The Annual General Meeting for the fiscal year 2017 was held in Stavanger on 31st May 2017 where 48.98% of all shares were represented.

### Deviation from the Norwegian Code of Practice for Corporate Governance:

The Norwegian Code of Practice for Corporate Governance demands that the Board of Directors as a whole, the members of the Nomination Committee and the Auditor are present at the General Meetings. HUNT considers it sufficient that only the chairperson of the Board and the Auditor attend GMs.

## 8. Nomination Committee

HUNT's Nomination Committee consists of two to three members, elected by the Company's General Meeting. The majority of the members shall be independent of the Board of Directors and the Company's executive personnel. No more than one member of the Board of Directors shall be member of the Nomination Committee, and should not offer himself for re-election to the Board. The members of the Nomination Committee are elected by the shareholders in a GM for a period of no longer than two years.

The Nomination Committee proposes to the GM candidates for election to the Board. The composition of the Board of Directors should reflect the provisions of the Group's Corporate Governance Policy, commitment to shareholder return, independence and experience in relevant sectors (technology and business development, financing and accounting, disclosure and regulatory, etc.). The Nomination Committee also proposes the remuneration to be paid to the members of the Board of Directors.

The Nomination Committee's recommendations shall include justification as to how the recommendations take into account the shareholder interests and the Group's requirements. The following information about the proposed candidates, in particular each person's age, education, business experience, term of appointment to the Board (if applicable), ownership interest in the Company, independence, any assignments (other than the proposed Directorship) for the Company and material appointments with other companies and organizations will be disclosed. In the event that the Nomination Committee recommends re-electing current Directors, the recommendation will include information on when the Directors were appointed the Board and their attendance records.

The Nomination Committee shall elect its own chairperson according to the Group's Articles of Association. Meetings of the Nomination Committee shall be convened when deemed necessary by any of its members to adequately fulfill its assigned duties. Notice of a meeting shall be issued by the chairperson of the Nomination Committee no later than one week prior to the meeting, unless all members approve a shorter notice period.

## Corporate governance policy

The Group will provide information on its website regarding the membership of the Committee and any deadlines for submitting proposals to the Nomination Committee.

The Nomination Committee consists of:

Kristian Lundkvist (chairperson) - elected until AGM in 2019

Haakon M. Sæter - elected until AGM in 2019

All members of the Nomination Committee are considered independent of the Board of Directors.

Deviation from the Norwegian Code of Practice for Corporate Governance:

The Group's Articles of Association regulate the election of the chairperson of the Nomination Committee. According to §6 of the Articles of Association of Hunter Group ASA the Nomination Committee elects its own chairperson.

The Norwegian Code of Practice for Corporate Governance requires guidelines regarding the Nomination Committee's duties to be set out by the General Meeting. At HUNT, the Committee itself sets out its duties in accordance with the duties presented in chapter 8 of the Group's Corporate Governance Policy.

### 9. Board of Directors: Composition and Independence

HUNT shall be headed by a Board with collective responsibility for the success of the Group.

The Board shall comprise between three and eight Directors according to §5 of HUNT's Articles of Association. Currently the Board consists of three Directors, who have all been elected by the shareholders and are not representatives of HUNT's executive personnel. The members of the Board of Directors are elected for a period of two years.

The members of the Board of Directors that were elected in the EGA 5 April 2018 are:

Henrik A. Christensen (Chairman) - elected until AGM in 2020

Kristin Hellebust - elected until AGM in 2020

Arne Fredly - elected until AGM in 2020

All members of the Company's Board of Directors are considered independent according to the Norwegian Code of Practice for Corporate Governance. Detailed information on the individual Board member can be found in the Group's website ([www.huntergroup.no](http://www.huntergroup.no)) and in the Annual Report.

Board members and close associates ownership as of 18 April 2018:

Henrik A. Christensen owns nil shares.

Kristin Hellebust owns nil shares.

Arne Fredly owns a total of 43,675,602 shares, through Apollo Asset Limited, which represents a total of 33,29%

According to the Norwegian Public Limited Companies Act § 6-35 and the Norwegian Code of Practice for Corporate Governance a Group with more than 200 employees is required to elect a corporate assembly. The Group has less than 200 employees and has therefore not yet elected a corporate assembly.

### 10. The Work of the Board of Directors

The Board shall ensure that the Group is well organized and that operations are carried out in accordance with applicable laws and regulations, and in accordance with the objects of HUNT as specified in its Articles of Association and guidelines given by the shareholders through resolutions in GMs.

HUNT's Board of Directors has the ultimate responsibility for inter alia the Group's executive personnel, supervision of its activities and the Group's budgets and strategic planning. The Board of Directors produces an annual plan of its work.

## Corporate governance policy

To fulfill its duties and responsibilities, the Board has full access to the Group's relevant information. The Board shall also consider for example obtaining such advice, opinions and reports from third party advisors as it deems necessary to fulfill its responsibilities.

The "Rules of Procedure for the Board of Directors of HUNT and the Relation to CEO" were approved by the Board on 31st October 2017 and were implemented.

All of the board members are also members of the Audit Committee and Remuneration Committee.

The Board of Directors evaluates its own performance and expertise once a year.

The Board of Directors arranged 12 board meeting during the fiscal year 2017.

### Deviation from the Norwegian Code of Practice for Corporate Governance:

The Norwegian Code of Practice for Corporate Governance requires the Board of Directors to consider appointing a remuneration committee. At HUNT, the Board itself prepares all matters relating to compensation paid to the Group's executive management.

### 11. Risk Management and Internal Control

HUNT has implemented internal control and risk management systems appropriate to the size and nature of the Group's activities. The Group's core values, ethical guidelines and the corporate social responsibility policy are incorporated in the internal control and risk management systems.

The Board of Directors carries out an annual review of the control and risk management systems and the Group's most significant exposures.

In the annual report, the Board of Directors describes the main features of the Group's internal control and risk management systems in relation to the Group's financial reporting.

### 12. Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors reflects the Board's responsibilities, expertise, the committed time and the complexity of the Group's activities.

The Board Members' remuneration (form and amount) will be reviewed annually by the Nomination Committee and is not linked to the Group's performance. It is the Nomination Committee's responsibility to prepare a proposal for the Annual General Meeting regarding the above mentioned remuneration.

### Deviation from the Norwegian Code of Practice for Corporate Governance:

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 ASA at the annual general meeting in May 2017 for two years. Both of these agreements are terminated as of the date of this annual report.

- Mr. Lundkvist acted as a transaction advisor to the Company.
- Mr. Vegard Urnes, employed as an Investment Manager in Middelborg AS, to perform the services as interim CEO of Hunter Group ASA. Mr. Urnes resigned from his position as interim CEO 19<sup>th</sup> March 2018.

### 13. Remuneration of the Executive Personnel

The Board of Directors establishes, as required by law, guidelines for the remuneration of the members of the executive personnel. The AGM will vote on these guidelines which help ensure convergence of the financial interest of the executive personnel and the shareholders.

The guidelines for remuneration of the executive personnel are published in the Annual Report 2017 in note 24.

## Corporate governance policy

Performance related remuneration of the Group's executive personnel shall aim for value creation for HUNT's shareholders or the Group's earnings performance. Such arrangements shall encourage performance and be based on quantifiable factors which can be influenced by the employee. Performance related remuneration shall be subject to an absolute limit.

As of 31<sup>st</sup> December 2017, the executive personnel's holdings of shares and share options are the following:

<u>Name</u>	<u>Shares</u>	<u>Share options</u>
Eirik Bergsvik	0	1,111,111
Ola Beinnes Fosse	0	1,666,667
Vegard Urnes	325,000	2,222,222
<b>Total</b>	<b>325,000</b>	<b>5,000,000</b>

As of the date of this report, the option scheme above has been terminated.

### 14. Information and Communications

HUNT provides its shareholders, Oslo Børs/Oslo Stock Exchange and the financial markets generally (through Oslo Børs'/Oslo Stock Exchange's Distribution Network) with timely and accurate information. Such information takes the form of annual reports, quarterly interim reports, stock exchange notifications and investor presentations as applicable. HUNT communicates its long-term potential, including its strategy, value drivers and risk factors, maintains an open and proactive investor relations policy and a best-practice website, and gives presentations regularly in connection with annual and interim results in Oslo and Stavanger, Norway.

The Company's current financial calendar with dates of important events including the Annual General Meeting, publishing of quarterly reports and its presentations, etc. are accessible for all shareholders on [www.oslobors.no](http://www.oslobors.no) and on the Company's website [www.huntergroup.no](http://www.huntergroup.no). Subscription to news about HUNT can be made on the Company's website [www.huntergroup.no](http://www.huntergroup.no).

Generally, HUNT, as a company listed on Oslo Børs/Oslo Stock Exchange, discloses all required information as defined by law. Certain resolutions and circumstances will in any event be disclosed, including but not limited to Board and GM resolutions regarding dividends, mergers/de-mergers or changes in share capital, issue of warrants, issue of convertible or other loans, any changes in the rights vested in the shares of the Company (or other financial instruments issued by HUNT) and all agreements of material importance that are entered into between the Company and a shareholder, member of the executive personnel, or related parties thereof, or any other company in the Hunter Group ASA.

An announcement regarding HUNT's share capital and number of votes related thereto shall be made by the end of each month during which changes to any of these have occurred.

HUNT will disclose all material information to all recipients equally in terms of timing and content.

### 15. Takeovers

The Group has not implemented any specific guidelines on how to act in the event of a takeover bid.

#### Deviation from the Norwegian Code of Practice for Corporate Governance:

The Group has not yet implemented guidelines in case of a takeover. Any bid will be dealt with by the Board of Directors in accordance with applicable laws and regulations, the Norwegian Code of Practice for Corporate Governance and based on their recommendation the shareholders' approval will be requested.

### 16. Auditor

Under Norwegian law the auditor of the Company (the "Auditor") is elected by the shareholders in a GM. The current Auditor serves until a new auditor has been elected.

The Auditor participates in meeting(s) of the Board that deal with the annual accounts as well as the General Meetings. At these meetings the Auditor reviews any variations in the accounting principles applied, comments on material accounting estimates and issues of special interest to the Auditor, including possible disagreements between the Auditor and the management.

## Corporate governance policy

At least once a year the Auditor and the Board of Directors meet without any members of the Group's executive personnel present.

The Auditor presents annually to the Audit Committee/Board of Directors the main features of its plan for the audit of the Group, as well as a review of the Group's internal control procedures.

The Board of Directors established guidelines in respect to the use of the auditor by the Group's executive personnel for services other than the audit.

The remuneration of the Auditor and all details regarding the fees of the audit work and other specific assignments are presented at the AGM.

The Company's auditor shall annually submit a written confirmation that the Auditor still continues to satisfy with the requirements for independence and a summary of all services in addition to audit work that has been undertaken for the Company.

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## Corporate social responsibility policy

### 1. General

The purpose of this policy is to provide information to all our stakeholders about Hunter Group ASA's ("HUNT", "the Company" or "the Group") approach to ethical and corporate social responsibility and how we as a Company propose to work towards achieving it. HUNT is committed to enhancing shareholder value in an ethical and socially responsible manner.

By implementing this policy, the Company aims to be responsible and an exemplar of good practice. Honesty, integrity and respect for people underpin everything we as employees do, and are the foundation of the Company's business practice. We are judged by how we act and the Company's reputation will be upheld if each one of us acts in accordance with the law and the Company's social responsibility and ethical standards set out herein. The Company's reputation and future success are critically dependent on compliance, not just with the law, but also with high ethical and social standards. A reputation for integrity is a priceless asset. This policy is a further commitment to integrity for all of us and will help to safeguard that asset.

This document applies to staff, Board members, temporary employees, consultants and any person or entity acting on behalf of Hunter Group ASA and its subsidiaries. We encourage our business partners to strive for similar performance.

We are committed to continuous improvement in our corporate social and ethical responsibility and the Board of Directors and the Company will therefore review this policy regularly.

This policy was approved by the Board of Directors on 29 August 2017 and shall apply until revised and re-approved.

### 2. Business practice

#### 2.1 Correct Information, Accounting and Reporting

HUNT's business information is disclosed accurately, timely and entirely. According to the applicable laws and regulations and stock exchange listing standards, HUNT provides complete and precise accounts in all its periodic financial reports, in its public communication and documents submitted to regulatory authorities and agencies.

No information shall be withheld from the external or internal auditor.

All employees who draw up such documents are expected to apply the utmost care, and caution and will use the applicable accounting standards.

#### 2.2 Fair Competition

HUNT performs its business in such a manner that customers, partners and suppliers can trust in the Group and competes in a fair and open way.

#### 2.3 Anti - Corruption

Corruption diminishes legitimate business activities, destroys reputations and distorts competition. The Group opposes all forms of corruption. Through Group procedures, tight internal control and this policy all employees have to comply with, HUNT acts to prevent corruption within the Group.

Bribery, trading in influence, facilitation payments and all forms of corruption are prohibited. HUNT promotes its policy on corruption amongst its business partners, contractors and suppliers.

- Bribery is defined as an attempt to influence individuals when performing their duties through offering improper advantages.
- Trading in influence exists when an improper advantage (cash, loans, travel, services or similar) is offered to an individual to influence the performance a third party's duties.
- A facilitation payment is small payment to a public official to enable or speed up a process, which is the official's job to arrange.

## Corporate social responsibility policy

HUNT complies with all applicable national and international laws and regulations (for example the OECD Guidelines for Multinational Enterprises and the International Chamber of Commerce Rules of Conduct to Combat Extortion and Bribery) with respect to improper payments to local and foreign officials.

### 2.4 Money laundering

Money laundering is when proceeds from criminal activity which appear to be legitimate sources is converted into assets.

HUNT employees shall ensure financial transactions and business activities involve funds from legitimate sources and are not used to launder money.

### 2.5 Business Communications

HUNT opposes inappropriate, inaccurate or careless communications as it can create serious liability and compliance risks for the Group. All employees are required to exercise due care when communicating both internally and externally and particularly when the communication is a written document (including email).

### 2.6 Political Activity

HUNT does not support any political party. An individual employee may become involved politically as a private person without referencing to their relationship with the Group.

## 3. Personal conduct

### 3.1 Human Rights

HUNT respects the principles of the UN's Universal Declaration of Human Rights and is guided by its provisions in the conduct of the Group's business. The Board of Directors adopted this policy to express the Group's requirements for business practice and personal conduct and to demonstrate the Group's commitment to maintaining a high standard of social responsibility, ethics and integrity.

Relations with employees are based on respect. HUNT is committed to a working environment with mutual trust and where everyone is accountable for their own actions and share responsibility for the performance and reputation of HUNT.

### 3.2 Equal Opportunity

HUNT does not tolerate any kind of discrimination of employees, customers and partners on account of religion, gender, sexual orientation, age, nationality, political views, disability or other circumstances. HUNT does not tolerate unlawful employment discrimination of any kind.

The Group expects all of its employees to treat others they come in contact with through work with respect and courtesy, and to refrain from harassment, discrimination and any other behavior that may be regarded threatening or degrading.

It is everyone's responsibility to create and contribute to a positive working environment for all employees.

### 3.3 Protection of HUNT's Property and Possessions

HUNT assets are of considerable value, whether financial or physical assets or intellectual property, and may therefore only be used to advance HUNT business purposes and goals. These assets must be secured and protected in order to preserve their value.

All employees are entrusted with Group assets in order to do their jobs, and are personally responsible for safeguarding and using these appropriately. Such assets include buildings and sites, equipment, tools and supplies, communication facilities, funds, accounts, computer programs and data, information, technology, documents, and know-how, patents, trademarks, copyrights, time, and any other resources or property of HUNT.

Employees are responsible for protecting Group assets against waste, loss, damage, misuse, theft, misappropriation or infringement and for using those assets in responsible ways. Use of Group assets without direct relation to HUNT requires the prior authorization of the employee's supervisor.

## Corporate social responsibility policy

### 3.4 Confidentiality

To protect the Group's legitimate interests and the individual's privacy and integrity, every employee shall apply the utmost care to prevent disclosure of confidential information. The Group's property or information gained through the employee's position in HUNT may never be used for personal benefit.

The duty of confidentiality continues after the termination of the employment.

### 3.5 Conflict of Interest

Individuals acting on behalf of HUNT shall behave objectively and without any kind of favoritism. Companies, organizations or individuals the Group does business with shall not be given any improper advantages.

No employee may work on any matter or participate in any decision in which they, their spouse, partner, close relative or any other person with whom they have close relations has a material direct or indirect financial interest or where there are other circumstances that may undermine the trust in the employee's impartiality or the integrity of their work.

Closely related parties shall not have positions within the Group where one is the other's supervisor without the CEO's prior approval.

No employee may participate through employment, directorship or any other assignment in companies in the same line of business as HUNT without the prior written approval of the CEO or the Chairman of the Board. Members of the Company's Board shall inform the chairman of the Board of their involvement in other companies.

### 3.6 Gifts and Hospitality

No employee may, directly or indirectly, accept gifts from any of the Group's associates. This rule applies also to ongoing negotiations. If an employee is offered or may be offered such a gift, he/she shall immediately contact his/her supervisor, who will decide if the gift will affect the employee's independence should it be accepted.

Token gifts in connection with Christmas, anniversaries and the like may be exempted from this rule.

Social events, meals or entertainment may be acceptable if there is a clear business reason, and provided the cost is within reasonable limits.

## 4. Health, safety and environment (HSE)

HUNT is committed to achieving excellence in all business activities, including health, safety and environmental performance.

HUNT's overriding goal is to operate safely, in environmentally and socially responsible ways, and thereby:

- Do no harm to people
- Protect the environment
- Comply with all applicable HSE laws and regulations.

HUNT aims to provide a safe, secure and healthy working environment for all its employees, contractors and suppliers. We believe that accidents and occupational illnesses and injuries are preventable, and hence apply our efforts and resources to achieving the goals listed above.

HUNT requires its subsidiaries to implement HSE systems relevant to their industry in compliance with internationally recognized standards.

HUNT has adopted the Norwegian "inkluderende arbeidsliv" (equal opportunity rights) scheme, incorporating procedures for an active follow-up on employees' sick leave and cooperating with the Group's health service. During 2017 absence due to sickness in HUNT was 1.9%.

## Corporate social responsibility policy

HUNT aims to reduce the Company's carbon footprint and its impact on the environment through a commitment to continual improvement. It is the responsibility of the Company's management and subsidiaries to meet the Company's ambition and to comply with all applicable legislation and regulations.

No injuries or accidents have been reported in 2017.

### 5. Follow-up

#### 5.1 Personal Follow-Up

Everyone to whom this policy applies shall make themselves familiar with the same and carry out their duties accordingly.

#### 5.2 Handling Cases of Doubt and Breach

All employees shall without undue delay contact their supervisor, the CEO or the chairman of the Board in the event of ethical doubts, breaches of this policy or when discovering anything illegal or unethical.

#### 5.3 Manager's Responsibility

Managers shall ensure that this Group policy is communicated to their staff, and shall give advice on how they are to be interpreted. Operations within their department shall be conducted according to this policy.

#### 5.4 Outlook

HUNT will work with and assign more priority to corporate social responsibility in 2018. HUNT aims to keep absence due to sick leave low in 2018. With further emphasis on HSE, the Group works towards another accident and injury free year at HUNT.

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## Responsibility Statement

The Board of Directors and the interim CEO confirm that to the best of our knowledge the financial statements as of 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union and generally accepted accounting practice in Norway, provides a true and fair view on the Group's consolidated assets, liabilities, financial position and result.

We also confirm, to the best of our knowledge that the Board of Directors' report includes a true and fair overview of the development, performance and financial position of the Group, together with a description of the principal risks and uncertainties they face.

Oslo, 18 April 2018

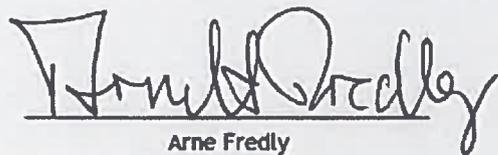
The board of directors and Interim Chief Executive Director  
Hunter Group ASA



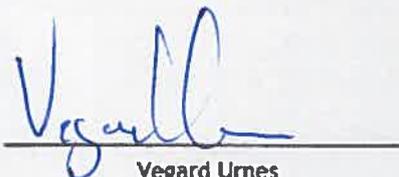
Henrik A. Christensen  
Chairman of the board



Kristin Hellebust  
Board member



Arne Fredly  
Board member



Vegard Urnes  
Interim CEO

## Board of Directors' report 2017

### Operations and locations

HUNT is a public limited liability company pursuant to the Norwegian Public Limited Companies Act, incorporated under the laws of Norway. The legal and commercial name of the Company is Hunter Group ASA.

The Company was established on 20 June 2003 and is registered in the Norwegian Register of Business Enterprises under the organization number 985 955 107. The Company changed its name to Hunter Group ASA in April 2017 and also moved the Company's registered office to Oslo. The Company's registered business address now is Munkedamsveien 45A, 5th floor, N-0250 Oslo, Norway. The purpose of the Company was also amended in April 2017 to include acquisitions within the oil service space.

To date, the Company has made one investment within the offshore oil sectors and Increased Oil Recovery Technologies ("IOR Technologies"), namely Dwellop. In addition to Dwellop, the Company also owns Indicator AS. Indicator was set up to take over the responsibilities and liabilities with respect to development of the Badger tool. At present, there are no business activities in Indicator AS.

The Company's shares are listed on Oslo Axess, a regulated market operated by the Oslo Stock Exchange under the ticker "HUNT".

### Going concern

In accordance with the Accounting Act § 3-3a, we confirm that the financial statements have been prepared under the assumption of going concern. This assumption is based on profit forecasts for the year 2018 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

### Comments related to the financial statements

The Group's revenues increased from NOK 0.1 million in 2016 to NOK 44.0 million in 2017. Net income in 2017 was NOK -96.3 million compared to NOK -7.1 million in 2016. Poor performance in Dwellop and significantly write downs of Badger tool development cost and capital grants contributed to weak financial results in 2017.

Total cash flow from operating activities was NOK -25.5 million in 2017 and the operating profit constituted NOK -109.8 million. The difference mainly concerns write-down of intangible assets of NOK 69 million.

The Group's capital investments during 2017 amounted to NOK 65.6 million, of which NOK 60 million relates to the acquisition of Dwellop.

The Group's liquidity reserve as of 31 December 2017 amounted to NOK 279.5 million. The Group's ability to fund investments without the need for external capital is good.

The Group's short-term debt as of 31 December 2017 was NOK 22.2 million whereof short-term interest bearing debt constituted NOK 3.6 million. The Group's financial position is sound and adequate enough to settle short-term debt as of 31 December 2017 with the Group's cash position.

Total assets at year end amounted to NOK 449.0 million, compared to NOK 151.0 million last year. The equity ratio was 92.4 % as of 31 December 2017, compared to 39.0 % the year before.

## Board of Directors' report 2017

### Financial risk

#### Overall view on objectives and strategy

HUNT's main objective for the management of its capital structure is to maximize value creation for shareholders, while at the same time maintaining a sound financial position and a good credit rating.

HUNT manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives policies or processes during the financial year.

#### Market risk

The Group's business depends on the level of activity of oil and natural gas production in the North Sea and internationally, and in particular, the level of production expenditures of the Group's customers. Demand for the Group's products and services is adversely affected by declines in activity associated with depressed oil and natural gas prices. Even the perceived risk of a decline in oil or natural gas prices often causes energy companies to reduce their spending. Recent fluctuations have had a material impact on the oil and natural gas industry, and the materially lower prices since mid-2014 have caused a reduction in drilling, completion and other production activities of the Group's customers and related spending on the Group's products and services. These effects could have a material adverse effect on the Group's financial condition, results of operations and cash flows. In addition, higher prices do not necessarily translate into increased activity since clients' expectations about future commodity prices typically drive demand for the Group's products and services. Oil and natural gas prices are currently volatile.

The Group's order intake in 2017 was lower than anticipated. However, increased focus on sales and sales activities through the year has led to increased numbers for quotations and prospects, which is significantly higher compared with previous years.

The Company is exposed to currency fluctuations, as the majority of the Group's turnover is in USD or Euro. The Group's exposure towards currency fluctuations are relatively low, since the majority of the contracts in foreign currency are hedged to avoid risk and fluctuations.

#### Credit risk

Due to the nature of the Group's operations, revenues and related receivables are typically concentrated amongst a relatively small customer base within the oil and gas sector. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Group being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Group's business and financial position.

The Company has realized a loss of NOK 1.5 million on account receivables in Dwellop related to delivery of equipment to a yard in China. In addition, one other invoice is being disputed and the Company is undertaking a legal assessment of the disagreement.

The Company has limited exposure towards interest rates changes, since the debt is relatively low.

## Board of Directors' report 2017

### Liquidity risk

The Company monitors its liquidity on a regular basis, and produces rolling liquidity forecasts on a monthly basis in order to identify liquidity requirements in future periods. The target for the Company's management of liquidity risk, is to minimum maintain a liquidity corresponding to its net liquidity requirements for 12 months. The cash position of Hunter Group ASA at year end 2017 was NOK 279,456 thousand, compared to NOK 335 thousand in 2016. For Dwellop AS the cash position was 573 thousand at year end 2017.

Dwellop has historically been funded by cash flows from operations and, more recently, bank loan for project financing. Dwellop has limited external debt and is hence able to operate without external financing in challenging times. However, especially in weak economic environments, Dwellop may experience increased payment delays and failures by customers due to, among other reasons, customers' reduced cash flow from operations or access to the credit markets. If one or more customers fails to pay significant amounts of outstanding receivables in a timely manner or at all, for any reason, this could have a material adverse effect on Dwellop's liquidity position as the cash or cash equivalents available to Dwellop may be reduced and Dwellop may be required to increasingly rely on credit facilities for liquidity or support from its parent. Dwellop's ambition is to be cash neutral with cash generation from its own operations.

The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

### The working environment, the employees and equal opportunities

The Company has not registered any critical incidents or leave of absence due to incidents. The percentage of days lost through illness in 2017 was 1.9 %.

The Company has a working environment committee where representatives from the employer and employees are represented. Monthly HSE inspection has been undertaken throughout the year.

The Company's human resource policy accommodate for both personal and academic development.

The Company had 35 employees and five consultants by the end of 2017. Nine employees have left the Company and five new employees were recruited during the year.

The Company's business is technically oriented. The Company's objective is to have a good balance when it comes to gender. By the end of 2017, seven out of the 35 employees were women. We kindly refer to our corporate governance and corporate social responsibility documents on page 4 to 14 for further information

### Discrimination

The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith. The Group is working actively, determined and systematically to encourage the act's purpose within our business. Included in the activities are recruiting, salary and working conditions, promotion, development opportunities and protection against harassment.

### Environmental report

There has been no incidents reported related to emissions of toxic fluid or gases that has resulted in a breach of the pollution act or other pollution of significance. The Company has good control of what is emitted via oil separators and the results from the analysis of the emissions are within the applicable values.

### Research and development

The Company's R&D activities are performed by Dwellop which is mainly related to optimization of the WOR and WIS. All R&D activities in Indicator has been put on hold.

## Board of Directors' report 2017

### Subsequent events

Dwellop's board of directors has approved a work-over rig (WOR) contract with a yard. The contract is subject to certain closing conditions, primarily that the yard needs to conclude on a contract with its client. If a firm contract between the yard and its client is not signed, Dwellop's contract will be cancelled. Hunter Group has secured a project financing facility for the construction process. The construction period is estimated to 18 months. See press release from 13 February 2018 for further information.

The board of directors has on 6 March 2018 received a notice from Ola Beinnes Fosse that he will resign from his position as CFO. Furthermore the board of directors has on 19 March 2018 received a notice from Vegard Urnes that he will resign from his position as interim CEO. Both Ola Beinnes Fosse and Vegard Urnes will continue as CFO and interim CEO and fulfil their obligations during the termination period mutually agreed with the Board of Directors. As such the related options were cancelled. Also, Martha K Bakkevig decided to leave the BoD of Dwellop in March.

In an extraordinary general meeting on 5 April 2018 it was decided on a change in strategy in the company. Apollo Asset Limited (Apollo) and the founding shareholders of Dwellop AS will reorganize and change the share ownership in the subsidiary Dwellop AS. Apollo and the Dwellop Founders have agreed on a transaction structure where the intention is to separate/demerge the wholly owned subsidiary Dwellop AS from Hunter Group ASA by way of distribution of the shares in Dwellop to the Company's shareholders. Dwellop shall be listed on Merkur Market or on another market place, while Hunter Group ASA should continue on as an investment company to consider investments in various sectors, including, but not limited to, the shipping, oil and gas industry. Please refer to note 3 for details of the various accounting items that will be affected as a result of this restructuring. The total purchase price for the shares in Dwellop AS was NOK 140.8 million as per 2 May 2017. The agreement between Apollo and the Dwellop Founders also gives the Dwellop Founders a possibility to subscribe for/or acquire shares in Dwellop for at least NOK 39,230,768 to an equity value of Dwellop of maximum NOK 80,000,000. A valuation of Dwellop will be performed by Hunter Group ASA in connection with the change of the share ownership in the company.

Also in the extraordinary general meeting on 5 April 2018 it was elected new board of directors;

- Henrik Christensen, chairman
- Kristin Hellebust, board member
- Arne Fredly, board member

On 10. April 2018 the company received a non-binding indicative offer from Apollo Asset Limited, the Company's largest shareholder as of the same date, with respect to transferring four (4) VLCC newbuilding contracts and three (3) VLCC options to the Company. The transfer of the newbuilding contracts and the options is on a back-to-back basis as contracted with the Daewoo Shipbuilding Marine Engineering Co., Ltd, whereby the Company will assume the obligations towards the Shipyard (directly or indirectly). Total commitments for the four newbuilding contracts are USD 341.1m. On the same date, 10 April 2018, the Board of Directors also withdrew the lock-up and no-solicitation provisions the sellers' of Dwellop entered into as part of the settlement when the Company acquired Dwellop. The same date as the provision were withdrawn, Apollo Asset Limited acquired more or less all of the outstanding shares in Hunter Group previously owned by the sellers' of Dwellop. Apollo Asset Limited's ownership in the Company increased to 33.29% post the transaction.

### Future challenges

For HUNT, the future challenges will be to make the shipbuilding contracts effective, project management of the construction process, including site supervision, financing of the vessels, take delivery, time charter and operation management of the VLCCs.

For Dwellop, the main challenges will be the process to dividend the company out and to get the company listed on Oslo Merkur, in addition to secure orders for WORs and WIS. Several contracts for WIS have been signed the two first months in 2018, compared with the same period in 2017.

## Board of Directors' report 2017

### Allocation of net income

The Board of Directors has proposed the net income of Hunter Group ASA to be attributed to:

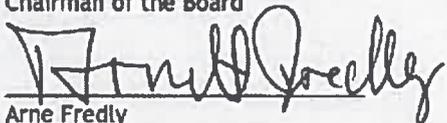
Retained Earnings	NOK -96,328 thousand
Net income allocated	NOK -96,328 thousand

Oslo, 18 April 2018



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Henrik A. Christensen  
Chairman of the Board



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Arne Fredly  
Board member



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Kristin Hellebust  
Board member



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Vegard Urnes  
Interim CEO

## Consolidated statement of profit and loss 2017

<i>(Figures in NOK 1 000)</i>	Note	For the year ended 31 December	
		2017	2016
<b>Revenues</b>			
Revenues	18	44 043	66
<b>Total Revenues</b>		<b>44 043</b>	<b>66</b>
<b>Operating expenses</b>			
Raw materials and consumables		20 775	1 561
Payroll expenses	24	27 493	4 140
Depreciation and amortisation expense	5, 6	11 013	99
Net write-down intangible assets and capitalized grants	5	69 374	0
Other operating expenses	6, 20, 24	28 411	4 391
Capitalised development cost	5	-1 915	-3 515
<b>Total operating expenses</b>		<b>155 152</b>	<b>6 676</b>
<b>Operating profit (loss)</b>		<b>-111 108</b>	<b>-6 610</b>
Interest income		2 661	0
Finance income		2 272	0
Other financial income		0	38
Interest expenses		-715	-483
Other financial expenses		-2 956	0
<b>Net financial income (loss)</b>	21	<b>1 262</b>	<b>-446</b>
<b>Profit (loss) before taxes</b>		<b>-109 847</b>	<b>-7 056</b>
Tax on ordinary result	22	13 519	0
<b>Net profit (loss)</b>		<b>-96 328</b>	<b>-7 056</b>
Earnings per share	23	-0.09	-0.38
Earnings per share diluted	23	-0.09	-0.37
<b>Total comprehensive income for the year</b>			
Profit (loss) for the year		-96 328	-7 056
Other		0	0
Translation differences		0	0
<b>Total comprehensive income (loss) for the year</b>		<b>-96 328</b>	<b>-7 056</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent company		-96 328	-7 056
Non-controlling interest		0	0
<b>Total comprehensive income (loss) for the year</b>		<b>-96 328</b>	<b>-7 056</b>

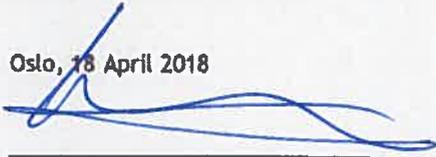
## Consolidated statement of financial positions

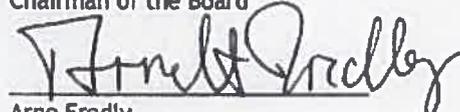
<i>(Figures in NOK 1 000)</i>	Note	As at 31 December	
		2017	2016
<b>NON-CURRENT ASSETS</b>			
Research and development	3, 5	17 830	149 632
Patents and customer relationships	3, 5	18 911	387
Goodwill	3, 5	58 655	0
<b>Total intangible assets</b>		<b>95 396</b>	<b>150 019</b>
Property, plant, equipment & machineries	6, 13	27 884	24
<b>Total tangible assets</b>		<b>27 884</b>	<b>24</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>123 280</b>	<b>150 043</b>
<b>CURRENT ASSETS</b>			
Inventories	7, 13	20 368	0
<b>Total inventories</b>		<b>20 368</b>	<b>0</b>
Trade receivables	8, 13	21 073	0
Other short-term receivables	9, 16, 19	4 873	605
<b>Total current receivables</b>		<b>25 946</b>	<b>605</b>
<b>Cash and cash equivalents</b>	10	<b>279 456</b>	<b>335</b>
<b>TOTAL CURRENT ASSETS</b>		<b>325 769</b>	<b>940</b>
<b>TOTAL ASSETS</b>		<b>449 049</b>	<b>150 983</b>

## Consolidated statement of financial positions

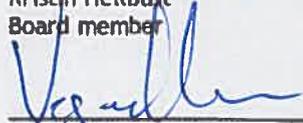
<i>(Figures in NOK 1 000)</i>	Note	As at 31 December	
		2017	2016
<b>EQUITY</b>			
Share capital	25	163 948	2 317
Share premium		508 844	218 070
Additional paid-in capital		0	3 935
Other equity		-257 654	-165 403
<b>TOTAL EQUITY</b>		<b>415 137</b>	<b>58 919</b>
<b>LIABILITIES</b>			
Deferred tax liability	22	0	0
<b>Total deferred tax liability</b>		<b>0</b>	<b>0</b>
Capitalized grants		0	81 500
Other interest-bearing debt	13	11 700	0
<b>Total non-current liabilities</b>		<b>11 700</b>	<b>81 500</b>
Trade payables	14, 16	8 587	2 063
Accrued public charges and indirect taxes		3 161	281
Taxes payable		0	0
Short-term derivatives		24	0
Current interest-bearing loans and borrowings	12	3 600	6 889
Other current liabilities	15, 16	6 840	1 331
<b>Total current liabilities</b>		<b>22 212</b>	<b>10 564</b>
<b>TOTAL LIABILITIES</b>		<b>33 912</b>	<b>92 064</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>449 049</b>	<b>150 983</b>

Oslo, 18 April 2018

  
 Henrik A. Christensen  
 Chairman of the Board

  
 Arne Fredly  
 Board member

  
 Kristin Hellbust  
 Board member

  
 Vegard Urnes  
 CEO

## Consolidated statement of cash flows

<i>(Figures in NOK 1 000)</i>	For the year ended 31 December		
	Note	2017	2016
Contribution from operations before tax		-31 263	-6 730
Change in accounts receivables and accounts payables		17 101	-1 015
Change in inventory		-11 464	0
Change in other receivables and payables and other		80	-376
<b>Net cash flow from operating activities</b>		<b>-25 546</b>	<b>-8 121</b>
Capital expenditures	5	-1 915	-3 516
Investments in property, plant & equipment	6	-3 647	0
Acquisition of a subsidiary, net of cash acquired	3	-50 522	0
<b>Net cash flow from investment activities</b>		<b>-56 084</b>	<b>-3 516</b>
Public grants		1 061	5 166
Contribution from industry partners		0	6 500
Interest received	21	2 661	30
Interest paid	21	-715	-488
Proceeds from borrowings financial institution		-9 554	178
Capital contribution	Equity	385 368	0
Transaction cost capital contribution	Equity	-18 069	0
<b>Net cash flow from financing activities</b>		<b>360 751</b>	<b>11 386</b>
<b>Total change in cash and cash equivalents</b>		<b>279 121</b>	<b>-251</b>
Cash and cash equivalents beginning of period		335	586
<b>Cash and cash equivalents end of period</b>	10	<b>279 456</b>	<b>335</b>
Profit (loss) attributable to equity holders of the parent		-109 847	-7 055
Employee options and other		142	-232
Depreciation and amortization expense		11 013	99
Net write-down intangible assets and capitalized grants	5	69 374	0
Financial income		-2 661	-30
Financial expenses		715	488
<b>Contribution from operations before tax</b>		<b>-31 263</b>	<b>-6 730</b>

Cash flow items from the subsidiary Dwellop AS has been included in the cash flow from the acquisition date 2 May 2017 to 31 December 2017.

## Consolidated statement of changes in equity

*(Figures in NOK 1 000)*

	Note	Share Capital	Share premium	Other paid- in capital	Retained earnings	Total equity
<b>Equity as of 1 January 2016</b>		2 317	218 070	4 167	-158 347	66 207
Total comprehensive income 2016		0	0	0	-7 056	-7 056
Option plan payment	24	0	0	-232	0	-232
<b>Equity as of 31 December 2016</b>		2 317	218 070	3 935	-165 403	58 919
Net profit (loss)		0	0	0	-96 328	-96 328
Total comprehensive income 2017		0	0	0	-96 328	-96 328
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	3	24 038	56 731	0	0	80 769
Transactions costs and reclassifications	3, 22	0	-13 733	-3 935	3 935	-13 733
Option plan payment and other	24	0	0	0	142	142
<b>Equity as of 31 December 2017</b>		<b>163 948</b>	<b>508 844</b>	<b>0</b>	<b>-257 654</b>	<b>415 137</b>

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles

Hunter Group ASA (HUNT) is a public limited company, incorporated in Norway, headquartered in Oslo and listed on the Oslo Stock Exchange (Oslo Axess list), address headquarter: Munkedalsveien 45A, 0250 Oslo, Norway. The financial statements of Hunter Group ASA for the fiscal year 2017 were approved in the board meeting on 18 April 2018.

The Group's activities are described in the Board of Director's report.

#### 1.1 Basis of presentation of the accounts

HUNT's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which have been adopted by the EU and are mandatory for financial year beginning on or after 1 January 2017, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31 December 2017.

The historical cost basis have been used when preparing the financial statements, except for derivative financial instruments that have been measured at fair value. These policies have been applied consistently to all periods presented, and certain amounts in the comparable year have been reclassified to be consistent with current year presentation. Some totals may not equal the sum of the amounts shown due to rounding.

#### 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, unrealized 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, will be accounted for as an equity transaction. The Group consist of the following companies as per 31 December 31 2017:

- Hunter Group ASA (parent company)
- Indicator AS (100% owned subsidiary)
- Dwellop AS (100% owned subsidiary)

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

#### 1.2 Intangible assets

Intangible assets that have been acquired separately are carried at cost at initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is expensed as incurred.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized but are expensed as occurred.

Intangible assets not ready to use are tested for impairment annually ref. note 5. Such intangibles are not amortized. The cost of intangible assets acquired in a business combination is their fair value at the date of the acquisition.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

Other intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets, which are 5 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

#### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

#### Patents and licenses

Amounts paid for patents and licences are capitalized and amortized in a straight line over the expected line over the expected useful life from the time the technology it relates to is ready for use. The expected useful life of patents and licences varies from 5 til 20 years.

#### Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognized 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 recognized 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 recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

### 1.3 Government grants

Government grants are recognized when it is reasonably certain that the Group will meet the conditions stipulated for the grants and that the grants will be received. Operating grants are recognized systematically during the grant period. Grants are deducted from the cost which the grant is meant to cover.

Historical contributions from partners in the Badger Technology are subject to specific requirements, and the contributions have been recognized in the balance sheet as long term liabilities. Please see note 5 for further information about these contributions.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### 1.4 Use of estimates when preparing the annual financial statements

Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements, is given in the notes 3 and 5.

Estimation uncertainty could mainly affect;

- Goodwill (impairment)
- Deferred tax asset (impairment)
- Customer relationships (impairment)
- Patents (depreciation and/or impairment)
- Research & Development (impairment)
- Property, plant, equipment & machineries (depreciation and/or impairment)
- Inventory (provision for obsolesce)
- Trade receivables (bad debt provision)
- Purchase Price Allocation

For purchase price allocation, goodwill, customer relationships and patents, a valuation methodology based on a discounted cash flow (DCF) model is used, as there is a lack of comparable market data because of the nature of these assets.

Provision for obsolesce and bad debt is based on the Group's best estimate.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### 1.5 Impairment of assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.

An assessment of impairment losses on assets is made when there is an indication of a fall in value. Intangible assets not ready to use are tested for impairment annually. Such intangibles are not amortized. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognized in the statement of profit or loss. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity as there is only one CGU (cash generating unit) in the Group.

Impairment losses recognized in the statements of profit or loss of previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

#### 1.6 Cash and cash equivalents

Cash includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be immediately converted into a known amount of cash and have a maximum term to maturity of three months.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### 1.7 Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method.

#### 1.8 Functional currency and presentation currency

The Group's presentation currency is NOK. This is also the functional currency of the companies in the Group. Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

#### 1.9 Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

#### 1.10 Financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, receivables, available-for-sale financial assets, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The Group determines the classification of its financial assets at initial recognition. The Group's financial assets include cash and cash equivalents, trade and other receivables.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Included in financial assets at fair value through profit or loss is the currency future. All other assets are included in loans and receivable category.

The subsequent measurement of financial assets depends on their classification as described below:

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

##### *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR (effective interest rate) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in cost of sales or other operating expenses for receivables.

This category includes accounts receivable and other receivables carried at amortized cost or at nominal amount less provision for bad debt where this can be regarded as a reasonable proxy for fair value.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### **AFS financial assets**

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited to the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

Other financial assets are cash and cash equivalents, measured end rate for items in foreign currency.

#### **1.11 Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or borrowings, as appropriate.

HUNT's financial liabilities include trade and other payables and short- and long-term debt to financial institutions.

#### **Subsequent measurement**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

#### **Debt to financial institutions**

After initial recognition, borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

#### **Derecognition**

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

#### **Currency exchange spot**

After initial recognition, the currency exchange spot are subsequently measured at fair value, with gains or losses recognized in profit or loss.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### 1.12 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. When fixed assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognized, and any gain or loss on the sale or disposal is recognized in the statement of profit or loss.

The gross carrying amount of fixed assets is the purchased price, including duties/taxes and direct acquisition costs relating to making the asset ready for use. Subsequent costs, such as repair and maintenance costs, are recognized in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognized in the statement of financial position as additional to fixed assets.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Plant and machinery: 5 - 10 years

The depreciation period, the depreciation method and the residual value of fixed assets are evaluated annually.

#### 1.13 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.

#### 1.14 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. Provisions are evaluated at the end of each month and adjusted to reflect the available information about the provision. When the information available is insufficient, the best estimate is used.

#### Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

#### 1.15 Recognition of revenue

Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the Group and the amount can be reliably estimated. Revenues are presented net of value added tax and discounts.

Revenue from sale of goods is recognized at the time of delivery. Services are recognized as they are delivered. Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized 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.

Interest income is recognized in the statement of profit or loss based on the effective interest method as they are earned.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### 1.16 Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognized when it is probable that the Group will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset. The Group recognize previously unrecognized deferred tax assets to the extent it has become probable that the Group can utilize the deferred tax asset. Similarly, the Group will reduce a deferred tax asset to the extent that the Group no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured on the basis of tax rates that have been enacted or substantial enacted at the reporting date.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current asset (long-term liabilities) in the balance sheet.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### 1.17 Contingent liabilities and assets

Contingent liabilities are not recognized in the annual accounts. Significant contingent liabilities are disclosed, with the exception of contingent liabilities that are remote to be incurred.

Contingent assets are not recognized in the annual accounts but are disclosed if it is probable that a benefit will be added to the Group.

#### 1.18 Share-based payment

Employees of HUNT receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 24. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Social security tax on options is recorded as a liability and is recognized over the estimated vesting period.

#### 1.19 Leases

The determination of 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, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

##### *Group as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

##### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### 1.20 Equity

##### *Cost of equity transactions*

Transaction costs directly related to an equity transaction are recognized directly in equity after deducting tax expenses.

#### 1.21 Events after the reporting period

New information on the Group's financial position at the end of the reporting period which becomes known after the reporting period is reflected in the annual accounts. Events after the reporting period that do not affect the Group's financial position at the end of the reporting period but which will affect the Group's financial position in the future are disclosed if significant.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### 1.22 Segments

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

No operating segments have been aggregated to form the above reportable operating segments.

The Management 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. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

#### 1.23 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year and the new acquisition of Dwellop in May 2017 with resulting new accounting items for the Group. Below are listed the amendments in IFRS which have been applicable for the Group's 2017 financial statements, as well as the effect of the amendments.

*The following new and amended standards and interpretations have been implemented for the first time in 2017:*

#### Amendments to standards and interpretations with a future effective date

Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

#### **IFRS 9 Financial instruments / Finansielle instrumenter (unofficial Norwegian translation)**

In July 2014, IASB published the last sub-project for IFRS 9 and the standard has now been completed. IFRS 9 constitutes amendments linked to the classification and valuation, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments - Recognition and Valuation. Those parts of IAS 39 which have not been changed as part of this project have been transferred and included in IFRS 9.

The standard will be implemented retrospectively, except for hedge accounting, but preparing comparative figures is not a requirement. The rules for hedge accounting should mainly be implemented prospectively but with some exceptions. The standard has accounting effect from 1 January 2018. There were no material changes in the accounts based on a new standard as per 1 January 2018.

#### **IFRS 2 Share-based Payments**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The implementation of IFRS 2 amendments will not have any significant effect on the equity as per 1 January 2018.

## Notes to the consolidated financial statements 2017

### Note 1 - Significant accounting principles cont.

#### IFRS 15 Revenues 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.

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 31 December 2017. The Group has decided to use the modified retrospective method (ie. without adjusting the comparable amounts for earlier periods). The Group has as such not evaluated contracts ending before 2018. In 2017, only one contract was entered into with expected delivery in 2018. The contract value is immaterial. It is the Groups's assessment that under IFRS 15, the revenue recognition will be equal to the current IFRS standards for this contract. The implementation of IFRS 15 will as such not have any effect on the equity as per 1 January 2018.

#### IFRS 16 Lease replaces existing IFRS lease requirements, IAS 17 Leieavtaler

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.

The preliminary analysis has not identified any other significant leasing items. The remaining undiscounted lease obligations as of 31 December 2017 is approximately NOK 27.9 million.

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

### Note 2 - Government grants and development costs

HUNT has no sales revenue, but have received grants and tax incentive schemes from different government sources, such as the Research Council of Norway (RCN), Innovation Norway and SkatteFUNN, reported as Government grants.

The development projects were funded with a percentage of the total project costs. Received government grants in 2017 was NOK 1.061 million compared to NOK 5.166 million in 2016.

## Notes to the consolidated financial statements 2017

### Note 3 - 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 2 May 2017 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`s accounts from 2 May 2017.

#### Provisional purchase price allocation Dwellop AS (figures in NOK 1 000)

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
<b>Fair value of identified net assets</b>	<b>82 113</b>
Fair value of consideration	140 769
<b>Goodwill</b>	<b>58 656</b>

	Book value of purchased assets and liabilities	Fair value adjustment	Fair value of purchased assets and liabilities
<i>(Figures in NOK 1 000)</i>			
Goodwill	0	58 655	58 655
Patents	2 187	9 298	11 486
R&D assets	21 640	0	21 640
Customer relationships	402	10 672	11 074
Tangible fixed assets	27 770	0	27 770
<b>Total non-current assets</b>	<b>51 999</b>	<b>78 625</b>	<b>130 625</b>
Inventories	9 244	0	9 244
Account receivables	48 330	0	48 330
Cash	9 482	0	9 482
<b>Total current assets</b>	<b>67 055</b>	<b>0</b>	<b>67 055</b>
<b>Total assets</b>	<b>119 055</b>	<b>78 625</b>	<b>197 680</b>
<b>Equity</b>	<b>66 937</b>	<b>73 833</b>	<b>140 769</b>
Deferred tax	13 062	4 793	17 855
Long-term liabilities	17 965	0	17 965
<b>Total non-current liabilities</b>	<b>97 964</b>	<b>78 626</b>	<b>176 590</b>
Accounts payable	13 692	0	13 692
Public duties payable	1 170	0	1 170
Other current liabilities	6 229	0	6 229
<b>Total current liabilities</b>	<b>21 091</b>	<b>0</b>	<b>21 091</b>
<b>Total equity and liabilities</b>	<b>119 055</b>	<b>78 626</b>	<b>197 680</b>

## Notes to the consolidated financial statements 2017

### Note 3 - Business combinations cont.

The majority of recognized goodwill is related to potential projects and workforce that do not qualify for recognition according to IAS 38. The transaction costs related to the private placement 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 year 2017 as if the transaction had been completed 1 January 2017.

#### Operating revenues and expenses (figures in NOK 1 000)

Revenues	80 718
<b>Total operating revenues</b>	<b>80 718</b>
Raw materials and consumables used	43 699
Payroll expenses	38 472
Depreciation and amortisation expense	15 901
Write-down intangible assets	69 374
Other operating expenses	34 966
Capitalised development cost	-1 915
<b>Total operating expenses</b>	<b>200 497</b>
<b>Operating profit (loss)</b>	<b>-119 779</b>
Interest income	2 681
Finance income	3 467
Other financial income	0
Interest expenses	-835
Other financial expenses	-4 402
<b>Net financial items</b>	<b>911</b>
<b>Profit / (loss) before taxes</b>	<b>-118 868</b>
Taxes (+)/tax income (-)	13 519
<b>Net income</b>	<b>-105 349</b>

### Note 4 - 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.

## Notes to the consolidated financial statements 2017

### Note 4 - Segment information cont.

(Figures in NOK 1 000)

Year 2017

	Hunter Group	Indicator	Dwellop	Adjustments and eliminations	Consolidated
<b>Operating revenue</b>					
External customers	0	91	43 952	0	44 043
Inter-segment	0	155	0	-155	0
<b>Total operating revenues</b>	<b>0</b>	<b>246</b>	<b>43 952</b>	<b>-155</b>	<b>44 043</b>
<b>Income / (expenses)</b>					
Depreciation and amortization	7	15	5 245	5 746	11 013
Net impairment charges*	0	69 374	0	0	69 374
<b>Segment profit (loss)</b>	<b>-20 245</b>	<b>-70 435</b>	<b>-6 634</b>	<b>986</b>	<b>-96 328</b>
<b>Total assets</b>	<b>423 228</b>	<b>803</b>	<b>87 060</b>	<b>-62 043</b>	<b>449 049</b>
<b>Additions in property, plant, equipment &amp; machineries</b>	<b>0</b>	<b>0</b>	<b>-3 662</b>	<b>15</b>	<b>-3 647</b>
<b>Total liabilities</b>	<b>2 066</b>	<b>1 088</b>	<b>50 065</b>	<b>-19 306</b>	<b>33 912</b>

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

\* Net impairment charges of NOK 69.4 relates to the Indicator-segment, which existed prior to the company Indicator AS that was formally established in September 2017.

Please see note 5 for further details.

Geographical table	Norway	USA	Asia	Middle East	Other	Consolidated
Total operating revenues (see	12 516	10 607	2 686	16 529	1 704	44 043
Other assets than financial	449 049	0	0	0	0	449 049

The Group's three largest customers account for approximately 66 % of the turnover in 2017, and relate all to the Dwellop segment. Customer A equals 33.3 %, customer B equals 23.4 % and customer C equals 9.4 %.

### Note 5 - Intangible assets

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

(Figures in NOK 1 000)

Per 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	150 032
Accumulated depreciations at 31 December 2016	13	0	13
<b>Book value at 31 December 2016</b>	<b>387</b>	<b>149 633</b>	<b>150 019</b>
<b>Depreciation for 2016</b>	<b>13</b>	<b>0</b>	<b>13</b>

## Notes to the consolidated financial statements 2017

### Note 5 - Intangible assets cont.

(Figures in NOK 1 000)

Per 31 December 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 2017	0	0	0	1 915	1 915
Government grants	0	0	0	-1 061	-1 061
Cost at 31 December 2017	58 655	11 074	11 885	172 125	253 740
Accumulated impairments at 31 December 2017	0	0	389	150 485	150 874
Accumulated depreciations at 31 December 2017	0	1 575	2 085	3 810	7 471
<b>Book value at 31 December 2017</b>	<b>58 655</b>	<b>9 499</b>	<b>9 412</b>	<b>17 830</b>	<b>95 396</b>
Impairment charges in 2017	0	0	389	150 485	<b>150 874</b>
Depreciation for 2017	0	1 575	2 072	3 810	<b>7 458</b>
Estimated useful life:	Indefinite	5 years	5 years	5 years	
Depreciation method:	N/A	straight-line	straight-line	straight-line	

The additions of goodwill, customer relationships and patents are related to the business acquisition of Dwellop AS, see note 3. The goodwill is in its entirety related to the cash generating unit of Dwellop.

#### Development cost

The Group has capitalized all direct costs that are expected to create economic benefits and meet the requirements for capitalization in IAS 38. The capitalized costs relates to cantilevered well intervention solution and cantilevered WOR solution which enables cost-effective and safe well intervention, work-over and P&A operations from jack-ups or liftboats.

#### Impairment

The write-down of intangible assets of NOK 150.9 million in 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 -81.5 million was also derecognized in 2017, and relates to the Badger Technology. The contractual obligations related to any future earnings will remain, should there be commercializing possibilities in the future. Net write-down amounted to NOK 69.4 million.

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 explorers at market price for a period of up to 6 years from commercialization. Please see note 11 for further details.

#### Impairment test

Goodwill, patents and value of customer relationships acquired through business combinations are allocated to the cash-generating unit (CGU) for Dwellop, which are also an operating and reportable segment.

Carrying amount of goodwill, patents and excess value customer relationships allocated to the CGU:	2017
Goodwill	58 655
Patents	9 412
Customer relationship	9 499

The Group performed its annual impairment test in December 2017. The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2017, the market capitalization of the Group was below the book value of its equity. In addition, there were an overall decline in expected revenues and EBITDA for 2017 due to challenging market conditions and order intake. As such, impairment indicators were identified for the Dwellop CGU.

## Notes to the consolidated financial statements 2017

### Note 5 - Intangible assets cont.

#### Dwellop CGU

Dwellop's projects/deliveries are divided into WOR (Work-Over Rig), WIS (Well Intervention Systems) and After Sales (spareparts, service, modifications etc.).

The recoverable amount has been determined based on a value in use calculation using discounted cash flow projections from financial budgets approved by senior management covering a three-year period from 2018 to 2020. The budgeted revenues are based on expected order intakes and subsequent revenue recognition distributed over the delivery period. The value in use is primarily related to contract awards for WORs. In 2017, the Company finalized a WOR contract with a client in Asia. 2017 was a disappointing year for Dwellop due to the challenging market conditions and the Company did not sign any new WOR contracts. However, the demand for Dwellop's WORs has improved for the first months in 2018, and Dwellop is currently in discussions with several clients for new projects. Management is working on closing a contract with a customer in Asia as announced in a press release at 13 February 2018. The contract has an expected value of more than NOK 200 million, but is subject to certain closing conditions, primarily that the yard needs to conclude on a contract with its client. Management has assumed one Cantilever WOR order in 2019 and two Cantilever WOR order intakes in 2020 with expected revenues over the 14 months delivery period.

Based on the conducted impairment test, the Company concludes that an impairment of goodwill or other asset are not necessary. As described above, the nature and value of the CGU for Dwellop is of a binary nature due to the uncertainties for expected order intake within the WOR projects. There are thus significant uncertainties in the cash flow prognoses. The cash flow prognoses assume that Dwellop is awarded one or more contracts each year during 2018 to 2020. However, if Dwellop does not succeed in winning new WOR contracts, the revenues and EBITDA will be significantly reduced, and an impairment of the assets could be necessary.

Even though a new WOR contract has not yet been signed, the positive market signals from the last months have been included in the DCF analysis. In addition, demand and current order backlog within the deliveries for WIS projects further support the valuation.

The pre-tax discount rate applied to cash flow projections is 18.2 %. The level of the discount rate takes into consideration the binary nature of the business and the uncertainty regarding long-term market conditions. Cash flows beyond the three-year (2018 to 2020) period are extrapolated using a 2.0 % growth rate. It was concluded that the fair value less costs of disposal did not exceed the value in use.

#### *Key assumptions used in value in use calculations and sensitivity to changes in assumptions*

Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the CGU for Dwellop to exceed its recoverable amount.

The calculation of value in use is most sensitive to the assumptions as 1) EBITDA margins, 2) Level/timing of revenues and 3) Discount rate.

Please also see note 27 for subsequent events for change in strategy in Hunter Group in March 2018 which also involves a plan of change in ownership in Dwellop AS.

### Note 6 - Property, plant and equipment

	Property, plant, equip. & machineries	Total 2017	Property, plant, equip. & machineries	Total 2016
<i>(Figures in NOK 1 000)</i>				
Cost price at 1 January 2017	5 816	5 816	5 793	5 793
Additions through acquisition of Dwellop	27 770	27 770	0	0
Additions	3 647	3 647	22	22
Cost price at 31 December 2017	37 233	37 233	5 816	5 816
Accumulated depreciations at 31 December 2017	9 348	9 348	5 792	-5 792
<b>Booked value at 31 December</b>	<b>27 884</b>	<b>27 884</b>	<b>24</b>	<b>24</b>
Depreciation (straight-line method)	3 556	3 556	-99	-99
Estimated useful life	5-10 years		3-10 years	

## Notes to the consolidated financial statements 2017

### Note 6 - Property, plant and equipment cont.

The depreciation period and method are assessed each year to ensure that the method and period used harmonize with the financial realities of the non-current asset. The same applies to the scrap value.

#### Lease commitment

In March 2016, HUNT signed a lease for office and workshop purposes. HUNT moved its administration and workshop to new facilities located at the International Research Institute of Stavanger (IRIS) building. The lease agreement specified 4 quarterly payments of NOK 0.1 million beginning 1 April 2016, the commencement of the lease, and at the first day of each of the next three quarters. The rental agreement of 174 square meters expired on 31 March 2017. As from 1 August 2017 the Company signed a lease for office in Munkedamsveien 45 in Oslo with a monthly rent of NOK 37.5 thousand until 1 August 2018, and moved its administration to Oslo.

The Group currently has lease commitments for office- and repair location at Koppholen in Stavanger until 31 December 2018 of NOK 7.4 million. Furthermore the Group signed a lease contract for renting office- and repair location at Koppholen Forus starting from 1 January 2019 to 31 December 2022 with a total lease commitment of NOK 19.2 million (option period of 5 years).

The following arrangements are classified as operating leases:

*(Figures in NOK 1 000)*

<b>Operating leasing costs</b>	<b>2017</b>	<b>2016</b>
Rent costs on buildings	5 007	862
Operational leasing costs	118	14
<b>Total operating leasing costs</b>	<b>5 125</b>	<b>876</b>

The future minimum rents related to non-cancellable leases fall due as follows:

	<b>Within 1 year</b>	<b>2-5 years</b>	<b>After 5 years</b>
Operational leasing costs	19	17	0
Rent costs on buildings	7 688	19 170	0
<b>Total</b>	<b>7 707</b>	<b>19 186</b>	<b>0</b>

### Note 7 - Inventory

*(Figures in NOK 1 000)*

	<b>2017</b>	<b>2016</b>
Finished goods	3 076	0
Work in progress (WIP)	17 292	0
<b>Total inventories</b>	<b>20 368</b>	<b>0</b>

Provision for obsolescence included in the amount above

**-358**      **0**

### Note 8 - Trade receivables

*(Figures in NOK 1 000)*

	<b>2017</b>	<b>2016</b>
Accounts receivable	21 595	0
Performed work earned, not invoiced (note 19)	978	0
Provision of loss on receivables	-1 500	0
<b>Total trade receivables</b>	<b>21 073</b>	<b>0</b>

## Notes to the consolidated financial statements 2017

### Note 8 - Trade receivables cont.

Trade receivables are non-interest bearing and the payment terms are generally net 30 days. Fair value of the receivables approximates the nominal values, less provision for doubtful receivables, which is NOK 1.5 million per 31 December 17 and NOK 0 per 31 December 16.

#### Age distribution of trade receivables

As at 31 December, the ageing analysis of trade receivables is as follows:

	Neither		Past due but not impaired				
	Total	past due nor impaired	>30 days	30-60 days	60-90 days	90-120 days	>120 days
<b>2017</b>	21 595	8 883	3 626	555	301	1 510	6 720
<b>2016</b>	0	0	0	0	0	0	0

### Note 9 - Other short-term receivables

(Figures in NOK 1 000)

	2017	2016
Skattefunn & Research Council of Norway receivables	1 691	367
Prepaid expenses	1 920	238
Refundable VAT	1 262	0
<b>Total other receivables</b>	<b>4 873</b>	<b>605</b>

### Note 10 - Cash and cash equivalents

(Figures in NOK 1 000)

	2017	2016
Cash at bank	279 456	335
<b>Total cash at bank</b>	<b>279 456</b>	<b>335</b>
Restricted bank deposits for employee withholding taxes	1 869	144

### Note 11 - Conditional commitments

#### Contribution recognized as capitalized grants in the statement of financial position

Through strategic industrial cooperation agreements, HUNT has historically received contributions amounting to NOK 81.5 million. The Badger Demonstrator Program (2012 -2014) Agreement was supported by Statoil, Chevron Energy Technology Company, ExxonMobil Exploration and Production Norway AS, Wintershall Norge AS and China National Petroleum Corporation Drilling Research Institute (CNPC DR). The Badger Explorer Development Program has been co-sponsored by Statoil.

If commercial sales to the market should start, all participants and Shell Technology Norway AS (the previous partner of the Badger Explorer Prototype Program Agreement) will share 5 % royalty of all sales of products and services related to the Badger Explorer on a yearly basis. This royalty is limited to a total of 150 % of received contributions.

## Notes to the consolidated financial statements 2017

### Note 11 - Conditional commitments cont.

The industry partners having signed the Badger Explorer Development Program Agreement have a first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Badger Explorers at a pre-negotiated gross margin. This gross margin is considered to be acceptable and fair oil industry standard. The partners do have this right for a period up to 6 years from commercialization. Should a partner not employ its first right of refusal, this right and the corresponding share of manufacturing capacity will fall to the remaining partners. The program has been fully written off in 2017. As such, the related Capitalized grants of NOK -81,5 million were also derecognized in 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 69.4 million.

### Note 12 - Current interest-bearing loans and borrowings

(Figures in NOK 1 000)

	2017	2016
Short-term liabilities	3 600	6 889
<b>Debt financial institutions</b>	<b>3 600</b>	<b>6 889</b>

The subsidiary Dwellop received an installment loan credit of maximum NOK 18 million in January 2017 from DNB. The down-payment is NOK 0.9 million per quarter (5 years). Remaining outstanding debt related to this credit is NOK 15.3 million, ref. note 13. below. The interest rate is NIBOR + 2.5 %.

In addition, Dwellop has an unused cash credit in DNB as per 31 December 2017 of NOK 14.4 million, with a limit of NOK 15.0 million. The interest rate is NIBOR +2.15 %. The overdraft position is limited to maximum 70 % of accounts receivable and inventory per quarter.

Furthermore, there is a requirement of minimum NOK 30 million in equity in Dwellop, and an equity percentage of minimum 30 per cent excluding goodwill, at 31.12. As per 31 December 2017 Dwellop was not in breach with the covenants.

### Reconciliation of liabilities arising from financing activities:

	2016	Non-cash changes				2017
		Cash flows	Acquisition	FX movement	Fair value changes	
Other interest-bearing debt (long-term)	0	-2 700	14 400	0	0	11 700
Short-term liabilities	6 889	-6 854	3 565	0	0	3 600
Currency futures	0	0	0	0	24	24
<b>Total liabilities from financing activities</b>	<b>6 889</b>	<b>-9 554</b>	<b>17 965</b>	<b>0</b>	<b>24</b>	<b>15 324</b>

	2015	Non-cash changes				2016
		Cash flows	Acquisition	FX movement	Fair value changes	
Other interest-bearing debt (long-term)	0	0	0	0	0	0
Short-term liabilities	6 711	178	0	0	0	6 889
Currency futures	0	0	0	0	0	0
<b>Total liabilities from financing activities</b>	<b>6 711</b>	<b>178</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6 889</b>

## Notes to the consolidated financial statements 2017

### Note 13 - Other interest-bearing debt

(Figures in NOK 1 000)

	2017	2016
Other interest-bearing debt (long-	11 700	0
<b>Other interest-bearing debt</b>	<b>11 700</b>	<b>0</b>
<b>Maturity of long-term and short-term interest-bearing debt</b>	<b>2017</b>	<b>2016</b>
Maturity 0-1 year (classified as short-term debt)	3 600	6 889
Maturity 2-4 years	11 700	0
Maturity 5 years and after	0	0
<b>Total long-term and short-term interest-bearing debt</b>	<b>15 300</b>	<b>6 889</b>

Average interest rate on interest-bearing debt is 4.6% in 2017. Book value of interest-bearing debt approximately equal fair value.

	2017	2016
<b>Book value of assets securing the interest-bearing debt</b>	<b>2017</b>	<b>2016</b>
Property, plant, equipment & machineries	27 884	0
Inventory	20 368	0
Accounts receivables	21 073	0
<b>Total Book value of assets securing the interest-bearing debt</b>	<b>69 324</b>	<b>0</b>

The Group had a guarantee limit of NOK 116.6 million from DNB related to performance-guarantee, advance guarantee and payment guarantee. The Group did not make use of the guarantee limits.

Furthermore, the Group also received on 2 February 2017 a project financing limit from DNB of maximum NOK 25.0 million, at NIBOR + 2,5%. No use were made of the project financing limit as of year-end 2017.

As security for the current and future obligations against DNB, the following security has been provided;

- 1. priority in receivables with a nominal value of NOK 200 million
- 1. priority in operating equipment with a nominal value of NOK 50 million
- 1. priority in inventory with a nominal value of NOK 50 million
- 1. priority in simple money claims - guarantee from Stimline AS
- 1. priority in simple money claims - guarantee from Castor Drilling Solution AS
- 1. priority in simple money claims - guarantee from Rotor Offshore AS
- 1. priority in simple money claims - guarantee from Future Production AS

### Note 14 - Trade payables

Trade payables are generally non-interest bearing and the payment terms are net 30 days. Fair value of the payables equals the nominal value.

### Note 15 - Other current liabilities

(Figures in NOK 1 000)

	2017	2016
<b>Other current liabilities</b>	<b>2017</b>	<b>2016</b>
Unpaid vacation pay	3 233	275
Government grants	0	772
Other accrued costs	3 417	92
Other*	191	191
<b>Total other current liabilities</b>	<b>6 840</b>	<b>1 331</b>

## Notes to the consolidated financial statements 2017

### Note 15 - Other current liabilities cont.

\* Other short-term liabilities include outstanding balance payable to CNPC DR for having two Chinese engineers working at Badger Explorer ASA's HQ from May to September in 2015.

### Note 16 - Financial instruments risk management objectives and policies (figures in NOK 1 000)

HUNT is subject to market risks (foreign currency exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's management oversees the management of these risks and assures that HUNT's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below.

#### Foreign currency risk

The Group's cash reserves of NOK 279.5 million are deposited in the Norwegian bank DNB. The main transactions for the Group are in NOK but the Group has suppliers invoicing in USD and GBP. For the subsidiary Dwellop AS, currency futures are used to reduce the risk.

#### Interest rate risk

The Group's financial income and financial costs in the statement of profit or loss are influenced by changes in interest rates as the interest on credit facility with DNB is on a floating basis. The Group had NOK 715 thousand in interest expense for the debt to financial institutions and NOK 2 661 thousand in interest income in 2017.

#### Credit risk

HUNT only trades with recognized, creditworthy third parties. It is the Group's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. All cash in the Group is deposited in the Norwegian bank DNB. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk.

#### Liquidity risk

HUNT monitors its liquidity on a regular basis, and produces rolling liquidity forecasts on a monthly basis in order to identify liquidity requirements in future periods. The target for HUNT's management of liquidity risk is to minimum maintain a liquidity corresponding to its net liquidity requirements for 12 months. The cash position of Hunter Group ASA at year end 2017 was NOK 277,888 thousand, compared to NOK 335 thousand in 2016. For Dwellop AS the cash position was 573 at year end 2017.

Following the successful launch of one private placement at the end of 2016, with effect in 2017, and one private placement in 2017, the Company's financial and liquidity position was significantly improved in 2017. The net proceeds from the Private Placement was partly used for the investment in Dwellop AS on 2 May 2017, and HUNT will pursue further opportunities. The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

Dwellop has historically been funded by cash flows from operations and, more recently, bank loan for project financing. In 2017 Dwellop established a new loan of NOK 18 million in DNB Bank ASA as well as an overdraft facility in the amount of NOK 15 million. At the same time the loan with remaining outstanding amount of NOK 9.8 million in Danske Bank was redeemed. Especially in weak economic environments, Dwellop may experience increased payment delays and failures by customers due to, among other reasons, customers' reduced cash flow from operations or access to the credit markets. If one or more customers fails to pay significant amounts of outstanding receivables in a timely manner or at all, for any reason, this could have a material adverse effect on Dwellop's liquidity position as the cash or cash equivalents available to Dwellop may be reduced and Dwellop may be required to increasingly rely on credit facilities for liquidity or support from its parent. Dwellop's ambition is to be cash neutral with cash generation from its WIS segment.

The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

## Notes to the consolidated financial statements 2017

### Note 16 - Financial instruments risk management objectives and policies (figures in NOK 1 000) cont.

	within 3 months	within 3-6 months	within 9-12 months
<b>2017</b>			
Accounts payable	8 587	0	0
Public duties payables	3 161	0	0
Short-term debt financial institutions	900	1 800	900
Short-term derivatives	24	0	0
Other short-term liabilities	3 608	3 233	0
Interest payable	176	321	145
	<b>within</b>	<b>within</b>	<b>within</b>
	<b>3 months</b>	<b>3-6 months</b>	<b>9-12 months</b>
<b>2016</b>			
Accounts payable	2 063	0	0
Public duties payables	281	0	0
Debt financial institutions (due as a result of breach of covenants ref. note 7)	6 889	0	0
Other short-term liabilities	1 055	275	0

#### Capital management

HUNT's main objective for the management of its capital structure is to maximize value creation for shareholders, while at the same time maintaining a sound financial position and a good credit rating.

HUNT manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives policies or processes during the financial year.

	2017	2016
Derivatives	24	0
Long-term debt financial institutions	11 700	0
Short-term debt financial institutions	3 600	6 889
Trade and other payables	18 588	3 674
Bank deposits	-279 456	-335
<b>Net debt (asset)</b>	<b>-245 544</b>	<b>10 228</b>
Equity	<b>415 137</b>	<b>58 919</b>
<b>Total capital</b>		
<b>Capital and net debt</b>	<b>169 594</b>	<b>69 147</b>
Gearing ratio	-144,8 %	14,8 %
Equity ratio	92,4 %	39,0 %

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments:

	Fair value measurement hierarchy	2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>					
Cash and cash equivalents	Level 1	279 456	279 456	335	335
Trade receivables	Level 2	21 073	21 073	0	0
Other short-term receivables	Level 2	4 873	4 873	605	605
<b>Financial liabilities</b>					
Other interest-bearing debt (long-term)	Level 2	11 700	11 700	0	0
Current interest-bearing loans and borrowings	Level 2	3 600	3 600	6 889	6 889
Trade payables	Level 2	8 587	8 587	3 674	3 674
Derivatives	Level 2	24	24	0	0

## Notes to the consolidated financial statements 2017

### Note 16 - Financial instruments risk management objectives and policies (figures in NOK 1 000) cont.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group does not use hedge accounting.

### Note 17 - Transactions with related parties (figures in NOK 1 000)

The following table provides the total amount of transactions that have been entered into with related parties controlled by members of executive management of HUNT for the relevant financial year. The purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions.

Transactions with related parties	2017	2016
Purchased services	4 869	1 401
Other short term liabilities to related parties	0	0
Account payable to related parties	1 083	1 250

In June 2013, Hunter entered into a consultancy agreement with one of its shareholders, Dalvin Rådgivning AS. Mr. Gunnar Dolven, acting CFO of Hunter for the first six months of 2017, is a shareholder and director of Dalvin Rådgivning AS. For 2017, consultancy services for totally NOK 630,232 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 the first nine months of 2017. Services for NOK 4,000 were invoiced for 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 ASA at the annual general meeting in May 2017 for two years. Both of these agreements are terminated as of the date of this annual report.

- Mr. Lundkvist acted as a transaction advisor to the Company.
- Mr. Vegard Urnes, employed as an Investment Manager in Middelborg AS, to perform the services as interim CEO of Hunter Group ASA. Mr. Urnes resigned from his position as interim CEO 19<sup>th</sup> March 2018.

Middelborg AS has invoiced the Company NOK 3,509,994 for 2017, mainly for interim CEO services from February to December.

During 2017, the Company has rented office space and purchased various services from Navis Finance AS for NOK 197,000. 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 owned by the Company's SVP Business Development (hired on 60% basis) and chairman in Dwellop Mr. Eirik Bergsvik. Services for NOK 528,000 were invoiced for 2017.

## Notes to the consolidated financial statements 2017

### Note 18 - Revenue

	2017	2016
Well intervention systems	30 649	66
Work over rig	6 440	0
After sales	6 954	0
<b>Total revenues</b>	<b>44 043</b>	<b>66</b>

	2017	2016
Sales in Norway	12 516	66
Sales in USA	10 607	0
Sales in Asia	2 686	0
Sales in the Middle East	16 529	0
Sales in other countries	1 704	0
<b>Total revenues</b>	<b>44 043</b>	<b>66</b>

The Group's three largest customers account for approximately 66% of the turnover in 2017.

### Note 19 - Construction contracts

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

	31.12.2017	31.12.2016
Contract costs incurred	635	0
Recognised profits	343	0
Recognised losses	0	0
Contract costs incurred and recognised profits (less recognised losses) to date	978	0
Progress billings	0	0
Due from (to) customers	978	0
Due from customers (asset)	978	0
Due to customers (debt)	0	0
Due from (to) customers	978	0
Total income from construction contract during the year	37 089	0

### Note 20 - Research and development costs

Research and development costs of NOK 8.5 million in 2017 and NOK 0 in 2016 were charged to the income statement as part of operating expenses.

### Note 21 - Finance income and finance expenses (figures in NOK 1 000)

This section provides additional information about individual line items of finance income and finance expense in the statement of profit or loss by type.

## Notes to the consolidated financial statements 2017

### Note 21 - Finance income and finance expenses (figures in NOK 1 000) cont.

<b>Finance income:</b>	<b>2017</b>	<b>2016</b>
Interest income related to cash and cash equivalents	2 661	0
Other financial income	601	8
Currency gain	1 671	30
<b>Total finance income</b>	<b>4 933</b>	<b>38</b>
<b>Finance expenses:</b>	<b>2017</b>	<b>2016</b>
Interest expense related to debt to financial institutions	715	483
Other financial expenses	105	0
Currency losses	2 851	1
<b>Total finance expenses</b>	<b>3 671</b>	<b>484</b>
<b>Total finance income (loss)</b>	<b>1 262</b>	<b>-446</b>

### Note 22 - Income tax (figures in NOK 1 000)

<b>Income tax expense</b>	<b>2017</b>	<b>2016</b>
Payable tax	0	0
Other	0	0
Tax from previous years	0	0
Changes in deferred tax	13 519	0
<b>Total tax expense *</b>	<b>13 519</b>	<b>0</b>

\* Hunter Group ASA has assessed the probability of the deferred tax asset that was not recognized before the business combination with Dwellop AS. A deferred tax asset of NOK 17.9 million has been recognized by Hunter Group and is offset by the existing deferred tax liability in Dwellop at the acquisition in May 2017.

<b>Calculation of basis for tax</b>	<b>2017</b>	<b>2016</b>
Earnings before tax	-109 847	-7 056
Permanent differences	-99 642	-200
Changes in temporary differences	41 485	7 255
<b>Total basis for tax</b>	<b>-168 004</b>	<b>0</b>

<b>Summary of temporary differences:</b>	<b>2017</b>	<b>2016</b>
Fixed assets	31 153	-148
Construction contracts	343	0
Inventory	-358	0
Trade receivables	-1 500	0
Accruals	-587	0
Loss carried forward	-333 514	-164 996
<b>Total</b>	<b>-304 463</b>	<b>-165 144</b>

<b>Calculated deferred tax asset (23 %/ 24 %)</b>	<b>-70 026</b>	<b>-39 635</b>
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## Notes to the consolidated financial statements 2017

### Note 22 - Income tax (figures in NOK 1 000) cont.

#### Statement of financial position

<b>Deferred tax asset</b>	<b>2017</b>	<b>2016</b>
Loss carried forward	-76 708	-39 599
Construction contracts	79	0
Inventory	-82	0
Trade receivables	-345	0
Accruals	-135	0
Fixed assets	7 165	-36
<b>Total deferred tax asset</b>	<b>-70 026</b>	<b>-39 635</b>
Not recognized deferred tax asset	70 026	39 635
<b>Total deferred tax asset recognised in the statement of financial position</b>	<b>0</b>	<b>0</b>

The Group has not recognized a deferred tax asset in the statement of financial position for 2017 and 2016 as the Group have been in a development phase and have been generating losses in 2016 and 2017.

<b>Loss carried forward as of 31 December 2017</b>	<b>2017</b>	<b>2016</b>
Unlimited carrying forward	333 514	164 996

<b>Effective tax rate</b>	<b>2017</b>	<b>2016</b>
Profit / (loss) before tax	-109 847	-7 056
24% / 25% tax of earnings before tax	-26 363	-1 764
Permanent differences	-23 914	-50
Changes in deferred tax asset not recognised in the statement of financial position and other	33 713	162
Effect due to 1% reduction in tax rate *	3 045	1 651
<b>Calculated tax cost</b>	<b>-13 519</b>	<b>0</b>
Effective tax rate	<b>0 %</b>	<b>0 %</b>

\*With effect from the 2018 financial year, the corporate taxable profits (ordinary income) are taxed at a flat rate of 23 %. Deferred tax assets and liabilities at 31 December 2017 have been calculated using 23 % tax rate.

### Note 23 - Earnings per share

Earnings per share is calculated as net profit (loss) for the year attributable to equity holders of the Company divided by the weighted 'average number of shares outstanding over the year.

Diluted earnings per share is calculated as net profit (loss) for the year attributable to equity holders of the Company divided by the weighted average number of share outstanding over the year plus the weighted average number of dilutive potential shares.

Options, awarded to employees at the end of 2006 and 2007, were waived and not included in the calculation of diluted earnings per share. The effect of options awarded to employees in 2009, 2010, 2011, 2013, 2014, 2016 and 2017 is included in the calculation of diluted earnings per share for 2017 and 2016.

## Notes to the consolidated financial statements 2017

### Note 23 - Earnings per share cont.

<i>(Amounts in NOK 1 000)</i>	<b>2017</b>	<b>2016</b>
Profit (loss) attributable to equity holders of the Company	-96 328	-7 056
Weighted average number of outstanding ordinary shares during the year	1 018 603	18 537
Effect of dilution - share options	544	440
<b>Weighted average outstanding diluted shares</b>	<b>1 019 147</b>	<b>18 977</b>
<b>Earnings (loss) per share</b>	<b>2017</b>	<b>2016</b>
Ordinary	-0.09	-0.38
Diluted	-0.09	-0.37

### Note 24 - Payroll and related expenses

*(Figures in NOK 1 000)*

<b>Payroll and related expenses</b>	<b>2017</b>	<b>2016</b>
Salaries and vacation pay	21 023	3 694
Social security tax	3 505	535
Pension expense ("OTP")	1 333	144
Employee share option program expense (incl. national insurance contributions)	64	-232
Remuneration to the Board of Directors and the Nomination Committee	1 568	0
<b>Total payroll an related expenses</b>	<b>27 493</b>	<b>4 140</b>
	<b>2017</b>	<b>2016</b>
Average work years	39	5

#### Pension scheme

The Company has a defined contribution pension scheme that complies with the Norwegian occupational pension legislation (called "OTP"). The pension contributions range from 4 % 0 - 7.1 G to 7 % 7.1 -12 G of the employee's salary - maximized to a percentage of 12 G (NOK 1,123,608). The National Insurance scheme basic amount for 2017 is NOK 93,634,-. The retirement age for all employees, including the management, is 67 years.

The Group is obliged to have an occupational pension scheme pursuant to the Act on Occupational Pensions. The Group's pension plans meet the requirements of this Act

	<b>2017</b>	<b>2016</b>
Contributions expensed during the year	1 333	144

#### Remuneration to management (amounts in NOK)

The total remuneration for the members of the management was NOK 3.052 million in 2017, compared to NOK 1.421 million in 2016.

## Notes to the consolidated financial statements 2017

### Note 24 - Payroll and related expenses cont.

Total remuneration to management during the year ended 31 December is as follow	2017			2016		
	Other			Other		
	Salary	Remuneration	Pension cost	Salary	Remuneration	Pension cost
Steinar Bakke, (CEO)*	0	5 000	0	257 027	2 681	1 055
Øystein Larsen, (CEO)**	0	0	0	746 309	21 501	31 357
Roald Valen, (CEO)***	609 636	2 928	5 198	335 184	7 955	17 712
Vegard Urnes, (CEO)****	0	0	0	0	0	0
Ola Beinnes Fosse (CFO)*****	816 285	63 000	37 401	0	0	0
Helge Hustoft (CEO Dwellop AS - included from May 2017)	910 437	59 895	14 615	0	0	0
Eirik Bergsvik (Chm. of Board Dwellop and SVP Bus. Dev. Hunter Group)	528 000	0	0	0	0	0

\*Effective from 20 January 2016, Mr. Steinar Bakke resigned his position as CEO of HUNT. He has stepped down from his position as CEO and took up a new role as Senior Advisor of HUNT until 29 February 2016.

\*\*Mr. Øystein Larsen took on the position as CEO of HUNT, effective from 20 January 2016. On 9 September 2016, Mr. Larsen resigned his position as CEO of HUNT.

\*\*\*Effective from 22 August 2016, Mr. Roald Valen commenced as CEO of the Company.

\*\*\*\*Effective from 23 May 2017, Mr. Roald Valen resigned and Vegard Urnes took on the position as CEO.

\*\*\*\*\*Effective from 15 June 2017, Mr. Ola Beinnes Fosse took on the position as CFO.

At the end of the financial year 2017, executive management of HUNT consists of CEO and CFO. Vegard Urnes is paid through Middelborg AS.

Further information about remuneration for CEO is included in the note 14 "Transactions with related parties".

Shares and options held directly or indirectly by the management group as of 31 December 2017 are as follows:

	Number of		Exercise price	
	shares	% shares	Options	(NOK)
Vegard Urnes, CEO	325 000	0	2 222 222	0,5-0,7
Ola Beinnes Fosse, CFO	0	0	1 666 667	0,5-0,7
<b>Total</b>	<b>325 000</b>	<b>0</b>	<b>3 888 889</b>	<b>0,5-0,7</b>

Changes in share options held by the management group are as follows:

	Options of 1	Options granted in	Options forfeited in the	Options vested	Options as of
	January 2017	the period	period	in the period	31 December 2017
Roald Valen, CEO until 23 May 2017	250 000	0	0	-250 000	0
Eirik Bergsvik, SVP Business Development	0	1 111 111	0	0	1 111 111
Ola Beinnes Fosse, CFO	0	1 666 667	0	0	1 666 667
Vegard Urnes, CEO	0	2 222 222	0	0	2 222 222
<b>Total</b>	<b>250 000</b>	<b>5 000 000</b>	<b>0</b>	<b>-250 000</b>	<b>5 000 000</b>

See the section "Remuneration policy for members of executive management" for further information.

## Notes to the consolidated financial statements 2017

### Note 24 - Payroll and related expenses cont.

#### Remuneration to the Board of Directors and the Nomination Committee

The annual general meeting held in April 2017 resolved changes to the composition of the Board of Directors and remuneration of the Board members and the Nomination Committee members. The allocation of remuneration to the members of the Board and Nomination Committee is paid as follows in 2016 and 2017:

<i>(amounts in NOK)</i>	<b>2017</b>	<b>2016</b>
Marcus Hansson - Chairman of the Board, Audit Committee until april 2017**	630 000	0
Birte N. Borrevik - Board member until April 2017*	295 000	0
Belinda T. Ingebrigtsen - Board member until April 2017	160 000	0
Rolf E. Ahlqvist - Nomination Committee (until May 2017)	12 500	0
Bjørge Gretland - Board member (until 2015)*	135 000	0
David Ottesen - Board member until April 2017*	295 000	0
Steinar Bakke - CEO until January 2016 (Nomination Committee fee)	5 000	0
John Vemmedstad - Chairman of the Board (from May 2017)	0	0
Ingrid Elvira Leisner - Board member (from May 2017)	0	0
Kjetil Grim Skorstad - Board member	0	0
Jan Frode Vaksvik - Nomination Committee	20 000	0
Richard Urbanski - Nomination Committee (until May 2017)	10 000	0
Knut Åm - Nomination Committee (until May 2017)	5 000	0
<b>Total remuneration</b>	<b>1 567 500</b>	<b>-</b>

\*Effective from 28 July 2015, the members of the Board were initially paid out NOK 545,000 of the total remuneration of NOK 995,000 as a result of the Company's tight cash position in 2015. The remaining NOK 450,000 of the total Board remuneration for 2014, and the remuneration for 2015 of NOK 522,500 was paid on 15 February 2017, see the table below. As such, no Board remuneration was paid out in 2016.

<i>(Amounts in NOK)</i>	<b>2015</b>	<b>2017</b>
Marcus Hansson - Chairman of the Board, Audit Committee	200 000	380 000
Birte N. Borrevik - Board member	100 000	190 000
Belinda T. Ingebrigtsen - Board member	55 000	55 000
Rolf E. Ahlqvist - Nomination Committee	12 500	12 500
Bjørge Gretland - Board member (until 2015)	45 000	135 000
David Ottesen - Board member	100 000	190 000
Richard Urbanski - Nomination Committee	5 000	5 000
Knut Åm - Nomination Committee	5 000	5 000
<b>Total</b>	<b>522 500</b>	<b>972 500</b>

#### Employee share option program

On 1 January 2016, there were 469,000 share options outstanding under Employee share option program. On 15 March 2016, the Board of Directors of HUNT implemented a new share options program for HUNT employees offering a total of 190,000 share options at a strike price of NOK 1.80 and NOK 370,000 share options at a strike price of NOK 1.50, corresponding to 3 % of all outstanding HUNT shares. Mr. Øystein Larsen was granted 370,000 share options which forfeited due to the resignation from his position as former CEO. Mr. Steinar's Bakke 185,000 share options vested on the date of the publication of the Company's Q4 2015 report.

## Notes to the consolidated financial statements 2017

### Note 24 - Payroll and related expenses cont.

A further 185,000 share options forfeited due to the resignation from his position on 29 February 2016. Upon commencement of the employment, the current HUNT's CEO Mr. Valen was granted 250,000 share options. The previous share options program from 2014 was cancelled. The total number of 440,000 share options held by HUNT employees were outstanding on 31 December 2016. Fully vested and exercisable share options can be exercised between 3 to 10 days after the publication of the Company's Q4 2017 and Q4 2018 reports in 2018 and 2019.

On 22 August 2016, Mr. Roald Valen took on the position as CEO of HUNT. Upon commencement of the employment, Mr. Valen was granted 250,000 share options in HUNT at a strike price of NOK 2.40 per share. 125,000 options vested on the date of the publication of the Company's Q4 2017 report. A further 125,000 options vested in 2018 as a result of his reassignment from the Company in 2018.

On 23 May 2017, Mr. Vegard Urnes took on the position as interim CEO of HUNT. A total of 5,000,000 options was granted in 2017, please see above table for details.

The number of employees share options and average exercise prices for HUNT and development during the year:

	2017		2016	
	Share options	Weighted average exercise price	Share options	Weighted average exercise price
<b>Summary of outstanding options:</b>				
Balance at 1 January	440 000	2.14	469 000	6.71
Granted during the year	5 000 000	5.50	810 000	1.85
Cancelled during the year	0	0	-81 000	7.51
Forfeited during the year	-440 000	0	-758 000	4.08
Balance at 31 December	5 000 000	5.69	440 000	2.14
Effect of reverse share split	-4 500 000	-5.12	0	0
Balance at 31 December after reverse split	500 000	0.57	440 000	0
Vested options	-250 000	0	0	0.00
Weighted Average Fair Value of options granted during the period	5 000 000	0.18	810 000	1.15

Fair value of the options granted is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Changes to the estimates may significantly influence the expense recognized during a period.

At the annual general meeting of the Company on 31 May 2017, the Board of Directors was granted an authorization (as amended at the Company's extraordinary general meeting on 6 December 2017) to acquire, on behalf of the Company, up to 10,000,000 of the Company's own shares within a total par value of NOK 12,500,000. The minimum and the maximum amounts which may be paid per share are NOK 0.30 and NOK 10, respectively. The mandate is to be used in connection with the Company's share incentive schemes, share buy-back program and for other purposes which are in the best interest of the Company. The authorization is valid until the Company's annual general meeting in 2019, but no longer than until 30 June 2019.

## Notes to the consolidated financial statements 2017

### Note 24 - Payroll and related expenses cont.

#### Implemented remuneration policy for members of executive management for 2017:

The main principle of the Company's remuneration policy for HUNT's management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

*Management salaries and benefits for 2017 was based on the principles noted below.*

The fixed salary for each member of the management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

In addition to their base salary, the Company's management may be granted additional remuneration in the form of a bonus. The assessment criteria of such bonus will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the management, based on principles defined by HUNT's Board of Directors. No provision for bonus has been recognized for 2017.

The Company's management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

On 6 December 2017, the Board of Directors of HUNT implemented a new share options program for HUNT employees offering a total of 5,000 000 share options. The Options shall vest in the following tranches subject to certain conditions set out in the agreement.

Tranche of Options	No of Options (to be vested in a particular year)	Share Price Appreciation		Close of Option Tranche Exercise Window
		Vesting Condition	Vesting Opening Date	
Year 1	1/3 of total option granted	NOK 5,00,-	Each of the dates for Company's publication of Q3 2018 Financials and Q1 2019 Financials	14 days from Company's publication of Q4 Financials and Q2 Financials respectively.
Year 2	1/3 of total option granted	NOK 6,00,-	Each of the dates for Company's publication of Q3 2019 Financials and Q1 2020 Financials	14 days from Company's publication of Q4 Financials and Q2 Financials respectively.
Year 3	1/3 of total option granted	NOK 7,00,-	Each of the dates for Company's publication of Q3 2020 Financials and Q1 2021 Financials	14 days from Company's publication of Q4 Financials and Q2 Financials respectively.

Q2 publication will be Final Option Expiry Date.

All members of the management are included in the Company's occupational pension scheme drawn up by HUNT for all its employees. The pension scheme is a defined contribution scheme and contributions range from 4 % to 7 % of the employee's salary - maximized to a percentage of 12 G (NOK 1,110,912). The National Insurance scheme basic amount for 2017 was NOK 93,634 The retirement age for all employees, including management, is 67 years.

#### Remuneration policy for members of executive management - Guidelines for 2018:

The main principle of the Company's remuneration policy for HUNT's management is to offer competitive terms in an overall perspective taking into account salary, payments in kind, bonuses, pension plans and other benefits, to retain key staff.

Management salaries and benefits for 2018 will be based on the principles noted below.

The fixed salary for each member of the management shall be competitive and based on the individual's experience, responsibilities as well as the results achieved during the previous year. Salaries as well as other benefits shall be reviewed annually, and adjusted as appropriate.

## Notes to the consolidated financial statements 2017

### Note 24 - Payroll and related expenses cont.

In addition to their base salary, the Company's management may be granted additional remuneration in the form of a bonus. The assessment criteria of such bonus will be based on both the Company's performance and the individual's performance. The targets to be reached by the CEO are to be determined by the Company's Board of Directors. The CEO will set relevant targets for the other members of the management, based on principles defined by HUNT's Board of Directors.

The Company's management will receive payment in kind such as cell phone expenses and payment of IT and telecommunication expenses.

In addition, members of the Company's Management have been awarded options under the Company's option program. A total of 5,000,000 share options are currently outstanding.

#### Auditor's fee

The following table shows remuneration related to professional services rendered by the Company's principal auditor, Ernst & Young AS, for fiscal year 2017 and 2016. The amounts shown are exclusive of value added tax.

<i>(Amounts in NOK 1 000)</i>	<b>2017</b>	<b>2016</b>
Audit fee	574	150
Assurance services	716	37
Other assistance	611	49
<b>Total</b>	<b>1 901</b>	<b>236</b>

### Note 25 - Share capital and shareholder information

Share capital as at 31 December 2017 was NOK 163.95 million, being 131,158,013 ordinary shares at a nominal value of NOK 1.25 each. All shares carry equal voting rights. New shares have been issued in 2017, ref. statement of changes in equity.

<b>Number of ordinary shares</b>	<b>2017</b>	<b>2016</b>
Ordinary shares at 1 January	18 537	18 537
Capital increases	1 293 043	0
Effect of reverse share split	-1 180 422	0
Ordinary shares at 31 December	<b>131 158</b>	<b>18 537</b>

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, HUNT 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.

On 6 December 2017, the Hunter Group carried out a reverse share split, where the shares are merged from 1,311,580,130 shares to 131,158,013 shares. The nominal value of the shares is changed from NOK 0.125 to NOK 1.25 so the company's share capital is divided into 131,158,013 shares, each with a nominal value of NOK 1.25.

## Notes to the consolidated financial statements 2017

### Note 25 - Share capital and shareholder information cont.

The 20 largest shareholders held 57 % of the outstanding shares. As at 31 December 2017, the 20 largest shareholders were as follows:

Shareholders	Number of shares	%shares
1 Songa Trading Inc	7 200 001	5.5 %
2 Tigerstaden AS	5 990 466	4.6 %
3 Dynamo Management AS	5 895 259	4.5 %
4 MP Pensjon PK	5 160 000	3.9 %
5 Middelborg Invest AS	5 100 466	3.9 %
6 Silvercoin Industrie	5 000 000	3.8 %
7 Norron Sicav - Targe Skandinaviska Enskilda	4 690 001	3.6 %
8 Apollo Asset Limited c/o Arne Fredly	4 198 853	3.2 %
9 Alicerce Forvaltning	4 000 000	3.0 %
10 Storebrand Vekst ver JPMorgan Europe Ltd	3 577 985	2.7 %
11 Argentum Fondsinvest	3 292 315	2.5 %
12 Verdipapirfondet DNB v/DNB Asset Management	3 132 024	2.4 %
13 KLP Alfa Global Ener	3 000 000	2.3 %
14 Dukat AS	2 325 000	1.8 %
15 Lingtech AS	2 181 420	1.7 %
16 Invesco Perp Euran S BNY Mellon SANV	2 122 539	1.6 %
17 Alden AS	2 000 000	1.5 %
18 Skandinaviska Enskilda	1 996 500	1.5 %
19 Resonans Invest AS	1 981 420	1.5 %
20 Initi AS	1 921 420	1.5 %
<b>Total shares for top 20 shareholders</b>	<b>74 765 669</b>	<b>57.00 %</b>
<b>Total shares for other shareholders</b>	<b>-74 765 669</b>	<b>43.00 %</b>
<b>Total shares</b>	<b>-</b>	<b>100.0 %</b>

The following members of the Board of Directors and member of executive management held shares as of 31 December 2017:

	2017	2016
John Vemmestad - Chairman	100 000	0
Duo Jag AS (Ingrid Elvira Leisner - Board member)	100 000	0
Tigerstaden AS (Ketil Skorstad - Board member)	5 990 466	0
Novasuper AS (Vegard Urnes - Interim CEO)	325 000	0
Skandinaviska Enskilda Banken S.A. (Marcus Hansson - Previous Chairman)	1 996 500	565 000
Dalvin Rådgivning AS (Gunnar Dolven - Previous CFO)	0	426 872
Nilsholmen Investering AS (Kjell Markman - Previous Deputy CEO)	306 011	64 422
Steinar Bakke - Previous Senior Advisor	0	473
Marcus Hansson - Previous Chairman	1 167	11 668
Gunnar Dolven - Previous CFO	0	8 000
<b>Ordinary shares</b>	<b>8 819 144</b>	<b>1 076 435</b>
% of total shares	<b>6.7 %</b>	<b>5.8 %</b>

## Notes to the consolidated financial statements 2017

### Note 25 - Share capital and shareholder information cont.

#### Board of Director's mandate to increase the share capital

At the Company's general meetings on 31 May 2017 and 6 December 2017, the Board of Directors was granted a mandate to increase the Company's share capital by up to NOK 40,000,000 as well as to acquire up to 10,000,000 of the Company's own shares to be used in connection with the Company's share incentive program as well as for certain other purposes.

### Note 26 - 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 last months. Hunter Group is, as disclosed earlier, held harmless should a negative outcome materialize. No accrual has been made for the case as management 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 0.7 million and original contract was due February 2019.

### Note 27 - Events after the reporting date

Dwellop's board of directors has approved a work-over rig (WOR) contract with a yard. The contract is subject to certain closing conditions, primarily that the yard needs to conclude on a contract with its client. If a firm contract between the yard and its client is not signed, Dwellop's contract will be cancelled. Hunter Group has secured a project financing facility for the construction process. The construction period is estimated to 18 months. See press release from 13 February 2018 for further information.

The board of directors has on 6 March 2018 received a notice from Ola Beinnes Fosse that he will resign from his position as CFO. Furthermore the board of directors has on 19 March 2018 received a notice from Vegard Urnes that he will resign from his position as interim CEO. Both Ola Beinnes Fosse and Vegard Urnes will continue as CFO and interim CEO and fulfil their obligations during the termination period mutually agreed with the Board of Directors. As such the related options were cancelled. Also, Martha K Bakkevig decided to leave the BoD of Dwellop in March.

In an extraordinary general meeting on 5 April 2018 it was decided on a change in strategy in the company. Apollo Asset Limited (Apollo) and the founding shareholders of Dwellop AS will reorganize and change the share ownership in the subsidiary Dwellop AS. Apollo and the Dwellop Founders have agreed on a transaction structure where the intention is to separate/demerge the wholly owned subsidiary Dwellop AS from Hunter Group ASA by way of distribution of the shares in Dwellop to the Company's shareholders. Dwellop shall be listed on Merkur Market or on another market place, while Hunter Group ASA should continue on as an investment company to consider investments in various sectors, including, but not limited to, the shipping, oil and gas industry. Please refer to note 3 for details of the various accounting items that will be affected as a result of this restructuring. The total purchase price for the shares in Dwellop AS was NOK 140.8 million as per 2 May 2017. The agreement between Apollo and the Dwellop Founders also gives the Dwellop Founders a possibility to subscribe for/or acquire shares in Dwellop for at least NOK 39,230,768 to an equity value of Dwellop of maximum NOK 80,000,000. A valuation of Dwellop will be performed by Hunter Group ASA in connection with the change of the share ownership in the company.

Also in the extraordinary general meeting on 5 April 2018 it was elected new board of directors;

- Henrik Christensen, chairman
- Kristin Hellebust, board member
- Arne Fredly, board member

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## Notes to the consolidated financial statements 2017

### Note 27 - Events after the reporting date cont.

On 10. April 2018 the company received a non-binding indicative offer from Apollo Asset Limited, the Company's largest shareholder as of the same date, with respect to transferring four (4) VLCC newbuilding contracts and three (3) VLCC options to the Company. The transfer of the newbuilding contracts and the options is on a back-to-back basis as contracted with the Daewoo Shipbuilding Marine Engineering Co., Ltd, whereby the Company will assume the obligations towards the Shipyard (directly or indirectly). Total commitments for the four newbuilding contracts are USD 341.1m. On the same date, 10 April 2018, the Board of Directors also withdrew the lock-up and no-solicitation provisions the sellers' of Dwellop entered into as part of the settlement when the Company acquired Dwellop. The same date as the provision were withdrawn, Apollo Asset Limited acquired more or less all of the outstanding shares in Hunter Group previously owned by the sellers' of Dwellop. Apollo Asset Limited's ownership in the Company increased to 33.29% post the transaction.

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## Statement of profit and loss - Hunter Group ASA

(Figures in NOK 1 000)

	Note	2017	2016
<b>Revenues</b>			
Revenues		0	66
<b>Total Revenues</b>		<b>0</b>	<b>66</b>
<b>Operating expenses</b>			
External services for development project	3	-743	1 561
Payroll expenses	17	6 451	4 140
Depreciation and amortisation expense	4	7	99
Net write-down intangible assets and capitalized grants	3	69 374	0
Other operating expenses	17	17 016	4 391
Capitalised development cost	3	0	-3 516
<b>Total operating expenses</b>		<b>92 105</b>	<b>6 676</b>
<b>Operating profit (loss)</b>		<b>-92 105</b>	<b>-6 611</b>
Interest income	14	2 611	8
Finance income	14	0	30
Interest expenses	14	-54	-408
Other financial expenses	14, 20	-848	-76
<b>Net financial income (loss)</b>		<b>1 709</b>	<b>-445</b>
<b>Profit (loss) before taxes</b>		<b>-90 396</b>	<b>-7 056</b>
Tax on ordinary result	15	171	0
<b>Net profit (loss)</b>		<b>-90 226</b>	<b>-7 056</b>
Earnings per share		-0.09	-0.38
Earnings per share diluted		-0.09	-0.37

(Figures in NOK 1 000)

	2017	2016
<b>Total comprehensive income</b>		
Profit (loss) for the period	-90 226	-7 056
Tax effect equity transactions	0	0
Translation differences	0	0
<b>Comprehensive income for the period</b>	<b>-90 226</b>	<b>-7 056</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	-90 226	-7 056
Non-controlling interest	0	0
<b>Total comprehensive income</b>	<b>-90 226</b>	<b>-7 056</b>

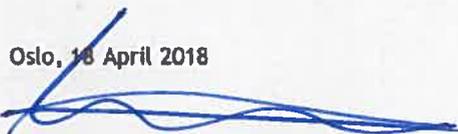
## Statement of financial positions - Hunter Group ASA

<i>(Figures in NOK 1 000)</i>	<b>Note</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>NON-CURRENT ASSETS</b>			
Research and development	3	0	149 632
Patents	3	0	387
<b>Total intangible assets</b>		<b>0</b>	<b>150 019</b>
Property, plant & equipment	4	0	24
<b>Total tangible assets</b>		<b>0</b>	<b>24</b>
Investment in subsidiaries	2, 20	126 497	0
<b>Total financial long-term assets</b>		<b>126 497</b>	<b>0</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>126 497</b>	<b>150 043</b>
<b>CURRENT ASSETS</b>			
Receivables subsidiaries	15, 22	18 780	0
Other short-term receivables	5, 7, 11	63	605
<b>Total current receivables</b>		<b>18 843</b>	<b>605</b>
<b>Cash and cash equivalents</b>	6	<b>277 888</b>	<b>335</b>
<b>TOTAL CURRENT ASSETS</b>		<b>296 731</b>	<b>940</b>
<b>TOTAL ASSETS</b>		<b>423 228</b>	<b>150 983</b>

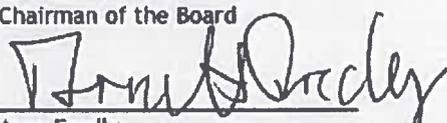
## Statement of financial positions - Hunter Group ASA

<i>(Figures in NOK 1 000)</i>	Note	31.12.2017	31.12.2016
<b>EQUITY</b>			
Share capital	18	163 948	2 317
Share premium	18	508 844	218 070
Additional paid-in capital		0	3 935
Other equity		-251 629	-165 403
<b>TOTAL EQUITY</b>		<b>421 162</b>	<b>58 919</b>
<b>LIABILITIES</b>			
Capitalized grants	3, 7	0	81 500
<b>Total non-current liabilities</b>		<b>0</b>	<b>81 500</b>
Trade creditors	9, 11	1 649	2 063
Accrued public charges and indirect taxes	11	308	281
Debt financial institutions	8	0	6 889
Other current liabilities	10, 11, 22	108	1 331
<b>Total current liabilities</b>		<b>2 066</b>	<b>10 564</b>
<b>TOTAL LIABILITIES</b>		<b>2 066</b>	<b>92 064</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>423 228</b>	<b>150 983</b>

Oslo, 18 April 2018



Henrik A. Christensen  
Chairman of the Board



Arne Fredly  
Board member



Kristin Hellebust  
Board member



Vegard Urnes  
CEO

## Statement of cash flows - Hunter Group ASA

(Figures in NOK 1 000)

	Note	2017	2016
Contribution from operations before tax		-22 730	-6 715
Change in accounts receivables and accounts payables		-414	-1 015
Change in other receivables and payables and other		-230	-376
<b>Net cash flow from operating activities</b>		<b>-23 374</b>	<b>-8 105</b>
Capitalization of development cost	3	0	-3 516
Investments in shares in subsidiaries	21	-61 200	0
Net investments in PPE & intangible assets	3, 4	-838	0
<b>Net cash flow from investment activities</b>		<b>-62 038</b>	<b>-3 516</b>
Public grants		0	5 166
Contribution from industry partners		0	6 500
Interest received	15	2 611	8
Interest paid	15	-54	-483
Proceeds (downpayment) borrowings financial institution	8	-6 889	178
Capital contribution	Equity	385 368	0
Transaction cost capital contribution	Equity	-18 069	0
<b>Net cash flow from financing activities</b>		<b>362 966</b>	<b>11 369</b>
<b>Total net changes in cash flow</b>		<b>277 553</b>	<b>-251</b>
Cash and cash equivalents beginning of period		335	586
<b>Cash and cash equivalents end of period</b>	6	<b>277 888</b>	<b>335</b>
Profit (loss) attributable to equity holders of the parent		-90 396	-7 056
Employee options		64	-232
Depreciation		7	99
Net write-down intangible assets and capitalized grants		69 374	0
Write-down of shares in Indicator AS		777	0
Financial income		-2 611	-8
Financial expenses		54	483
<b>Contribution from operations before tax</b>		<b>-22 730</b>	<b>-6 715</b>

## Statement of changes in equity - Hunter Group ASA

<i>(Figures in NOK 1 000)</i>	Note	Share Capital	Share premium	Other paid- in capital	Retained earnings	Total equity
<b>Equity as of 01.01.2016</b>		2 317	218 070	4 167	-158 347	66 207
Total comprehensive income 2016		0	0	0	-7 056	-7 056
Option plan payment	17	0	0	-232	0	-232
<b>Equity as of 31.12.2016</b>		<b>2 317</b>	<b>218 070</b>	<b>3 935</b>	<b>-165 403</b>	<b>58 919</b>
Net profit (loss)		0	0	0	-90 226	-90 226
Total comprehensive income 2017		0	0	0	<b>-90 226</b>	<b>-90 226</b>
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	15	0	-13 733	-3 935	3 935	-13 733
Option plan payment	17	0	0	0	64	64
<b>Equity as of 31.12.2017</b>		<b>163 948</b>	<b>508 844</b>	<b>0</b>	<b>-251 629</b>	<b>421 162</b>

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 1 - Accounting principles

Hunter Group ASA (HUNT) is the parent company of the Hunter Group, consisting of Hunter Group ASA and its subsidiaries Indicator AS and Dwellop AS. Hunter Group ASA's main activities are shareholding in group companies and corporate functions. Hunter Group ASA also carried out activities related to development of the Badger Tool, ref. the Company's Board of Director's report for further information.

The financial statements of Hunter Group ASA are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014. The use of simplified IFRS represents a change from previous years' financial statements, in which Hunter Group ASA used full IFRS.

These parent company financial statements should be read in connection with the Consolidated financial statements of Hunter Group, published together with these financial statements. With the exceptions described below, Hunter Group ASA applies the accounting policies of the group, as described in Hunter Group's disclosure note 2 Significant Accounting Policies, and reference is made to the Hunter Group note for further details.

#### Subsidiaries

Shareholdings in subsidiaries are accounted for using the cost method, and are tested for impairment annually.

#### Asset transfer between the company and its subsidiaries

The transfer of assets and liabilities between the company and Indicator AS (directly controlled) are accounted for at the carrying amount (continuity) of the assets and liabilities transferred, as the transfer is part of a reorganization within the group of Hunter Group.

#### Dividends and group contributions

Dividends will be reflected as Dividends payable within current liabilities, or Dividends receivable within current assets. Group contributions to other entities within Hunter Group are reflected in the balance sheet as current liabilities within Liabilities to group companies. Under simplified IFRS the presentation of dividends and payable group contributions would differ from the presentation under full IFRS, as it would also include dividend and group contributions payable which at the date of the balance sheet would be subject to a future general assembly approval before distribution.

### Note 2 - Significant acquisition

Hunter Group ASA completed the acquisition of all the shares in Dwellop AS pursuant to a share purchase agreement (the "SPA") dated 2 May 2017 (the "Acquisition"). As a result thereof, Dwellop AS became a wholly-owned subsidiary of the Company. As consideration for the shares in Dwellop AS, 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 2 May 2017 primarily relates to patents value and customer relation value.

Dwellop AS 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 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 cost method. The completion of the acquisition was done on 2 May 2017.

The transaction costs related to the private placement of NOK 18 million have been registered directly against other equity.

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 3 - Intangible assets

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

<b>Per 31 December 2016</b> <i>(figures in NOK 1 000)</i>	<b>Patents</b>	<b>Development costs</b>	<b>Total</b>
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	149 632	150 032
Accumulated depreciations at 31 December 2016	13	0	13
<b>Book value at 31 December 2016</b>	<b>387</b>	<b>149 632</b>	<b>150 019</b>

<b>Depreciation for 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
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<b>Per 31 December 2017</b> <i>(figures in NOK 1 000)</i>	<b>Patents</b>	<b>Development costs</b>	<b>Total</b>
Cost at 1 January 2017	400	149 632	150 032
Additions in 2017	0	854	854
Government grants	0	0	0
Cost at 31 December 2017	400	150 485	150 885
Accumulated impairments at 31 December 2017	387	150 485	150 872
Accumulated depreciations at 31 December 2017	13	0	13
<b>Book value at 31 December 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Impairment charges in 2017</b>	<b>387</b>	<b>150 485</b>	<b>150 872</b>
<b>Depreciation for 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Impairment

The write-down of intangible assets of NOK 150.9 million in 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 -81.5 million was also derecognized in 2017. The contractual obligations related to any future earnings will remain should there be commercializing possibilities in the future. Net write-down amounted to NOK 69.4 million.

### Note 4 - Property, plant and equipment

<i>(Figures in NOK 1 000)</i>	<b>Property, plant &amp; equip. 2016</b>	<b>Property, plant &amp; equip. 2017</b>
Cost price at 1 January	5 793	5 816
Transfer to Indicator	0	-5 816
Additions	22	0
Cost price at 31 December	5 816	0
Accumulated depreciations at 31 December	-5 792	0
<b>Booked value at 31 December</b>	<b>24</b>	<b>0</b>

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 4 - Property, plant and equipment cont.

Depreciation	99	7
Impairment charges in 2017	0	2
Estimated useful life	3-10 years	3-10 years
Depreciation method	straight-line	straight-line

#### Lease commitment

In March 2016, the Company signed a lease for office and workshop purposes. HUNT moved its administration and workshop to new facilities located at the International Research Institute of Stavanger (IRIS) building. The lease agreement specified 4 quarterly payments of NOK 100,000 beginning 1 April 2016, the commencement of the lease, and at the first day of each of the next three quarters. The rental agreement of 174 square meters expired on 31 March 2017. As from 1 August 2017 the Company signed a lease for office in Munkedamsveien 45 in Oslo with a monthly rent of 37,500 until 1 August 2018, and moved its administration to Oslo.

The following arrangements are classified as operating leases:

<b>Operating leasing costs (figures in NOK 1000)</b>	<b>2017</b>	<b>2016</b>
Rent costs on buildings	747	862
Operational leasing costs	77	14
<b>Total operating leasing costs</b>	<b>823</b>	<b>876</b>

<b>The future minimum rents related to non-cancellable leases fall due as follows:</b>	<b>Within 1 year</b>	<b>2-5 years</b>	<b>After 5 years</b>
Operational leasing costs	13	4	0
Rent costs on buildings	263	0	0
<b>Total</b>	<b>276</b>	<b>4</b>	<b>0</b>

### Note 5 - Other receivables (figures in NOK 1 000)

	<b>2017</b>	<b>2016</b>
Skattefunn & Research Council of Norway receivables	0	367
Prepaid expenses	63	238
Refundable VAT	0	0
<b>Total other receivables</b>	<b>63</b>	<b>605</b>

### Note 6 - Cash and cash equivalents (figures in NOK 1 000)

	<b>2017</b>	<b>2016</b>
Cash at bank	277 888	335
<b>Total cash at bank</b>	<b>277 888</b>	<b>335</b>

Restricted bank deposits for employee withholding taxes	215	144
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## Notes to the financial statements 2017 - Hunter Group ASA

### Note 7 - Conditional commitments

#### Contribution recognized as capitalized grants in the statement of financial position

Through strategic industrial cooperation agreements, HUNT has historically received contributions amounting to NOK 81.5m. The Badger Demonstrator Program (2012 -2014) Agreement was supported by Statoil, Chevron Energy Technology Company, ExxonMobil Exploration and Production Norway AS, Wintershall Norge AS and China National Petroleum Corporation Drilling Research Institute (CNPC DR). The Badger Explorer Development Program has been co-sponsored by Statoil.

If commercial sales to the market should start, all participants and Shell Technology Norway AS (the previous partner of the Badger Explorer Prototype Program Agreement) will share 5% royalty of all sales of products and services related to the Badger Explorer on a yearly basis. This royalty is limited to a total of 150% of received contributions.

The industry partners having signed the Badger Explorer Development Program Agreement have a first right of refusal to buy an equal share of the full manufacturing and operational capacity of all Badger Explorers at a pre-negotiated gross margin. This gross margin is considered to be acceptable and fair oil industry standard. The partners do have this right for a period up to 6 years from commercialization. Should a partner not employ its first right of refusal, this right and the corresponding share of manufacturing capacity will fall to the remaining partners. The program has been fully written off in 2017. For further details see note 3.

### Note 8 - Short-term debt financial institutions (figures in NOK 1 000)

	2017	2016
Short-term liabilities	0	6 889
<b>Debt financial institutions</b>	<b>0</b>	<b>6 889</b>

### Note 9 - Trade payables

Trade payables are generally non-interest bearing and the payment terms are net 30 days. Fair value of the payables equals the nominal value.

### Note 10 - Other short-term liabilities (figures in NOK 1 000)

	2017	2016
Unpaid vacation pay	98	275
Government grants	0	772
Other accrued costs	10	92
Other	0	191
<b>Total other short-term</b>	<b>108</b>	<b>1 331</b>

### Note 11 - Financial instruments risk management objectives and policies

HUNT is subject to market risks (foreign currency exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's management oversees the management of these risks and assures that HUNT's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below.

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 11 - Financial instruments risk management objectives and policies cont.

#### Foreign currency risk

The Company's cash reserves of NOK 277,888,374 are deposited in the Norwegian bank DNB. The main transactions for the Company are now in NOK, but the Company had suppliers invoicing in USD and GBP in 2016. When commercial operations in larger scale commence, a foreign currency exchange risk policy will be introduced.

#### Interest rate risk

The Company's financial income and financial costs in the statement of profit or loss are influenced by changes in interest rates as the interest on debit and credit facility with DNB is on a floating basis. The Company had NOK -54,008 in interest expense and NOK 2,610,617 in interest income in 2017.

#### Credit risk

HUNT only trades with recognized, creditworthy third parties. It is The Company's policy that all customers that wish to trade on credit terms are subject to credit verification procedures. All cash in the Company is deposited in the Norwegian bank DNB. Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk.

#### Liquidity risk

HUNT monitors its liquidity on a regular basis, and produces rolling liquidity forecasts on a monthly basis in order to identify liquidity requirements in future periods. The target for HUNT's management of liquidity risk is to maintain a liquidity corresponding to its net liquidity requirements for 12 months. The cash position of HUNT at year end 2017 was NOK 277,888,374, compared to NOK 334,886 in 2016.

Following the successful launch of the private placement at the end of 2016, The Company's financial and liquidity position was significantly improved. The net proceeds from the Private Placement was partly used for the investment in Dwellop AS on 2 May 2017, and HUNT will pursue opportunities which can accelerate the commercialization of The Company's patents and knowhow.

The management will continue to focus on efficient operations, good planning and close monitoring of the liquidity situation and maintaining a clear business development strategy.

The table below shows a maturity analysis for HUNT's total short term liabilities:

	within 3 months	within 3-6 months	within 9-12 months
<b>2017 (figures in NOK 1000)</b>			
Accounts payable	1 649	0	0
Public duties payables	308	0	0
Other short-term liabilities	108	0	0
	within 3 months	within 3-6 months	within 9-12 months
<b>2016 (figures in NOK 1000)</b>			
Accounts payable	2 063	0	0
Public duties payables	281	0	0
Debt financial institutions (due as a result of breach of covenants ref. note 7)	6 889	0	0
Other short-term liabilities	1 055	275	0

### Capital management

HUNT's main objective for the management of its capital structure is to maximize value creation for shareholders, while at the same time maintaining a sound financial position and a good credit rating.

HUNT manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives policies or processes during the financial year.

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 11 - Financial instruments risk management objectives and policies cont.

<b>(Figures in NOK 1000)</b>	<b>2017</b>	<b>2016</b>
Long-term debt financial institutions	0	0
Short-term debt financial institutions	0	6 889
Trade and other payables	2 066	3 674
Bank deposits	-277 888	-335
<b>Net debt</b>	<b>-275 823</b>	<b>10 229</b>
Equity	421 162	58 919
<b>Total capital</b>		
<b>Capital and net debt</b>	<b>145 340</b>	<b>69 148</b>
Gearing ratio	-189.8 %	14.8 %
Equity ratio	99.5 %	39.0 %

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments:

<b>Financial assets (figures in NOK 1000)</b>	<b>2017</b>		<b>2016</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	277 888	277 888	335	335
Current receivables	63	63	605	605

<b>Financial liabilities (figures in NOK 1000)</b>	<b>2017</b>		<b>2016</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
Long-term debt financial institutions	0	0	0	0
Short-term debt financial institutions	0	0	6 889	6 889
Trade and other payables	2 066	2 066	3 674	3 674

### Note 12 - Transactions with related parties

Please see note 17 in the consolidated financial statements.

### Note 13 - Revenue (figures in NOK 1 000)

	<b>2017</b>	<b>2016</b>
Sale of goods	0	66
Other income	0	0
<b>Total sales</b>	<b>0</b>	<b>66</b>

	<b>2017</b>	<b>2016</b>
Sales in Norway	0	66
Sales abroad	0	0
<b>Total sales</b>	<b>0</b>	<b>66</b>

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 14 - Finance income and finance expenses (figures in NOK 1 000)

This section provides additional information about individual line items of finance income and finance expense in the statement of profit and loss by type.

<b>Finance income:</b>	<b>2017</b>	<b>2016</b>
Interest income related to cash and cash equivalents	2 611	0
Other financial income	0	8
Currency gain	0	30
<b>Total finance income</b>	<b>2 611</b>	<b>38</b>
<b>Finance expenses:</b>	<b>2017</b>	<b>2016</b>
Interest expense related to debt to financial institutions	-54	-483
Other financial expenses	-58	0
Write-down of shares in Indicator AS	-777	0
Currency losses	-13	-1
<b>Total finance expenses</b>	<b>-902</b>	<b>-484</b>
<b>Total finance income (loss)</b>	<b>1 709</b>	<b>-445</b>

### Note 15 - Income tax (figures in NOK 1 000)

<b>Income tax expense</b>	<b>2017</b>	<b>2016</b>
Payable tax	0	0
Other	0	0
Change in utilized tax asset	171	0
Changes in deferes tax	0	0
<b>Total tax expense</b>	<b>171</b>	<b>0</b>

<b>Calculation of basis for tax</b>	<b>2017</b>	<b>2016</b>
Earnings before tax	-90 396	-7 056
Permanent differences	-15 423	-200
Group contribution from Dwellop	18 780	0
Net write-down intangible assets (Badger Tool)	69 374	0
Impairment of R&D Badger Tool	-150 874	0
Write-down of shares in Indicator AS	777	0
Changes in temporary differences	325	7 255
<b>Total basis for tax</b>	<b>-167 437</b>	<b>0</b>

<b>Summary of temporary differences:</b>	<b>2017</b>	<b>2016</b>
Fixed assets	-411	-128
Accruals	-42	0
Loss carried forward	-332 453	-165 016
<b>Total</b>	<b>-332 907</b>	<b>-165 144</b>

<b>Calculated deferred tax asset (23 %/ 24 %)</b>	<b>-76 569</b>	<b>-39 635</b>
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## Notes to the financial statements 2017 - Hunter Group ASA

### Note 15 - Income tax cont. (figures in NOK 1 000)

#### Statement of financial position

<b>Deferred tax asset</b>	<b>2017</b>	<b>2016</b>
Loss carried forward	-76 464	-39 599
Accruals	-10	0
Fixed assets	-95	-36
<b>Total deferred tax asset</b>	<b>-76 569</b>	<b>-39 635</b>
Not recognized deferred tax asset	76 569	39 635
Total deferred tax asset recognised in the statement of financial position	<b>0</b>	<b>0</b>

The company has not recognized a deferred tax asset in the statement of financial position for 2017 and 2016 as the Company is in a development phase and is currently generating losses.

<b>Loss carried forward as of 31 December</b>	<b>2017</b>	<b>2016</b>
Unlimited carrying forward	332 453	165 016

<b>Effective tax rate</b>	<b>2017</b>	<b>2016</b>
Profit / (loss) before tax	-90 396	-7 056
24% / 25% tax of earnings before tax	-21 695	-1 764
Permanent differences	-18 568	-50
Changes in deferred tax asset not recognised in the statement of financial position	37 105	162
Effect due to 1% reduction in tax rate *	3 329	1 651
<b>Calculated tax cost</b>	<b>171</b>	<b>0</b>

Effective tax rate	<b>0 %</b>	<b>0 %</b>
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\*With effect from the 2018 financial year, the corporate taxable profits (ordinary income) are taxed at a flat rate of 23 %. Deferred tax assets and liabilities at 31 December 2017 have been calculated using 23 % tax rate.

### Note 16 - Earnings per share

Please see note 23 in the consolidated financial statements.

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 17 - Payroll and related expenses

<b>Payroll and related expenses (figures in NOK 1000)</b>	<b>2017</b>	<b>2016</b>
Salaries and vacation pay	3 889	3 504
Social security tax	691	535
Pension expense ("OTP")	161	144
Employee share option program expense (incl. national insurance contributions)	64	-232
Remuneration to the Board of Directors and the Nomination Committee	1 568	0
Other benefits	78	190
<b>Total payroll an related expenses</b>	<b>6 451</b>	<b>4 140</b>

	<b>2017</b>	<b>2016</b>
Number of employees (average work years)	3	5

### Pension scheme

The Company has a defined contribution pension scheme that complies with the Norwegian occupational pension legislation (called "OTP"). The pension contributions range from 4 % 0 - 7.1 G to 7 % 7.1 -12 G of the employee's salary - maximized to a percentage of 12 G (NOK 1,123,608). The National Insurance scheme basic amount for 2017 is NOK 93,634. The retirement age for all employees, including the management, is 67 years.

(Figures in NOK 1000)	<b>2017</b>	<b>2016</b>
Contributions expensed during the year	161	144

Please refer to note 24 in the consolidated financial statements for further information about remuneration and option program for the management and board of directors.

### Auditor's fee (amounts in NOK)

The following table shows remuneration related to professional services rendered by the Company's principal auditor, EY, for fiscal year 2017 and 2016. The amounts shown are exclusive of value added tax.

	<b>2017</b>	<b>2016</b>
Audit fee	245 000	150 000
Assurance services	716 113	37 355
Other assistance	605 519	49 121
<b>Total</b>	<b>1 566 632</b>	<b>236 476</b>

### Note 18 - Share capital and shareholder information

Please see note 25 in the consolidated financial statements.

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 19 - Provisions, commitments and contingent liabilities/assets

There do not exist any material provisions, commitments or contingent liabilities/assets for Hunter Group ASA.

### Note 20 - Investment in subsidiaries (amounts in NOK 1 000)

Company	Location	Share	Voting rights	Cost	Book value	Equity at	Net
					31.12.2017	31.12.2017	income 2017
Indicator AS	Stavanger	100 %	100 %	777	0	-299	-1 076
Dwellop AS	Sandnes	100 %	100 %	140 769	126 497	36 996	-12 852

Please see note 23 for further information regarding change of ownership in Dwellop.

### Note 21 - Transition to simplified IFRS

With effect from 1 January 2017 Hunter Group ASA changed the accounting principles from full IFRS to simplified IFRS pursuant to the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 3 November 2014. The change from full IFRS to simplified IFRS had no effect on the Company's net income or equity.

### Note 22 - Intercompany receivables/payables (amounts in NOK 1 000)

Receivables	2017	2016
Short-term receivable subsidiaries (group contribution)	18 780	0

Payables	2017	2016
Other current liabilities subsidiaries	16	0

### Note 23 - Events after the reporting date

Dwellop's board of directors has approved a work-over rig (WOR) contract with a yard. The contract is subject to certain closing conditions, primarily that the yard needs to conclude on a contract with its client. If a firm contract between the yard and its client is not signed, Dwellop's contract will be cancelled. Hunter Group has secured a project financing facility for the construction process. The construction period is estimated to 18 months. See press release from 13 February 2018 for further information.

The board of directors has on 6 March 2018 received a notice from Ola Beinnes Fosse that he will resign from his position as CFO. Furthermore the board of directors has on 19 March 2018 received a notice from Vegard Urnes that he will resign from his position as interim CEO. Both Ola Beinnes Fosse and Vegard Urnes will continue as CFO and interim CEO and fulfil their obligations during the termination period mutually agreed with the Board of Directors. As such the related options were cancelled. Also, Martha K Bakkevig decided to leave the BoD of Dwellop in March.

## Notes to the financial statements 2017 - Hunter Group ASA

### Note 23 - Events after the reporting date cont.

In an extraordinary general meeting on 5 April 2018 it was decided on a change in strategy in the company. Apollo Asset Limited (Apollo) and the founding shareholders of Dwellop AS will reorganize and change the share ownership in the subsidiary Dwellop AS. Apollo and the Dwellop Founders have agreed on a transaction structure where the intention is to separate/demerge the wholly owned subsidiary Dwellop AS from Hunter Group ASA by way of distribution of the shares in Dwellop to the Company's shareholders. Dwellop shall be listed on Merkur Market or on another market place, while Hunter Group ASA should continue on as an investment company to consider investments in various sectors, including, but not limited to, the shipping, oil and gas industry. Please refer to note 3 for details of the various accounting items that will be affected as a result of this restructuring. The total purchase price for the shares in Dwellop AS was NOK 140.8 million as per 2 May 2017. The agreement between Apollo and the Dwellop Founders also gives the Dwellop Founders a possibility to subscribe for/or acquire shares in Dwellop for at least NOK 39,230,768 to an equity value of Dwellop of maximum NOK 80,000,000. A valuation of Dwellop will be performed by Hunter Group ASA in connection with the change of the share ownership in the company.

Also in the extraordinary general meeting on 5 April 2018 it was elected new board of directors;

- Henrik Christensen, chairman
- Kristin Hellebust, board member
- Arne Fredly, board member

On 10. April 2018 the company received a non-binding indicative offer from Apollo Asset Limited, the Company's largest shareholder as of the same date, with respect to transferring four (4) VLCC newbuilding contracts and three (3) VLCC options to the Company. The transfer of the newbuilding contracts and the options is on a back-to-back basis as contracted with the Daewoo Shipbuilding Marine Engineering Co., Ltd, whereby the Company will assume the obligations towards the Shipyard (directly or indirectly). Total commitments for the four newbuilding contracts are USD 341.1m. On the same date, 10 April 2018, the Board of Directors also withdrew the lock-up and no-solicitation provisions the sellers' of Dwellop entered into as part of the settlement when the Company acquired Dwellop. The same date as the provision were withdrawn, Apollo Asset Limited acquired more or less all of the outstanding shares in Hunter Group previously owned by the sellers' of Dwellop. Apollo Asset Limited's ownership in the Company increased to 33.29% post the transaction.

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Hunter Group ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Hunter Group ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2017, the income statement, statements of comprehensive income, cash flows and 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 are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its 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 Company and 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.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

### **Acquisition of Dwellop AS – Purchase Price Allocation**

On 2 May 2017, Hunter Group ASA acquired 100% of the shares, and obtained control, in Dwellop AS for a total consideration of NOK 140.8 million. The acquisition is accounted for according to the acquisition method at fair value in accordance with IFRS 3. The Group performed a provisional purchase price allocation (PPA) exercise as disclosed in the financial statements.

We determined the acquisition of Dwellop AS to be a key audit matter based on the significance of the acquisition and the significant judgement and estimates applied by management to identify and allocate the consideration to the acquired assets and liabilities.

As part of our audit procedures, we read the purchase agreement to obtain an understanding of the transaction and the consideration. We obtained an understanding of the process for the preparation of the purchase price allocation including management's identification of the acquired assets and liabilities and method. We assessed the valuation method and models used by management to measure and allocate fair value of the acquired assets and liabilities, and compared this to the requirements in IFRS 3. Further, we tested the mathematical accuracy of the valuation models. We assessed key assumptions used in the valuation models against historical financial information, management's budgets, company specific information and analysis of market information where available. We included valuation experts in the audit team for the testing of mathematical accuracy in addition to the assessment of key assumptions in the valuation models. We assessed the presentation and classification in the financial statements.

Reference is made to note 1 for accounting principles applied and note 3 on the business combination.

### **Other information**

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are 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 these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with 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 Company's internal control
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other legal and regulatory requirements**

### **Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility**

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 and in the statements on corporate governance and corporate social responsibility 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 Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 18 April 2018  
ERNST & YOUNG AS



Tor Inge Skjellevik  
State Authorised Public Accountant (Norway)

**Hunter Group ASA**  
Org. nr. 985 955 107

Address: Rådhusgata 27, 0158 OSLO  
E-mail: [post@bxpl.com](mailto:post@bxpl.com)

[www.bxpl.com](http://www.bxpl.com)

