Axxis Geo Solutions Annual report 2019

CONTENTS

AGS

BOARD OF DIRECTORS REPORT

Operations and location

Axxis Geo Solutions Group comprise Axxis Geo Solutions ASA (referred to as the “Company” or the “Parent”) and its subsidiaries (together referred to as the “Group” or “AGS”). Axxis Geo Solutions ASA is a public limited company incorporated in Norway. The Company is listed on Oslo Axess and traded under the ticker AGS.

The Company’s registered main office is at Strandveien 50, 1366 Lysaker, Norway. Further, the Group is located with operational offices in Houston, USA, local offices in Jakarta, Indonesia and Kairo in Egypt.

The Group is engaged in the international geophysical industry and focuses its activities in the Ocean Bottom Node (“OBN”) segment of the marine seismic market.

The Group’s business strategy is to secure proprietary OBN contracts and develop multi-client OBN programs through an asset light model where vessels, personnel and equipment are leased in on a cost efficient basis. The asset light model , along with operational efficiency when on contracts and projects, gives a comparative advantage when bidding for new contracts and profitable projects.

The Group specializes in delivering tailored seismic solutions, flexible project management and execution to oil and gas companies world-wide.

Comments related to the financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union («EU»). Following the application of the IFRS 15 accounting standard for revenues, multi-client pre-funding revenues are not recognized under percentage of completion (“PoC”) method. Instead, all such revenues are recognized at delivery of the final processed data, which is considerably later than the acquisition of the seismic data. The segment reporting (used for management purposes) in note 2.3 Alternative Performance Measures (“APM”) 2.2 EBITDA, note 3 Segment, note 4 Revenue, note 11B Multi-client library and, shows the deviation from IFRS.

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

Consolidated statement of comprehensive income

Revenue

The 2019 Group’s revenues of NOK 611.8 million is higher than the previous year’s revenues of NOK 53.4 million. The Group’s activities increased significantly in 2019 through three contracts in India, Dubai and Brazil, compared to contract in India and Indonesia during 2018.

In accordance with IFRS 15, no revenues from prefunding achieved for the multi-client project Utsira have been recorded during the full year of 2019 and 2018. As at end of December 2019, the Company has recognized a contract liability in the balance sheet of NOK 199.9 million which reflects the revenue for the work performed on this project to date.

Operational cost
The 2019 Group's cost of sales (COS) amounted to NOK 512.1 million, net of capitalized multi-client costs, compared to NOK 47.4 million during the same period in 2018, where NOK 410.5 million is related to the contract in India, NOK 64.9 million related to the period where the Group's assets were idle in Malta, and the remaining amount related to the contracts in Dubai and Brazil, while the main COS in 2018 was related to multi-client and therefore capitalized. In the last quarter of 2018, NOK 37.7 million was capitalizedin relation to the India contract work. The 2019 Group's personnel expenses and other operating expenses amounted to NOK 59.7 million compared to NOK 46.2 million during the same period of last year. Legal and consultants fee of NOK 19.7 million for the full year 2019 is mainly related to the merger and listing costs, and also including consultants and increased number of staff required to pursue the Company's growth plans.

Depreciation of tangible assets
The 2019 Group's depreciation and write downs of lost equipment was NOK 51.8 million compared to NOK 23.5 million in 2018, where the increase is due to more node handling systems in operation as mentioned above.

Amortization of intangible assets
According to IFRS, multi-client surveys are not amortized in the acquisition phase. The acquisition of a multi-client 3D OBN project was completed in October 2019 and some data was processed in Q1 2020 and the Group expect the whole survey to be processed and completed within Q3 2020.

Impairment
Goodwill has been impaired with NOK 15.9 million to a book value of zero in 2019 in the Group.

The Group performed an impairment test of its multi-client library in 2019 which resulted in an impairment of NOK 308.6 million, to NOK 399.5 million, based on net present value of the library and expectations of future sales.

No impairment charges have been made for the vessel Neptune Naiad, nor the node handling systems owned by the Group in 2019 or 2018.

EBITDA and EBIT
EBITDA for the Group in 2019 was NOK 40.0 million compared to NOK -40.2 million for 2018. EBIT for the Group in 2019 was NOK -336.3 million compared to NOK -63.7 million in 2018. The contract work had a positive effect on the EBITDA for 2019 while EBIT was negative mainly due to the impairment of the multi-client library and the goodwill. In 2018 contract work had a negative effect on the EBITDA due to mobilization between jobs and therefore lower margin.
Income tax (expense)
For 2019 income tax expense for the Group amounted to NOK 40.0 million compared to income tax revenue of NOK 11.9 million for the same period in 2018. No deferred tax asset has been recorded related to tax losses at 31.12.19.

Loss for the period
For 2019 the Group had a loss of NOK 402.7 million compared to a loss of NOK 65.0 million for the same period in 2018.

Consolidated statement of financial position
As of 31 December 2019, the Group had total assets of NOK 806.1 million, compared to total assets of NOK 586.4 million as of 31 December 2018.

The Group's total non-current assets increased from NOK 412.5 million in 2018 to NOK 551.9 million in 2019. This is attributed to the net increase in multi-client library of NOK 182.5 million after an impairment charge of NOK 308.6 million as mentioned under Impairment; an impairment of Goodwill with NOK 15.9 million; a reversal of previously recognized deferred tax asset to zero with NOK 40.0 million; and a net increase of NOK 13.3 million in the node handling system.

The Group's total current assets increased from NOK 173.9 million in 2018 to NOK 254.2 million in 2019. The increase is driven by NOK 73.8 million in increased trade receivables, mainly due to VAT self-assessment related to multi-client pre-funding; an increase in other current assets (accrued revenue, mobilization, and prepaid cost) of NOK 70.9 million; an offset by decrease in inventories of NOK 10.2 million; and a decrease in cash of NOK 54.2 million; the cash balance ending at NOK 12.6 million for 2019.

The Group's equity was negative with NOK 54.7 million at the end of the year 2019 compared to positive NOK 29.6 million as of 31 December 2018. During 2019, the Company has raised NOK 305.4 million in equity net of transaction costs. The equity ratio for the Group was negative as of 31 December 2019.

The Group's total non-current liabilities increased to NOK 0.6 million as of 31 December 2019, from zero as of 31 December 2018, consisting of long-term portion of lease of properties rental. The original secured debt towards Eksportkreditt Norge AS has been classified as short-term debt as the covenants was not fulfilled as of December 2019. The Company has received a waiver from Eksportkreditt Norge AS on one of the two financial covenants for the fourth quarter 2019. The Company anticipates to be in need of further waivers from Eksportkreditt Norge AS in 2020 due to a restructuring of accounts payables to long-term debt.

The Group's current portion of long-term debt amounted to NOK 19.8 million towards Eksportkreditt Norge AS and NOK 2.0 million related to leases for office rental as of December 2019.

The Group's total current liabilities as of 31 December 2019 amounted to NOK 860.1 million, compared to NOK 556.8 million as of 31 December 2018. The large increase is related to trade payables, which increased by NOK 184.9 million. Contract liabilities (IFRS adjustment for multi-client pre-funding revenue) increased by NOK 44.5 million to NOK 199.9 million in 2019. Other current liabilities increased by NOK 81.9 million in 2019 due to project related accruals of NOK 79.9 million; mobilization revenue of NOK 54.2 million; and the issuance of a promissory note in favor of TGS which was reduced with NOK 67.0 million to NOK 53.4 million per December 2019. The current portion of long-term debt amounted to NOK 21.8 million as per 31 December 2019.

Consolidated statement of cash flow
The Group's cash inflow from operating activities in 2019 was NOK 209.5 million, compared to NOK 365.1 million at the same period in 2018. The reduction in operating cash flow compared to 2018 was primarily a result of a period where the Company's assets were idle in Malta prior to a contract award in Middle East which increased the Company's trade payables and other current liabilities, partly offset by increase in trade receivables and other current assets.

The Group's cash outflow from investing activities in 2019 amounted to NOK 548.4 million, compared to NOK 315.4 million in the same period in 2018 due to the joint operation with TGS that effected 2018 investment. The main investments in 2019 were those in the multi-client library of NOK 491.1 million, being the Group's net investment and in node handling equipment of NOK 60.9 million. Compared to 2018 the lower cash outflow from investing activities with net effect of NOK 217.0 million in multi-client investment and with NOK 98.1 million in node handling equipment.

The Group's cash inflow from financing activities in 2019 was NOK 284.6 million, compared to NOK 14.5 million in the same period in 2018. Net proceeds from new equity was NOK 305.4 million offset by payment of instalments relating to the loan from TGS and leases of office rental and interest of NOK 20.8 million.

Parent company
Axxis Geo Solutions ASA is the parent company of the Group.

In 2019, Axxis Geo Solutions ASA reported a loss after tax of NOK 358.9 million, compared to a loss of NOK 48.0 million in 2018. The results were significantly impacted by impairment of shares in subsidiaries and accruals for impairment of intercompany receivables of NOK 391.1 million.

At year end, Axxis Geo Solutions ASA had total assets of NOK 534.2 million, compared to NOK 365.6 million at the end of 2018.

As at 31 December 2019, Axxis Geo Solutions ASA has a total equity of NOK 5.9 million, compared to NOK 45.2 million at the end of 2018. The equity ratio was 1.1 percent, compared to 11.7 percent at the end of 2018.

Going concern
The annual accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure and hence there is material uncertainty related to the going concern assumption. Currently, the Group has insufficient cash to pay its account payables. The Group is working on a restructuring plan with its key creditors to reduce the short-term liabilities. If successful, this will strengthen the working capital and improve the liquidity for the Group. The outcome of these discussions are uncertain and the going concern assumption is subject to material uncertainty as outlined below.

The Group's cash flow forecast is based on the following: the Group's existing firm commitments and operational plan, the Group's expectation of future opportunities, and the Group's corporate activities to improve the financial situation, specifically;

* successful in restructuring its trade payables with its suppliers;
* successful in obtaining work towards the end of 2020 and
* ability to keep expenses at a minimum level

It is the Board's view that the Company's efforts in the restructuring plan will be successful.

However, there is a risk that the Group will not be successful in completing the ongoing restructuring process has challenges related to the transfer of cash from its operations in the Middle East to Norway maintains a balance of significantly overdue payables if the Group's unable to obtain a payment plan with creditors not participating in the restructuring process
does not secure future contracts or late sales.

Management have used its best judgements in the evaluation of the going concern assumption. Although there are significant uncertainties and risk listed above related to events or conditions that might impact the future cash flows, the Board and the management is of the opinion that the going concern assumption is appropriate and the accounts are prepared under the going concern assumption. If the Company is unsuccessful with the above activities, the financial statements do not reflect impairment charges or provisions that might be required if the Company or Group was liquidated or the assets sold in a distressed situation.

Risk

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

Market risk

The Group is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand from clients. The Group experiencing renewed growth in the OBN segment in 2019; however, no assurance can be provided with regards to future market development. The Group's business performance depends on production and development spending by oil and gas companies. Historically, in times of low oil price, demand in exploration spending has been reduced to a much greater extent than production related spending, where the Group is active.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its payment obligations. The Company is dependent on both access to long-term funding and timely payments of receivables from customers. There can be no assurance that available funding sources are accessible when needed nor can there be any assurance that the Group will be able to raise new equity or other financial solutions on favorable terms and in amounts necessary to conduct its on-going and future operations, should this be required. Failure to access necessary liquidity could require the Group to scale back its operations or could have other materially adverse consequences for its business and its ability to meet its obligations. The Group has taken action for restructuring of its short-term liabilities.

Foreign exchange risk

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

Commodity prices

The Group is exposed to fluctuations in the price of certain key commodities such as oil prices, fuel and transportation costs. The Group has not established hedging arrangements to mitigate the possible adverse effects of this exposure.

Other business risk

The offshore seismic industry has from time to time experienced excess capacity and supply. The Group operates on a smaller scale than some of its competitors. Consequently, the Group may not be as financially or operationally robust to manage cyclical down-turns as its larger competitors. Further, the Group has an asset-light business model and is dependent on suppliers to ensure access to necessary equipment for its seismic operations. Such access may be difficult to obtain in the event that suppliers question the financial viability of the Group's operations. In addition, the Company could be required to perform material depreciations on its balance sheet, primarily related to the value of its seismic libraries, which in turn would have a negative effect on the Company's profit and loss accounts.

The seismic and oil service industry see frequent changes and developments in technology. Such changes and developments can often be driven by competitors of the Company with substantial greater resources than those of the Company. The Group's technology such as its OBN acquisition method, and any further technology under development, may not prove to be viable or efficient, and efforts to respond to technological innovations may require significant financial investments and resources. Failure by the Group to respond to changes in technology and innovations may render the Group's operations non-competitive and may have a material, negative effect on the Company's results of operation, financial condition and future prospects.

The Group is currently dependent on a limited number of suppliers which provide critical elements to the Group's operations, such as processing capacity, nodes and node handling equipment. This is expected to continue to be the case going forward. The Group currently relies on chartering vessels suited for seismic acquisition, which may in a situation of shortage of vessels involve a disadvantage towards its competitors. There can be no guarantee that there will be available vessels for charter or processing capacity for the Company's requirements in the future. Further, being highly dependent on a limited number of suppliers, supply for nodes and node-handling equipment may impede or restrict the Group in obtaining improved terms for the supplies. If any of the foregoing occurs, it may have a material, negative effect on the Company's revenues, financial position and prospects.

The business of the Group currently only has a limited number of potential customers, and a few existing customers which provide a large part of the total revenues. This creates a risk of losing substantial revenue if one or a small number of customers are unable to perform their obligations under, or terminates, their contracts with the Group. The Group may also experience a significant drop in revenues if such contracts are not renewed or replaced when they expire according to their terms. Further, being highly dependent on a limited number of clients may impede or restrict the Group's in obtaining improved terms for its services.

The seismic acquisition operations of the Group may be exposed to extreme weather, hazardous conditions and activity in the work area. The Company's own insurance may not be adequate to cover potential losses. The Group may also have to share the production time in the survey area with another party, or stop for a period of time if own or third-party operations cause disturbance to the project or impacting safety or quality in the production. If any of the foregoing occurs, the Group will lose production time which in turn will have a negative effect on Company's revenues, financial position and prospects.

Risk related to cyber criminality is increasing globally. This threat is relevant for all devices connected to internet. To protect the Group and the Company's assets and IP, necessary precautions and procedures has been taken. The most common attack vector is 'phishing emails'. The Group has taken steps to improve protection of email, improve capabilities to identify ongoing malicious activities and increase employee awareness of cyber threats.

The Group business is subject to laws and regulations in various jurisdictions, and the requirements of, changes in or violations of such laws or regulations may adversely affect the Group's business and profitability. The Group invests in financial and managerial resources to maintain compliance with these laws and regulations, and failure to do so could result in fines or penalties, enforcement actions, claims for personal injury or property damages, or obligations to investigate and remediate contamination.

The Group's acquisition of geophysical data is, in most jurisdictions, dependent on regulatory approval such as licenses, permits or similar which must be obtained before geophysical data may be acquired. For its multi-client projects in particular, there may be a risk that such regulatory approvals are not obtained or will only be obtained on conditions not acceptable to the Group. Should this occur with short or no advance notice, there may not be alternative employment available for the Group. This may have a negative impact on the Company's revenue and profits from operations.

The Group's multi-client business relies on a certain period of exclusivity in controlling the distribution of the acquired data through licenses to customers. The exclusivity period granted by local authorities can typically be 10 years but may be shortened during that period for reasons outside the Group's control. Any such change in business assumptions to the Group's investment in multi-client data may have a negative impact on the Company's revenues, profits and may cause impairment of remaining book values.

The working environment and personnel
The total number of permanent employees in the Group are eight, compared to three last year.

The Board of Directors consists of five members, two men and three women.

There have not been any serious injuries or accidents in the current or prior year. In both 2019 and 2018 the average sick day percentage for the work force was zero.

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

CORPORATE RESPONSIBILITY

The Company is a global leading pure-play ocean-bottom node seismic company that integrates people, environment and business to provide stakeholders and shareholders sustainable and socialy responsible operations and services. The integration of these principles and our understanding of our corporate responsibility provide the opportunity to enter new areas and operate within communities around the world, leaving behind a positive footprint.

The Group has developed policies, standards, guidelines and education materials to prepare our employees to be custodians in ethics, human rights, social matters and anti-corruption as well as harassment and discrimination in the working environment and our employment practices.

The Group aims to form part of the social fabric in the areas and countries in which we operate. Our Social Responsibility Policy reflects the culture that we have grown in our company and the level of expectation of all persons representing us.

Our People
Our people are one of our key strength. Our diverse work force comprises 31 nationalities. Equal employment opportunity applies to all practices and procedures relating to recruitment, hiring of all workers, compensation, termination, and all other terms and conditions of employment. The Group respect and protect the fundamental human and workers’ rights in a manner consistent with the United Nations Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises.

The Group adhere to the local laws and regulations within the countries we operate, and respect the cultures and rights of the communities with which we interact. The Group promotes a healthy workplace through equal opportunity employment by prohibiting unlawful discrimination due to gender, race, age, ethnicity, disability, sexual orientation or religion and provide fair compensation for employees’ work and recognition of their contributions. The Group train our diverse staff in Cultural Competence and maintain a culture of zero tolerance of any form of harassment throughout the organization .

The Group demonstrated substantial growth, recording 2,170,606 man hours in 2019, more than double that recorded in 2018. Three industry defined recordable injuries were recorded, resutling in a Total Recordable Injury Frequency Rate (TRIR) of 1.38, up from zero recorded in 2018. The Group's 2020 Goals and Objectives refelect improment initiatives generated from the 2019 learnings and will be executed to reduce our TRIR in the coming year.

Subcontractors and their personnel are important to our operations and team. The Group's Subcontractor Management Standard guides our employees to review our Subcontractors Policies and systems to ensure they are aligned with our principles, and conform with our management systems, and how to address inconsitencies where they arise.

Our Environment

The Group recognize that stewardship of the environment is the collective responsibility of governments, business, communities and individuals. The Group's intent is to conduct our business in harmony with the environment. The Group's goal is no damage to the environment; our challenge is to deliver this along with our products. The Group's Envirnmental Policy underscores our commitment to being the earths custodians and outlines our responsibilities throughout our operations, and our mission to minimise our footprint wherever the Group work.

To achieve this, the Group will conduct all operations based on:

- Assessing the local environments in which we work.
- Assessing our impact on those environments.
- Planning operations to minimize against those impacts.
- Complying with applicable laws, regulations and guidelines.
- Seeking the means for continuous improvement.

The Group's environmental efforts will be based on the implementation of five key strategies at work locations:

- Minimization of waste by design and purchase.
- Managing waste output to follow best environmental practice.
- Guarding against accidental and operational pollution.
- Provision for mitigation of any accidental and operational pollution.
- Site remediation after operations.

Our Business

The Group is committed to operate all activities within the spirit and letter of all laws and regulations that govern its businesses and employees. Employees must exercise the highest level of integrity, ethics and objectivity in any actions and relationships which may affect the Group. Employees must not misuse their authority or influence of their positions in these relationships. Moreover, employees have a duty to act in the best interest of the Group at all times, and are empowered to intervene in

any situiation they feel is not appropriate through the Group's Stop Work Policy, or to report indescretions through our confidential anonomouys reporting process .
All of the Group operations are conducted under the framework of our Integrated Operations Management System (iOMS). The Group's system employs a strong project management principle and covers the risk management and controls, procedures and processes required to competently undertake our tasks. The iOMS is structured according to the guidelines stipulated in the report by OGP (OGP-510, June 2014). The scope of the iOMS addresses a broad range of tasks impacts or threats; that impact the wellbeing of the environment in which the Group work, the communities with which we interact, the employees and subcontractors as well as the business results the Group aims to achieve. By bringing together the management of key aspects of running a successful business, the iOMS achieves company-wide consistency, across all assets and activities, at every location and the entire workforce. The Group iOMS combines and integrates the elements of quality, health and safety, environment, personnel, finance, security and operations, primarily taking into consideration IOGP guidelines, ISO guidelines, OSHA standards, IAGC recommendations as well as other regulatory requirements and obligations.

Research and development
The Group does no material research and development activity.

Allocation of Net Profit (loss)
The Board of Directors has proposed the net loss for the Company of NOK 358.9 million to be attributed to accumulated earning and other equity.

The Company's equity as of 31.12.2019 was 1.1%.

The Group's response to the COVID 19 event
The impacts of COVID-19 on businesses across the globe is immense and presenting new challenges almost daily to our normal business practices. The Group has been planning for and monitoring developments since the initial spread of the virus and has taken a series of important steps to maintain the continuity of our services for our customers and to safeguard the health of our employees and stakeholders. The Group are pleased to advise that while many aspects of the Global mitigations have been disruptive, The Group have been able to substantially maintain the operations close to pre COVID 19 level's. Please refer to Note 27 for a more detailed description on measures taken.

The Company has received one cancellation on a small contract in the North Sea which was expected to be conducted in second quarter 2020. The contract revenue was estimated at USD 1 million, and the Company has received a cancelation fee of 25% of the estimated revenue amount.

Outlook
During the first quarter the Group successfully completed both the primary and an extended part to the OBN program in the Gulf of Suez. The crew reported more than 350,000-man hours since the start of 2020, all while operating on high alert regarding the COVID-19 threat, and strict adherence to the Group's mitigation plans. The Company is currently working on and expecting bids for future work.

The Group has previously entered into a joint venture with TGS in the North Sea to develop new multi-client projects and work to materialize further acquisitions in 2020 and the years to come. The mature and producing areas of the North Sea are considered attractive multi-client areas for OBN due to the increased focus on near-field exploration during times of low oil price.

RESPONSIBILITY STATEMENT

Confirmation from the Board of Directors and General manager

The Board of Directors and the CEO of Axxis Geo Solutions ASA have today considered and approved the annual report and financial statements for the 2019 calendar year ended on 31 December 2019.

We confirm, to the best of our knowledge, that:

- The 2019 financial statements for the Group and Parent company have been prepared in accordance with all applicable accounting standards.
- The information provided gives a true and fair view of the Group's and Parent company's assets, liabilities, financial position and results.
- The Board of Directors report provides a true and fair overview of the development, performance and financial position of Axxis Geo Solutions ASA and the Group together with a description of the principal risks and uncertainties that they face.

Lysaker, 26 May 2020

The Board of Directors and CEO of Axxis Geo Solutions ASA

[Sign.]

Rolf Rønningen Chairman	Njål Sævik Director	Vibeke Fængsrud Director
Nina Skage Director	Eirin Inderberg Director	Lee Parker CEO

CORPORATE GOVERNANCE POLICY

Adopted by the Board of Directors on 26 May 2020

1. SCOPE AND APPLICABILITY OF THE POLICY

These Corporate Governance Policies (the "**Policies**") have been adopted by the Board of Directors (the "**Board**") of Axxis Geo Solutions ASA (the "**Company**") to express the corporate governance principles by which the Company conducts its business. The Policies apply to the Company and its consolidated subsidiaries (together the "**Group**") and will be evaluated by the Board and the Company's executive management (the "**Management**") annually.

The Company is incorporated in Norway in accordance with the Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (the "**NPLCA**") and is subject to Norwegian law. Hence, the reporting requirements on corporate governance set forth in Section 3-3b of the Norwegian Accounting Act of 17 June 1998 no. 56 (the "**Norwegian Accounting Act**") and the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board on 17 October 2018, as amended from time to time (the "**NUES Code**"), apply to the Company. As the Company's shares are listed on Oslo Axess, the Company is also subject to the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**NSTA**") and the continuing obligations of stock exchange listed companies issued by the Oslo Stock Exchange (the "**Continuing Obligations**"). These Policies are secondary to provisions set out in law, in regulations made pursuant to law, and in the Company's articles of association (the "**Articles of Association**").

These Policies shall apply until the Board decides otherwise.

The Board of Directors believes that the Company complies in all areas relating to the Code of Practice and any subsequent amendments, unless stated otherwise below.

2. MAIN OBJECTIVES FOR THE COMPANY'S CORPORATE GOVERNANCE

The Board shall ensure that the Company has good corporate governance to, inter alia, support achievement of the Company's core objectives on behalf of its shareholders and to create a strong, sustainable company. The Board believes that good corporate governance involves openness and a trustful cooperation between the shareholders, the Board and the Management, employees, customers, suppliers, public authorities and society in general.

The Company endorses the NUES Code. The NUES Code is based on a "comply or explain" principle, which involves that listed companies must comply with the NUES Code or explain why an alternative approach has been chosen. The Company will comply with the NUES Code, and any deviations will be included in a statement of policy on corporate governance in the annual report.

The Company's corporate governance policies are based on the following main objectives:

a. Open, reliable and relevant communication with the outside world regarding the Company's business and matters related to corporate governance
b. Equal treatment of the Company's shareholders
c. Independence between the Board, the Management and the shareholders in order to avoid conflicts of interests
d. A clear division of work between the Board and the Management and
e. Good control and corporate governance mechanisms in order to achieve predictability

f. and reducing the level of risks for shareholders and stakeholders.

In addition to these Policies, the Company has adopted the following internal manuals:
A Code of Conduct for Business, Ethics and Corporate Social Responsibility Instructions to the Board Instructions to the Chief Executive Officer ("**CEO**").

The above-mentioned internal manuals form an integral part of the Company's corporate governance policies. In addition, the Company has adopted a manual for "*Inside Information and Additional Disclosure Routines*".

3. THE BUSINESS OF THE COMPANY

The operations of the Company shall be in compliance with the business objective as set forth in § 3 of the Articles of Association, which reads as follows:

> "*The Company's business involves owning and/or operating vessels providing services to the oil and gas industry, including investment in other entities and businesses related thereto.*"

The Company shall define clear goals, strategies and risk profiles for the Company's business activities. The Company shall have Policies for how it integrates the interests of the society at large into the value creation, please refer to the Code of Conduct for Business, Ethics and Corporate Social Responsibility The Board shall at least on an annual basis evaluate targets, strategies and risk profiles.

4. EQUITY AND DIVIDENDS

4.1 Equity

The Board shall ensure that the Company's capital structure is in line with its goals, strategy and risk profiles, and in accordance with the applicable laws and regulations.

4.2 Dividends

The Board proposes any distribution of dividends to the general meeting. The general meeting determines any distribution of dividends in accordance with Section 8-1 and Section 8-2 of the NPLCA. The grounds for any proposal to authorize the Board to approve the distribution of dividend shall be explained. The Board shall establish a clear and predictable dividend policy, which shall be available at the Company's website.

4.3 Board authorizations

Any proposed authorizations to the Board to increase the Company's share capital shall be restricted to defined purposes and shall be dealt with as separate agenda items at the general meeting. Board authorizations shall be limited in time to the date of the next annual general meeting, and in any event to 30 June the same year. This also applies to any authorization to the Board for the Company to purchase own shares.

5. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

5.1 Equal treatment of shareholders

All shareholders shall be treated on an equal basis, unless there is a just cause for treating them differently in accordance with applicable laws and regulations. In the event of an increase in share capital of the Company through issuance of new shares, a decision to waive the existing shareholders' pre-emptive rights to subscribe for shares shall be justified. If the Board resolves to issue new shares and waive the pre-emptive rights of existing shareholders pursuant to a Board authorization granted by the general meeting, the justification shall be publicly disclosed in a stock exchange announcement issued in connection with the shares issue.

Any transactions carried out by the Company in the Company's own shares shall be carried out through the Oslo Stock Exchange and in any case at prevailing stock exchange prices. In the event that there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of shareholders.

5.2 Transactions with close associates

In the event of any not immaterial transactions between the Company and shareholders; a shareholder's parent company; members of the Board; members of the Management or close associates of any such parties, the Board shall obtain an independent third party evaluation of the transaction, unless the transaction in questions shall be approved by the Company's general meeting in accordance with the NCPLA. Independent third-party evaluations shall also be obtained in the event of transactions between companies in the Group where any of the companies involved have minority shareholders.

6. SHARES AND NEGOTIABILITY

There shall be no limitation with respect to any party's ability to own, trade or vote for the Company's shares. The Articles of Association contain no restrictions on negotiability of the shares.

7. GENERAL MEETINGS

7.1 Exercise of rights

The Board shall ensure that the Company's shareholders can participate at general meetings. This shall be facilitated by the following:

- The proposed resolutions and any supporting documents shall be sufficiently
- Detailed, comprehensive and specific allowing shareholders to understand and form a view on all matters to be considered
- The deadline for shareholders to give notice of their attendance at the general meeting shall be no earlier than two business days prior to the date of the general meeting in accordance with the Articles of Association
- The Board and the chair of the general meeting shall ensure that the shareholders are able to vote separately on each individual matter, including on each individual candidate nominated for election to the Board and other corporate bodies (if applicable)
- Members of the Board shall be present at general meetings, while representatives of the Audit Committee (see Section 10.2 below), as well as the auditor should be present at general meetings where matters of relevance for such committees/persons are on the agenda and
- The Board shall make arrangements to ensure that the chair of the general
- Meeting is independent.

7.2 Participation without being present

Shareholders who are unable to attend the general meeting in person shall be given the opportunity to vote by proxy. In this respect, the Company shall:

- Provide information in the notice to the general meeting on the procedure for attending by proxy
- Nominate a person who can act as a proxy for shareholders and

- Prepare a proxy form, which shall, insofar as possible, be set up so that it is possible to vote on each individual item on the agenda and candidates that are nominated for election.

8. NOMINATION COMMITTEE

The Articles of Association of the Company require it to have a Nomination Committee.
The Nomination Committee shall consist of up to 3 members elected by a Shareholders Meeting for a period of up to 2 years at the time, unless the Shareholders Meeting decides a shorter period. The Nomination Committee shall make recommendation and prepare proposals to the Shareholders Meeting for:

- Election of members of the Board of Directors and remuneration of the Directors; and
- Election of the Nomination Committee and remuneration of the Nomination committee.

9. BOARD COMPOSITION AND INDEPENDENCY

The Board shall be composed in a way that it can (i) attend to the common interests of all shareholders and meet the Company's need for expertise, capacity and diversity and (ii) act independently of special interests. The majority of the shareholder-elected Board members shall be independent of the Management and significant business contacts. At least two of the members of the Board shall be independent of the Company's major shareholder(s).

For the purposes of these Policies, a *major shareholder* shall mean a shareholder who owns or controls more than 10% of the Company's shares or votes, and *independence* shall entail that there are no circumstances or relations that may be expected to be able to influence an independent assessments of the person in question. The Board shall not include members of the Management.
The Chair of the Board is elected by the general meeting. The term of office for members of the Board shall not be longer than two years at a time. Members of the Board may be re-elected.

The Company's annual report shall provide information regarding the expertise of the members of the Board, as well as information on their history of attendance at board meetings. Further, the annual report shall identify the members of the Board that are considered to be independent. Members of the Board are encouraged to own shares in the Company.

10. THE WORK OF THE BOARD

10.1 General

The Board has implemented instructions for the Board and the Management, focusing on determining a clear allocation of internal responsibilities and duties. The respective objectives, responsibilities and functions of the Board and the CEO shall be in compliance with rules and standards applicable to the Company and are described in the Company's "*Instructions for the Board*" and "*Instructions for the CEO*".

The Board shall ensure that the members of the Board and the members of the Management make the Board aware of any material interests that they may have in matters to be considered by the Board.

The Board's consideration of matters of a material character in which the chair of the Board is, or has been, personally involved, shall be chaired by another member of the Board to ensure a more independent consideration of the matter in question.

10.2 Board committees

The Board has an audit committee (the "**Audit Committee**"), which is a working committee for the Board, preparing matters and acting in an advisory capacity. The duties, tasks and composition of the Audit Committee shall be in compliance with the NCPLA. In particular, the Audit Committee shall act as a preparatory body and support the Board in the exercise of its responsibility relating to financial reporting, auditing, internal controls, compliance with ethical Policy such as Environmental, Social and Governance ("**ESG**") and overall risk management.

The members of the Audit Committee are elected by and amongst the members of the Board for a term of up to two years. The entire Board shall not act as the Company's Audit Committee. At least one member of the Audit Committee should be competent in respect of finance and audit, and the majority of the members should be independent of the Company. The mandate of the Audit Committee is subject to annual revision.

The Company has not appointed a remuneration committee. A remuneration committee has not deemed to be of importance and the Board has, after consideration, decided to maintain a simple and cost-effective governance structure. The Board will determine the remuneration and compensation scheme of the Company in accordance with applicable law.
The Board shall provide details in the annual report of the Audit Committee and any other board committees, if appointed.

11. RISK MANAGEMENT AND INTERNAL CONTROL

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Group's business activities. The internal control shall encompass the Company's Policy etc. for how it integrates considerations related to stakeholders into its creation of value.
The Board shall carry out an annual review of the Group's most important areas of exposure to risk and its internal control measures. The review shall pay particular attention to:

- Changes relative to previous years' reports in respect of the nature and extent of material risks and the Company's ability to cope with changes in its business and external changes
- the extent and quality of the Management's routine monitoring of risks and the internal control system and, where relevant, the work of the internal audit function
- the extent and frequency of the Management's reporting to the Board on the results of such monitoring, and whether this reporting makes it possible for the Board to carry out an overall evaluation of the internal control situation in the Group and how risks are being managed
- events of material shortcomings or weaknesses in internal control that come to light during the course of the year which have, could have, or may have had a significant effect on the Group's financial results or financial standing and
- how well the Company's external reporting process functions.

Based on the instructions by the Board, the CEO shall implement internal control measures and propose the same to the Board.

The CEO shall effectuate internal control measures on the basis of the instructions by the Board and report the results to the Board annually in accordance with the Board's annual plan. The report to the Board shall provide a balanced presentation of all material risks and how such risks are handled through the internal control measures of the Company.

The main areas of internal control related to financial reporting shall be described and included in the corporate governance report to be prepared by the Board pursuant to Section 3-3b of the Norwegian Accounting Act and the Continuing Obligations. This account should include sufficient and properly structured information to make it possible for shareholders to understand how the Company's internal control system is organized. The account should address the main areas of internal control related to financial reporting. This includes the control of environment, risk evaluation, control activities, information and communication and follow-ups.

12. BOARD REMUNERATION

The remuneration to the members of the Board shall be determined by the annual general meeting each year. The Board's remuneration shall reflect the Board's responsibility, expertise, use of time and the complexity of the Company's business activities. Remuneration shall not be dependent on or linked to the Company's performance, and no options shall be issued to the members of the Board.

Board members, or companies to whom they are associated, should not undertake separate assignments for the Group in addition to the Board appointment. If they nevertheless do so, the whole Board shall be informed. Fees for such additional assignments shall be approved by the Board. If remuneration has been paid above the standard Board member fee, this shall be specified in the annual report.

13. MANAGEMENT REMUNERATION

The Company has prepared Policy for determining remuneration to the CEO and other members of the Management in accordance with Section 6-16a of the NPLCA. The Policy shall, at all times, support prevailing strategy and values of the Company.

The total remuneration to the CEO and other members of the Management consists of basic salary (main element), benefits in kind, variable salary, pension and insurance schemes.
Performance-related remuneration to the members of the Management in the form of warrants, share options, bonus programs or similar shall be linked to value creation for shareholders or the Company's profit over time. Such arrangements, including warrants and share option arrangements, shall incentivize performance and be based on quantifiable factors that the member of the Management in question may influence.

The Board prepares Policy for the remuneration of members of the Management. Such Policy shall include the main principles for the Company's remuneration policy and shall contribute to aligning the interests of the shareholders and the Management. These Policies shall be communicated to the annual general meeting, and it shall be clearly stated which aspects of the Policies that are advisory and which, if any, are binding. The general meeting shall vote separately on each of these aspects of the Policy.

14. INFORMATION AND COMMUNICATIONS

14.1 Financial reporting and communication

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Reporting must fulfil statutory requirements and provide sufficient information to allow the Company's stakeholders to form as accurate a picture of the business as possible. The Company shall report in accordance with the provisions of the NSTA, as well as the requirements pursuant to the Continuing Obligations.

The Company shall at all times provide its shareholders, the Oslo Stock Exchange and the financial market in general with timely and precise information. Such information will be given in the form of annual reports, quarterly reports, press releases, stock exchange announcements and investor presentations. The Company's report on corporate social responsibility shall be integrated in the annual report. The Board has established Policy for the Company's reporting of financial and other information.

The Company shall each year publish a financial calendar with details of the dates of important events such as the general meeting, publication of interim reports, open presentations and payment of the dividend.
The Board has adopted routines for, inter alia, the handling of inside information, please see Section 2 and the reference therein to the manual for "*Inside Information and Additional Disclosure Routines*".

14.2 Information to the Company's shareholders

In addition to the Board's dialogue with the Company's shareholders at general meetings, the Board should make suitable arrangements for shareholders to communicate with the Company at other times in order to facilitate an understanding of which matters affecting the Company from time to time and which are of particular concern to the Company's shareholders. Communications with the shareholders should always be in compliance with the provisions of applicable laws and regulations and in consideration of the principles of transparency and equal treatment of the Company's shareholders.

Information to the Company's shareholders shall be published at the Company's website at the same time as it is sent to the shareholders. The Board has established Policy for the Company's contact with shareholders outside the general meeting.

15. TAKE-OVERS

Although it is recommended by the NUES Code, the Board has not established separate Policy on how to respond in the event of a take-over bid, but will comply with the following principles should such event occur:
In the event of a take-over bid, the Board shall ensure that

a. shareholders in the Company are treated equally
b. shareholders are given sufficient information and time to form a view of the offer
c. the Group's business activities are not disrupted unnecessarily
d. the bid is not hindered or obstructed by the Board unless there are particular reasons to do and that
e. in case the bid is made for the Company's shares, no authorizations or resolutions are exercised or made by the Board with the intention to obstruct the take-over bid
f. unless this is approved by the general meeting subsequent to the announcement of
g. the bid.

With respect to any agreements entered into by the Company and a bidder, the following principles shall apply:

a. An agreement limiting the Company's ability to arrange other bids for the Company's shares shall only be entered into if it is self-evident that such agreement is in the Company and the shareholders' common interest. This shall also apply to any agreement on financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the cost the bidder has incurred in making the bid.
b. An agreement that is material to the market's evaluation of the bid shall be disclosed no later than at the same time as the announcement that the bid will be made is published.

c. Any transaction that *de facto* is a disposal of the Company's activities shall be decided by the general meeting.

If an offer is made for the Company's shares, the Board shall issue a statement recommending its shareholders to accept or decline the offer. The Board's statement shall make it clear whether the views expressed are unanimous, and if such is not the case, explain the basis on which specific members of the Board have excluded themselves from the statement. The Board shall ensure that an explained valuation of the offer is prepared by an independent expert, which shall be disclosed no later than at the time of the disclosure of the Board's statement.

16. AUDITOR

The Board shall ensure that the auditor annually submits the main features of the plan for the audit of the Company to the Audit Committee.

The auditor shall participate in Board meetings dealing with the annual accounts, where it shall

a. report on any material changes in the Company's accounting principles and key aspects
b. of the audit
c. comment on any material estimated accounting figures and
d. report all material matters on which there has been disagreement between the auditor and the Management (if any).

The Board shall establish Policy for the Management regarding the use of the auditor for work not related to the statutory audit review.

The Board shall at least once a year review the Company's internal control procedures with the auditor, including identified weaknesses by the auditor and proposals for improvements.

CONSOLIDATED FINANCIAL STATEMENTS – AXXIS GEO SOLUTONS GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NOK thousands	Note	Full Year 2019	Full Year 2018
Revenue	3,4	**611 767**	**53 378**
Cost of sales	5	(512 117)	(47 395)
Personnel expenses	20,21	(22 543)	(14 955)
Other operating expenses		(37 120)	(31 204)
Amortization & impairment multi-client & goodwill	11b	(324 505)	-
Depreciation & impairment	11a	(51 817)	(23 526)
Operating profit (loss) (EBIT)		**(336 336)**	**(63 703)**
Financial income	6	26 426	6 747
Financial expenses	6	(52 786)	(19 892)
Profit (loss) before tax		**(362 696)**	**(76 849)**
Income tax (expense)	7	(40 037)	11 857
Profit (loss) for the period		**(402 732)**	**(64 992)**
Currency translation adjustments		(1 083)	331
Other comprehensive income (loss) for the period		**(1 083)**	**331**
Total comprehensive income (loss) for the period		**(403 815)**	**(64 661)**
Earnings (loss) per share			
Basic earnings per share	24	(6.85)	(4.63)
Diluted earnings per share	24	(6.83)	(4.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK thousands

Assets	Note	31.12.2019	31.12.2018
Non-current assets			
Goodwill	11b	-	15 917
Multi-client library	3,11b	399 511	216 987
Deferred tax asset	7	-	40 037
Property, plant and equipment	11a,16	152 392	139 133
Other non-current assets		-	419
Total non-current assets		**551 902**	**412 491**
Current assets			
Inventories	12	6 699	16 923
Trade receivables *	9	108 079	34 239
Other current assets	10	126 763	55 883
Bank deposits, cash in hand	8	12 618	66 866
Total current assets		**254 159**	**173 910**
Total assets		**806 061**	**586 402**

** MNOK 86.0 relates to VAT that has been paid 10 Feb 2020*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK thousands **Equity and Liabilities**	**Note**	**31.12.2019**	**31.12.2018**
Equity			
Share capital and other paid in capital	18	422 564	99 538
Other reserves	18	(477 225)	(69 936)
Total equity		**(54 661)**	**29 602**
Non current liabilities			
Interest bearing debt	13,16,25	633	-
Total non current liabilities		**633**	**-**
Current liabilities			
Interest bearing debt current	13,16,25	21 792	29 856
Trade payables	15	365 756	180 808
Contract liabilities	4	199 868	155 353
Other current liabilities *	17	272 673	190 783
Total current liabilities		**860 089**	**556 800**
Total liabilities		**860 722**	**556 800**
Total equity and liabilities		**806 061**	**586 402**

** MNOK 86.0 relates to VAT that has been paid 10 Feb 2020*

Lysaker, 26 May 2020

The Board of Directors and CEO of Axxis Geo Solutions ASA

[Sign.]

Rolf Rønningen Chairman	Njål Sævik Director	Vibeke Fængsrud Director
Nina Skage Director	Eirin Inderberg Director	Lee Parker CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK thousands	Note	Share capital	Additional paid-in capital	Accumulated earnings	Revaluation reserve	Other equity/ Share based programme	Total equity
Balance as of 01.01.2019		**50 096**	**49 442**	**(73 764)**	**355**	**3 473**	**29 602**
Profit (loss) for the period				(402 732)			(402 732)
Other comprehensive income (loss)					(1 083)		(1 083)
New shares issued - cash settled		75 752	246 459				322 211
Cost for new shares issued			(16 826)				(16 826)
Effect of Songa Bulk ASA merger 2/7-19 for AGS shareholders	1.2	(44 833)	(120 537)				(165 370)
Effect of Songa Bulk ASA merger 2/7-19 of share consolidation for AGS shareholders	1.2		165 370				165 370
Effect of Songa Bulk ASA merger 2/7-19 for shares in Songa as contribution in kind	1.2	1 000	13 272				14 272
Share based payment						(105)	(105)
Balance as of 31.12.2019		**82 014**	**337 181**	**(476 497)**	**(729)**	**3 368**	**(54 661)**

NOK thousands	Note	Share capital	Additional paid-in capital	Accumulated earnings	Revaluation reserve	Other equity/ Share based programme	Total equity
Balance as of 01.01.2018		**50 096**	**49 442**	**(8 772)**	**24**	**-**	**90 790**
Profit (loss) for the period				(64 992)			(64 992)
Other comprehensive income (loss)					331		331
Share based payment						3 473	3 473
Balance as of 31.12.2018		**50 096**	**49 442**	**(73 764)**	**355**	**3 473**	**29 602**

CONSOLIDATED STATEMENT OF CASH FLOW

NOK thousands	Note	Full Year 2019	Full Year 2018
Cash flow from operating activities			
Profit (loss) before tax		(362 696)	(76 849)
Taxes paid	7	-	(423)
Depreciation and amortization	11a,11b	376 322	23 526
Agio - disagio without cash flow effects		(111)	628
Interest expense *	6	19 554	6 818
Interest received		(84)	(203)
Share based payment cost	21	(105)	3 473
Change in trade receivables	9	(73 841)	(29 392)
Change in trade payables	15	184 948	161 307
Change in inventories	12	10 224	(16 851)
Change in other current assets	10	(71 298)	(50 893)
Change in contract liabilities	4	44 516	155 353
Change in other current liabilities	17	81 890	188 395
Net cash from operating activities		**209 319**	**364 889**
Cash flow from investing activities			
Investment in property, plant and equipment	11a,16,25	(60 861)	(98 089)
Investment in multi-client library	11b	(491 112)	(216 987)
Cash received/paid from non-current receivables		-	(368)
Cash received/paid from merger	1.2	3 620	-
Interest received		84	203
Net cash flow from investment activities		**(548 269)**	**(315 241)**
Cash flow from financing activities			
Proceeds from interest bearing debt	13,25	-	29 750
Repayment of interest bearing debt	13,25	(9 917)	(8 500)
Payment of lease liabilities (recognized under IFRS 16)	16,25	(1 624)	-
Net proceeds from new equity		305 385	-
Interest paid lease liabilities	16	(155)	-
Interest paid		(8 987)	(6 712)
Net cash flow from financial activities		**284 702**	**14 538**
Net change in cash and cash equivalents		**(54 247)**	**64 186**
Cash and cash equivalents balance 01.01	8	66 866	2 679
Cash and cash equivalents balance 31.12		**12 618**	**66 866**

** Interest expense in 2019 includes financial cost as a result of the merger with Songa Bulk of MNOK 10.2*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION ABOUT THE COMPANY AND BASIS FOR PRESENTATION

1.1 General information

Axxis Geo Solutions Group comprise Axxis Geo Solutions ASA (referred to as the "Company" or the "Parent") and its subsidiaries (together referred to as the "Group"). Axxis Geo Solutions ASA is a public limited listed company incorporated in Norway. The Company is listed on Oslo Axess and traded under the ticker AGS.

The Company's registered office is at Strandveien 50, 1366 Lysaker, further the Group is located with operational office in Houston. The Group has due to local requirement, when operating OBN survey, offices also in Jakarta and Cairo.

The Group is engaged in the international geophysical industry and focuses its activities in the Ocean Bottom Node ("OBN") segment of the marine seismic market.

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

The Group specializes on delivering tailored seismic solutions, flexible project management and execution to oil and gas companies world-wide. Its operations are based on a scalable asset-light setup to complete seismic surveys.

Basis of Preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the European Union («EU»), their interpretations adopted by the International Accounting Standards Board (IASB) and the additional requirements of the Norwegian Accounting Act as of 31 December 2019.

The notes are an integral part of the consolidated financial statements.

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

The consolidated financial statements of the Group were authorized by the Board of Directors on 24 April 2020. The consolidated financial statements will be presented for approval at the Annual General Meeting on 19 May 2020. Until this date the Board of Directors have the authority to amend the financial statements.

Going concern

The annual accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure and hence there is material uncertainty related to the going concern assumption. Currently, the Group has insufficient cash to pay its account payables. The Group is working on a restructuring plan with its key creditors to reduce the short-term liabilities. If successful, this will strengthen the working capital and improve the liquidity for the Group. The outcome of these discussions are uncertain and the going concern assumption is subject to material uncertainty as outlined below.

The Group's cash flow forecast is based on the following: the Group's existing firm commitments and operational plan, the Group's expectation of future opportunities, and the Group's corporate activities to improve the financial situation, specifically;

- successful in restructuring its trade payables with its suppliers; and
- successful in obtaining work towards the end of 2020
- ability to keep expenses at a minimum level

It is the Board's and the management's view that the Company's efforts in the restructuring plan will be successful.

However, there is a risk that the Group

- will not be successful in completing the ongoing restructuring process
- has challenges related to the transfer of cash from its operations in the Middle East to Norway
- maintains a balance of significantly overdue payables if the Group's unable to obtain a payment plan with creditors not participating in the restructuring process
- does not secure future contracts or late sales

Management have used its best judgements in the evaluation of the going concern assumption. Although there are significant uncertainties and risk listed above related to events or conditions that might impact the future cash flows, the Board and the management is of the opinion that the going concern assumption is appropriate and the accounts are prepared under the going concern assumption. If the Company is unsuccessful with the above activities, the financial statements do not reflect impairment charges or provisions that might be required if the Company or Group was liquidated or the assets sold in a distressed situation.

Note 1.2 Merger with Songa Bulk ASA

The merger between Songa Bulk ASA and Axxis Geo Solutions AS (AGS AS) with a reverse share split, forming Axxis Geo Solutions ASA (AGS ASA), was not considered a business combination under IFRS, but a reverse take over/acquisition of a non-trading shell company. The Merger was carried out pursuant to chapter 13 of the Norwegian Public Limited Liability Companies Act, whereby Songa Bulk ASA has assumed the assets, rights and obligations of AGS AS as a whole, against issuance of consideration shares to the former shareholders in AGS AS.

The merger has been accounted as a reverse acquisition whereby AGS AS is the accounting acquirer, i.e. the continuing entity. As the transaction is not a business combination, but a share-based transaction, it is accounted for in accordance with IFRS 2. In the consolidated financial statement of AGS ASA (former Songa Bulk ASA), the transaction is accounted for as a continuation of the financial statements of AGS AS. Assets and liabilities of Songa Bulk ASA are recognised at fair value in accordance with IFRS 2.

The opening balance from Songa Bulk ASA comprised cash and an investment in shares measured at fair value of MNOK 5.2, as well as a short-term liability (Trade payable) of MNOK 1.2. The rest was other contribution equity restricted, see table below.

Opening balance from Songa Bulk ASA	
thousands NOK	
Assets	
Bank	4 448
Shares in Star Bulk AS	761
	5 208
Equity and liabilities	
Trade payable	1 184
Other contributed equity (restricted)	4 025
	5 208

Comparable figures for 2018 is Axxis Geo Solutions AS converted to IFRS. See note 26 first time adoption of IFRS.

When the transactions was finally booked, the cash received in NOK currency was slightly higher MNOK 4.8, giving net cash from the merger of MNOK 3.6, reflected in the cash flow.

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements comprise the Parent company Axxis Geo Solutions ASA and its subsidiaries.

Subsidiaries are all entities over which the Company has control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

Contract seismic surveys is projects where the Group performs seismic services in accordance with customer specifications and the customer is the owner of all data collected. The contracts can include both collection of data and processing. If both services are included in a contract, the contract consist of two performance obligations. The Group has so far only had contract without prosessing.

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

The Company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between satisfying the performance obligation and the payment is one year or less. Where the Company has satisfied its performance obligations and has a right to consideration, an accrued revenue is recognized. The principles applied for each of the main types of contracts with customers are described in more detail below.

Contract seismic surveys

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

The contracts may include mobilization fees. These payments are included in the transaction price. No revenue is recognized before the data acquisition commences.
Any mobilization cost is capitalized as a cost to fulfil a contract and are amortized over the data acquisition period. The costs primarily relate to relocation of vessels and other preparation costs that can be directly allocated to the contract. The Group incur these costs to be able to fulfil the contract, and they are capitalized to the extent that they are expected to be recovered by the contract.

Multi-client revenue

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

Multi-client pre-funding

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

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

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

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

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

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

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

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

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes the liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease term
The lease term is determined on the commencement date of the lease, and corresponds to the term of the lease contract, unless the Company is reasonably certain that it will exercize contractual extensions or termination options.

Measurement of lease liabilities
At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments due under the contract, less any lease incentives receivable, plus the

costs of purchase or termination options if reasonably certain to be exercized. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequently, the carrying amount of the lease liability is increased to reflect the accumulation of interest on the liability balance, and reduced as the lease payments are charged to the liability. In addition, the carrying amount of the lease liability is remeasured to reflect contractual modifications, changes to lease payments or changes in the assessment of the lease term.

Measurement of right-of-use assets
Right-of-use assets are measured at cost, comprising the initial measurement of lease liability, lease payments made at the commencement date, initial direct costs and estimated restoration costs, less any lease incentives received. Subsequently, the right-of-use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

Short term leases and low value leases
The Company has elected to apply the recognition exemption to lease contracts with a duration of less than 12 months, or that relate to assets with an underlying low value. Lease payments associated with short-term leases and leases of low-value assets are expensed on a straight-line basis.

IFRS 16 Leasing was implemented 1 January 2019. IFRS 16 replaced IAS 17 Leases with amendments. The Group used the modified retrospective approach where the right to use asset will equal the lease liability 1 January 2019. The Group used a discount rate based on the incremental borrowing rate 1 January 2019 of 5%.

The Group decided to use the practical expedient in IFRS 16 for short term leases and has therefore not recognise a lease liability and right to use asset for lease contracts with a duration of less than one year. Most of the Groups' lease contracts had a remaining lease term of less than one-year 1 January 2019. Because of this, the Group was not significantly affected by the new standard.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably
- similar characteristics,
- The accounting for leases with a remaining lease term of less than 12 months as at 1 January 2019 was defined as short-term leases,
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application.

The Group recognized lease liability and right to use asset of NOK 2 million 1 January 2019 for their office leases in Norway and Houston. The lease liabilities as at 1 January 2019 can be reconciled to the total operating lease commitments as of 31. December 2018, as follows:

NOK thousands	
Total lease commitments 1.1.2019	**107 179**
- Short term leases not capitalized	(105 000)
- Low value leases	-
- Interest element	(130)
Lease liability 1.1.2019	**2 049**

Other short-term leases less than 12 months and payments of these leases are charged to the income statement on a straight-line basis over the period of the lease.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. The Group only had operational leases in 2018 where lease payments was recognized as operating expense in the income statement on a straight-line basis over the lease term. Lease incentives received was recognized as an integral part of the total lease expense over the term of the lease.

Intangible assets

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

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

Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level.
Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Multi-client library

Capitalization

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

Amortization

The OBN multi-client library will be amortized from the date the processed data are ready to be transferred to customers, using straight line amortization with a useful life 7 years for

(HD) 3D OBN projects and 5 years for 2D OBN projects. Before the library is completed, the Group test for impairment annually. To ensure that value in use above net book value, the Group will perform an additional impairment test after pre-funding revenues are recognized.

Inventories

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

Taxes

a) Current income tax

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

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

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

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

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

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

Employee benefits

Pension obligations

The Group operates a defined contribution plan. The net pension cost for the period is presented as an employee expense.

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

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

Trade receivables
Trade receivables sale of goods and services are held to collect contractual cash flows. They are initially recognised at the transaction price from sale of goods or services and are subsequent measured with a provision for expected credit loss.

Impairment losses are measured at lifetime expected credit losses in accordance with IFRS 9.
The Group's impairment model for trade receivable, contract assets and other current assets is a simplified approach based on lifetime expected credit losses (ECL). Impairment is based on an estimate of the probability of default for the financial assets reflecting an unbiased amount determined by evaluating a range of possible outcomes; the time value of money and reasonable available information related to past events, current conditions and forecasts of future economic conditions.

The Group uses an impairment model with the following characteristics: The receivables are organized based on the credit risk of the customers. The primary portfolio is the receivables where invoicing is done to customers with a high credit rating, typical large listed or state-owned oil companies. This portfolio has a low risk of default and therefore no impairment loss is initially recognized based on the expectation of all of the accounts being paid. Further, an individual assessment is performed on specific customer receivables, typically if a customer is in known financial distress or has declared bankruptcy.

On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

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

Financial liabilities
Financial liabilities represent a contractual obligation to deliver cash in the future. Financial

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

Cash flow statement
The cash flow statement is presented using the indirect method.

Cash and cash equivalents
Cash and cash equivalents include cash at hand, deposits held at call with banks with original maturities of three months or less.

Note 2.1 Standards and interpretations issued, but not yet effective
The following standards and interpretations have been issued but are not mandatory for annual reporting periods ending on 31 December 2019. Standards and interpretations not affecting the Group have not been disclosed.

Definition of a Business – Amendments to IFRS 3
The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Definition of Material – Amendments to IAS 1 and IAS 8
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting.

Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial
information. In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information,
- and that an entity assesses materiality in the context of the financial statements as a whole, and
- The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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

Note 2.2 Key accounting estimates and judgement
The Group makes estimate and assumptions concerning the future. The resulting accounting estimates could deviate from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

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

Cooperation agreement with TGS-NOPEC Geophysical Company ASA (TGS)
The Group currently has one multi-client library under development. The Group entered into an agreement with TGS in 2018, where the parties have agreed that the library will be a jointly owned asset and each party will be entitled to 50% of the revenues generated by the library.

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

Impairment of intangible assets
The Group uses the discounted cash flow method to estimate the present value of the multi-client library, project Utsira, based on expectations of future multi-client late sales according the cash flow prognosis used by management for 2020.
After this calculation the multi-client library was written down with NOK 308.6 million in the fourth quarter of 2019.

Further, the goodwill was written down with NOK with 15.9 million to zero in the fourth quarter of 2019. The goodwill is related to the investment in the subsidiary AGS Inc, the historical value of the goodwill arose from the knowledge and competence of the personnel in the subsidiary. This knowledge and competence have since then been incorporated into the Group as a whole and is no longer attributable to a single subsidiary of the Group.

Going concern
The Group prepares and maintains a rolling P&L and cash forecast, in addition to a rollforward of key balance sheet items (trade payables, long-term debt, and cash). The forecast is based on Management's expectation of operational outlook derived from existing pipeline opportunities and expected attached revenues. The forecast is adjusted for the current trough in the oil and gas markets and the Group's financial situation. In the Group's current forecast, cash and cash equivalents are expected to remain positive for the 12-month period following the 2019 financial statements.
The Group's cash flow forecast is based on the following: the Group's existing firm commitments and operational plan, the Group's expectation of future opportunities, and the Group's corporate activities to improve the financial situation, specifically;

- successful in restructuring its trade payables with its suppliers; and
- successful in obtaining work towards the end of 2020
- ability to keep expenses at a minimum level

The financial forecast has been prepared based on the current challenging market conditions.
There are, however, risks related to the assumptions in the forecast:

- There is a risk that the Group will not be successful in completing the ongoing restructuring process.

- The Group has experienced challenges related to the transfer of cash from its operations in the Middle East to Norway. The Group has engaged external counsel to assist in this effort. There is not a significant risk of non-payment by the Groups current clients. Clients in the Middle East and Norway are rated a2 and aa2, respectively by Moody's.
- The Group maintains a balance of significantly overdue payables. There is a risk that a resolution with some of these creditors may not be found. The Group is currently in a process to obtain payment plans with its creditors, but this is still ongoing.
- The Group is dependent on future business to maintain a positive cash balance beyond 12 months following the financial statements. There is a risk that the Group does not secure future contracts or late sales. Given the opportunities that the company is aware of, the company expects the likelihood of this outcome to be low.

The annual accounts are prepared on the assumption of a going concern. However, the Company's and the Group's financial situation is unsustainable as equity is negative and liquidity is under pressure and hence there is material uncertainty related to the going concern assumption. Currently, the Group has insufficient cash to pay its account payables. The Group is working on a restructuring plan with its key creditors to reduce the short-term liabilities. If successful, this will strengthen the working capital and improve the liquidity for the Group. The outcome of these discussions are uncertain and the going concern assumption is subject to material uncertainty as outlined above.

Management have used its best judgements in the evaluation of the going concern assumption. Although there are significant uncertainties and risk listed above related to events or conditions that might impact the future cash flows, the management is of the opinion that the going concern assumption is appropriate and the accounts are prepared under the going concern assumption. If the Company is unsuccessful with the above activities, the financial statements do not reflect impairment charges or provisions that might be required if the Company or Group was liquidated or the assets sold in a distressed situation.

Merge with Songa
Management has evaluated the merger between Songa Bulk ASA and Axxis Geo Solutions AS (AGS AS) with a reverse share split, forming Axxis Geo Solutions ASA (AGS ASA), not to be considered a business combination under IFRS, but a reverse takeover/acquisition of a non-trading shell company.
There were no employees, no processes or no asset except cash that was transferred in the merge.

Note 2.3 Definition of APM (Alternative Performance Measures)
The European Securities and Markets Authority ("ESMA") issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. The Company has defined and explained the purpose of the APMs in the paragraphs below.

The alternative performance measures presented by the Group may be determined or calculated differently by other companies.

EBITDA
EBITDA means Earnings before interest, taxes, amortization, depreciation and impairments. The Group uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past. Also, the measure is useful when comparing the Company's performance to other companies.

NOK thousands	Segment reporting Full Year 2019	IFRS reporting Full Year 2019
Profit (loss) for the period	(347 870)	(402 732)
Income tax (expense)	(30 503)	(40 037)
Net financial items	(26 193)	(26 360)
Depreciation & impairment PPE	(50 123)	(51 817)
Amortization & impairment of multi-client and goodwill	(392 963)	(324 505)
Operating profit (loss) before depreciation and amortization (EBITDA)	**151 912**	**39 987**

For full overview of Segment vs IFRS see note 3 Segment.

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

EBIT (Operating Profit)
Earnings before interest and tax is an important measure for the Group as it provides an indication of the profitability of the operating activities. The EBIT margin presented is defined as EBIT (Operating Profit) divided by net revenues.

Multi-client prefunding percentage
The multi-client prefunding percentage is calculated by dividing the multi-client prefunding revenues, as per segment reporting, by the operational investments in the multi-client library, excluding investments related to projects where payments to the vendors are contingent on sales (risk-sharing investments). The multi-client prefunding percentage is considered an important measure as it indicates how the Company's financial risk is reduced by multi-client investments.

Backlog
Backlog is defined as the total value of future segment revenue on signed customer contracts, letter of awards or where all major contracts terms are agreed. The Group believes that the Backlog figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

NOTE 3 SEGMENT INFORMATIONS

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

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

Revenue recognition for the Contract segment is based on the same principles as the IFRS financial statements. Operating expenses are allocated to the segments based on the use of resources and assets. Share based payment cost and capitalized cost of obtaining contracts has not been allocated to segments.

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Income statement	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**
Total revenue	**113 716**	**611 767**	**(113 716)**	**611 767**
Cost of sales	19 014	(531 131)	-	(512 117)
Personnel expenses	(9 060)	(13 483)	-	(22 543)
Other operating expenses	(9 246)	(29 665)	1 791	(37 120)
Total Operating Expenses	**707**	**(574 278)**	**1 791**	**(571 780)**
Operating profit (loss) before depreciation and amortization (EBITDA)	**114 423**	**37 489**	**(111 925)**	**39 987**
Depreciation & Amortization	(394 983)	(48 103)	66 764	(376 322)
Operating profit (loss) (EBIT) Segment	**(280 560)**	**(10 614)**	**(45 162)**	**(336 336)**

Vessel and equipment is utilized by both segments, and depreciation is allocated based on use. Investments in multi-client library in the period of NOK 400 million (NOK 217 million in 2018) only relates to the the multi-client segment.

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Geographical markets	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**
Norway	113 716	-	(113 716)	-
Asia	-	554 771	-	554 771
Middle East	-	18 291	-	18 291
Brazil	-	38 705	-	38 705
Total revenue	**113 716**	**611 767**	**(113 716)**	**611 767**

The geographical split is based on where the seismic surveys have been perfomed.

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Major customers	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**
Customer 1	-	611 767	-	611 767
Customer 2	85 000	-	(85 000)	-
Customer 3	28 716	-	(28 716)	-
Customer 4	-	-	-	-
Total revenue	**113 716**	**611 767**	**(113 716)**	**611 767**

AGS entered in Q4 2018 into an agreement with TGS to invest in certain multi-client projects. From this time, and with retroactive effect for 2018, AGS recognizes its relative share of the investment in multi-client data and its share of revenue, amortization and costs.

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Income statement	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**
Total revenue	**125 494**	**53 378**	**(125 494)**	**53 378**
Total cost of sales	48 190	(98 683)	3 098	(47 395)
Personnel expenses	(8 213)	(3 269)	(3 473)	(14 955)
Other operating expenses	(22 319)	(8 885)	-	(31 204)
Total Operating Expenses	**17 659**	**(110 838)**	**(376)**	**(93 555)**
Operating profit (loss) before depreciation and amortization (EBITDA)	**143 153**	**(57 460)**	**(125 870)**	**(40 177)**
Depreciation & Amortization	(96 427)	(7 752)	80 653	(23 526)
Operating profit (loss) (EBIT) Segment	**46 726**	**(65 212)**	**(45 217)**	**(63 703)**

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Geographical markets	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**
Norway	125 494	-	(125 494)	-
Asia	-	53 378	-	53 378
Brazil	-	-	-	-
Total revenue	**125 494**	**53 378**	**(125 494)**	**53 378**

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Major customers	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**
Customer 1	95 899	-	(95 899)	-
Customer 2	29 595	-	(29 595)	-
Customer 3	-	45 226		45 226
Customer 4	-	8 152		8 152
Total revenue	**125 494**	**53 378**	**(125 494)**	**53 378**

NOTE 4 REVENUE AND COST FROM CONTRACT WITH CLIENTS

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Income statement	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**
Contracts for seismic acquisition	-	611 767	-	611 767
Multi-client projects pre-funding	113 716	-	(113 716)	-
Multi-client projects late sales	-	-	-	-
Total revenue from contracts with customers	**113 716**	**611 767**	**(113 716)**	**611 767**
At a point in time	-	-	-	-
Over time	113 716	611 767	(113 716)	611 767
Total revenues from contracts with customers	**113 716**	**611 767**	**(113 716)**	**611 767**

Cost to fulfill conracts and cost to obtain contracts

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Income statement	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**	**Full Year 2019**
Contract assets				
Assets recognized for costs to fulfill a contract (mobilization costs)	-	52 606	-	52 606
Amortization of assets recognized for cost to fulfill a contract (mobilization costs)	-	(37 552)	-	(37 552)
Total contract assets	**-**	**15 054**	**-**	**15 054**

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

Contract liabilities				
Advanced payments received	879	-	198 989	199 868
Recognized revenue related to advanced payments received	113 716	-	(113 716)	-
Total current contract liabilities	**114 595**	**-**	**85 273**	**199 868**

AGS

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Income statement	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**
Contracts for seismic acquisition	-	53 378	-	53 378
Multi-client projects pre-funding	125 494	-	(125 494)	-
Multi-client projects late sales	-	-	-	-
Total revenue from contracts with customers	**125 494**	**53 378**	**(125 494)**	**53 378**
At a point in time	-	-	-	-
Over time	125 494	53 378	(125 494)	53 378
Total revenues from contracts with customers	**125 494**	**53 378**	**(125 494)**	**53 378**

Cost to fulfill conracts and cost to obtain contracts

NOK thousands	Segment reporting		Adjustments	IFRS reporting
	Multi-client	Contract		
Income statement	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**	**Full Year 2018**
Contract assets				
Assets recognized for costs to fulfill a contract (mobilization costs)	-	37 748	-	37 748
Amortization of assets recognized for cost to fulfill a contract (mobilization costs)	-	(10 024)	-	(10 024)
Total contract assets	**-**	**27 725**	**-**	**27 725**

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

Contract liabilities				
Advanced payments received	29 859	-	125 494	155 353
Recognized revenue related to	125 494	-	(125 494)	-
Total current contract liabilities	**155 353**	**-**	**-**	**155 353**

Performance obligations

Contract seismic and imaging

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

Multi-client Pre-funding

The Group has per end 2019 completed 100% of the data collection phase of an ongoing multi-client survey in the North Sea. This is a collaboration project where the Group has a 50% share. The Group's share of contracted pre-funding revenue is USD 26.9 million (NOK 233.7 million) which will be recognized as a revenue when the data is transferred to the customers. This is expected to occur in 2020. All contract liabilities recognized relates to these contracts.

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

NOTE 5 COST OF SALES

NOK thousands

Cost of sales	Full Year 2019	Full Year 2018
Vessel cost	(466 412)	(234 423)
Crew & project management	(212 056)	(78 053)
Seismic, source and node equipment	(238 669)	(142 924)
Agent related expenses	(106 745)	(67 949)
Mobilization amortization	(37 552)	(10 024)
Mobilization cost capitalized	52 606	37 748
MultiClient capitalization - gross (see note 11b)*	496 711	448 229
Total operating expenses	**(512 117)**	**(47 395)**

** December 6, 2018 AGS closed a collaboration agreement with the TGS group whereby it was agreed that the two companies will co-invest as equal partners in multi-client (MC) projects within a defined area in the North Sea. The agreement gives TGS the right to 50% of the pre-funding received as well as further pre-funding and late sales related to the ongoing MC project. The compensation from TGS, which was based on an estimate of total costs for the project, has been registered as a reduction in operating costs and multi-client investment for AGS accordingly.*

NOTE 6 FINANCIAL ITEMS

NOK thousands

Financial income	Full Year 2019	Full Year 2018
Interest income	84	203
Other financial income	302	3
Exchange gains	26 039	6 541
Total financial income	**26 426**	**6 747**

Financial expenses		
Interest expense	1 405	6 402
Interest expense suppliers	7 901	416
Other financial expenses	18 549	-
Exchange losses	24 929	13 074
Total financial expenses	**52 786**	**19 892**

NOTE 7 TAX

NOK thousands	2019	2018
Specification of tax expense (income) for the year		
Current income tax (including witholding tax)	-	(91)
Change in deferred tax	40 037	11 948
Total tax expense (income)	**40 037**	**11 857**
Reconciliation of actual against expected tax expense (income) at the income tax rate of 22%		
Profit (loss) before tax	(362 696)	(76 849)
22% (2018: 23%) tax	(79 793)	17 675
Tax effect from:		
Non taxable income in 2020		-
Recognition of deferred tax asset not previously recognized		-
Permanent differences	3 720	(1 034)
Change of tax rate in Norway 1% (22% in 2019 and 23% in 2018)	-	(1 399)
Difference in tax rate in foreign activities	1 340	(3 385)
Not booked deferred tax asset	114 771	-
Calculated tax expense (income)	**40 037**	**11 857**
Effective tax rate for the Company	11,0	15,4

NOK thousands	2019	2018
Temporary differences		
Non current assets	13 661	53 612
Trade receivables	-	(11 055)
Other accruals	(1 268)	3 098
Financial lease	745	-
Accumulated loss carried forward	(533 284)	(227 640)
Temporary differences at 31.12.	**(520 146)**	**(181 985)**
Deferred tax liabilities (assets)	**(114 771)**	**(40 037)**

In 2018 the Group recognized a deferred tax asset that primarily related to loss carried forward. Per December 2019 the deferred tax is reversed as management has evaluated the deferred tax asset to be uncertain when to be utilized.

NOTE 8 BANK DEPOSIT, CASH IN HAND

NOK thousands	2019	2018
Bank deposits	12 021	66 333
Restricted bank deposits	598	533
Total bank deposits	**12 618**	**66 866**

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

NOTE 9 TRADE RECEIVABLES

NOK thousands Trade receivables	2019	2018
Trade receivables	108 079	34 239
Provisions for bad debts	-	-
Net trade receivables	**108 079**	**34 239**

Related parties transactions is disclosed in note 19.

NOK thousands	2019	2018
Not overdue as of 31.12	85 988	24 176
Past due 0-30 days	10 924	10 063
Past due 31-180 days	9 273	-
Past due more than 180 days	1 894	-
Total	**108 079**	**34 239**

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

The Group uses an impairment model with the following characteristics: The receivables are organized based on the credit risk of the customers. The primary portfolio is the receivables where invoicing is done to customers with a high credit rating, typical large listed or state-owned oil companies. This portfolio has a low risk of default and therefore no impairment loss is initially recognized based on the expectation of all of the accounts being paid. Further, an individual assessment is performed on specific customer receivables, typically if a customer is in known financial distress or has declared bankruptcy. Per year-end 2019 the Group has two main client, being major oil companies and one of them large listed company. All outstanding trade receivables has been paid during 2020.

Accrued revenue (contract assets)
In addition, the Group has accrued revenue for ongoing project, which has not been invoiced the customers per year-end, see also note 10.

Accrued revenue as of December 2019 was NOK 69.6 million, compared to zero as of December 2018. These accrued revenue is related to ongoing Middle East project and Brazil project, the accrued revenue is following the same impairment model as ordinary trade receivables. As of December 2019, there were no indicators for the need of impairment.

NOTE 10 OTHER CURRENT ASSETS

NOK thousands	2019	2018
Prepayments	12 487	23 149
Mobilization	44 401	29 382
Accrued income	69 586	-
Cost to obtain contracts	-	3 098
Other current receivables	288	255
Total other current assets	**126 763**	**55 883**

NOTE 11A PROPERTY, PLANT AND EQUIPMENT

NOK thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Lease asset	Total tangible assets
2019						
Cost at 31.12.18	**54 574**	**97 487**	**9 219**	**1 380**	**-**	**162 659**
Adjustment *	7 119	1 248			-	8 367
Leases capitalized due to implementation of IFRS 16 **					2 049	
Cost at 1.1.19	**61 693**	**98 734**	**9 219**	**1 380**	**2 049**	**171 026**
Additions	7 468	38 188	13 431	1 772	2 167	63 027
Disposal	-	(8 207)	-	-	-	(8 207)
Reclass ***	-	22 387	(22 387)	-	-	-
Cost at 31.12.19	**69 161**	**151 103**	**263**	**3 152**	**4 216**	**225 847**
Accumulated depreciation 31.12.18	**(10 247)**	**(13 043)**		**(236)**		**(23 527)**
Adjusted depreciation	(7 119)	(1 248)				(8 367)
New Accumulated depreciation 1.1.19	**(17 365)**	**(14 291)**	**-**	**(236)**	**-**	**(31 893)**
Depreciation	(11 554)	(31 957)	-	(758)	(1 694)	(45 963)
Disposal	-	2 353	-	-	-	2 353
Accumulated depreciation at 31.12.19	**(28 919)**	**(43 896)**	**-**	**(995)**	**(1 694)**	**(75 504)**
Carrying amount at 1.1.19	**44 327**	**84 443**	**9 219**	**1 144**	**2 049**	**139 133**
Carrying amount at 31.12.19	**40 242**	**107 208**	**263**	**2 157**	**2 522**	**150 343**
Economic lifetime in years	3-10	3-5		3-10	2-5	

** The adjustment is a correction of depreciation being registered directly under historical cost price instead of correct under accumulated depreciation in 2017.*

*** The lease commitment 1.1.2019 was NOK thousands 2,179 and the interest element was NOK thousand 130.This is only related to office rental.*

*** The reclass is related to assets moved from projects in progress to correct asset group when finished

NOK thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Financial lease assets	Total tangible assets
2018						
Cost at 1.1.18	**59 447**	**13 912**	**-**	**15**	**-**	**73 374**
Additions	2 246	85 245	9 219	1 380	-	98 089
Disposal	-	(422)		(15)	-	(437)
Currency translation adjustment	-	-		-	-	-
Cost at 31.12.18	**61 693**	**98 734**	**9 219**	**1 380**	**-**	**171 026**
Accumulated depreciation 1.1.18	**(7 119)**	**(1 248)**	**-**	**-**	**-**	**(8 367)**
Depreciation	(10 247)	(13 043)		(236)	-	(23 526)
Disposal			-		-	-
Currency translation adjustment		(0)	-	(0)	-	(1)
Accumulated depreciation 31.12.18	**(17 365)**	**(14 291)**	**-**	**(236)**	**-**	**(31 893)**
Carrying amount at 1.1.18	**52 328**	**12 664**	**-**	**15**		**65 007**
Carrying amount at 31.12.18	**44 327**	**84 443**	**9 219**	**1 144**	**-**	**139 133**
Economic lifetime in years	3-10	3-5		3-10		

Impairment

According to IFRS the carrying amount of intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Management regularly evaluates its fleet plan and capital expenditure level in light of market conditions. In 2019 and 2018 management performed such evaluations which did not resulted in impairments related to fixed assets for the year ended December 31, 2019 and 2018.

The Group has no asset held for sale.

NOTE 11B INTANGIBLE ASSETS

	Segment reporting	Adjustments	IFRS reporting	
NOK thousands	Multi-client	Multi-client	Multi-client	Goodwill
Carrying value at 1.1.19	**137 926**	**79 061**	**216 987**	**15 917**
Capitalized cost for the period	491 112	-	491 112	-
Amortization for the period	(71 641)	71 641	-	-
Impairment for the period	(308 588)	-	(308 588)	(15 917)
Carrying value at 31.12.19	**248 808**	**150 702**	**399 511**	**0**
Carrying value at 1.1.18	**-**	**-**	**-**	**15 914**
Currency translations adjustment	-	-	-	3
Capitalized cost for the period	216 987	-	216 987	-
Amortization for the period	(79 061)	79 061	-	-
Carrying value at 31.12.18	**137 926**	**79 061**	**216 987**	**15 917**

Refer to note 16 Leases for contractual commitments. The company has no fully amortized intangible assets that are still in use per 31.12.2019. The Groups MCL is pledged as security for USD 20 million.

Multi-client library (MCL)
The Multi-client library (MCL) is an intangible assets in Axxis Multi Client AS (AMC) and are considered one CGU. The MCL will be amortizised from the date the processed data are ready to be transferred to customers according to IFRS.

According to IFRS the MCL should be tested for impairment if the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The Group perform quarterly testing for impairment and per fourth quarter 2019 the sales estimate was updated. The industry is known for uncertainty of when the late sales will happen, rather than the size of the late sales. For financial purposes the Group used the lower range sale estimates and weight near term (next two years) estimates in detail. The WACC used for calculated NPV (Net Present Value) is 12,44 % same as the Oilfield cost of capital from Stern. The MCL was written down to USD 30 million in Segment reporting per December 2019.

Based on sensitivity for the impairment calculation;

Change in WACC	New MCL value (NPV)	Comments
+ 5% to (17,44%)	MUSD 27.4	The MCL value MUSD 2.6 lower
- 5% to (7,44%)	MUSD 33.7	The MCL value MUSD 3.7 higher

Goodwill
In 2017 the Group acquired 100% of the shares in Axxis Geo Solutions Inc. The fair value of the net identifiable assets was NOK 818 thousand. The consideration was 85 849 786 shares issued from Axxis Geo Solutions AS (now Axxis Geo Solutions ASA), with a fair value of NOK 16.7 million. The difference between the fair value of the consideration and net assets aquired was recognized as goodwill with NOK 15.9 milllion. The historical value of the goodwill arose from the knowledge and competence of the personnel in the subsidiary. This knowledge and competence have since then been incorporated into the Group as a whole and is no longer attributable to a single subsidiary of the Group. The basis for the goodwill has changed and gave the Group indicators to perform new write down analysis. Based on this the goodwill was written down to zero as of December 2019.

NOTE 12 INVENTORIES

NOK thousands	2019	2018
Purchased finished goods	6 699	16 923
Provision for obsolescence	-	-
Net inventories	**6 699**	**16 923**

The inventories consist of fuel.
The Group has not expensed any impairment of inventories during the periods.
The amount of inventories recognized as an expense in cost of sales during 2019 was NOK 136 million and NOK 72 million for 2018.

NOTE 13 INTEREST BEARING DEBTS

NOK thousands	2019	2018
Non-current borrowings	633	-
Current borrowings	21 792	29 856
Total borrowings	**22 425**	**29 856**

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

31.12.19 current borrowings relates to a loan from Eksportkreditt and lease. The general terms of the loan agreement for Eksportkreditt has a duration of three years from September 2018, with twelve consecutive quarterly repayment instalments. The rate of interest on the loan is NIBOR plus a margin of 0.5 % p.a, in addition to guarantee commissions. Effective interest for the loan is 7.87 % p.a.

The loan is presented as current due to breach of the loan terms as of December 2019. The Company has received a waiver from Eksportkreditt Norge AS on one of the two financial covenants, being number 2 listed below for the fourth quarter 2019.The company had not received a waier for covenants listed below as number 1. The Company anticipates to be in need of waivers for 2020 from Eksportkreditt Norge AS due to the restructuring of accounts payables to long-term debt and financial covenants.

The financial covenants are as following:

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

NOK thousands	2019	2018
Property, plant and equipment *	152 392	139 133
Inventories	6 699	16 923
Trade receivables	108 079	34 239
Total balance sheet value of assets placed as security	**267 170**	**190 294**

Movements in financial activities

NOK thousands	2019	2018
Leases capitalized due to implementation of IFRS 16	2 049	-
Borrowings 1.1.	29 856	8 548
Proceeds from borrowings	-	29 750
Lease liabilities	2 167	-
Repayment of borrowings	(11 696)	(8 500)
Non cash movements		
Change in accrued interest **	49	58
Borrowings 31.12.	**22 425**	**29 856**

** The vessel Neptune Naiad, Seismic equipment and Node handling systems.*
*** In 2019 accrued interest has been reclassified to other current liabilities.*

NOTE 14 FINANCIAL RISK MANAGEMENT

The Group is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand from our clients. The Group's business performance depends upon production and development spending by oil and gas companies. Historically, in times of low oil price, demand in exploration spending, where the Group is active, has been reduced in much greater extent than production related spending.

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or repay or issue new debt. The Group monitors capital using a equity ratio, which is the book value of equity over the book value of assets in the Group's segment reporting. The Group's policy and target is to keep the equity ratio over 35%.

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would require the Company to take necessary actions to improve and fullfill the requirements. Refer to Note 13 for information regarding financial covenants related to the Group's interest bearing debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

Financing risk

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

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

The Group does not have any financial derivatives in 2019 or 2018.

(i) Credit risk

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

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

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

2019

NOK thousands	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0 %	0 %	0 %	0 %	
Carrying amount trade receivables	85 988	10 924	9 273	1 894	108 079
Loss allowance	-	-	-	-	-

2018

NOK thousands	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0 %	0 %	0 %	0 %	
Carrying amount trade receivables	24 179	10 063	-	-	34 239
Loss allowance	-	-	-	-	-

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

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

(ii) Market risk - interest rate

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

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

The Group's sensitivity to potential changes in interest rates with an increase in 50 basis points would increase interest expense for the period with appoximately NOK 132 thousands for 2019 (2018: NOK 37 thousands).

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Group's strategy for managing liquidity risk is to have sufficient liquidity at all times in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the Group`s reputation. The Group is working on a restructuring plan with its key creditors to reduce the short-term liabilities. This will strengthen the working capital and improve the liquidity for the Group. Furthermore, there can be no assurance that the Group will be able to obtain additional shareholder funding. Failure to access necessary liquidity could require the Group to scale back its operations or could have other materially adverse consequences for its business and its ability to meet its obligations.

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

2019

	Remaining term					
NOK thousands	**0-3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**Total**
Borrowings	19 833	-	-	-	-	19 833
Lease liabilities*	38 894	516	518	518	646	41 091
Account payables	365 756	-	-	-	-	365 756
Other current liabilities	164 396	699	-	54 162	-	219 257
Total	***588 879***	***1 215***	***518***	***54 680***	***646***	***645 937***

** Includes lease of offices and committments for short-term vessel and node seismic rental.*

2018

	Remaining term		
NOK thousands	**Under 1 year**	**1-2 years**	**Total**
Borrowings	29 856	-	29 856
Lease liabilities	180 808	-	180 808
Account payables	190 783	-	190 783
Other current liabilities	-	-	-
Total	***401 447***	***-***	***401 447***

(iv) Market risk - foreign exchange rates

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

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

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

NOK thousands	Change in exchange rate USD/NOK	Effect on profit before	Effect on equity
2019	+ 10 %	-2 220	-2 220
	- 10 %	2 220	2 220
2018	+ 10 %	-5 454	-5 454
	- 10 %	4 958	4 958

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

NOTE 15 CATEGORIES OF FINANCIAL INSTRUMENT

NOK thousands

Financial assets at amortized cost	2019	2018
ASSETS		
Other non-current assets	-	419
Trade receivables	108 079	34 239
Cash and cash equivalents	12 618	66 866
Total financial assets	**120 697**	**101 523**

Financial liabilities at amortized cost	2019	2018
LIABILITIES		
Interest-bearing non-current liabilities	633	-
Interest-bearing current liabilities	21 792	29 856
Trade payables	365 756	180 808
Other current liabilities	272 673	190 783
Total financial liabilities	**660 854**	**401 447**

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

Information of fair value

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

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

The Group does not hold any financial derivatives.

NOTE 16 LEASES

The Group has adopted the new accounting standard IFRS 16 Leases which replaces IAS 17 Leases and related interpretations. IFRS 16 Leases has from a lessee viewpoint eliminated the classification of leases as either operating leases or financial leases. Instead all leases are treated in a similar way to finance leases under IAS 17.

The standard was effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group from the same date.

For the Group only office space comes under the classification of leases. Vessels and other seismic equipment on short term leases comes under the classification of commitments.

Lease assets are included in the balance sheet under the item property, plant and equipment.
The non current part of the lease liability is included in the balance sheet under the item interst bearing debt non current, and the current part under interest bearing debt current, refer to note 14.

Right-of-use assets:

NOK thousands	Offices	Total
Carrying value		
Balance at 1.1.2019	-	-
Leases capitalized due to implementation of IFRS 16	2 049	2 049
Balance right-of-use assets 1.1.2019	**2 049**	**2 049**
Additions	2 167	2 167
Depreciation	(1 694)	(1 694)
Impairment	-	-
Balance right-of-use assets 31.12.2019	**2 522**	**2 522**

Lease liabilities:

NOK thousands	Non current*	Current	Total
Carrying value			
Balance at 1.1.2019			
Leases capitalized due to implementation of IFRS 16	1 232	816	2 049
Balance lease liabilities 1.1.2019	**1 232**	**816**	**2 049**
Additions	2 167	-	2 167
Reclassification to current	(2 766)	2 766	-
Lease payments		(1 779)	(1 779)
Accrued interest		155	155
Balance lease liabilities 31.12.2019	**633**	**1 959**	**2 592**

** The non current part of the lease liability of NOK 633 thousand is due in 2021.*

The Group had a total cash outflows for leases of NOK 1,8 million which NOK 0,15 million is related to interest. The Groups cost of low-value assets was insignificant and the Group had no variable lease payments in 2019.

Committmens

The Group has entered into contractual commitments for the rental of seismic equipment (nodes) in 2020 amounting to NOK 10 million as of 31 December 2019, all due within one year. Contractual commitments were NOK 14 million as of 31 December 2018. The cost for short term leases of seismic equipment was NOK 91 million in 2019.

In addition, the Group has commitments for short-term leases of vessels amounting to NOK 28 million as of 31 December 2019, all due within one year. Lease commitments of vessels were NOK 91 million as of 31 December 2018. The cost for short term leases of vessels was NOK 120 million in 2019.

The cost of low value assets was insignificant in 2019.

The Group has leased four vessels, Havila Fortune, Havila Aurora, Pacific Finder and Sanco Sword under time charter agreements that expires during 2020.

NOTE 17 OTHER CURRENT LIABILITIES

NOK thousands	Full Year 2019	Full Year 2018
Holiday pay owed	699	192
Other accrued costs	81 084	70 128
VAT settlement	83 312	-
Deferred mobilization revenue	54 162	-
Balance against multi-client project partner	53 416	120 463
Total other current liabilities	**272 673**	**190 783**

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

NOTE 18 SHARE CAPITAL AND SHAREHOLDERS INFORMATION

The Company's share capital per 31.12.19 include the following:	Number of shares	Share Capital in NOK	Par Value per share in NOK
Ordinary shares (one share = one vote)	58 821 018	82 014 807	1,39431124614644

The Company has one class of shares, all shares provide equal rights, including the right to any dividends in line with 2018. Each of the shares carries one vote in line with 2018. Neither AGS nor any of its subsidiaries directly or indirectly owns shares or treasury shares in the Company.

Changes in number of shares	Shares
Number of shares 1.1.18	500 958 750
Changes in number of shares in 2018	-
Number of shares 31.12.18	500 958 750
New shares issued - cash settled	234 496 171
Merge with Songa	294 181 968
Merge with Songa after reverse split 50:1	20 592 738
Share from Songa	717 199
New shares as Axxis Geo Solutions ASA 02.07.2019	**21 309 937**
New shares issued - cash settled	37 511 082
Number of shares 31.12.19	**58 821 018**

Paid/proposed dividend

The board has decided not to propose any dividend for 2019 or 2018 .

The major shareholders in Axxis Geo Solutions ASA **31 December 2019** were as follows:

Shareholders	Total shares	Ownership share	Voting share
HAVILA HOLDING AS	15 549 434	26,4 %	26,4 %
RONJA CAPITAL AS	2 065 257	3,5 %	3,5 %
BRUHEIM	1 820 000	3,1 %	3,1 %
W2 SEISMIC AS	1 765 561	3,0 %	3,0 %
URBANIUM GRUPPEN AS	1 500 000	2,6 %	2,6 %
JOHS. HANSEN REDERI AS	1 496 345	2,5 %	2,5 %
AJEA INVEST AS	1 423 873	2,4 %	2,4 %
KJØLÅS STANSEKNIVER AS	1 282 768	2,2 %	2,2 %
STETTE INVEST AS	1 282 768	2,2 %	2,2 %
REMCO AS	1 100 000	1,9 %	1,9 %
PEDERSEN	1 000 000	1,7 %	1,7 %
Nordnet Bank AB	942 949	1,6 %	1,6 %
MIDDELBORG INVEST AS	833 333	1,4 %	1,4 %
J.P. Morgan Securities LLC	703 618	1,2 %	1,2 %
NÆRINGSLIVETS HOVEDORGANISASJON	671 343	1,1 %	1,1 %
LEOVILLE AS	614 436	1,0 %	1,0 %
MEROUR	541 531	0,9 %	0,9 %
HAARSTAD	517 000	0,9 %	0,9 %
ABN AMRO Global Custody Services N	500 021	0,9 %	0,9 %
JAKOB HATTELAND HOLDING AS	500 000	0,9 %	0,9 %
Total 20 largest shareholders	**36 110 237**	**61,4 %**	**61,4 %**
Total other shareholders	22 710 781	38,6 %	38,6 %
Total number of shares	**58 821 018**	**100,0 %**	**100,0 %**

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

Shareholders	Total shares	Ownership share	Voting share
Bjarte Bruheim	84 702 022	16,9 %	16,9 %
Rome AS	78 888 477	15,7 %	15,7 %
Havila Holding AS	75 143 812	15,0 %	15,0 %
Songa Investments AS	75 118 563	15,0 %	15,0 %
W2 Seismic AS	42 924 893	8,6 %	8,6 %
TRH AS	22 373 526	4,5 %	4,5 %
Lee Parker	19 316 203	3,9 %	3,9 %
Alcides Shipping AS	16 096 835	3,2 %	3,2 %
Johs. Hansen Rederi AS	15 023 712	3,0 %	3,0 %
Remco AS	15 023 712	3,0 %	3,0 %
Bjørnulf AS	8 028 754	1,6 %	1,6 %
Payco AS	6 438 734	1,3 %	1,3 %
Richard Dunlop	5 150 987	1,0 %	1,0 %
Total >1% ownership share	**464 230 230**	**92,7 %**	**92,7 %**
Total other shareholders	36 728 520	7,3 %	7,3 %
Total number of shares	**500 958 750**	**100,0 %**	**100,0 %**

31 December 2018 Axxis Geo Solution AS had issued 127 454 909 warrants to shareholders with excercise price at NOK 0.1949 per share, and 37 571 906 warrants with an excercise price of NOK 0.3157 per share. All warrants was exercised 6 January 2019.

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers **31 December 2019** were as follows:

Board of Directors	Position	Number of shares	Ownership share	Voting share	Number of options
Havila Holding AS 1)		15 549 434	26,4 %	26,4 %	-
1) Partly owned by Njål Sævik	Board member				42 000

Share and options owned by management 31 December 2019 were as follows:

Executive management	Position	Number of shares	Number of options
Lee Parker	CEO	559 390	176 400
Richard Dunlop	EVP Operations	144 228	106 400
Svein Knudsen	CFO	-	106 400

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

Board of Directors	Position	Number of shares	Ownership share	Voting share	Number of options
Bjarte Bruheim	Chairman	84 702 022	16,9 %	16,9 %	6 300 000
Rome AS 1)		78 888 477	15,7 %	15,7 %	
Havila Holding AS 2)		75 143 812	15,0 %	15,0 %	
Songa Investments AS 3)		75 118 563	15,0 %	15,0 %	
W2 Seismic AS 4)		42 924 893	8,6 %	8,6 %	
TRH AS 5)		22 373 526	4,5 %	4,5 %	

1) Owned by Jogeir Romestrand	Board member	4 500 000
2) Partly owned by Njål Sævik	Board member	1 500 000
3) Represented by Fredrik Platou	Board member	1 500 000
4) Represented by Ole Andre Heggheim	Board member	1 500 000
5) Owned by Tore Rødal	Board member	1 500 000

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

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

NOTE 19 RELATED PARTIES

The ultimate Parent of the Group is Axxis Geo Solutions ASA**.** The Group transactions and balances with other Group companies in 2018 and 2019 mainly related to time charter for vessels and consultancy fees. See the figure below for balances with related parties.

Transactions with related parties

NOK thousands	Full Year 2019	Full Year 2018
Hired vessels:		
Lease payment Havila Fortune - controlled by Havila Holding AS	(44 405)	(21 503)
Lease payment Havila Aurora - controlled by Havila Holding AS	(28 098)	-
Lease payment Geo Caspian - controlled by Havila Holding AS	(28 996)	(48 421)
Ship management and other operating services:		
Remøy Shipping controlled by W2 Seismic AS	(2 280)	(954)
Evotec AS - controlled by Rome AS *	(8 803)	(30 017)
Consultancy and accounting services:		
Impact Geo Solutions controlled by Bjarte Bruheim *	(3 873)	(5 965)
Rome AS controlled by Jogeir Romestrand *	(1 792)	(3 447)
Hasund AS - controlled by Bjørnulf AS	(1 630)	(1 009)
Interest and guarantee payments:		
Interest ONGC guarantee to Havila Holding AS	(665)	(2 553)
Interest on shareholder loan from Havila Holding AS	(340)	(340)
Interest on shareholder loan from TRH AS	(97)	-
Interest on shareholder loan from Songa Investments AS	(338)	-

NOK thousands	Full Year 2019	Full Year 2018
Account payables:		
Impact Geo Solutions controlled by Bjarte Bruheim *	1 078	1 230
Rome AS *	150	455
Evotec AS - controlled by Rome AS *	7 588	4 771
Havila Ships AS controlled by Havila Holding AS	52 928	6 878

** The two shareholders of AGS ASA, Bjarte Bruheim with 11.1% of the shares and Rome AS with 11.5% of the shares have both delivered consultancy services to the Board in addition to being Chairman/ Board members of AGS AS/AGS ASA respectively. All work performed by these related parties is regulated in separate consultancy agreements. Both agreements were cancelled by 30.09.2019. Evotek AS was not considered as related party in 2018.*

NOTE 20 PERSONNEL EXPENSES AND REMUNERATIONS

NOK thousands	Full Year 2019	Full Year 2018
Wages and salaries	14 888	10 021
Social Security costs	1 564	634
Pension costs	473	132
Other remuneration	5 723	695
Share based payment expense (refer to note 22)	-105	3 473
Total personnel expense	**22 543**	**14 955**

Number of man-years at 31.12	2019	2018
Group companies in Norway	6	1
Group companies abroad	4	2

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

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

Chief executive officer and other Executive officers

In **2019**, the Group paid compensation to its executive officers as follows:

NOK thousands

Name	Fixed salary	Bonus	Other benefits	Pension benefits	Share based payment cost	Total cost	Number of options held
Svein Knudsen (CFO)	2 400	-	5	160	359	**2 925**	106 400
Lee Parker (CEO)	3 169	-	306	-	599	**4 074**	176 400
Rick Dunlop (EVP Operations)	2 121	-	200	-	359	**2 680**	106 400

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

NOK thousands

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

** Svein Knudsen was employed since 1.5.2018, and before that he was a consultant and received KNOK 800 as conultancy fee in 2018.*

Board of Directors

In **2019**, the Group paid following compensations to Board of Directors:

NOK thousands

Name	Position	Director since	Term expire	Fee	Share based payment cost	Number of options held
Rolf Rønningen	Chairman	02.07.2019	2020	-	-	-
Njål Sævik	Board Member	06.11.2017	2020	217	165	42 000
Nina Skage	Board Member	02.07.2019	2020	-	-	-
Eirin Inderberg	Board Member	02.07.2019	2020	-	-	-
Vibeke Fængsrud	Board Member	02.07.2019	2020	-	-	-
		Director to				
Jogeir Romestrand	Board Member	01.11.2019	N/A	447	436	-
Fredrik Platou	Board Member	01.11.2019	N/A	317	142	-
Andreas Pay	Board Member	From Nov 1 2019 to Dec 18 2019	N/A	-	-	-
Tore Tønseth	Board Member	From Dec 1 2019 to 12 Feb 2020	N/A	-	-	-
Bjarte Henry Bruheim	Chairman	02.07.2019	N/A	434	599	-
Ole Andre Heggheim	Board Member	02.07.2019	N/A	217	142	-
Tore Rødal	Board Member	02.07.2019	N/A	217	165	-

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

NOK thousands

Name	Position	Director since	Term expire	Fee	Share based payment cost	Number of options held
Bjarte Henry Bruheim	Chairman of the Board	16.10.2006	2019*	434	625	6 300 000
Jogeir Romestrand	Board Member	08.09.2009	2019*	346	446	4 500 000
Fredrik Platou	Board Member	20.02.2017	2019*	216	149	1 500 000
Njål Sævik	Board Member	06.11.2017	2019*	-	147	1 500 000
Ole Andre Heggheim	Board Member	20.02.2017	2019*	216	149	1 500 000
Tore Rødal	Board Member	27.06.2018	2020*	-	147	1 500 000

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

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

NOTE 21 SHARE BASED PAYMENT PROGRAMS

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

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

	2019		2018	
	Average exercise price per share option (NOK)	Number of options	Average exercise price per share option (NOK)	Number of options
As at 1.1*	8,8761	981 879	0,19	19 500 000
Granted during the year	25,0000	28 000	0,3157	15 567 112
Expired during the year	8,9556	-260 400	-	-
As at 31.12	9,4508	749 479	0,2553	35 067 112
Vested 31.12	8,9002	656 609		27 283 556
Exercisable 31.12		656 609		27 283 556

* after the merge with Songa - new number of option

	2019	2018
Share based payment cost (revenue) recognised in the period NOK in thousand	**-105**	**3 473**

Granted instruments 2019

Instrument	***Option***
Quantity 31.12.2019 (instruments)	28 000
Quantity 31.12.2019 (shares)	28 000
Contractual life*	5.75
Strike price*	25.00
Share price*	22.45
Expected lifetime*	2.25
Volatility*	57.65%
Interest rate*	1.329%
Dividend*	0.00
FV per instrument*	6.87
Vesting conditions	

**Weighted average parameters at grant of instrument*

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

Grant date	Expiry date	Exercise price	Share options 31 December 2019	Share options 31 December 2018
15.09.2017	15.09.2022	6,96	406 000	19 500 000
27.09.2018	27.09.2023	11,28	315 479	15 567 112
01.05.2019	01.05.2024	25,00	28 000	-
Total number of options			**749 479**	**35 067 112**

Outstanding instruments overview

Strike Price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2019	Weighted Average Strike Price
	Outstanding instruments			**Vested instruments**	
6,96	406 000	3,70	6,96	406 000	6,96
11,28	315 479	4,49	11,28	236 609	11,28
25,00	28 000	5,09	25,00	14 000	25,00
	749 479			**656 609**	

The exercise price for both grants was fair value at the grant date. The options can be exercised by buying shares as settlement where one options give right to one share.
For the 2019 grant, 50% of the options vested on grant date, while the remaining option will vest in May 2024. The fair value at grant date was 6.87 NOK/option.

For the 2018 grant, 50% of the options vested on grant date, while the remaining option will vest over the next two years (25% in 2019, 25% in 2020). These vested options can be exercised until September 2023. Fair value at grant date was NOK 0.16 per option.

The fair value has been estimated using the the Black-Scholes option pricing model. When calcluating fair value at grant date, the group has assumed a volatility of 49% from comparable peers in the oil and gas services for both grants, 0 expected dividends, and a risk free interest rate of 1.98% for the 2018 grant.

NOTE 22 AUDITORS FEE

NOK thousands

Expensed audit fee (excluding VAT)	**Full Year 2019**	**Full Year 2018**
Statutory audit	1 085	211
Tax advice (incl. technical assistance with tax return)	485	198
Other attestation services	219	-
Other assurance services	-	-
Total auditors fee	**1 789**	**409**

NOTE 23 SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group comprise of the following legal entities as at 31 December 2019

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

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

*** Axxis Production AS owns 99% and Axxis Geo Solutions ASA owns 1% of the shares in the company.*

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

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

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

NOTE 24 EARNINGS PER SHARE

Basic earnings per share is calcuated by dividing the net profit or loss attributable to shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnigs per share include the weighted average number fo ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares. The warrants and options described in note 19, are not included in the number of dilutive shares, since the Group report a loss in both periods presented.

Basic earnings (loss) per ordinary number of share	2019	2018
Profit (loss) attributable to the ordinary equity holders of the company	-402 732	-64 992
Number of outstanding shares	58 821 018	14 026 845
Basic earnings (loss) per ordinary share (NOK)	**-6,85**	**-4,63**

Basic earnings (loss) per weighted average number of share	2019	2018
Profit (loss) attributable to the ordinary equity holders of the company	-402 732	-64 992
Average number of outstanding shares	34 111 774	14 026 845
Basic earnings (loss) per weighted average share (NOK)	**-11,81**	**-4,63**

Diluted earnings (loss) per share	2019	2018
Profit (loss) attributable to the ordinary equity holders of the company	-402 732	-64 992
Average number of outstanding shares	34 111 774	14 026 845
Diluted earnings (loss) per share (NOK)	**-11,81**	**-4,63**

The number of shares 2019 and 2018 are included the merge with Songa and a reverse split 50:1, also retrospectivly.

Due to loss in 2019, the number of diluted shares 140 907 is not taken into calculations above.

NOTE 25 CASH FLOW INFORMATION

	Liabilities arising from financing activities				
NOK thousands	**Current interest bearing debt**	**Current lease liabilities**	**Non-current interest bearing debt**	**Non-current lease liabilities**	**Total**
1.1.2019	**29 856**	**816**	**-**	**1 232**	**31 905**
Cash flows	-9 917	-1 624	-	-	-11 541
New leases	-	-	-	2 167	2 167
Other	-106	-	-	-	-106
Reclassification	-	2 766	-	-2 766	-
31.12.2019	**19 833**	**1 959**	**-**	**633**	**22 425**

	Liabilities arising from financing activities				
NOK thousands	**Current interest bearing debt**	**Current lease liabilities**	**Non-current interest bearing debt**	**Non-current lease liabilities**	**Total**
1.1.2018	**8 548**	**-**	**-**	**-**	**8 548**
Cash flows	21 250	-	-	-	21 250
Other	58	-	-	-	58
31.12.2018	**29 856**	**-**	**-**	**-**	**29 856**
Implementation IFRS 16 at 1.1.2019	**-**	**816**	**-**	**1 232**	**2 049**

The "Other" column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including lease liabilities to current due to the passage of time, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, including lease liabilities. The Group classifies interest paid as cash flows from operating activities.

The Group implemented IFRS 16 effective as of 1 January 2019.

NOTE 26 FIRST TIME ADOPTION OF IFRS (FOR 2018 FIGURES)

The first consolidated IFRS financial statements presented by the Group was for financial calender year of 2018 and 2017 in the prospectus 6 November 2019. The Group has previously presented consolidated financial statements according to the Norwegian Accouting Act and generally accepted accouting policies in Norway (NGAAP). The date of transition was 1 January 2017. As there was very limited acticity in the Group at the date of transition, non practical expedients in IFRS 1 was used.

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

NOK in thousand

Profit for the period	**Full Year 2018**
Profit for the period 2018 according to NGAAP	(29 309)
Profit for the period 2018 according to IFRS	(65 262)
Difference	**35 953**
The difference relates to:	
Amortization of goodwill in NGAAP financial statements	(1 592)
Multi-client pre funding revenue based on percentage of completion in NGAAP financial statements	125 494
Amortization multi-client library in NGAAP financial statements	(79 061)
Share based payment expense	3 743
Capitalization of cost to obtain a contract in IFRS financial statemer	(3 097)
Change in deferred tax asset for items listed above	(9 534)
Net effect on profit for the period	**35 953**

Equity	**31.12.2018**
Equity 31.12.18 according to NGAAP	60 220
Equity 31.12.18 according to IFRS	29 602
Difference	**30 618**
The difference relates to	
2017 differenses carried forward	(1 592)
2018 differenses in profit and loss	35 953
Share based payment expense adjusting IFRS equity	-3 743
Total differences	**30 618**

NOK in thousand	
Changes in cash flow statement compared to previous GAAP	**Full Year 2018**
Operating cash flows reported in IFRS financial statements	359 830
Operating cash flows reported in previous GAAP	387 261
Difference	**(27 431)**
Cash outflow mobilization cost reported as investing activity in previous GAAP compared to operating activity in IFRS financial statements	(37 748)
Cash flows loan from Havila, presented as operating activity in previous GAAP, compared to financing acticity in IFRS financial statements	8 500
Effects of exchange rate differences presented as operating cash flow in previous GAAP, compared to reconciling item in IFRS financial statements	1 450
Other classification differences between operating and investing activities	367
Total differences	**(27 431)**

NOTE 27 EVENTS AFTER THE REPORTING PERIOD

AGS Response to the COVID 19 event

The impacts of COVID-19 on businesses across the globe is immense and presenting new challenges almost daily to our normal business practices. AGS has been planning for and monitoring developments since the initial spread of the virus and has taken a series of important steps to maintain the continuity of our services for our customers and to safeguard the health of our employees and stakeholders. We are pleased to advise that while many aspects of the Global mitigations have been disruptive, we have been able to substantially maintain our operations close to pre COVID 19 level's.

These measures include:

Business Continuity

AGS has had a committee dedicated to ongoing business continuity related issues since the onset of the virus. Regular meetings are being held internally and collaboration with our customers, employee's, vendors, stakeholders and industry associations to remain informed and updated on the global reaction to the virus and how it could affect our people and business.

Mitigating plan to reduce the impact of COVID 19

AGS' has developed mitigation plans specific to each ongoing operation and continuously reviews them to ensure it is current with the information that becomes available to us each day.

As the health and wellbeing of our employees is of the utmost importance to us, we are working to ensure our people are protected while travelling and at the workplace. We have implemented a pre-screening program for all field crew prior to travelling from home, immediately before joining a vessel and thereafter at regular intervals throughout operations offshore. All AGS vessels have health professionals onboard with fully equipped hospital facilities and the ability to isolate crew members if required.

All onshore staff have been working from home and encouraged to practice social distancing when required to go out for essential requirements. Meetings are being scheduled as video conferences and have been effective in the coordinated efforts made to support field operations fully with the high quality we are used to.

All previously planned business-related travel has been postponed unless it is business critical and approved by executive management.

Our thoughts are with all those affected by this pandemic and we will continuously work to ensure the safety and integrity or our operations.

Annoncements after the reporting period
The Company announced 5 March 2020 delivery of processed data from the northern part of the Utsira Ocean Bottom Node (OBN) multi-client project to pre-funding clients. The processing of the full survey is expected to be ready for delivery in Q3 2020.

The Company announced 26 march a cancellation on a small contract in the North Sea which was expected to be conducted in second quarter 2020. No specific announcement has previously been issued regarding this contract, but the contract was communicated as firm in the fourth quarter 2019 presentation. The contract revenue was estimated at USD 1 million, and AGS will receive a cancelation fee of 25% of the estimated revenue amount.

The Company announced 1 April Mr. Nils Haugestad as the Company's Chief Financial Officer ("CFO"). At the same time, Mr. Svein Knudsen was appointed Chief Commercial Officer ("CCO"). Mr. Knudsen has held the position as CFO in AGS for approximately 2 years and will now resume new responsibilities in the
Company's Executive Committee.

The Company announced 30 April the completion of both the primary and extended portions of its ocean bottom nodes (OBN) project in the Middle East. The crew is demobilizing to the North Sea.

The Company announced 4 May that the final agreement has been signed with Equnior in the North Sea as previously announced as LOI 20 February. The survey is expected to commence later in the second quarter of 2020 and will have a duration of approximately 30 days. The scope of work will be conducted by two seismic vessels.

The Company announced 20 May that Following the announcement on 4 May 2020 above, the Company has now signed a Letter of Intent for an additional scope of work. The additional work will commence directly after conclusion of the previously announced contract and has a duration of approximately two weeks.

Loan to management
The Board approved 31 January 2020 temporary loan to the CEO of USD 90 000. The loan will be repaid or deducted in salary.

Restructuring
The Group is working on a restructuring plan with its key creditors to reduce the short-term liabilities. This will strengthen the working capital and improve the liquidity for the Group.

FINANCIAL STATEMENTS – AXXIS GEO SOLUTONS ASA

STATEMENT OF COMPREHENSIVE INCOME

NOK thousands	Note	Full year 2019	Full year 2018
Total revenue	**2,3**	**1 186 273**	**60 057**
Cost of sales	4	(979 032)	(41 124)
Personnel expenses	19,20	(22 165)	(17 344)
Other operating expenses		(405 625)	(26 978)
Total Operating Expenses		**(1 406 822)**	**(85 446)**
Operating profit (loss) before depreciation and amortization (EBITDA)		**(220 549)**	**(25 388)**
Depreciation & Amortization	10	(50 490)	(23 454)
Operating profit (loss) (EBIT)		**(271 038)**	**(48 842)**
Financial income	5	20 414	5 350
Financial expenses	5	(68 500)	(19 881)
Profit (loss) before tax		**(319 125)**	**(63 374)**
Tax income (expense)	6	(39 756)	11 946
Profit (loss) for the period		**(358 881)**	**(51 428)**
Other comprehensive income (loss) for the period		-	-
Total comprehensive income (loss)		**(358 881)**	**(51 428)**

STATEMENT OF FINANCIAL POSITION

NOK thousands

Assets	Note	31.12.2019	31.12.2018
Non-current assets			
Deferred tax asset	6	-	39 756
Vessel, equipment and maintenance	10,15	149 029	138 986
Investment in subsidiaries	22	16 013	36 070
Other non current assets		-	4 146
Total non-current assets		**165 042**	**218 958**
Current assets			
Stock of supplies	11	2 790	16 923
Trade receivables*	8	99 974	34 239
Receivables group companies	18	232 134	-
Other current assets	9	22 704	50 700
Cash and cash equivalents	7	11 551	65 766
Total current assets		**369 154**	**167 627**
Total assets		**534 196**	**386 585**

** MNOK 77.9 relates to VAT that has been paid 10 Feb 2020*

STATEMENT OF FINANCIAL POSITION

NOK thousands Equity and Liabilities	Note	31.12.2019	31.12.2018
Equity			
Share capital	12	82 015	50 096
Additional paid-in capital	12	337 181	49 442
Total paid-in capital		**419 195**	**99 538**
Accumulated earnings and other equity		(413 313)	(54 327)
Total Equity		**5 882**	**45 211**
Non current liabilities			
Interest bearing debt	12,15,23	197	-
Total non current liabilities		**197**	-
Current liabilities			
Current liability of long-term debt	12,15,23	20 597	29 750
Account payables	13	363 417	180 959
Liabilities to group companies	18	6 475	79 675
Other current liabilities*	16	137 627	50 990
Total current liabilities		**528 117**	**341 374**
Total equity and liabilities		**534 196**	**386 585**

** MNOK 77.9 relates to VAT that has been paid 10 Feb 2020*

Lysaker, 26 May 2020

The Board of Directors and CEO of Axxis Geo Solutions ASA

[Sign.]

Rolf Rønningen Chairman	Njål Sævik Director	Vibeke Fængsrud Director
Nina Skage Director	Eirin Inderberg Director	Lee Parker CEO

STATEMENT OF CHANGES IN EQUITY

NOK thousands	Note	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2019		**50 096**	**49 442**	**(57 800)**	**3 473**	**45 211**
Profit (loss) for the period		-	-	(358 881)	-	(358 881)
Other comprehensive income (loss)		-	-	-	-	-
New shares issued - cash settled		75 752	246 459	-	-	322 211
Cost for new shares issued		-	(16 826)	-	-	(16 826)
Effect of Songa Bulk ASA merger 2/7-19 of share consolidation for AGS shareholders	1.2	(44 833)	(120 537)	-	-	(165 370)
Effect of Songa Bulk ASA merger 2/7-19 of share consolidation for AGS shareholders	1.2	-	165 370	-	-	165 370
Effect of Songa Bulk ASA merger 2/7-19 for shares in Songa as contribution in kind	1.2	1 000	13 272	-	-	14 272
Share based payment		-	-	-	(105)	(105)
Balance as of 31.12.2019		**82 015**	**337 181 -**	**(416 682) -**	**3 368**	**5 882**

NOK thousands	Note	Share capital	Additional paid-in capital	Accumulated earnings	Other equity/ Share based programme	Total equity
Balance as of 01.01.2018		**50 096**	**49 442**	**(6 372)**	**-**	**93 166**
Profit (loss) for the period		-	-	(51 428)	-	**(51 428)**
Other comprehensive income (loss)		-	-	-	-	**-**
Share based payment implementing		**-**	**-**	-	3 473	**3 473**
Balance as of 31.12.2018		**50 096**	**49 442**	**(57 800)**	**3 473**	**45 211**

AGS

STATEMENT OF CASH FLOW

NOK thousands	Note	Full year 2019	Full year 2018
Cash flow from operating activities			
Profit before tax	6	(319 125)	(63 374)
Depreciation and amortization	10,15	50 490	23 454
Agio - disagio without cash flow effects		(184)	
Interest expense *	5	27 754	6 815
Interest received		(84)	(197)
Share based payment cost	20	(105)	3 473
Change in trade receivables	8	(65 736)	(34 149)
Change in trade payables	13	182 458	165 690
Change in inventory	11	14 133	(16 851)
Change in other current receivables		(204 139)	(13 084)
Change in other non current receivables		(4 146)	-
Change in other current liabilities	16	13 437	90 983
Net cash from operating activities		**(305 246)**	**162 762**
Cash flow from investing activities			
Investment in property, plant and equipment	10,15,23	(54 678)	(97 870)
Write-down subsidiaries		24 629	-
Investment in subsidiaries	22	(100)	(23 227)
Cash received/ paid from merger	1.2	3 620	-
Interest received		84	197
Net cash flow from investment activities		**(26 445)**	**(120 900)**
Cash flow from financing activities			
Proceeds from issuing of debt	12,23	-	29 750
Repayment of interest bearing debt	12,23	(9 917)	-
Payment of lease liabilities (recognized under IFRS 16)	15,23	(608)	-
Net proceeds from new equity		305 385	-
Interest paid lease liabilities	15	(57)	
Interest paid	5	(17 327)	(6 815)
Net cash flow from financial activities		**277 476**	**22 935**
Net change in cash and cash equivalents		**(54 215)**	**64 796**
Cash and cash equivalents balance 01.01	7	65 766	970
Cash and cash equivalents balance 31.12		**11 551**	**65 766**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION ABOUT THE COMPANY AND BASIS FOR PRESENTATION

General information

Axxis Geo Solutions ASA is a public limited listed company incorporated in Norway.

The Company's registered office is at Strandveien 50, 1366 Lysaker, Norway.

The Company applies the same accounting policies as described in note 1 and 2 in the notes to the consolidated financial statements where relevant, except that unrealized foreign exchange gain (loss) on non-current intercompany loans is recognized in the statements of profit and loss.

Shares in subsidiaries (see note 22) are presented at cost less impairment. Impairment is recognized based upon the carrying value of the individual shares and net intercompany receivables in the subsidiaries less the estimated recoverable amount (based on discounted estimated future cash flows). If estimated recoverable amounts increase, impairment charges are reversed accordingly. There is no fixed plan for repayment of long-term intercompany receivables and payables.

NOTE 2 SEGMENT INFORMATIONS

The Company operates only one segments, which is based on the Contract revenue stream, and therefore no split of operating expenses has been included in the note. Revenue recognition for the Contract segment is based on the same principles as the IFRS financial statements.

NOK thousands **Income statement**	**Full Year 2019**	**Full Year 2018**
Contracts for seismic acquisitions	609 173	(45 049)
Other revenue	577 100	(15 008)
Multi-client projects	-	-
Total revenue from contracts with customers	**1 186 273**	**(60 057)**

NOK thousands **Geographical markets**	**Full Year 2019**	**Full Year 2018**
Norway	471 094	15 008
Asia	555 462	45 049
Middle East	121 012	-
Brazil	38 705	-
Total revenue	**1 186 273**	**60 057**

NOK thousands **Major customers**	**Full Year 2019**	**Full Year 2018**
Customer 1	552 178	34 209
Customer 2	471 094	14 998
Customer 3	102 721	10 840
Other	60 280	11
Total revenue	**1 186 273**	**60 057**

NOTE 3 REVENUE AND COST FROM CONTRACT WITH CLIENTS

NOK thousands Income statement	Full Year 2019	Full Year 2018
Contracts for seimic acquisition	609 173	45 060
Other revenue	577 100	14 998
Multi-client projects	-	-
Total revenue from contracts with customers	**1 186 273**	**60 057**
At a point in time	-	-
Over time	1 186 273	60 057
Total revenues from contracts with customers	**1 186 273**	**60 057**

Cost to fulfill conracts and cost to obtain contracts NOK thousands	Full Year 2019	Full Year 2018
Contract assets		
Assets recognized for costs to fulfill a contract (mobilization costs)	8 795	37 748
Amortization of assets recognized for cost to fulfill a contract (mobilisation costs)	(37 552)	(10 024)
Total contract assets	**(28 757)**	**27 725**

The Company has no current contract liabilities per 31.12.2019.

Performance obligations

Contract seismic and imaging

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

NOTE 4 COST OF SALES

NOK thousands Cost of sales	Full Year 2019	Full Year 2018
Vessel cost	(459 948)	(232 237)
Crew & project management	(168 660)	(94 885)
Seismic, source and node equipment	(238 381)	(141 637)
Agent related expenses	(83 285)	(48 319)
Mobilization amortization	(37 552)	(10 024)
Mobilization cost capitalized	8 795	37 748
Multi-client recharge*	-	448 229
Total operating expenses	**(979 032)**	**(41 124)**

** In 2018 the Company established the subsidiary Axxis Multi Client AS (AMC) in order to separate the multi-client segment from the contract segment. In 2018 the recharge of costs related to the multi-client (MC) segment to AMC was reported net as a reduction in cost of sales. In 2019 the recharge of MC costs to AMC has been reported gross as revenue.*

NOTE 5 FINANCIAL ITEMS

NOK thousands

Financial income	Full Year 2019	Full Year 2018
Interest income	84	197
Other financial income	302	3
Exchange gains	20 028	4 958
Group contribution (subsidiary)	-	192
Total financial income	**20 414**	**5 350**

Financial expenses		
Interest expense	9 483	6 400
Interest expense suppliers	7 901	416
Other financial expenses	10 370	-
Exchange losses	16 117	13 066
Write-down shares in subsidiaries	24 629	-
Total financial expenses	**68 500**	**19 881**

NOTE 6 TAX

NOK thousands	2019	2018
Specification of tax expense (income) for the year		
Current income tax (including witholding tax)	-	-
Change in deferred tax	39 756	(11 946)
Total tax expense (income)	**39 756**	**(11 946)**

Reconciliation of actual against expected tax expense (income) at the income tax rate of 22%		
Profit (loss) before tax	(319 125)	(63 374)
22% (2018: 23%) tax	(70 207)	(14 576)
Tax effect from:		
Non taxable income	-	-
Recognition of deferred tax asset not previously recognized		(82)
Permanent differences	(3 720)	106
Change of tax rate in Norway 1% (23% in 2019 and 22% in 2019)	-	1 807
Not booked deferred tax assets	113 683	799
Calculated tax expense (income)	**39 756**	**(11 946)**
Effective tax rate for the Company	12,5	(18,8)

NOK thousands	2019	2018
Temporary differences		
Non current assets	14 406	54 216
Contract	-	(11 055)
Accurals	(367 818)	-
Accumulated loss carried forward	(163 331)	(223 872)
Temporary differences at 31.12.	**(516 743)**	**(180 711)**
Deferred tax liabilities (assets) (22%)	**(113 683)**	**(39 757)**

The Company have in 2019 rerversed the deferred tax asset that primarily relates to loss carried forward.

NOTE 7 BANK DEPOSIT, CASH IN HAND

NOK thousands	2019	2018
Bank deposits	10 953	65 233
Restricted bank deposits	598	533
Total bank deposits	**11 551**	**65 766**

Restricted bank deposits relates to employee withholding tax. These deposits are subject to regulatory restrictions and are therefore not avaliable for genereal use by the Company. The account is used to settle employee withholdig tax.

NOTE 8 TRADE RECEIVABLES

NOK thousands

Trade receivables	2019	2018
Trade receivables	99 974	34 239
Provisions for bad debts	-	-
Net trade receivables	**99 974**	**34 239**

Related parties transactions is disclosed in note 18.

NOK thousands	2019	2018
Not overdue as of 31.12	77 883	24 176
Past due 0-30 days	10 924	10 063
Past due 31-180 days	9 273	-
Past due more than 180 days	1 894	-
Total	**99 974**	**34 239**

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

The Company use the same metod as the Group. The Group uses an impairment model with the following characteristics: The receivables are organized based on the credit risk of the customers. The primary portfolio is the receivables where invoicing is done to customers with a high credit rating, typical large listed or state-owned oil companies. This portfolio has a low risk of default and therefore no impairment loss is initially recognized based on the expectation of all of the accounts being paid. Further, an individual assessment is performed on specific customer receivables, typically if a customer is in known financial distress or has declared bankruptcy. Per year-end 2019 the Company has two main client, being major oil companies and one of them large listed company. All outstanding trade receivables has been paid during 2020.

Accrued revenue (contract assets)
In addition, the Company has accrued revenue for ongoing project, which has not been invoiced the customers per year-end, see also note 9.

Accrued revenue as of December 2019 was NOK 16.0 million, compared to zero as of December 2018. These accrued revenue is related to ongoing Brazil project, the accrued revenue is following the same impairment model as ordinary trade receivables. As of December 2019, there were no indicators for the need of impairment.

NOTE 9 OTHER CURRENT ASSETS

NOK thousands	2019	2018
Prepayments	6 086	21 318
Mobilization	625	29 382
Accrued income	15 977	-
Other current receivables	16	-
Total other current assets	**22 704**	**50 700**

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

NOK thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Lease asset ***	Total tangible assets
Cost at 31.12.18	**54 574**	**97 353**	**9 219**	**1 295**	**-**	**162 440**
Adjustment *	7 119	1 248	-	-	-	8 367
Cost at 1.1.19	**61 693**	**98 601**	**9 219**	**1 295**	**-**	**170 807**
Additions	7 468	37 734	13 431	330	1 569	60 532
Disposal	-	(8 207)	-	-	-	(8 207)
Reclass **	-	22 387	(22 387)	-	-	-
Cost at 31.12.19	**69 161**	**150 514**	**263**	**1 625**	**1 569**	**223 132**
Accumulated depreciation 31.12.18	**(10 247)**	**(13 012)**	**-**	**(196)**	**-**	**(23 454)**
Adjusted depreciation	(7 119)	(1 248)	-	-	-	(8 367)
New Accumulated depreciation 1.1.19	**(17 365)**	**(14 259)**	**-**	**(196)**	**-**	**(31 821)**
Depreciation	(11 554)	(31 924)	-	(530)	(628)	(44 636)
Disposal	-	2 353	-	-	-	2 353
Currency translation adjustment	-	-	-	-	-	-
Accumulated depreciation at 31.12.19	**(28 919)**	**(43 830)**	**-**	**(726)**	**(628)**	**(74 103)**
Carrying amount at 1.1.19	**44 327**	**84 341**	**9 219**	**1 099**	**-**	**138 986**
Economic lifetime in years	3-10	3-5		3-10	2-5	

** The adjustment is a correction of depreciation being registered directly under cost price instead of under accumulated depreciation in 2017.*
*** The reclass is related to assets moved from projects in progress to correct asset group when capitalized.*
**** Only office rental*

NOK thousands	Vessel	Seismic and node equipment	Projects in progress	Computer equipment	Financial lease asset	Total tangible assets
Cost at 1.1.18	**59 447**	**13 490**	**-**	**-**	**-**	**72 937**
Additions	2 246	85 111	9 219	1 295	-	97 870
Disposal	-	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-
Cost at 31.12.18	**61 693**	**98 601**	**9 219**	**1 295**	**-**	**170 807**
Accumulated depreciation 1.1.18	**(7 119)**	**(1 248)**	**-**	**-**		**(8 367)**
Depreciation	(10 247)	(13 012)	-	(196)		(23 454)
Disposal	-	-	-	-	-	-
Currency translation adjustment	-	-		-	-	-
Accumulated depreciation 31.12.18	**(17 365)**	**(14 259)**	**-**	**(196)**	**-**	**(31 821)**
Carrying amount at 1.1.18	**52 328**	**12 242**	**-**	**-**		**64 570**
Carrying amount at 31.12.18	**44 327**	**84 341**	**9 219**	**1 099**	**-**	**138 986**
Economic lifetime in years	3-10	3-5		3-10		

Impairment

According to IFRS the carrying amount of intangible assets and property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Management regularly evaluates its fleet plan and capital expenditure level in light of market conditions. In 2019 and 2018 management performed such evaluations which did not resulted in impairments related to fixed assets for the year ended December 31, 2019 and 2018.

The Company has no asset held for sale.

NOTE 11 INVENTORIES

NOK thousands	2019	2018
Purchased finished goods	2 790	16 923
Provision for obsolescence	-	-
Net inventories	**2 790**	**16 923**

The inventories consist of fuel.

The amount of inventories recognized as an expense in cost of sales during 2019 was NOK 130 million and NOK 72 million for 2018.

NOTE 12 INTEREST BEARING DEBTS

NOK thousands	2019	2018
Non-current borrowings (ease liabilities)	197	-
Current borrowings	19 833	29 750
Current borrowings (lease liabilities)	764	-
Total borrowings	**20 794**	**29 750**

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

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

The loan is presented as current due to breach of the loan terms as of December 2019. The Company has received a waiver from Eksportkreditt Norge AS on one of the two financial covenants, being number 2 listed below for the fourth quarter 2019.The company had not received a waier for covenants listed below as number 1. The Company anticipates to be in need of waivers for 2020 from Eksportkreditt Norge AS due to the restructuring of accounts payables to long-term debt and financial covenants.

The financial covenants is as following:

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

Balance sheet value of assets placed as security

NOK thousands	2019	2018
Property, plant and equipment *	149 029	138 986
Inventories	2 790	16 923
Trade receivables	22 091	34 239
Total balance sheet value of assets placed as security	**173 910**	**190 148**

Movements in financial activities

NOK thousands	2019	2018
Borrowings 1.1.	29 750	8 548
Proceeds from borrowings	-	29 750
Lease liabilities	1 569	-
Repayment of borrowings	-10 525	-8 500
Non cash movements		
Change in accrued interest **	-	-48
Borrowings 31.12.	**20 794**	**29 750**

** The vessel Neptune Naiad, Seismic equipment and Node handling systems.*
*** In 2019 accrued interest has been reclassified to other current liabilities.*

NOTE 13 FINANCIAL RISK MANAGEMENT

The Company is exposed to market specific and general economic cycles and macro-economic fluctuations, since changes in the general economic situation affect the demand from our clients. The Company's business performance depends upon production and development spending by oil and gas companies. Historically, in times of low oil price, demand in exploration spending, where the Company is active, has been reduced in much greater extent than production related spending.

Capital Management

For the purpose of the Company's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or repay or issue new debt. The Company monitors capital using a equity ratio, which is the book value of equity over the book value of assetsin the Company's segment reporting. The Company's policy and target is to keep the equity ratio over 35%.

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. Refer to Note 13 for information regarding financial covenants related to the Company's interest bearing debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

(i) Credit risk

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

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

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

2019

NOK thousands	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0 %	0 %	0 %	0 %	
Carrying amount trade receivables	85 988	10 924	9 273	1 894	108 079
Loss allowance	-	-	-	-	-

2018

NOK thousands	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0 %	0 %	0 %	0 %	
Carrying amount trade receivables	24 179	10 063	-	-	34 239
Loss allowance	-	-	-	-	-

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

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

(ii) Market risk - interest rate

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

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

The Company's sensitivity to potential changes in interest rates with an increase in 50 basis points would increase interest expense for the period with appoximately NOK 132 thousands for 2019 (2018: NOK 37 thousands).

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. The Company's strategy for managing liquidity risk is to have sufficient liquidity at all times in order to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the Company`s reputation.

The Company is working on a restructuring plan with its key creditors to reduce the short-term liabilities. This will strengthen the working capital and improve the liquidity for the Company.
Furthermore, there can be no assurance that the Company will be able to obtain additional shareholder funding. Failure to access necessary liquidity could require the Group to scale back its operations or could have other materially adverse consequences for its business and its ability to meet its obligations.

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

2019

	Remaining term					
NOK thousands	**0-3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**Total**
Borrowings	19 833	-	-	-	-	19 833
Lease liabilities	38 582	199	199	199	199	39 376
Account payables	365 756	-	-	-	-	365 756
Other current liabilities	164 396	699		54 162	-	219 257
Total	***588 567***	***898***	***199***	***54 361***	***199***	***644 222***

** Includes lease of offices and committments for short-term vessel and node seismic rental.*

2018

	Remaining term					
NOK thousands				**Under 1 year**	**1-2 years**	**Total**
Borrowings				29 856	-	29 856
Lease liabilities				180 808	-	180 808
Account payables				190 783	-	190 783
Other current liabilities					-	-
Total	**-**	**-**	**-**	***401 447***	**-**	***401 447***

(iv) Market risk - foreign exchange rates

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

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

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

NOK thousands	Change in exchange rate USD/NOK	Effect on profit before	Effect on equity
2019	+ 10 %	-2 220	-2 220
	- 10 %	2 220	2 220
2018	+ 10 %	-5 454	-5 454
	- 10 %	4 958	4 958

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

NOTE 14 CATEGORIES OF FINANCIAL INSTRUMENT

NOK thousands

Financial assets at amortized cost	2019	2018
ASSETS		
Other non-current assets	-	4 146
Trade receivables	99 974	34 239
Cash and cash equivalents	11 551	65 766
Total financial assets	**111 525**	**104 151**

Financial liabilities at amortized cost	2019	2018
LIABILITIES		
Interest-bearing non-current liabilities	197	-
Interest-bearing current liabilities	20 597	29 750
Trade payables	363 417	180 959
Other current liabilities	137 627	50 990
Total financial liabilities	**521 839**	**261 699**

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

Information of fair value

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

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

The Company does not hold any financial derivatives.

NOTE 15 LEASES

The Company has adopted the new accounting standard IFRS 16 Leases which replaces IAS 17 Leases and related interpretations. IFRS 16 Leases has from a lessee viewpoint eliminated the classification of leases as either operating leases or financial leases. Instead all leases are treated in a similar way to finance leases under IAS 17.

The standard was effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Company from the same date.

Under the simplified transition appproach, no comparatives for 2018 have been restated.

For the Company only office space comes under the classification of leases. Vessels and other seismic equipment on short term leases comes under the classification of commitments.

Lease assets are included in the balance sheet under the item property, plant and equipment. The non current part of the lease liability is included in the balance sheet under the item interst bearing debt non current, and the current part under interest bearing debt current, refer to note 13.

Right-of-use assets:

NOK thousands	**Offices**	**Total**
Carrying value		
Balance at 1.1.2019	-	-
Leases capitalized due to implementation of IFRS 16	-	-
Balance right-of-use assets 1.1.19	-	-
Additions	1 569	1 569
Depreciation	-628	-628
Impairment	-	-
Balance right-of-use assets 31.12.19	**942**	**942**

Lease liabilities:

NOK thousands	Non-current	Current	Total
Carrying value			
Leases capitalized due to implementation of IFRS 16	-	-	-
Balance lease liabilities 1.1.19	-	-	-
Additions	836	733	1 569
Reclassification to current	(639)	639	-
Lease payments		-662	-662
Accrued interest		54	54
Balance lease liabilities 31.12.19	**197**	**764**	**961**

** The non current part of the lease liability of NOK 197 thousand is due in 2021.*

The Company had a total cash outflows for leases of NOK 0.6 million which NOK 0.05 million is related to interest. The Companys had no low-value assets or variable lease payments in 2019.

Commitments:

The Company has entered into contractual commitments for the rental of seismic equipment (nodes) in 2020 amounting to NOK 10 million as of 31 December 2019, all due within one year. Contractual commitments were NOK 14 million as of 31 December 2018. The cost for short term leases of seismic equipment was NOK 91 million in 2019.

In addition, the Company has commitments for short-term leases of vessels amounting to NOK 28 million as of 31 December 2019, all due within one year. Lease commitments of vessels were NOK 91 million as of 31 December 2018. The cost for short term leases of vessels was NOK 120 million in 2019.

The Group has leased four vessels, Havila Fortune, Havila Aurora, Pacific Finder and Sanco Sword under time charter agreements that expires during 2020.

NOTE 16 OTHER CURRENT LIABILITIES

NOK thousands	Full Year 2019	Full Year 2018
Holiday pay owed	699	192
Other accrued costs	60 176	51 740
VAT settlement	76 199	(942)
Deferred mobilization revenue	553	-
Total other current liabilities	**137 627**	**50 990**

NOTE 17 SHARE CAPITAL AND SHAREHOLDERS INFORMATION

The Company's share capital per 31.12.19 include the following:	Number of shares	Share Capital in NOK	Par Value per share in NOK
Ordinary shares (one share = one vote)	58 821 018	82 014 807	1,39431124614644

The Company has one class of shares, all shares provide equal rights, including the right to any dividends in line with 2018. Each of the shares carries one vote in line with 2018. Neither AGS nor any of its subsidiaries directly or indirectly owns shares or treasury shares in the Company.

Changes in number of shares	Shares
Number of shares 1.1.18	500 958 750
Changes in number of shares in 2018	-
Number of shares 31.12.18	500 958 750
New shares issued - cash settled	234 496 171
Merge with Songa	294 181 968
Merge with Songa after reverse split 50:1	20 592 738
Share from Songa	717 199
New shares as Axxis Geo Solutions ASA 02.07.2019	**21 309 937**
New shares issued - cash settled	37 511 082
Number of shares 31.12.19	**58 821 018**

Paid/proposed dividend

The Board has decided not to propose any dividend for 2019 or 2018.

The major shareholders in Axxis Geo Solutions ASA **31 December 2019** were as follows:

Shareholders	Total shares	Ownership share	Voting share
HAVILA HOLDING AS	15 549 434	26,4 %	26,4 %
RONJA CAPITAL AS	2 065 257	3,5 %	3,5 %
BRUHEIM	1 820 000	3,1 %	3,1 %
W2 SEISMIC AS	1 765 561	3,0 %	3,0 %
URBANIUM GRUPPEN AS	1 500 000	2,6 %	2,6 %
JOHS. HANSEN REDERI AS	1 496 345	2,5 %	2,5 %
AJEA INVEST AS	1 423 873	2,4 %	2,4 %
KJØLÅS STANSEKNIVER AS	1 282 768	2,2 %	2,2 %
STETTE INVEST AS	1 282 768	2,2 %	2,2 %
REMCO AS	1 100 000	1,9 %	1,9 %
PEDERSEN	1 000 000	1,7 %	1,7 %
Nordnet Bank AB	942 949	1,6 %	1,6 %
MIDDELBORG INVEST AS	833 333	1,4 %	1,4 %
J.P. Morgan Securities LLC	703 618	1,2 %	1,2 %
NÆRINGSLIVETS HOVEDORGANISASJON	671 343	1,1 %	1,1 %
LEOVILLE AS	614 436	1,0 %	1,0 %
MEROUR	541 531	0,9 %	0,9 %
HAARSTAD	517 000	0,9 %	0,9 %
ABN AMRO Global Custody Services N	500 021	0,9 %	0,9 %
JAKOB HATTELAND HOLDING AS	500 000	0,9 %	0,9 %
Total 20 largest shareholders	**36 110 237**	**61,4 %**	**61,4 %**
Total other shareholders	22 710 781	38,6 %	38,6 %
Total number of shares	**58 821 018**	**100,0 %**	**100,0 %**

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

Shareholders	Total shares	Ownership share	Voting share
Bjarte Bruheim	84 702 022	16,9 %	16,9 %
Rome AS	78 888 477	15,7 %	15,7 %
Havila Holding AS	75 143 812	15,0 %	15,0 %
Songa Investments AS	75 118 563	15,0 %	15,0 %
W2 Seismic AS	42 924 893	8,6 %	8,6 %
TRH AS	22 373 526	4,5 %	4,5 %
Lee Parker	19 316 203	3,9 %	3,9 %
Alcides Shipping AS	16 096 835	3,2 %	3,2 %
Johs. Hansen Rederi AS	15 023 712	3,0 %	3,0 %
Remco AS	15 023 712	3,0 %	3,0 %
Bjørnulf AS	8 028 754	1,6 %	1,6 %
Payco AS	6 438 734	1,3 %	1,3 %
Richard Dunlop	5 150 987	1,0 %	1,0 %
Total >1% ownership share	**464 230 230**	**92,7 %**	**92,7 %**
Total other shareholders	36 728 520	7,3 %	7,3 %
Total number of shares	**500 958 750**	**100,0 %**	**100,0 %**

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

Shares owned or controlled by members of the Board of Directors, Chief Executive Officer and Other Executive Officers **31 December 2019** were as follows:

Board of Directors	Position	Number of shares	Ownership share	Voting share	Number of options
Havila Holding AS 1)		15 549 434	26,4 %	26,4 %	-
1) Partly owned by Njål Sævik	Board member				42 000

Share and options owned by management 31 December 2019 were as follows:

Executive management	Position	Number of shares	Number of options
Lee Parker	CEO	559 390	176 400
Richard Dunlop	EVP Operations	144 228	106 400
Svein Knudsen	CFO	-	106 400

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

Board of Directors	Position	Number of shares	Ownership share	Voting share	Number of options
Bjarte Bruheim	Chairman	84 702 022	16,9 %	16,9 %	6 300 000
Rome AS 1)		78 888 477	15,7 %	15,7 %	
Havila Holding AS 2)		75 143 812	15,0 %	15,0 %	
Songa Investments AS 3)		75 118 563	15,0 %	15,0 %	
W2 Seismic AS 4)		42 924 893	8,6 %	8,6 %	
TRH AS 5)		22 373 526	4,5 %	4,5 %	

1) Owned by Jogeir Romestrand	Board member	4 500 000
2) Partly owned by Njål Sævik	Board member	1 500 000
3) Represented by Fredrik Platou	Board member	1 500 000
4) Represented by Ole Andre Heggheim	Board member	1 500 000
5) Owned by Tore Rødal	Board member	1 500 000

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

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

NOTE 18 RELATED PARTIES

NOK thousands

Current receivables group companies	2019	2018
Axxis Multi Client AS *	117 161	-
Axxis Geo Solutions Inc.	1 513	-
PT Axxis Geo Solutions	-	-
Neptune Seismic AS	-	-
Axxis Production AS	113 021	-
Axxis Geo Solutions Egypt LLC	440	-
Total receivables group companies	**232 134**	-

** The intercompany receivables to Axxis Multi Client AS has per December 2019 been accrued for write down of NOK 366.5 million. The amount relates to acquiring of the multi-client project Utsira which completed October 2019..*

NOK thousands

Current liabilities group companies	2019	2018
Axxis Multi Client AS	-	68 315
Axxis Geo Solutions Inc.	6 475	5 717
PT Axxis Geo Solutions	-	5 485
Neptune Seismic AS	-	158
Total liabilites group companies	**6 475**	**79 675**

For more information on related parties see note 19 for the Group.

NOK thousands Revenue from group companies	2019	2018
Axxis Multi Client AS	471 094	14 998
Axxis Production AS	102 721	-
PT Axxis Geo Solutions	-	10 840
Total revenue group companies	**573 815**	**14 998**

NOK thousands Cost from group companies	2019	2018
Axxis Geo Solutions Inc.	115 919	76 139
PT Axxis Geo Solutions	8 497	-
Total cost group companies	**124 416**	**76 139**

For more information on related parties see note 20 for the Group.

NOTE 19 PERSONNEL EXPENSES AND REMUNERATIONS

NOK thousands	Full Year 2019	Full Year 2018
Wages and salaries	15 412	11 661
Social Security costs	1 237	377
Pension costs	459	132
Other remuneration	5 163	1 700
Share based payment expense (refer to note 22)	(105)	3 743
Total personnel expense	**22 165**	**17 614**

Number of man-years at 31.12	2019	2018
Group companies in Norway	6	1

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

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

Chief financial officer

In **2019**, the Company paid compensation to its executive offices as follows:

NOK thousands

Name	Fixed salary	Bonus	Other benefits	Pension benefits	Share based payment cost	Total cost	Number of options held
Svein Knudsen (CFO)	2 400	-	5	160	359	**2 925**	106 400

In **2018**, the Company paid compensation to its executive offices as follows:

NOK thousands

Name	Fixed salary	Bonus	Other benefits	Pension benefits	Share based payment cost	Total cost	Number of options held
Svein Knudsen (CFO)*	1 600	-	137	132	377	**2 246**	3 800 000

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

Board of Directors

In 2019, the Group paid following compensations to Board of Directors:

NOK thousands

Name	Position	Director since	Term expire	Fee	Share based payment cost	Number of options held
Rolf Rønningen	Chairman	02.07.2019	2020	-	-	-
Njål Sævik	Board Member	06.11.2017	2020	217	251	42 000
Nina Skage	Board Member	02.07.2019	2020	-	-	-
Eirin Inderberg	Board Member	02.07.2019	2020	-	-	-
Vibeke Fængsrud	Board Member	02.07.2019	2020	-	-	-
		Director to				
Jogeir Romestrand	Board Member	01.11.2019	N/A	447	436	-
Fredrik Platou	Board Member	01.11.2019	N/A	317	142	-
Andreas Pay	Board Member	From Nov 1 2019 to Dec 18 2019	N/A	-	-	-
Tore Tønseth	Board Member	From Dec 1 2019 to 12 Feb 2020	N/A	-	-	-
Bjarte Henry Bruheim	Chairman	02.07.2019	N/A	434	599	-
Ole Andre Heggheim	Board Member	02.07.2019	N/A	217	142	-
Tore Rødal	Board Member	02.07.2019	N/A	217	165	-

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

NOK thousands

Name	Position	Director since	Term expire	Fee	Share based payment cost	Number of options held
Bjarte Henry Bruheim	Chairman of the Board	16.10.2006	2019*	434	625	6 300 000
Jogeir Romestrand	Board Member	08.09.2009	2019*	346	446	4 500 000
Fredrik Platou	Board Member	20.02.2017	2019*	216	149	1 500 000
Njål Sævik	Board Member	06.11.2017	2019*	-	147	1 500 000
Ole Andre Heggheim	Board Member	20.02.2017	2019*	216	149	1 500 000
Tore Rødal	Board Member	27.06.2018	2020*	-	147	1 500 000

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

See note 18 for shares held by the Group`s Board of Directors.

NOTE 20 SHARE BASED PAYMENT PROGRAMS

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

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

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

	2019		2018	
	Average exercise price per share option (NOK)	Number of options	Average exercise price per share option (NOK)	Number of options
As at 1.1*	8,8761	981 879	0,19	19 500 000
Granted during the year	25,0000	28 000	0,3157	15 567 112
Expired during the year	8,9556	-260 400	-	-
As at 31.12	9,4508	749 479	0,2553	35 067 112
Vested 31.12	8,9002	656 609		27 283 556
Exercisable 31.12		656 609		27 283 556

* after the merge with Songa - new number of option

Granted instruments 2019

Instrument	***Option***
Quantity 31.12.2019 (instruments)	28 000
Quantity 31.12.2019 (shares)	28 000
Contractual life*	5,75
Strike price*	25,00
Share price*	22,45
Expected lifetime*	2,25
Volatility*	57,65%
Interest rate*	1,329%
Dividend*	0,00
FV per instrument*	6,87
Vesting conditions	

**Weighted average parameters at grant of instrument*

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

Grant date	Expiry date	Exercise price	Share options 31 December 2019	Share options 31 December 2018
15.09.2017	15.09.2022	6,96	406 000	19 500 000
27.09.2018	27.09.2023	11,28	315 479	15 567 112
01.05.2019	01.05.2024	25,00	28 000	-
Total number of options			**749 479**	**35 067 112**

Outstanding instruments overview					
Strike Price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2019	Weighted Average Strike Price
	Outstanding instruments			Vested instruments	
6,96	406 000	3,70	6,96	406 000	6,96
11,28	315 479	4,49	11,28	236 609	11,28
25,00	28 000	5,09	25,00	14 000	25,00
	749 479			**656 609**	

The exercise price for both grants was fair value at the grant date. The options can be exercised by buying shares as settlement where one options give right to one share. For the 2019 grant, 50% of the options vested on grant date, while the remaining option will vest in May 2024. The fair value at grant date was 6.87 NOK/option.

For the 2018 grant, 50% of the options vested on grant date, while the remaining option will vest over the next two years (25% in 2019, 25% in 2020). These vested options can be exercised until September 2023. Fair value at grant date was NOK 0.16 per option.

The fair value has been estimated using the the Black-Scholes option pricing model. When calcluating fair value at grant date, the group has assumed a volatility of 49% from comparable peers in the oil and gas services for both grants, 0 expected dividends, and a risk free interest rate of 1.98% for the 2018 grant.

NOTE 21 AUDITORS FEE

Expensed audit fee (excluding VAT)	Full Year 2019	Full Year 2018
Statutory audit	820	97
Tax advice (incl. technical assistance with tax return)	485	198
Other attestation services	219	-
Total auditors fee	**1 525**	**295**

NOTE 22 SUBSIDIARIES AND ASSOCIATED COMPANIES

Axxis Geo solutions ASA (AGS ASA) comprise of the following legal entities as at 31 December 2019

NOK thousands

Subsidiary of AGS ASA:	Jurisdiction	Total Equity	Net Income/ (loss)	Carrying value
Neptune Seismic AS	Norway	-22	-121	-
Axxis Geo Solution Inc.	USA	1 147	650	816
Axxis Geo Solutions PT*	Indonesia	5 008	-2 366	-
Axxis Multi Client AS	Norway	-244 521	-293 408	15 098
Axxis Production AS	Norway	-392	-442	50
Axxis Multi Client International AS	Norway	44	-6	50
Axxis Geo Solutions Egypt LLC**	Egypt	-67 809	-67 817	8
Total		**-306 546**	**-363 511**	**16 021**

** The formal shareholdings in Axxis Geo Solutions PT is 49 %. The Group has control of operating decisions and is exposed to 100 % of variability of the companys' results through a shareholder agreement. Because of this, no non-controlling interest has been recognised in the financial statements.*
*** Axxis Production AS owns 99% and Axxis Geo Solutions ASA owns 1% of the shares in the company.*

The Company holds 100 percent of all shares (except AGS PT and AGS Egypt LLC as mentioned above) and all voting rights for its subsidiaries.

NOTE 23 CASH FLOW INFORMATION

	Liabilities arising from financing activities				
NOK thousands	**Current interest bearing debt**	**Current lease liabilities**	**Non-current interest bearing debt**	**Non-current lease liabilities**	**Total**
1.1.2019	**29 856**	-	-	-	**29 856**
Cash flows	-9 917	-608	-	-	-10 525
New leases	-	733	-	836	1 569
Other	-106	-	-	-	-106
Reclassification	-	639	-	-639	
31.12.2019	**19 833**	**764**	-	**197**	**20 794**

	Liabilities arising from financing activities				
NOK thousands	**Current interest bearing debt**	**Current lease liabilities**	**Non-current interest bearing debt**	**Non-current lease liabilities**	**Total**
1.1.2018	**8 548**	-	-	-	**8 548**
Cash flows	21 250	-	-	-	21 250
Other	58	-	-	-	58
31.12.2018	**29 856**	-	-	-	**29 856**
Implementation IFRS 16 at 1.1.2019	-	-	-	-	-

The "Other" column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, including lease liabilities to current due to the passage of time, and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, including lease liabilities.

The Group implemented IFRS 16 effective as of 1 January 2019.

NOTE 24 FIRST TIME ADOPTION OF IFRS (FOR 2018 FIGURES)

The first consolidated IFRS financial statements presented by the Group was for financial calender year of 2018 and 2017 in the prospectus 6 November 2019. The Group has previously presented consolidated financial statements according to the Norwegian Accouting Act and generally accepted accouting policies in Norway (NGAAP). The date of transition was 1 January 2017. As there was very limited acticity in the Group at the date of transition, non practical expedients in IFRS 1 was used.

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

NOK thousands	
Profit for the period	**Full Year 2018**
Profit for the period 2018 according to NGAAP	(47 955)
Profit for the period 2018 according to IFRS	-51 698
Difference	**3 743**
The difference relates to:	
Share based payment expense	3 743
Net effect on profit for the period	**3 743**
Equity	**31.12.2018**
Equity 31.12.18 according to NGAAP	45 211
Equity 31.12.18 according to IFRS	45 211
Difference	**0**

The implementation effect of share based payment program is the oposite from the P&L effect with the same amount and therefore no effect in total equity per 31.12.2018.

NOK thousands	
Changes in cash flow statement compared to previous GAAP	**Full Year 2018**
Operating cash flows reported in IFRS financial statements	162 958
Operating cash flows reported in previous GAAP	193 892
Difference	**-30 934**
Cash outflow mobilization cost reported as investing activity in previous GAAP compared to operating activity in IFRS financial statements	-37 748
Cash outflow interest paid cost reported as operating activity in previous GAAP compared to financial activity in IFRS financial statements	6 815
Total differences	**-30 933**

NOTE 25 EVENTS AFTER THE REPORTING PERIOD

AGS Response to the COVID 19 event

The impacts of COVID-19 on businesses across the globe is immense and presenting new challenges almost daily to our normal business practices. AGS has been planning for and monitoring developments since the initial spread of the virus and has taken a series of important steps to maintain the continuity of our services for our customers and to safeguard the health of our employees and stakeholders. We are pleased to advise that while many aspects of the Global mitigations have been disruptive, we have been able to substantially maintain our operations close to pre COVID 19 level's.

These measures include:

Business Continuity

AGS has had a committee dedicated to ongoing business continuity related issues since the onset of the virus. Regular meetings are being held internally and collaboration with our customers, employee's, vendors, stakeholders and industry associations to remain informed and updated on the global reaction to the virus and how it could affect our people and business.

Mitigating plan to reduce the impact of COVID 19

AGS' has developed mitigation plans specific to each ongoing operation and continuously reviews them to ensure it is current with the information that becomes available to us each day.

As the health and wellbeing of our employees is of the utmost importance to us, we are working to ensure our people are protected while travelling and at the workplace. We have implemented a pre-screening program for all field crew prior to travelling from home, immediately before joining a vessel and thereafter at regular intervals throughout operations offshore. All AGS vessels have health professionals onboard with fully equipped hospital facilities and the ability to isolate crew members if required.

All onshore staff have been working from home and encouraged to practice social distancing when required to go out for essential requirements. Meetings are being scheduled as video conferences and have been effective in the coordinated efforts made to support field operations fully with the high quality we are used to.

All previously planned business-related travel has been postponed unless it is business critical and approved by executive management.

Our thoughts are with all those affected by this pandemic and we will continuously work to ensure the safety and integrity or our operations.

Annoncements after the reporting period

The Company announced 5 March 2020 delivery of processed data from the northern part of the Utsira Ocean Bottom Node (OBN) multi-client project to pre-funding clients. The processing of the full survey is expected to be ready for delivery in Q3 2020.

The Company announced 26 march a cancellation on a small contract in the North Sea which was expected to be conducted in second quarter 2020. No specific announcement has previously been issued regarding this contract, but the contract was communicated as firm in the fourth quarter 2019 presentation. The contract revenue was estimated at USD 1 million, and AGS will receive a cancelation fee of 25% of the estimated revenue amount.

The Company announced 1 April Mr. Nils Haugestad as the Company's Chief Financial Officer ("CFO"). At the same time, Mr. Svein Knudsen was appointed Chief Commercial Officer ("CCO"). Mr. Knudsen has held the position as CFO in AGS for approximately 2 years and will now resume new responsibilities in the Company's Executive Committee.

The Company announced 30 April the completion of both the primary and extended portions of its ocean bottom nodes (OBN) project in the Middle East. The crew is demobilizing to the North Sea.

The Company announced 4 May that the final agreement has been signed with Equnior in the North Sea as previously announced as LOI 20 February. The survey is expected to commence later in the second quarter of 2020 and will have a duration of approximately 30 days. The
scope of work will be conducted by two seismic vessels.

The Company announced 20 May that Following the announcement on 4 May 2020 above, the Company has now signed a Letter of Intent for an additional scope of work. The additional work will commence directly after conclusion of the previously announced contract and has a duration of approximately two weeks.

Loan to management

The Board approved 31 January 2020 temporary loan to the CEO of USD 90 000. The loan will be repaid or deducted in salary.

Restructuring

The Company is working on a restructuring plan with its key creditors to reduce the short-term liabilities. This will strengthen the working capital and improve the liquidity for the Company.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Axxis Geo Solutions ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Axxis Geo Solutions ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the statement of financial position as at 31 December 2019, statements of comprehensive income, the statements of 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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.

Material uncertainty related to going concern

We draw attention to Note 1.1 – "Going concern" of the consolidated financial statements, which indicates that the Company's ability to continue as a going concern is dependent upon a successful outcome of the restructuring plan including securing sufficient liquidity. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not reflect impairment charges or provisions that might be required if the Company is liquidated or the assets sold in a distressed situation. Our opinion is not modified in respect of this matter.

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 2019. In addition to the matter(s) described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report 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.

Impairment assessment of Multiclient library

Multi-client library accounts for NOK 400 million of the Group's assets. The Company performed an impairment evaluation and determined the value in use to assess impairment. The Company estimated value in use based on present value of estimated future sales forecasts. The Company based the forecasts on budgets and assumptions about future market demand and spending on exploration and production by oil companies, including licensing activities. The forecasts require considerable insight and judgment from management about future market conditions. The impairment evaluation of the multi-client data library was a key audit matter based on the continued uncertain market conditions and the significant judgement involved. In 2019 impairment losses of NOK 309 million was recorded in the consolidated financial statements.

We evaluated management's assessment of impairment indicators and management's estimates related to sales forecasts. Our audit procedures included inquiries and evaluations of management's assumptions regarding the current market situation and expectations about future oil prices, licensing rounds and exploration activities. Furthermore, we evaluated the valuation methodology and the discount rate applied in the value in use model. We also tested the mathematical accuracy of the value in use calculations and performed sensitivity analysis of key assumptions. We also assessed the Company's disclosures regarding those assumptions and the impairment losses of multi-client data library recorded.

We refer note 11b in the consolidated financial statements.

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 on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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

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

Opinion on registration and documentation

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

Oslo, 26 May 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

About AGS

Axxis Geo Solutions (AGS) is a pure-play ocean bottom node seismic company uniquely positioned to pursue both contract and multi-client seismic. AGS specializes on delivering tailored seismic solutions and flexible project management and execution to oil and gas companies world-wide. Its operations are based on a scalable asset-light setup through chartering of vessels and nodes to complete seismic surveys.

More information on www.axxisgeo.com

The information included herein contains certain forward-looking statements that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future. These statements are based on various assumptions made by the Company, which are beyond its control and are subject to certain additional risks and uncertainties. The Company is subject to a large number of risk factors including but not limited to the demand for seismic services, the demand for data from our multi-client data library, the attractiveness of our technology, unpredictable changes in governmental regulations affecting our markets and extreme weather conditions. For a further description of other relevant risk factors, we refer to our Annual Report for 2018. As a result of these and other risk factors, actual events and our actual results may differ materially from those indicated in or implied by such forward-looking statements. The reservation is also made that inaccuracies or mistakes may occur in the information given above about current status of the Company or its business. Any reliance on the information above is at the risk of the reader, and AGS disclaims any and all liability in this respect.

Oslo, Norway

Strandveien 50,
1366 Lysaker

+47 480 95 555

Houston, United States

14511 Old Katy Road,
Suites 150,
Houston, TX 77079

+1 281 810 2550