

Annual report 2016

Annual accounts

- Income statement - USD**
- Balance sheet - USD**
- Cash flow statement - USD**
- Notes**

Auditors' report

Report from the Board of Directors 2016

Nature and location of business

Oceanic Champion AS is a ship owning company in the Sun Atlantic Ltd group which is a ship-owner and operator in the offshore seismic segment.

The company was incorporated in February 2013 and acquired the vessel "Oceanic Champion" in April in connection with a group-refinancing. "Oceanic Champion" is employed on a long term bareboat contract with the seismic operator CGG until 06/2020. Due to adverse market conditions in the seismic sector, the company has agreed to amend the bareboat contract by reducing charterhire payments for the remaining term. The reduced charterhire is partly compensated by the issuing of CGG bonds in favour of the company. The bonds were issued in March 2017 and sold in the market at prevailing market price for CGG assets.

To finance the acquisition of the vessel in 2013 the company secured a fixed interest USD bond loan in the amount of MUSD 70 repayable over seven years. The original repayment plan secured the loan to be repaid before the CGG contract expired. The amended contract terms allowed an extraordinary repayment of the loan with about MUSD 5 subsequent to the sale of CGG bonds in the market. Going forward the loan will be repaid in line with the company's earnings. Upon expiry of the contract the estimated loan balance is about MUSD 0,6.

The main office is at Austevollshella in Austevoll Municipality. Oceanic Champion AS is owned 100 % by the Sun Atlantic Ltd group.

Going concern

The accounts have been prepared on the assumption of going-concern pursuant to Section 3-3 of the Accounting Act.

Report on the annual accounts

The annual result for 2016 was MUSD -7.7 against MUSD -15.0 in 2015. The book value of the vessel at MUSD 58.7 is substantiated by the long term bareboat charter in combination with broker valuations. This year's loss is related to a new valuation of the ship in combination with the renegotiation of the bareboat contract creating an impairment charge of MUSD 10. The result is allocated from retained earnings.

Total assets as of 31.12.2016 were MUSD 69.1 (MUSD 86.1), while total equity was MUSD 26.9 (MUSD 34.6). The equity ratio is 39% (40%).

Cash and cash equivalents as of 31.12.2016 were MUSD 7.4 (MUSD 6.3), whereof MUSD 7.4 is in escrow accounts as collateral for the bond loan.

The company is taxed under the Norwegian tonnage tax system.

Working environment, personnel and equal opportunities

The company had no personnel directly employed either ashore or onboard during 2016. The board consists of three men.

Oceanic Champion AS

External Environment

Under the bareboat contract CGG has full responsibility for the operation of the vessel. The company hires supervision services to ensure that the CGG operation is performed in compliance with the contract.



Stein Pettersen
Chairman

31 December 2016
Austevoll, 28 April 2017



Trym Jacobsen
Boardmember



Tor Østervold
Boardmember/CEO

Oceanic Champion AS

Income statement - USD

	Note	2016	2015
Revenue			
Bareboat income		<u>14 078 271</u>	<u>14 039 805</u>
Operating expenses			
Depreciation of tangible fixed assets	3	7 834 572	5 536 780
Write-down on tangible and intangible fixed assets	3	10 000 000	18 900 000
Other operating expenses	2	<u>111 948</u>	<u>101 703</u>
Total operating expenses		<u>17 946 520</u>	<u>24 538 483</u>
Operating result		<u>-3 868 249</u>	<u>-10 498 678</u>
Financial income and expenses			
Interest income from group companies		21 938	11 540
Financial income		68 838	19 376
Other financial expenses		<u>3 885 344</u>	<u>4 577 119</u>
Net financial items		<u>-3 794 568</u>	<u>-4 546 203</u>
Ordinary result before tax		<u>-7 662 817</u>	<u>-15 044 881</u>
Tax on ordinary result	8	<u>1 524</u>	<u>1 492</u>
Net profit or loss for the year		<u>-7 664 341</u>	<u>-15 046 373</u>
Allocated as follows			
Transferred to other equity	9	<u>-7 664 341</u>	<u>-15 046 373</u>

Oceanic Champion AS

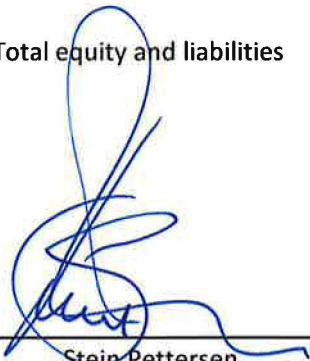
Balance sheet - USD pr. 31. December

	Note	2016	2015
Fixed assets			
<i>Tangible assets</i>			
Vessel	3, 5	<u>58 649 851</u>	<u>76 484 423</u>
Total tangible assets		<u>58 649 851</u>	<u>76 484 423</u>
<i>Financial assets</i>			
Other financial assets	5	<u>1 061 374</u>	<u>1 383 826</u>
Total financial assets		<u>1 061 374</u>	<u>1 383 826</u>
Total fixed assets		<u>59 711 225</u>	<u>77 868 249</u>
Current assets			
<i>Receivables</i>			
Trade receivables		1 264 036	1 192 422
Other receivables	7	<u>758 411</u>	<u>716 903</u>
Total accounts receivable		<u>2 022 447</u>	<u>1 909 325</u>
Cash and cash equivalents	4, 5	<u>7 380 999</u>	<u>6 273 294</u>
Total current assets		<u>9 403 446</u>	<u>8 182 619</u>
Total assets		<u>69 114 671</u>	<u>86 050 868</u>

Oceanic Champion AS

Balance sheet - USD pr. 31. December

	Note	2016	2015
Equity			
<i>Paid-in capital</i>			
Share capital	9, 10	<u>42 905 259</u>	<u>42 905 259</u>
Total paid-in capital		<u>42 905 259</u>	<u>42 905 259</u>
<i>Retained earnings</i>			
Other equity	9	<u>-16 016 632</u>	<u>-8 352 291</u>
Total retained earnings		<u>-16 016 632</u>	<u>-8 352 291</u>
Total equity		<u>26 888 627</u>	<u>34 552 968</u>
Liabilities			
<i>Long-term liabilities</i>			
Bond loan	5	<u>41 000 000</u>	<u>50 000 000</u>
Total long term liabilities		<u>41 000 000</u>	<u>50 000 000</u>
<i>Current liabilities</i>			
Trade creditors		12 741	7 406
Tax payable	8	1 524	1 605
Other short-term liabilities	7	<u>1 211 779</u>	<u>1 488 889</u>
Total current liabilities		<u>1 226 044</u>	<u>1 497 900</u>
Total liabilities		<u>42 226 044</u>	<u>51 497 900</u>
Total equity and liabilities		<u>69 114 671</u>	<u>86 050 868</u>



Stein Pettersen
Chairman

31. december 2016
Austevoll, 28. April 2017



Trym Jacobsen
Boardmember



Tor Østervold
Boardmember

Oceanic Champion AS

Cash flow statement - USD 01.01-31.12

	Note	2016	2015
Cash flow from operating activities			
Profit/(loss) before taxes		-7 662 817	-15 044 881
Taxes paid		-1 605	-1 657
Depreciation		7 834 572	5 536 780
Impairment of fixed assets		10 000 000	18 900 000
Changes in trade receivables and trade payables		-66 279	3 604
Changes in other current balance sheet items		3 834	62 345
Net cash flow from operating activities		<u>10 107 705</u>	<u>9 456 191</u>
Cash flow from investing activities			
Net cash flow from investing activities		<u>0</u>	<u>0</u>
Cash flow from financing activities			
Repayment of long term loans		<u>-9 000 000</u>	<u>-8 000 000</u>
Net cash flow from financing activities		<u>-9 000 000</u>	<u>-8 000 000</u>
Net change in cash and cash equivalents		1 107 705	1 456 191
Cash at 01.01		<u>6 273 294</u>	<u>4 817 103</u>
Cash at 31.12		<u>7 380 999</u>	<u>6 273 294</u>

Notes to the accounts for 2016

Note - 1 Accounting Principles

Oceanic Champion AS was incorporated 26 February 2013 and acquired the vessel Oceanic Champion from its sister company, Norfield Shipping AS in April 2013. Oceanic Champion AS is domiciled in Austevoll, Norway.

The financial statements have been prepared in accordance with the Accounting Act and generally accepted accounting principles. The financial statement have functional and presentation currency in USD.

Bareboat income

Operation income from the chartering of vessels is recognized at the time of delivery. Earnings recognized in line with accrued revenues. The percentage of freight revenue relating to future charter is recorded as accrued income and recognized thereafter as the charter is delivered.

Balance sheet classification

Net current assets comprise creditors due within one year, and entries related to goods circulation. Other entries are classified as fixed assets and/or long term creditors.

Current assets are valued at the lower of acquisition cost and fair value. Short term creditors are recognized at nominal value.

Fixed assets are valued by the cost of acquisition, in the case of non incidental reduction in value the asset will be written down to the fair value amount. Long term creditors are recognized at nominal value.

Long-term loans are recognized at nominal value at the time of delivery.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful debts. Provisions for doubtful debts are calculated on the basis of individual assessments. In addition, for the remainder of accounts receivables outstanding balances, a general provision is made on expected loss.

Foreign currency translation

Foreign currency transactions are translated using the year end exchange rates.

Vessel and equipment

Tangible assets are capitalized and depreciated over the estimated useful life. Direct maintenance costs are expensed as incurred, while improvements are capitalized and depreciated along with the asset. If the recoverable amount of the asset is less than its carrying value it is written down to its recoverable amount. The recoverable amount is the higher of net selling price and value in use.

Depreciation of the fleet is calculated using the straight-line method over a useful life of 20-25 years. The amortization period and method are reviewed annually.

Docking / classification cost of vessels are capitalized and recognized as depreciation until the next docking / classification . Other maintenance are charged to operations immediately . In cases where the completed works include additions or improvements that represent quality of a significant duration , the costs associated with this will be capitalized on the ship and depreciated over the remaining useful life.

Damage repairs, less deductible, are capitalized and classified as current assets pending reimbursement from insurance underwriters.

Income tax

The company was incorporated in 2013 and entered into the tonnage tax system from inauguration. Companies taxed under this regime is not taxed for the shipping operation profit. A positive net financial

Notes to the accounts for 2016

result will however be taxable. To qualify for the tonnage tax system certain criteria has to be met and violations from such compliance can lead to exclusion therefrom.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placements with maturity of three months or less.

Note 2 - Wage costs, number of employees, remuneration and auditor's fee

The company has no employees and has not paid directors' remuneration for 2016. The vessel is chartered on a bareboat charter contract.

Auditor fee has been divided as follows

	2016	2015
Audit fee	7 800	5 960
Other services	2 127	0
Total	<u>9 927</u>	<u>5 960</u>

VAT is not included in above figures.

Note 3 - Tangible assets

Oceanic Champion

Acquisition cost 01.01.	108 600 000
Acquisition cost 31.12.	108 600 000
Acc.depreciation 31.12.	-21 050 149
Acc.write-downs 31.12.	-28 900 000
Net carrying amount at 31.12.	58 649 851
Depreciation for the year	7 834 572
Write-downs for the year	10 000 000
Useful economic life	25
Amortization plan	Linear

The book value of the vessel at 58,6 MUSD is substantiated by the long term bareboat charter in combination with broker estimates.

Depreciation is changed due to a valuation of the company's ships and a renegotiated bareboat contract. Depreciation is based on contract value and it is amortized over the remaining contract period and the ship has an estimated remaining useful life of 17 years at year end.

Notes to the accounts for 2016

Note 4 - Bank deposit

	2016
Escrow accounts	7 359 374

Note 5 - Long-term and secured debt

<i>Financial transactions costs</i>	2016	2015
Other financial transaction costs	1 061 374	1 383 826

<i>Long term secured debt</i>	2016	2015
Bonds	41 000 000	50 000 000

<i>Pledged assets</i>	2016	2015
Ship	58 649 851	76 484 423
Escrow accounts	7 359 374	6 231 021
Total	<u>66 009 225</u>	<u>82 715 444</u>

Capitalized financing costs amortized in line with the repayment of the loans.

The bond loan has a fixed interest of 8% per annum. As a result of the renegotiation of the bareboat contract, a new payment plan has been agreed that complies with the reduced earnings. Extraordinary prepayment of the loan in Q1 and Q2 2017 has been made with a total amount of MUS\$ 10.4.

Note 6 - Financial expenses

	2016	2015
Interest cost bond loan	3 562 892	4 254 667
Financial cost related to bond loan	322 452	322 452
Total	<u>3 885 344</u>	<u>4 577 119</u>

Note 7 - Intercompany balance group company

<i>Receivables</i>	2016	2015
Norfield Shipping AS	618 059	600 057
Norfield AS	135 143	112 188
Total	<u>753 202</u>	<u>712 245</u>

Intercompany loans has been calculated with interests.

Notes to the accounts for 2016

Note 8 - Tax

The Company is subject to tonnage tax rules and the basis for tax calculation is in Norwegian kroner. The balance is converted to USD at the closing rate.

<i>Income tax expenses</i>	2016	2015
Tonnage tax	1 524	1 492
Total income tax expense	<u>1 524</u>	<u>1 492</u>
<i>Tax base estimation</i>	2016	2015
	-1 324 040	-777 650
Tax base	<u>-1 324 040</u>	<u>-777 650</u>
<i>Temporary differences outlined</i>	2016	2015
Loss carryforwards	-2 931 881	-1 573 344
Total temporary differences	<u>-2 931 881</u>	<u>-1 573 344</u>
Deferred income tax liability 24 % (25% in 2015)	-703 651	-393 336

Total loss carryforwards is NOK 13.859.589 converted to USD 1.573.344. Deferred tax assets are not listed due to the uncertainties with regard to utilization.

Note 9 - Owners equity

	Share capital	Other equity	Total
Owners equity 01.01.	42 905 259	-8 352 291	34 552 968
Annual result	0	-7 664 341	-7 664 341
Owners equity 31.12.	<u>42 905 259</u>	<u>-16 016 632</u>	<u>26 888 627</u>

Notes to the accounts for 2016

Note 10 - Share capital and shareholder information

Share capital:

	Number of shares	Face value	Total NOK
Ordinary shares	245 816 970	1 NOK	245 816 970

Shareholders per 31.12:

	Ordinary shares	Ownership share	Voting rights
Norfield AS	245 816 970	100 %	100 %

To the General Meeting of Oceanic Champion AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oceanic Champion AS showing a loss of USD 7.664.341. The financial statements comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss 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 produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 10 May 2017
Deloitte AS



Bjarne Ryland
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.