EMGS ANNUAL REPORT 2020.

EMGS technology.

The electromagnetic (EM) technology used by EMGS in its survey projects can be divided into two distinct methods: controlled-source electromagnetic (CSEM) surveying and magnetotelluric (MT) surveying.

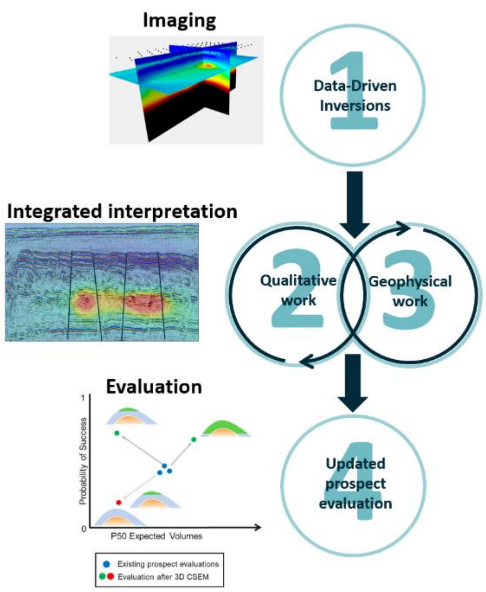
CSEM

When performing a CSEM survey, a powerful horizontal electric dipole source is towed above the seafloor. The dipole source transmits a low-frequency electromagnetic signal into the subsurface. The resistivity of the rocks defines the way the electromagnetic energy transmitted by the dipole propagates through the subsurface. High resistivity is an indicator for a possible hydrocarbon-filled reservoir.

Multi-component seabed receivers measure the electromagnetic energy that has propagated through the sea and the subsurface. The information from these receivers is processed and inverted to produce a 3D resistivity image from the survey area. EMGS deploys grids of receivers to acquire full-azimuth surveys providing optimal illumination of the subsurface.

CSEM data is a valuable supplement to information on structure and deposition of sediments provided from seismic techniques. The information provided from the two techniques (CSEM and seismic) together with other complementary subsurface information is valuable for exploration, as charge, seal and volumetrics of the prospects are better defined and understood.

EMGS has developed a workflow that allows oil companies to easily integrate CSEM information with seismic data and embed the integrated interpretation in their prospect evaluation work: The EMGS' Exploration Solution. The workflow includes steps such as resistivity attribute analysis (similar to working with seismic attributes), anomaly identification and delineation, anomaly significance tests, sensitivity assessment for depth intervals of interest, correlation of anomalies to seismic observations such as conformance to structure, seismic DHI and seismic indicators of lithological resistors. The resulting integrated interpretation observables are used to establish likelihood of a prospect being hydrocarbon charged and the size/area of a possible hydrocarbon accumulation.



The EMGS' Exploration Solution workflow transforms CSEM data into information for improved exploration decision making

MT

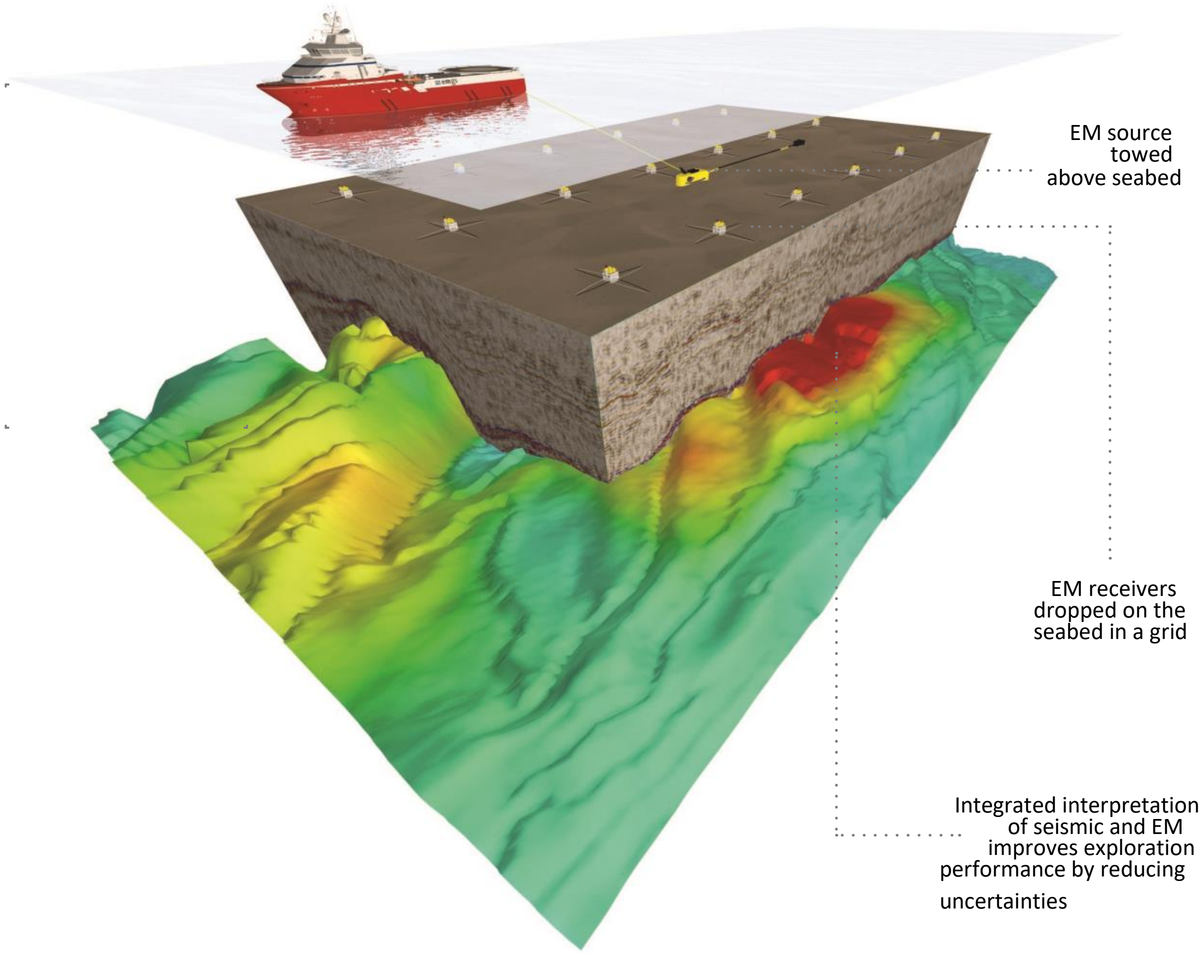
Similar to CSEM surveying, the MT technique generates insight into the subsurface by imaging subsurface resistivity.

Marine MT surveys map subsurface resistivity variations by measuring naturally occurring electromagnetic signals on the seabed. These signals are generated by the interactions of solar wind with the Earth's magnetic field, which, when strong, are known as geomagnetic storms. The MT signals are of very low frequency, which offers excellent depth penetration. The unique design and sensitivity of the EMGS seabed receivers enable EMGS to efficiently acquire high quality MT data as part of a CSEM survey when the controlled source is inactive.

The low-frequency, deep-sensing nature of MT surveying makes the technique valuable for imaging and interpreting regional geology. MT surveys have been found most useful in salt and basalt settings where the flanks and/or the base are poorly defined. MT measurements, therefore, form a useful complement to seismic techniques, particularly in settings where high-impedance volcanic rocks or salt make the imaging and interpretation of seismic challenging.

Application of EM technology

The services offered by EMGS are used in all stages of the offshore exploration and development cycle. Applications of EMGS' technology include evaluating regional prospectivity, ranking of identified prospects and appraisal of discoveries.



Regional Prospectivity

At the early stages of the exploration and production process, oil and gas companies use EM services to evaluate whether an offshore acreage is viable for commercial production of hydrocarbons. EM surveys are conducted before licensing decisions to better understand the acreage value and potential of leads and prospects mapped with seismic. EM may also be used to de-risk new unproven plays and generate leads. Adopting EM early in the exploration cycle helps oil and gas companies focus their investments on the most valuable acreage.

Prospect Ranking and Portfolio Polarisation

When a prospect is identified from seismic information, EM surveys can help operators reduce uncertainties in its probability of success and expected hydrocarbon volume, resulting in a more reliable economic evaluation of the prospect. When EM surveying is used over a portfolio of prospects, the prospect evaluations become polarised, enabling operators to upgrade or downgrade prospects before making drilling decisions. Using EM to rank prospects reduces risk of drilling dry wells while increasing the economic success of exploration projects.

Field Appraisal

Once a discovery is made, EM surveys can be used to ascertain a field's commercial viability and aid in development planning by improving reservoir delineation. EM can also assist in the optimal placement of subsequent development wells and reduce the number of appraisal wells that would typically be required for field delineation and reservoir characterisation.

Development of EM technology

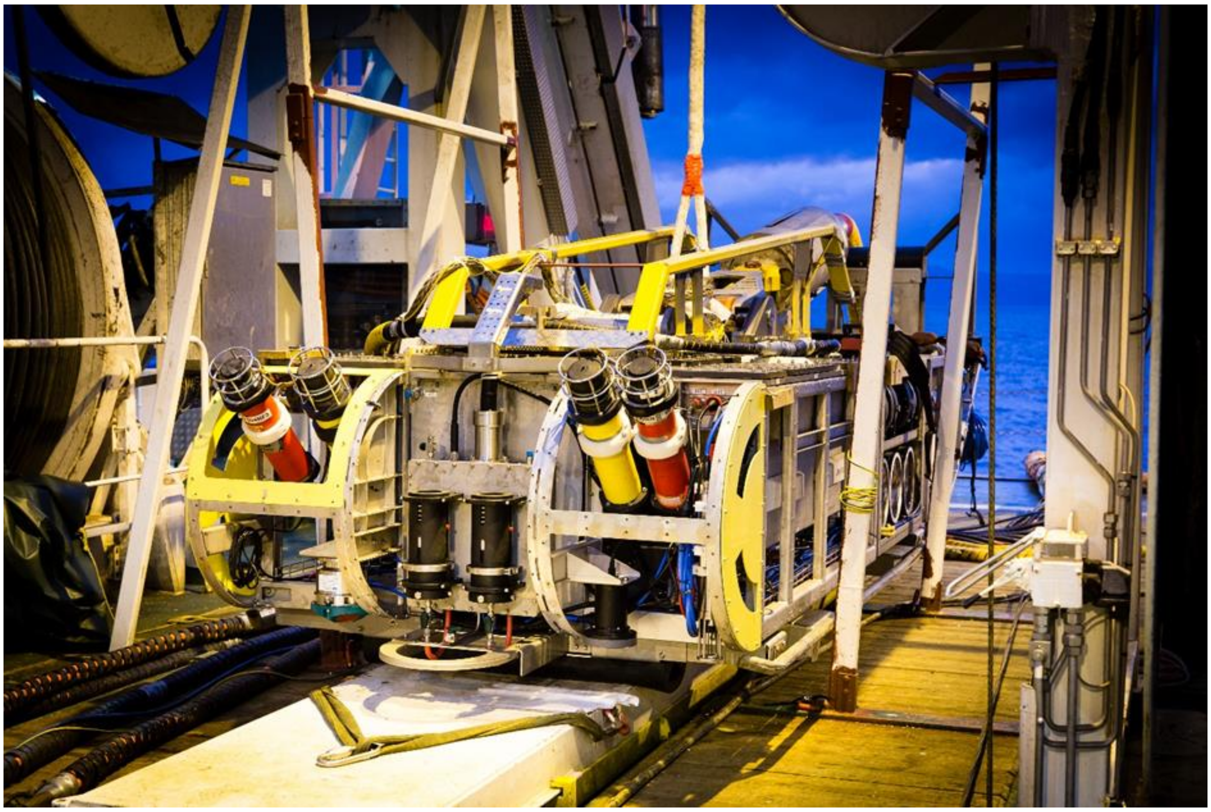
Development of marine EM equipment

In 2017 EMGS commercialised the DeepBlue source system, which is the most powerful deep-towed EM source in the industry. The DeepBlue source system consists of a top side unit, slip ring, umbilical, sub-sea unit and antenna. In addition, the onboard handling equipment was upgraded to meet the commercial requirements for marine operation.

Following commercialisation of the DeepBlue, the first commercial survey was performed in July 2017. The DeepBlue has been used actively since commercialisation, especially for mature basin surveys in the North Sea, Norwegian Sea and in the Gulf of Mexico. The commercial offering is a stronger source output combined with increased flexibility for creating the waveform output.

The DeepBlue increases the depth of investigation (below mudline) well beyond the capabilities of the conventional source systems. In addition, the new source also increases imaging confidence and resolution for targets that can already be detected with the conventional source system. The DeepBlue can operate in water depths up to 4,000 m.

All data acquired with DeepBlue to date confirms the ability to increase sensitivity and resolution through a combination of higher source output, increased frequency bandwidth and better accuracy, which allows to image deeper and smaller targets. As a result, DeepBlue increases the addressable market for frontier exploration as well as opens up new markets for EM such as near-field exploration and appraisal.

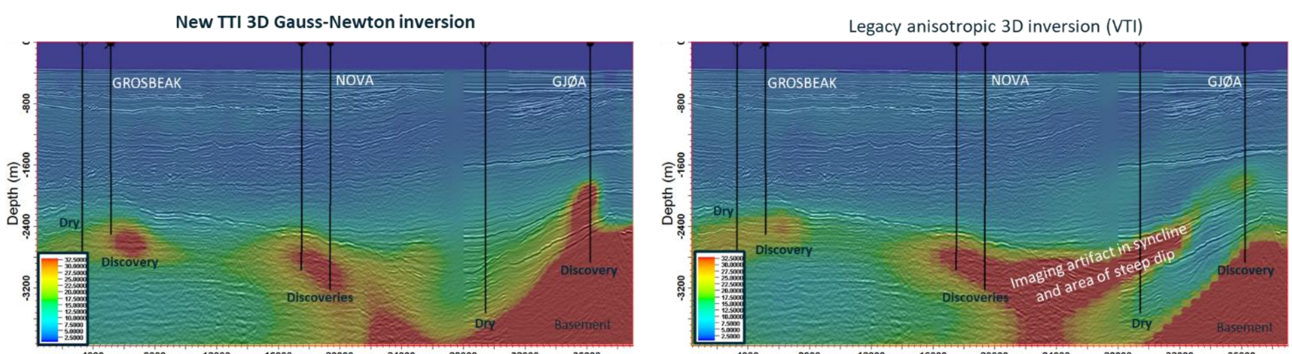


Software development

EMGS offers workstation and high-performance computing software for all stages of an EM project: Feasibility studies, survey planning, processing, modelling, inversion and interpretation. EMGS software is available for licensing to oil companies and consultants.

In 2020, EMGS released the industry's first TTI 3D Gauss-Newton inversion product, which defines a step-change in image quality for CSEM data acquired in areas with structural complexity and steep dips. The TTI description of the subsurface allows to define the electrical anisotropy of the formation in accordance with the depositional bedding and structural slopes. The new software combines the benefits of the TTI description with the powerful model update offered by the Gauss-Newton algorithm, delivering reliable imaging compared to traditional anisotropic and gradient-based 3D inversion schemes.

EMGS software allows customers to take full control of their EM data by generating high quality inversion images, new interpretation insight and updating existing prospect evaluations.



North Sea multi-client example of the imaging improvement from the new TTI 3D Gauss-Newton inversion (left) when compared to non-TTI inversion (right): A good well match and geologically meaningful model is achieved with the new TTI software.

Board of Directors.

Mimi Berdal, Chairman of the Board

Mimi Berdal runs an independent corporate counseling and investment business. She holds a Cand. Jur. (law) degree from the University of Oslo.

Mimi Berdal is also a member of the Board of Directors of the listed companies Interoil E&P ASA, and Goodtech ASA (Chairman). She is a Norwegian citizen.

Petteri Soininen, Board member

Petteri Soininen is Partner at RWC Partners and Co-Head of the RWC European Focus Fund. He has served as member of the Supervisory Board of AMG Advanced Metallurgical Group N.V and worked as strategy consultant with The Boston Consulting Group (BCG) in Europe and the US. He has 20+ years of experience in collaborating with top management to design and implement change programs including major transformations to deliver sustainable shareholder value.

Petteri holds a MSc (with distinction) in Industrial Engineering from the Helsinki University of Technology and is a Finnish citizen.

Øyvind Greaker Bjørndal, Board member

Øyvind Greaker Bjørndal is a partner at the Norwegian law firm Advokatfirmaet Grette AS, where he is part of the firm's Corporate & Financing group.

He holds a master's degree (law) from the University of Oslo.

Øyvind has previously worked as Chief Legal Counsel and member of the executive management team of EMGS. Mr. Bjørndal is a Norwegian citizen.

Board of Directors' Report.

At the beginning of 2020, EMGS was on track to have a profitable year with high vessel utilisation and increased customer adoption of our technology. EMGS was realising the benefits of the Company's relentless push toward making CSEM an integral part of the E&P workflow. However, a series of negative developments, starting with the decision by Pemex to not issue additional acquisition work orders as part of the multi-year acquisition contract in the Gulf of Mexico, and culminating in the postponement and eventual cancelation of several projects in West Africa materially affected the Company's position. The cancelations were in large part due to the worsening Covid-19 pandemic.

In response to the rapidly deteriorating market conditions, EMGS quickly implemented a series of restructuring measures, drastically reducing costs with the aim of preserving as much liquidity as possible to ensure the Company would be able to restart acquisition projects when the market allowed.

Subsequent to the implementation of these measures, EMGS has a more streamlined operation and flexible cost base.

Since the balance date, the Company has received payment for all past due invoices related to the Pemex contract as well as secured the release of the USD 7.3 million held in a pledged account as security. This combination of events has, together with cost cutting measures and secured acquisition projects in 2021, significantly improved the overall position of the Company as compared to the end of H1 2020.

About EMGS

Vision, Values and Strategy

Electromagnetic Geoservices ASA ("EMGS" or the "Company"), with its subsidiaries (together, the "Group"), is the global leader in electromagnetic ("EM") surveying technology in the offshore oil and gas exploration industry.

EMGS' vision is ***to make EM an integral part of the E&P workflow and make EM as fully adopted as seismic.*** *By providing EM data integrated with other subsurface measurement we enable our customers to reduce uncertainty and therefore increase success in their exploration and development programmes.*

EMGS' core values are: Integrity, Commitment, Innovation and Quality. These values form an integral part of our organisation and operations and are included as a topic in the Company's annual employee appraisal process. EMGS is constantly working to deliver the best quality product to its customers. The technology is further developed to improve quality and efficiency, as well as to broaden the scope of the products to increase the Company's addressable market. EMGS also put a high priority on interacting with its customers, to assist in ensuring the full value of the service is captured.

The integration of EM methods into exploration workflows provides oil and gas companies with an improved de-risking and appraisal tool compared to using traditional exploration techniques alone. The use of EM data is complementary to the use of seismic data, as it provides oil companies with more information about the subsurface. Integrating the use of EM data into the exploration workflow reduces exploration risk through a better understanding of a reservoir's charge, seal and volume estimates.

EMGS remains a global leader in the planning, acquisition, processing, modelling, interpretation and integration of EM data. The Company has extensive experience, well-established proprietary routines and leading-edge processing, modelling and inversion software.

EMGS has conducted over 900 surveys across most major mature and frontier basins in the world in water depths ranging from 20 to 3,600 meters for more than 150 customers.

Part of EMGS' strategy is to undertake a mix of proprietary and multi-client projects with a flexible and scalable operating model. This will be assured by maintaining an asset-light operating model, including chartering its vessels from third-party vessel owning companies. The Group shall undertake a mix of proprietary contract work and multi-client projects. The International Oil Companies (IOCs) part of the Company's market is becoming more focused on the multi-client business model. However, the Company's key National Oil Company (NOCs) customers' preferred business model continues to be proprietary work arrangements.

The flexibility and scalability of the business model comes mainly from the following two arrangements: the chartering of vessels and the ability to undertake a combination of contract work and multi-client projects. In addition, the Company is developing and has the ability to deploy a mobile acquisition set (MAS), where the Company uses its proprietary acquisition hardware in a containerised set-up.

EMGS had, as of 31 December 2020, one vessel on charter; the *Atlantic Guardian* owned by the North Sea Shipping Group.

EMGS' strong focus on cost optimization and control continues. Through cost discipline and efficiency gains, the product offered to the market by the Company remains on the cutting edge of, and market leader within, EM technology and can improve an already attractive value proposition of the product(s) offered to the market year-over-year. Furthermore, EMGS will undertake a series of targeted investments.

EMGS was listed on the Oslo Stock Exchange in March 2007.

EM technology

The EM technology used by EMGS in its EM survey projects can be divided into two distinct methods: three-dimensional full azimuth controlled-source EM (3D CSEM) surveying and magnetotelluric (MT) surveying. For more information on the different methods, please see the separate section in the annual report, *EMGS Technology*.

Important events in 2020

Technology and operational development

<u>The DeepBlue</u>

EMGS has been working on a Joint Industry Project ("the DeepBlue"), supported by Shell and Equinor, for developing the Next Generation EM equipment. This project started in 2009, a prototype of the new equipment set was tested offshore Norway in 2016, and was commercialised in July 2017.

The DeepBlue increases the depth of investigation (below mudline) well beyond the capabilities of the conventional source systems. In addition, the new source also increases imaging confidence and resolution for targets that can already be detected with the conventional source system. The DeepBlue can operate in water depths up to 4,000 m.

All data acquired with DeepBlue to date confirms the ability to increase sensitivity and resolution through combination of higher source output, increased frequency bandwidth and better accuracy, which allows to image deeper and smaller targets. As a result, DeepBlue increases the addressable market for frontier exploration as well as opens up new markets for EM such as near-field exploration and appraisal.

Following an impairment in Q1 of USD 5.0 million, the carrying value of the DeepBlue as of 31 December 2020 was USD 15.0 million, recorded as property, plant and equipment. EMGS has received prepayments from Shell and Equinor. These are recorded as contract liabilities under provisions and amounted to USD 9.6 million per 31 December 2020.

Other equipment developments
EMGS works on incremental improvements to the standard suite of 3D CSEM equipment, including receivers, the source and the navigation system, supporting a more efficient operation and improved data quality.

Software development
The new generation 3D Gauss-Newton inversion and 3D TTI inversion have become the standard imaging products offered by EMGS. These products were first introduced in 2016 and have higher image quality and reliability compared to other 3D inversion products available on the geophysical market. Optimisation of our inversion software in terms of imaging capabilities and computational efficiency has been ongoing in order to provide the best possible image quality without increasing project turnaround time.

As further described in the *EMGS Technology* section of the annual report, in 2020 EMGS released the industry's first TTI 3D Gauss-Newton inversion product.

Multi-client investments

Since 2008, EMGS has invested in its multi-client data library. The Company's multi-client business has become an increasingly important part of the overall business, both in terms of revenues and in terms of marketing value as the Company can more freely share 3D CSEM successes with its existing and new customers. The multi-client business model is well suited for partnerships with seismic players and authorities and reduces the unit cost of EM data for the industry. In 2020, the revenues from multi-client sales amounted to 31% of the total revenues, up from 29% in 2019 and down from 68% in 2018, the relative increase in MC sales is mainly caused by significantly lower contract sales in 2020 compared to previous years. The year-on-year reduction in multi-client revenue from 2019 to 2020 amounted to 70%.

EMGS key multi-client libraries
At the end of 2020, the Group's most important multi-client libraries are in the following countries/basins: Norway, Mexico (GoM), the US Gulf of Mexico, Canada, Indonesia, India and Brazil. The total carrying value of the library was USD 2.2 million at the end of 2020. The major part of the carrying value of the multi-client library is related to the library in Norway.
Norway
The Group has acquired approximately 90,000 square kilometres of 3D CSEM data in Norway, of which approximately 70,000 square kilometres is in the Barents Sea. The Barents Sea has proven to be a very important showcase as EMGS has been able to successfully demonstrate its value in the de-risking process of exploration and appraisal projects. In 2020, the Company acquired data on two multi-client projects in Norway; both projects in the North Sea.

In 2020, multi-client revenues in Norway amounted to USD 7.8 million.

US Gulf of Mexico
EMGS completed its first commercial multi-client project in the US Gulf of Mexico in 2014. In total, EMGS has acquired approximately 14,500 square kilometres of 3D CSEM data in this basin.

Mexico
In 2016, EMGS acquired the rights to license 16,000 square kilometres of 3D CSEM data to the industry from CNH, the regulator in Mexico. The data was originally acquired by the Company on a proprietary basis. After reprocessing the data, the data has been made available for sale to the industry.

Canada
EMGS completed a multi-client project in Canada in 2014, including approximately 2,500 square kilometres of 3D CSEM data. The survey targeted the Flemish Pass Basin, where major oil discoveries have been made.

Brazil
EMGS acquired 12,000 square kilometres of multi-client 3D CSEM data in Brazil between 2011 and 2013.

Sales and customers

The Group's revenues decreased from USD 89.4 million in 2019 to USD 24.9 million in 2020. Sales were dominated by a proprietary survey in the Gulf of Mexico, prefunded multi-client survey in Norway, cancellation fee associated with Mauritania and Senegal survey as well as two large late sale/uplift settlements.

The EMGS sales organisation consists of commercial sales, technical advisors and exploration advisors. Due to the cost cutting programme, presence in key markets has been scaled back, whilst ensuring a presence sufficient to support sales strategy. As part of the sales strategy, and in addition to the various hardware and software improvements pursued and marketed by the Company, the Company has invested in developing and marketing applicable workflows to complement traditional seismic based exploration workflows with CSEM. Prospect evaluation methodology using CSEM is commercialised in the EMU software.

Other important events

No additional work under multi-year acquisition contract
On 20 February 2020, the Company announced that it had been informed by the customer that no additional work would be forthcoming under the multi-year acquisition contract.

Delayed and ultimately cancelled project in Senegal and Mauritania
On 20 March 2020, the Company was notified by the customer that the planned survey in Senegal and Mauritania would be delayed (subsequently cancelled) due to the newly emerged Covid-19 pandemic.

Transition to low-cost set-up
On 27 March 2020, EMGS announced the transition to a low -cost set-up, which included redelivering the Petrel Explorer, cold stacking the Atlantic Guardian, and terminating all employees with the exception of a skeleton crew.

Renegotiation of the Atlantic Guardian time charter
The renegotiated charter party agreement became effective on 1 June 2020. The new charter party allowed for, amongst other things, a reduced cold stack rate for up to 12 months in exchange for a 12month extension.

Permanent appointment of new CFO
On 14 May 2020, EMGS announced that the appointment of Anders Eimstad as CFO was permanent.

Reduction in the number of board members
At the annual general meeting held 19 June 2020 the articles of association of the Company were amended to reduce the minimum permitted number of board members to three. Mimi Berdal was also named Chairman.

Contract award
On 23 December 2020 EMGS announced the award of a multi-client survey in the Gulf of Mexico.

Events after the balance sheet date

Pledge account released
As of 2 February 2021, USD 7.3 million held in a pledge account related to a multi-year acquisition contract in Mexico has been released and has been moved from restricted cash.

Contract award
On 25 March 2021, EMGS announced that the Company had been awarded a contract in Southeast Asia with an expected contract value between USD 6 and USD 7 million.

Factors affecting the results of operations

The Group's operational results depend on several factors, where the most important ones are considered to be: demand for EM services, fleet status and vessel utilisation and the charter terms of the Company's vessels.

Demand for EM services

The Company has two main sources of revenue: proprietary contract sales and multi-client sales. In addition, the Company receives some revenue related to consultancy, processing services and software sales. These revenues are presented as contract sales. For more information on the different revenue sources, please see the notes to the financial statements.

The overall demand for EMGS' services is dependent, in part, on offshore oil and gas E&P budgets. The low oil price and general market subsequent to the outbreak of the Covid-19 pandemic has resulted in reduced E&P spending by oil companies, in particular spending related to conventional offshore hydrocarbon exploration activities.

The Board is very pleased with the contract awards in Mexico and Southeast Asia and are cautiously optimistic that additional backlog can be secured improving vessel utilisation. However, demand for EM services in 2021 is likely to remain variable.

Fleet status and utilisation

As per the end of 2020, the Company chartered one vessel, the Atlantic Guardian.

At the end of the reporting period, the Atlantic Guardian has a firm charter agreement until 20 October 2022, with an option to the Company to extend the charter period.

The Atlantic Guardian operated over the course of 2020 in Mexico and was cold stacked in Norway starting in April 2020.

In total, EMGS recorded a total of 18.0 vessel months in 2020, an average of 4.5 per quarter, compared with 23.9 vessel months in 2019 and an average of 6.0 per quarter in 2019. The Company had a vessel utilisation of 12% in 2020, down from 59% in 2019. This significant reduction in vessel utilisation is a result of cold stacking of the Atlantic Guardian due to the effects of the Covid-19 pandemic and subsequent reduction in demand.

EMGS' ability to optimise the performance of its vessels through maximising commercial utilisation and minimising unpaid activities are key factors for the Group's longer-term operating performance. Technical downtime, steaming time between surveys and unpaid standby time all negatively affect the Group's operating results.

Seasonality

Adverse weather conditions can result in lost time when vessels are forced to relocate and reduce their activity. In addition, the Group's operational results fluctuate from quarter to quarter because of oil and gas companies' spending patterns and or as revenues are related to licensing rounds in Norway and abroad.

Currency Fluctuations

Currency transaction exposure occurs to some extent during the ordinary course of business and when the relevant exchange rates alter between the date of a transaction and the date of the final payment for the transaction. The Group records such gains or losses in the financial income and expenses line item of its consolidated income statement.

Financial statements

Going concern

The Group has prepared its financial statements under the going concern assumption, and the Board confirms in accordance with Section 3-3a of the Norwegian Accounting Act that the going concern assumption is applicable. The Group's reported results, its business strategy, its current budgets and financing, as well as its long-term strategic forecasts provide the basis for the going concern assumption. See also "Liquidity risk" below for more information about the going concern assumption.

The Group is operating with negative equity, and with limited liquidity. The cash position as of 31 December 2020 was USD 4.2 million. As further described under Risks and uncertainty factors, the Company's outstanding bond loan and its bank facilities contain financial covenants requiring that the Company has a minimum of USD 2.5 million in free cash and / or cash equivalents. As of 2 February 2021, the USD 7.3 million held in the restricted pledge account was released to free cash. It is expected that the Group will be required to, upon reaching certain conditions, issue a time-limited guarantee, secured by cash in a pledged account, in the amount of approximately USD 3.6 million.

The going concern assumption is dependent on, amongst other things, the successful execution of both the Gulf of Mexico multi-client project and the acquisition project in Southeast Asia. The Company is also dependent upon building a sufficient mix of proprietary and fully-funded multi-client projects subsequent to the Southeast Asia acquisition project in order to secure revenue and enable the Company to weather future periods of low utilisation. If current backlog is not executed successfully, additional backlog is not generated and/ or multi-client library sales are not made in H2 2021, liquidity will not be sufficient to meet the Company's financial obligations.

As of 31 December 2020, the carrying value of the Group's equity was negative USD 7.4 million, down from USD 16.0 million at the end of 2019. The free cash balance at the end of 2020 was USD 4.2 million.

The Company's equity amounted to negative NOK 87.2 million as of 31 December 2020, down from NOK 13.0 million at the end of 2019. The Board of Directors are taking steps to address the negative equity and are considering a number of alternatives in this regard. Should these steps fail to materialise in a timely manner, the going concern assumption is at risk. The Board continuously assesses the capital and liquidity situation. In addition, the Board closely monitors the operating cost base as well as looks for opportunities to enter new markets such as marine minerals.

None of the Company's debt is past due and the Company does not expect to breach the financial covenants of the convertible bond loan in the next 12 months.

Results of operations

The year ending 31 December 2020 is compared in the section below with the year ending 31 December 2019.

The Group prepares its accounts in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

Revenues and operating expenses

In 2020, the Group recorded revenues of USD 24.9 million, down from USD 89.4 million in 2019. Contract sales and other revenue ended at USD 17.1 million, while multi-client sales totalled USD 7.8. million. USD 3.2 million was recorded as pre-funding multi-client revenues and USD 4.5 million was recorded as late sales multi-client revenues. In 2019, USD 63.2 million was recorded as contract sales, while multi-client sales totalled USD 26.1 million. This means that the sales from the multi-client projects accounted for 31% of the revenues in 2020, compared with 29% in 2019.

The decrease in revenues from 2019 to 2020 is mainly explained by the large proprietary contracts in Southeast Asia and the Gulf of Mexico in 2019 and subsequent deterioration in the market in 2020 as a result of Covid-19 pandemic.

Charter hire, fuel and crew expenses ended at USD 5.9 million, down from USD 14.6 million reported in 2019. The Group capitalised USD 0.6 million in multi-client expenses in 2020, compared to USD 0.8 million in multi-client during 2019.

Employee expenses amounted to USD 9.8 million in 2020, down from the USD 19.6 million as reported in 2019 (see more details in Note 8). The number of employees decreased from 131 at the beginning of 2020 to 17 at the end of 2020.

Other operating expenses amounted to USD 3.1 million in 2020, compared with USD 5.2 million in 2019. A more detailed overview of the Group's other operating expenses can be found in Note 9.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 4.5 million in 2020, down from USD 6.2 million in 2019.

Multi-client amortisation amounted to USD 4.1 million in 2020, down from USD 7.8 million recorded in 2019. The Company uses straight-line amortisation for its completed multi-client projects, assigned over the useful lifetime of four years. The amortisation is then distributed evenly, independently of sales during the period. As a result of implementing IFRS 15, the Group started to capitalise multi-client projects with only one customer that were previously expensed as incurred (converted contracts). For these, the full amortisation of the book value is now recorded at the point in time when the revenues are recognised at delivery to the customer.

In 2020, the Group recorded impairments of long-term assets of a total of USD 7.4 million, compared with a total of USD 152 thousand in 2019.

In 2020, depreciation of right of use assets amounted to USD 7.9 million, compared with USD 13.2 million in 2019

Financial items and result for the year before and after taxes
Interest expenses ended at USD 4.1 million in 2020, an decrease from USD 5.4 million in 2019. EMGS recorded a gain on net foreign currency of USD 25 thousand in 2020 compared with a loss of USD 0.3 million in 2019.

Net financial items ended at negative USD 5.0 million in 2020, a decrease from USD 5.8 million in 2019.

For 2020, EMGS recorded a loss before income taxes of USD 22.7 million, compared with a profit before income taxes of USD 16.7 million in 2019.

Income tax expenses of USD 0.7 million were recorded in 2020, compared with negative USD 1.7 million in 2019.

EMGS reported a net loss of USD 23.4 million for 2020, down from a net profit of USD 15.0 million for 2019.

Cash flow and balance sheet

Cash flow from operating, investing and financing activities
For 2020, net cash flow from operating activities was negative USD 1.9 million, compared with positive USD 32.8 million in 2019.

EMGS applied USD 1.8 million in investing activities in 2020. The investments consist of USD 0.6 million in property, plant and equipment and USD 1.1 million in multi-client investments. In 2019, cash applied in investing activities amounted to USD 2.6 million. The investments consisted of USD 1.3 million in property, plant and equipment and USD 1.3 million in multi-client investments.

Cash flow from financial activities ended at negative USD 11.9 million in 2020. The cash flow from financial activities in 2020 includes financial lease liabilities USD 8.0 million, interest lease liabilities USD 1.1 million and USD 3.1 million in interest payments. In 2019, cash flow from financial activities ended at negative USD 16.9 million as a result. financial lease liabilities USD 14.1 million, interest lease liabilities USD 1.8 million and USD 2.8 million in interest payments and USD 1.8 million of interest received.

In summary, cash decreased by USD 15.6 million in 2020. At 31 December 2020, cash and cash equivalents totalled USD 4.2 million.

Financial position
EMGS total assets amounted to USD 54.3 million as of 31 December 2020, down from USD 105.5 million at 31 December 2019.

The carrying value of the Group's multi-client library was USD 2.2 million at the end of 2020, a decrease of USD 3.8 million since the end of 2019.

Total borrowings were USD 43.8 million at the end of 2020, down from 49.5 million at the end of 2019.

Liquidity requirements and financing facilities
The Group's need for liquidity fluctuates from quarter to quarter depending on revenues, capital expenditures, vessels in operation and cash balance.

The Company's convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. As of 31 December 2020, the free cash and cash equivalents totalled USD 4.2 million. EMGS' management follows the Company's liquidity risk closely, including weekly updates of the Group's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free cash forecast.

As per 31 December 2020, EMGS has one listed convertible bond loan with a carrying value of USD 31.8 million and non-current lease liabilities of USD 6.5 million and current lease liabilities of USD 5.5 million.

Research and development

To maintain its leading market position within the EM market, EMGS has invested significant time and resources in research and development ("R&D") over several years. The industry in which EMGS operates is highly technical and the requirements for the acquisition and processing of EM data evolve continuously.

As a result of the industry downturn and the decision to move to a low-cost setup EMGS found it necessary to significantly reduce its investments in R&D. The reduction in R&D activities were implemented after the completion of the 3D Gauss-Newton TTI inversion software. The reduction is likely to have limited revenue impact in the short term, as the Company maintains its strong technological position.

In 2020, EMGS incurred R&D related costs of USD 1.7 million, down from USD 2.0 million in 2019. Where possible, the Company seeks to offset internal R&D costs by industry funding and partnerships.

In addition, the Group capitalised certain R&D expenses in accordance with IFRS. In 2020, the Group capitalised USD 0.2 million of its employee costs as development compared to USD 0.9 million in 2019.

Allocation of Net Income

The Board of Directors proposes that the net income of EMGS, the parent company, shall be attributed to

Other equity	NOK (101.0 million)
Net income/(loss) allocated	NOK (101.0 million)

Distributable equity as of 31 December 2020 was NOK 0.

Financial risk

The Group's principal financial liabilities are trade and other payables, loans and borrowings and forward rate agreement. The Group has various financial assets such as trade receivables, cash and short-term deposit which arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's management and Board review and agree policies for managing each of these risks which are summarised below. For further details see Note 3 to the financial statements.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk for the Group: interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings and AFS investments. Please see sensitivity analysis in Note 3.

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has limited exposure to interest rate risk, as this is primarily only related to the Group's long-term convertible bond loan of USD 32.5 million with floating interest rate (3 month LIBOR + 5.5%).

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and therefore has exposure to foreign exchange risk arising from transactions executed in other currencies than the functional currency of each company. EMGS ASA has USD as functional currency, so the foreign currency risk is primarily with respect to NOK in EMGS ASA.

For 2020, approximately 100% of the Group's sales revenues were denominated in USD, whilst approximately 62% of the costs were denominated in USD.

Foreign exchange risk arises from future commercial transactions, recognised as assets and liabilities. The Group's exposure to foreign currency changes on equity and for all other currencies is not material.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient liquidity to be able to meet its financial obligations. EMGS' sources of liquidity include cash balances, cash flow from operations, borrowings, it's existing and new bank facilities and further debt and equity issues. It is the Company's objective to balance these sources of liquidity.

The Company's convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. As of 31 December 2020, the free cash and cash equivalents totalled USD 4.2 million. EMGS' management follows the Company's liquidity risk closely, including weekly updates of the Group's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free cash forecast. As of 2 February 2021, the USD 7.3 million held in the restricted pledge account was released to free cash. It is expected that the Group will be required to, upon reaching certain conditions, issue a time-limited guarantee, secured by cash in a pledged account, in the amount of approximately USD 3.6 million.

The financial liabilities with maturity less than one year will be settled through cash flow from operating activities in 2021. Based on current, risk weighted forecasts and information, management considers the liquidity throughout 2021 sufficient to cover both the Group's net current liabilities per 31 December 2020 and estimated cash-need in 2021.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and cash and cash equivalents). See Note 20 for the aging analysis of trade receivables.

EMGS' clients are major international, national and independent oil and gas companies, mostly with good credit standings and histories. However, the Company is experiencing significant delay in payment relating to one such client in 2020. As of 19 April 2021 accounts receivable related to the contract in the Americas were paid.

Occasionally, a smaller oil and gas company may be on the client list and, in these cases, caution is conducted in the credit evaluation.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Corporate governance

EMGS is committed to healthy corporate governance practices. EMGS' corporate governance principles are based on equal treatment of all shareholders, maintaining open and reliable lines of communication with shareholders and other stakeholders, having a Board that is autonomous and independent of the executive management and ensuring a clear division of responsibility between the Board and the executive management.

The Company produces a comprehensive annual statement on corporate governance as part of its annual report. For further details, please see the section titled *Corporate Governance* in this annual report. The information is also available on the Company's homepage.

CSR, working environment, discrimination and external environment

EMGS has adopted a policy and a standard for sustainability and corporate social responsibility ("CSR"). The principles in the policy cover the areas labour rights, anti-corruption, the environment and human rights.

All work in the Group related to sustainability and CSR (together "the CSR work") is based on the CSR policy and the standard.

As the Company is a Norwegian public limited company listed on the Oslo Stock exchange, it complies with Section 3-3c of the Norwegian Accounting Act in respect of corporate social responsibility.

The Company produces an annual statement on its CSR work, including information about the working environment in the

Group, equal opportunities and discrimination statement, the external environment and human rights. For further details, please see the section entitled Sustainability and Corporate Social Responsibility in this annual report. The information is also available on the Company's homepage.

Company outlook

Although the market outlook for oil services is improving and the oil price has stabilized above 60 dollars, the exploration market, and therefore the demand for CSEM services, remains soft. We expect that the demand for CSEM services will slowly improve as the world starts opening again and the activity in oil and gas exploration picks up.

In 2021, the Company is dependent upon keeping the Atlantic Guardian in operation on a series of already secured projects and contracts, as well as securing additional late sales and or acquisition projects.

The Company continues to have a strong focus on keeping operational costs as low as possible and taking advantage of a more flexible business model. The Company may decide to temporarily cold-stack the Atlantic Guardian during Q4 should it fail to secure sufficient backlog for Q4 2021 and Q1 2022.

In the longer term the Company believes that its unique CSEM technology could play an important role in the exploration for marine minerals offshore Norway and internationally. CSEM technology is able to detect the presence of marine mineral deposits (primarily Seabed Massive Sulphides) and EMGS believes that it will also be able to estimate the mineral content of such deposits. The Company is undertaking early-stage initiatives to position itself in this future market.

The Company maintains its cutting-edge technological position in the EM market and is well positioned to be able to capitalise on the expected upturn in the market with a more streamlined and efficient organisation.

Oslo, 29 April 2021
Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Responsibility Statement.

Today the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Directors' Report and the consolidated and separated annual financial statements for Electromagnetic Geoservices ASA ("EMGS" or the "Company") for the year ended 31 December 2020.

EMGS' consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for the Company have been prepared in accordance with Norwegian Accounting Act and Norwegian accounting standards. The Board of Directors' report is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2020 have been prepared in accordance with applicable financial reporting standards.

- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit/(loss) as a whole as of 31 December 2020 for the Group and the Company.

- The Board of Directors' report for the Group and the Company includes a fair review of
  - The development and performance of the business and the position of the Group and the Company.
  - The principal risks and uncertainties the Group and the Company face.

Oslo, 29 April 2021
Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Report on Corporate Governance.

EMGS is committed to healthy corporate governance practices which strengthens and maintains confidence in the Company, thereby contributing to optimal long-term value creation for shareholders and other stakeholders. The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

EMGS' principles for corporate governance are based on the following elements:

- All shareholders are treated equally
- EMGS will provide open, reliable and relevant communication to shareholders, governmental bodies and the public about the Company's activities and its corporate governance commitment
- EMGS' Board is fully independent from the Company's executive management
- The EMGS's Board has a majority of members who are independent of shareholders
- EMGS pays particular attention to ensuring that there are no conflicts of interest between the interests of its shareholders, the members of its Board and its executive management
- EMGS will ensure a clear division of responsibility between the Board and the executive management

1. Implementation and reporting on corporate governance

Implementation and reporting

The board of directors (the "Board") of Electromagnetic Geoservices ASA (the "Company" or "EMGS") is committed to maintaining a high standard of corporate governance, in line with both Norwegian and international best practice standards. In addition to having a continuous focus on corporate governance, the Board and the executive management of the Company carries out, on an annual basis, a comprehensive review and evaluation of its principles for corporate governance and the implementation of these. This report (the "Report") summarises the Company's corporate governance work and compliance with applicable requirements and fulfils the Company's reporting obligations under applicable law and other legal frameworks.

EMGS is a Norwegian-registered public limited liability company, with its shares listed on the Oslo Stock Exchange (*Oslo Børs*).

The Norwegian Accounting Act Section 3-3b, which the Company is subject to, sets out certain corporate governance related information which is to be disclosed and reported on through the issuance of an annual reporting document. This Report meets the requirements provided by the Accounting Act. The Accounting Act is available on www.lovdata.no.

Furthermore, the Continuing Obligations of Stock Exchange Listed Companies (the "OSE Continuing Obligations") issued by the Oslo Stock Exchange requires listed companies to publish an annual statement of their practice related to their policy on corporate governance. In addition to setting out certain minimum requirements for such reporting (equivalent to those under the Accounting Act), the OSE Continuing Obligations requires that the Company reports on its compliance with the recommendations of the Norwegian Code of Practice for Corporate Governance (the "Code") published by the Norwegian Corporate Governance Board. Both the OSE Continuing Obligations and the Code requires that an explanation is provided where a company has chosen an alternative approach to specific recommendations in the Code (i.e. a "comply or explain" basis).

EMGS complies with the current Code, issued on 17 October 2018. The Company provides a report on its principles for corporate governance in its annual report and on its website, www.emgs.com. EMGS' objective is to comply with all sections of the Code, but the Company may deviate from principles in the Code if required for special purposes.

The OSE continuing Obligations are available on www.oslobors.no, and the Code is available on www.nues.no.

This Report sets out how the Code is accommodated through the financial year 2020.

Values and guidelines for business ethics and corporate social responsibility

EMGS has a set of clearly defined core values: Integrity, Commitment, Innovation and Quality. The values are operationalised in EMGS' daily operations and management, including in our approach to corporate governance.

The Board recognises that confidence in EMGS as a company and in its business, activities is essential for the Company's continuing competitiveness. Therefore, EMGS is committed to transparency and openness about its management systems and procedures. This strengthens value creation, builds internal and external confidence and promotes an ethical and sustainable approach to business.

The Board has, in close cooperation with the Company's executive management, established a comprehensive framework of guidance documents. The core element and top-tier in this framework is the Company's policy documents, which includes amongst other the Company's ethics policy, the corporate social responsibility policy (see also separate report in the annual report) and the health, safety and environment policy. Other core guidance documents include the Company's Code of Conduct Standard and the EMGS Sustainability and Corporate Social Responsibility Standard. These policies and standards are evaluated and updated on a regular basis. The Company has adopted a programme for corporate social responsibility, including an anti-corruption compliance programme incorporating mandatory training of all employees.

EMGS' website provides more information about the Company's business activities, policies and standards.

2. Business

EMGS is the market leader in controlled source electromagnetic (CSEM) imaging. Pursuant to Section 3 of the Company's Articles of Association, the Company's purpose is as follows:

"The Company's activity is to engage, by itself or through proprietary interests in other companies, in the prospecting for hydrocarbon deposits in connection with the exploration, development and production of hydrocarbons."

The Company has clear objectives and strategies for its business within the scope of the definition of the business purpose in its Articles of Association.

The Board of Directors' report in the Company's annual report includes a description of the Company's objectives and principal strategies according to the business activities clause from the Articles of Association. The Articles are available at the Company's homepage, www.emgs.com.

3. Equity and dividends

Equity and share capital

As of 31 December 2020, the EMGS Group had a combined equity of Negative USD 7.4 million, representing an equity ratio of negative 13.7%.

The Board's assessment of the Company's equity position is set out in the Board of Director's Report.

The Company's registered share capital is NOK 130,969,690 divided into 130,969,690 shares each having a par value of NOK 1.

Dividends

The Company has at present no intention to pay dividends. The Board will establish a dividend policy when relevant.

The Company's objective is to generate a long-term return for its shareholders through dividends and increases in the share price that is, at least, in line with the return available on similar investment opportunities of comparable risk.

Authorisations to increase share capital and to acquire own shares

At the Annual General Meeting (AGM) held in 2020, the Board was authorised to increase the share capital of the Company by up to NOK 13,096,969 (being 10% of the registered share capital of the Company) through one or more share issues. Further details are set out in the resolution by the AGM that states, amongst others, that the authorisation may be utilised in connection with potential transaction / M&A activity, and/or to finance general corporate purposes.

The Board was also given an authorisation to increase the share capital by up to NOK 9,822,726 to be utilised for fulfilling the Company's obligations towards holders of options, should such options be exercised. All options are based on the Employee Option Programme.

The two authorisations are valid until the next AGM of the Company, but in no event beyond 30 June 2021. As of 31 December 2020, the Board had not used these authorisations.

4. Equal treatment of shareholders and transactions with close associates

Equal treatment

Equal treatment of shareholders is an important principle for corporate governance in EMGS. The Company has one class of shares, and any purchases or sales of own shares are carried out over the stock exchange.

The Articles of Association do not impose any restrictions on voting rights. All shares have equal rights.

Pursuant to the Norwegian Public Limited Liability Companies Act, existing shareholders have pre-emption rights in connection with share capital increases and issuance of financial instruments which grants the holder a right to have new shares issued. However, this right can be waived from time-to-time by a qualified majority of the shareholders. When proposing to the shareholders to resolve such a waiver, the Board shall explain the rationale for such a waiver.

Where a share capital increase is resolved by the Board in accordance with an authorisation by the general meeting of the Company, the pre-emption right may only be set aside where this has been pre-approved by the shareholders as part of the issuance of the authorisation. Where the Board resolves to carry out an increase in the share capital and waive the pre-emption rights of the existing shareholders on the basis of such an authorisation granted to the Board, an explanation will normally be publicly disclosed in a stock exchange announcement issued in connection with the increase of the capital.

The Board of EMGS will waive the pre-emption of existing shareholders in connection with any share capital increases to meet the Company's obligations towards holders of options if and when such options are exercised.

Transactions with close associates

In the event of any material transaction between the Company and its shareholders, a shareholder's parent Company, members of the Board, members of the executive personnel or close associates of any such parties, the Board will, as a general rule, arrange for a valuation by an independent third party.

EMGS has implemented procedures for the Board, the board committees and the executive personnel to ensure that any conflicts of interest connected to agreements entered into by the Company are reported to the full Board.

5. Freely negotiable shares

The shares in EMGS are freely negotiable and the Articles of Association do not contain any restrictions on negotiability.

EMGS is listed on the Oslo Stock Exchange, and the Company works actively to attract the interest of new shareholders.

6. General meetings

General Meetings

General Meetings are the Company's ultimate corporate body. EMGS encourages all shareholders to participate in general meetings. The Board endeavours to organise the general meetings to ensure that as many shareholders as possible may exercise their rights by participating, and that such meetings are an effective forum for the views of shareholders and the Board.

Preparation for the Annual General Meeting (AGM)

The AGM is normally held in June each year, and in any case no later than 30 June, which is the latest date permitted under applicable law. The 2020 AGM was held on 19 June 2020. The 2021 AGM is scheduled to be held on 21 May 2021.

The notices calling the general meetings are made available on the Company's website and sent to shareholders in the form requested in their VPS account, in each event no later than three weeks prior to the meeting.

According to article 8 of the Company's registered Articles of Association and provided that the shareholders may participate in general meetings electronically, ref. article 9 in the articles, the AGM may, with the majority required to amend the Articles of Association and with effect until the next AGM, decide that the notices calling Extraordinary General Meetings shall be sent no later than two weeks before the date of the meeting. This alternative was not used in 2020.

Shareholders who wish to take part in a general meeting must give notice to the Company by the date stated in the notice of meeting, which date must be at least two business days before the general meeting.

Each share carries one vote in the Company's general meetings.

Article 10 of the Articles of Association stipulates that the supporting documents dealing with matters to be considered by the AGM can be made available on the Company's website rather than being sent to shareholders directly. However, shareholders are still entitled to receive the documents by post upon request.

The calling notice to the general meeting along with a form for appointing a proxy and sufficiently detailed supporting information, including proposals for resolutions and comments on matters where no resolution is proposed, are disclosed on the Company's website. Resolutions and supporting information are sufficiently detailed and comprehensive to enable shareholders to form a view on matters on the agenda to be considered in the meeting. The Company will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for the Company's corporate bodies.

As a routine, the financial calendar for the coming year is published no later than 31 December as a stock exchange announcement, and it is also made available on the Company's website.

Participation in general meetings

Shareholders who do not attend the general meeting may be represented and exercise their voting rights by way of a proxy. A person will be nominated to be available to vote as a proxy on behalf of shareholders. Proxy forms will enable the proxy holder to cast votes for each item on the agenda separately. The final deadline for shareholders to give notice of their intention to attend the meeting or to vote by proxy will be set in the notice for the meeting. According to article 9 of the Articles of Association, the Board may decide that the shareholders can participate in the general meeting by mean of an electronic aid, including that they may exercise their rights as shareholders electronically.

The Chairman of the Board, the CEO, the CFO and the auditor will be present at the AGM. Other board members will, if possible, attend the general meetings.

Agenda and conduct of the AGM

The Board decides the agenda for the AGM. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act.

The Code stipulates that the Board should have arrangements to ensure an independent Chairman for the general meetings. The Company has evaluated the recommendation but decided that it was in the interest of the Company and the shareholders that the general meeting held in 2020 was chaired by the Chairman of the Board.

The AGM minutes are published by the issuance of a stock exchange announcement and are also made available on the Company's homepage.

7. Nomination committee

EMGS has a nomination committee elected by the AGM. According to article 11 in the Company's Articles of Association, the committee shall consist of 2 to 3 members who shall be elected by the AGM for a period of 2 years, unless the AGM decides a shorter period.

As per 31 December 2020, the nomination committee consisted of two members;

- Kristian Siem (Chairperson)
- Frederik W. Mohn

The Nomination Committee has refrained from accepting a fee for their work on the Nomination Committee. The Nomination Committee proposes candidates for election to the Board and for the remuneration of the members of the Board. Also, the committee proposes candidates for election to the nomination committee and suggest changes to the mandate or guidelines for the nomination committee.

EMGS' nomination committee is in contact with shareholders, the Board and the Company's executive management when searching for candidates for election to the Board.

The recommendation to the AGM relating to the election should be available in time to be sent with the notice calling the meeting, so that the shareholders have the opportunity to submit their views on the recommendation to the nomination committee ahead of the meeting. Further details are set out in article 11 of the Articles of Association and in the guidelines for the nomination committee, which were approved by the AGM in 2012.

8. Board: composition and independence

The composition of the Board

EMGS does not have a corporate assembly.

According to article 5 in the Company's Articles of Association, the Board shall consist of 3–11 board members. At the end of 2020, EMGS' Board consisted of three directors. One of the directors is female and two are male.

The shareholder-elected members represent varied and broad experience from relevant industries and areas of speciality, and the members bring experiences from both Norwegian and international companies. Any proposal for the election of shareholder-elected board members are made with a view to ensure that the Board can attend to the shareholders' common interest and the Company's need for competence, capacity and diversity. Also, the Board should function well as a collegial body. The Chairman of the Board is elected by the general meeting.

As of 31 December 2020, the Board consisted of the following directors:

- Mimi Berdal, Chairman
- Petteri Soininen
- Øyvind Greaker Bjørndal

Independence of the Board

The Board does not include any members from the Company's executive management.

Two of the three shareholder-elected board members are considered independent of the Company's material business associations and major shareholders. The one member that is not considered independent is related to one of the Company's largest shareholders.

9. The work of the Board

The Board's duties and responsibilities

The Board has the ultimate responsibility for the management of the Company and for supervising its day-to-day management and activities in general. This includes developing the Company's strategy and monitoring its implementation. In addition, the Board exercises supervision responsibilities to ensure that the Company manages its business and assets and carries out risk management in a prudent and satisfactory manner. The Board is responsible for the appointment of the CEO. The Board has an annual plan for its work.

Mandate for the Board

In accordance with the provisions of Norwegian company law, the terms of reference for the Board are set out in a formal mandate that includes specific rules and guidelines on the work of the Board and decision making. The Chairman of the Board is responsible for ensuring that the work of the Board is carried out in an effective and proper manner in accordance with legislation.

Mandate for the CEO

The Board issues a mandate for the work of the CEO. There is a clear division of responsibilities between the Board and the CEO. The CEO is responsible for the operational management of the Company.

Financial reporting

The Board receives periodic reports on the Company's commercial and financial status. The Company follows the timetable laid down by the Oslo Stock Exchange for the publication of interim and annual reports.

Board meetings

The Board holds regular meetings and a strategy meeting each year. Extraordinary Board meetings are held as and when required, to consider matters that cannot wait until the next regular meeting. In addition, the Board has appointed three sub-committees composed of board members to work on matters in these areas. The Board has established and stipulated instructions for these committees.

Audit committee

The audit committee is appointed by the Board. Its main responsibilities are to supervise the Company's systems for internal control, to ensure that the auditor is independent and that the interim and annual accounts give a fair and true representation of the Company's financial results and financial condition in accordance with generally accepted accounting principles. The audit committee has reviewed the procedures for risk management and financial controls for the major areas of the Company's business activities.

The audit committee receives reports on the work of the external auditor and the results of the audit. Also, the audit committee meets regularly with the auditor where no member of the executive management is present.

As per 31 December 2020, the audit committee consisted of the following:

- Mimi Berdal, Chairman
- Petteri Soininen

Compensation committee

The compensation committee makes proposals to the Board on the employment terms, as well as conditions and total remuneration of the CEO and other executive personnel.

As per 31 December 2020, the compensation committee consisted of the following:

- Mimi Berdal, Chairman
- Petteri Soininen
- Øyvind Greaker Bjørndal

Strategy Committee

A strategy committee was established by the Board on 11 February 2015. The committee shall contribute to the Company's strategy development.

The committee consists of the following:

- Petteri Soininen, Chairman
- Mimi Berdal
- Øyvind Greaker Bjørndal

Annual evaluation

The Board's working methods and interactions are subject to annual revision.

10. Risk management and internal control

The Board ensures that the Company has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems in EMGS are based on its corporate values, ethics guidelines and principles for sustainability and corporate social responsibility ("**CSR**"). The Board reviews the Company's internal control system and the main areas of risk annually.

EMGS' management conducts day-to-day follow-up of financial management and reporting. Management reports to the audit committee that conducts a review of the quarterly and annual reports before publication. The audit committee assess the integrity of EMGS' accounts. It also inquiries into, on behalf of the Board, assess issues related to financial review and internal control, and the external audit of EMGS' accounts. The Board ensures that EMGS is capable of producing reliable annual reports and that the external auditor's recommendations are given thorough consideration.

A description of the Company's financial risk management objectives and policies are included in Note 3 to the financial accounts.

11. Remuneration for the Board

The AGM decides the remuneration paid to members of the Board annually. The nomination committee prepare proposals for the AGM regarding remuneration for Board members. The remuneration of the Board reflects the Board's responsibility, expertise and time commitment, and the complexity of the Company's activities.

The Code recommends that remuneration of the Board should not be linked to the Company's performance and, further, that the Company should not grant options to members of its Board. The employee representatives on the Board hold options, but these have been granted to them as employees of the Company, not as board members.

None of the shareholder-elected board members are engaged by the Company in any other role (e.g. as consultant) than that as board members.

Details on the remuneration to the Board can be found in notes to the financial statements of the Company.

12. Remuneration of the executive personnel

The Board determines salary and other remuneration systems for key management personnel pursuant to the provisions of the Norwegian Public Limited Liability Companies Act. The CEO's employment conditions and remuneration are determined by the Board and are presented to the AGM. The Board annually evaluates salary and other remuneration for the CEO. Details on the remuneration to the Company's executive personnel are included in notes to the financial statements of the Company.

The guidelines of the remuneration system for the executive personnel is determined by the Board and is presented to the general meeting through a declaration on principles for management remuneration, which is required by law. This declaration is also included in the Company's annual report.

Performance-related remuneration of the executive personnel is linked to value creation for shareholders or the Company's performance over time. The performance-related remuneration to the executive personnel is subject to an absolute limit.

The Board believes that the salary levels of executive personnel should be competitive.

13. Information and communications

EMGS maintains regular dialogue with analysts and investors. The Company considers it very important to inform shareholders and investors about the Company's commercial and financial performance.

The Company strives to continuously publish all relevant information to the market in a timely, effective and non-discriminatory manner. All stock exchange announcements are made available both on the Company's website and on the Oslo Stock Exchange news website at www.newsweb.no, and are also distributed to news agencies (via Hugin).

Financial reports

EMGS publishes its provisional annual accounts as soon as possible after the end of each financial year. The complete annual report and accounts are made available to shareholders no later than three weeks prior to the AGM and no later than by the end of April, as required by the Securities Trading Act (section 5-5 (1)).

Quarterly reports are normally published within six weeks following the end of the quarter, except for the report for the second quarter which is normally published around seven weeks following the end of the quarter.

The Company's financial calendar for the coming year is published no later than 31 December in accordance with the rules of the Oslo Stock Exchange. The financial calendar is available on the Company's website and on the Oslo Stock Exchange website.

EMGS holds recorded web-based presentations in connection with the publication of its interim results. These presentations review the published results, market conditions and the Company's future prospects. The presentations are given by the CEO and/or the CFO and are distributed by webcast so that anyone can follow the presentation. Quarterly reports, presentation material and webcasts are all available on the Company's website.

Other market information

In addition to the dialogue between the shareholders in the general meeting, the Board aspires to maintain contact with shareholders throughout the year. If possibly in relation to the quarterly presentations and the participation in seminars mainly aimed at investors. This contact is coordinated between the Chairman of the Board, the CEO and/or the CFO.

The Company has a policy identifying the positions entitled to speak on behalf of the Company on various subjects who should communicate with the media, investors and investment bankers.

14. Takeovers

The Board endorses the recommendation of the Code for corporate governance on takeover bids. EMGS' Articles of Association do not contain any restrictions, limitations or defence mechanisms on acquiring the Company's shares.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for possible takeovers.

In the event of a takeover bid, the Board will, in accordance with its overall responsibility for corporate governance, act for the benefit of all Company shareholders. The Board will not seek to hinder or obstruct takeover bids for EMGS' activities or shares, unless the interests of the Company's shareholders warrants so.

If an offer is made for EMGS' shares, the Board will normally both make a recommendation on whether the shareholders should accept the offer and arrange a valuation from an independent expert.

15. Auditor

The external auditor presents an annual plan to the audit committee covering the main features for carrying out the audit. The external auditor participates in all meetings of the audit committee, the Board meeting that approves the annual financial statements and other meetings on request. The external auditor presents the result of the audit to the audit committee and the Board in the meeting dealing with the annual financial statements, including presenting any material changes in the Company's accounting principles and significant accounting estimates, and reporting any material matters on which there has been disagreement between the external auditor and EMGS' executive management.

The external auditor annually presents internal control weaknesses and improvement opportunities to the audit committee and, when appropriate, to the Board. The Board holds a meeting with the auditor at least once a year where no member of the executive management is present.

The Board has adopted instructions as to the executive personnel's access to the use of the external auditor for services other than auditing. The external auditor provides an overview of his remuneration divided into fee paid for audit work and any fees paid for other specific assignments, which are presented at the annual general meeting. This is also included in the annual report.

The external auditor has given the Board a written notification confirming that the requirements for independence are satisfied.

Oslo, 29 April 2021
Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Report on Sustainability and Corporate Social Responsibility.

Introduction

This report from the Board of Directors (the "Board") of Electromagnetic Geoservices ASA ("EMGS" or "the Company") describes EMGS' principles, efforts, measures and results related to sustainability and corporate social responsibility ("CSR") in the year of 2020.

The report is based on the principles in EMGS' policy for sustainability and corporate social responsibility and the EMGS sustainability and corporate social responsibility standard (together, the "CSR Policy Documents"). These principles cover the areas labour rights, anti-corruption, the environment and human rights. The CSR Policy Documents applies to both national and international operations.

It is the intention of EMGS that the Company's efforts within (i) working environment issues, including safety measures, (ii) anti-corruption procedures and training, and (iii) the culture encouraged from our employees through the CSR Policy Documents shall contribute to improved understanding for human rights, working ethics, work environment, health, safety and environmental impact.

The work related to sustainability and CSR (together "the CSR work") in EMGS is based on the core values of the Company:

- **Integrity** in all our relationships
  We earn trust through demonstrating integrity. We dare to challenge, and we are honest. Our honesty benefits all our relationships.

- **Commitment** to value creation
  We are strong believers in the value our technology creates for both customers and shareholders. We go the extra mile.

- **Innovation** in products and services
  We set the stage for the future of the industry. We are passionate about developing what our customers need.

- **Quality** in every step

We care about our people, our customers and our deliveries. We don't compromise on safety or on quality.
This report covers CSR work related to EMGS with its subsidiaries (together, the "Group") in 2020.

The report is primarily based on feedback from management in the Group, the EMGS Ethics Committee, and various other internal committees, reporting systems and reports. Throughout 2020, as in previous years, CSR issues were discussed in management meetings and by the Board.

This report includes an introduction to the abovementioned principles, the EMGS commitment, implementation and actions as well as the measures and outcome specific for 2020.

The CSR policy is available on the Company's homepage www.emgs.com.

Statement on CSR work 2020

All work in the Group related to CSR is based on the CSR Policy Documents. Below is an overview of the principles, as well as a description of how the Company reports issues relates to CSR, and measures taken under each of the main CSR principles.

Quality, Health, Security, Safety and Environment

In 2020, the general objectives for Quality, Health, Security, Safety and Environment (QHSSE) were met. Several areas of improvement were identified during the course of 2020, as is natural given the nature of CSR compliance. The Company's five-year trailing QHSSE statistics are in line with its peers.

EMGS complies with the highest standards from IOGP, the International Association of Oil and Gas Producers, as well as with specific QHSSE requirements from customers and authorities.

QHSSE performances are reviewed on a regular basis with the Board and management team.

Labour rights

EMGS adheres to the following principles for labour rights:

- Freedom of association and right to collective bargaining;
- No forced and compulsory labour;
- No child labour; and
- No discrimination

The working environment and the employees
As of 31 December 2020, the EMGS Group had 17 employees, of which 6 work in Trondheim, Norway, 8 at the regional office in Oslo, Norway and 3 work in Mexico City, Mexico.

EMGS takes a proactive approach to the welfare and safety of its employees, and has initiated a number of initiatives to keep short-and long-term sick leave amongst the employee group at current low levels. The Company experienced no lost time injury events in 2020.

Equal opportunities and discrimination statement
EMGS' 17 employees represent more than 4 different nationalities with different cultures.

EMGS has defined and implemented guidelines to protect against gender discrimination. At the end of 2020, 12% of the Group's 17 employees were female, which is a decrease of 6% compared to male/female ration as of 31 December 2019.

The Group will continue to prioritise its goal of improving the current imbalance by actively following a recruiting strategy to this effect. EMGS recognises that the average compensation for its female employees is lower than the average workforce figure. This can be explained by a high degree of representation of males at management level and among the technical professionals. As per 31 December 2020, EMGS' management team consisted of 3 members, whereof none were female. The executive management team consisted of three persons, whereof all are male.

The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. The Group is actively and systematically working to encourage the Act's purpose within its business. The activities include recruiting, remuneration, working conditions, promotion, development opportunities and protection against harassment. These are issues of importance for EMGS' working environment, as the Group has employees from more than 4 nations with a multitude of languages, cultures, ethnicities, religions and faiths.

The Group's aim is to have a workplace with no discrimination due to reduced functional ability. Therefore, EMGS is actively working to design and implement the physical conditions of its workplaces so that as many people as possible can utilize the various functions. For employees or new applicants with reduced functional ability, individual arrangements are made concerning workplace and responsibilities. For offshore work, the Group has limited possibilities for offering work to employees with reduced functional ability.

Working environment measures
EMGS management encourages and facilitates close dialogue between management and employees, and between the different departments within the Group. This has been especially important as a result of the layoffs made during the course of 2020. Some of the actions to facilitate dialogue are through weekly meetings held with all employees.

In 2020, management conducted a number of visits to the vessels in the Company's fleet and business units within the Group prior to downsizing. However, as a result of restrictions implemented as a result of the Covid-19 pandemic, management has relied more heavily upon virtual meetings to facilitate dialogue.

Office inspections are carried out on a regular basis to capture potential working environment hazards.

The Maritime Labour Convention, MLC 2006 was implemented in August 2013 and the Norwegian law implementing this convention, the Shipworker Act, was implemented on the same day. By the end of 2019, the MLC 2006 had been ratified by 94 countries. EMGS' working environment and terms were already in line with the MLC 2006 and the Shipworker Act requirements before its implementation.

Anti-Corruption

Principle for anti-corruption:

- Businesses should work against corruption in all its forms, including extortion and bribery

Corruption undermines all sound business activities and free competition. EMGS has a zero-tolerance policy with respect to corruption in all its forms, including bribery and facilitation payments. Adherence to this principle is a basic and fundamental requirement for all contractors and suppliers.

The Group and all of its employees shall at all times adhere to all applicable legislation related to bribery and anti-corruption, and as a minimum always to the provisions of the FCPA, the UK Bribery Act and the Norwegian penal code.

The Company has over the years given significant attention to the Company's active pursuit to prevent corruption and bribery.

EMGS has several policies and standards related to its anti-corruption compliance programme, including but not limited to the Ethics Policy and Code of Conduct as well as an anti-corruption compliance training programme. The training is a combination of web based and more in-depth training in meetings.

The Group has established a whistle-blower procedure in line with best practice industry standards and all applicable regulations. EMGS encourages and supports employees who report dilemmas and incidents in relation to attempted and/or actual corruption, bribery and/or fraud to management ("whistle blowers"). The Company has not received any reports from employees related to anti-corruption during 2020.

EMGS continues to have a high priority on the Company's compliance work.

External environment

EMGS is of the opinion that a more systematic use of its EM data in offshore oil exploration will reduce the environmental footprint of oil exploration activities by among other things reducing the number of dry or non-commercial wells being drilled before finding and appraising hydrocarbon reservoirs.

EMGS is committed to act responsibly and in full transparency to monitor and reduce its environmental impact and continually improve the overall environmental performance of its services. This is an integral and fundamental part of EMGS business strategy, operating methods and technology development implemented through EMGS' QHSSE Policy, Environmental Standard and Environmental Management Plan.

EMGS is tracking its environmental footprint on each survey and identifying and monitoring the main waste streams including hazardous waste.

The technology EMGS uses supports the Company's environmental ambitions. The anchors used to keep receivers in place are made from an eco-friendly compound which dissolves in the months after the receivers are released, thus the anchors do not harm the environment. This means that the anchors are reduced to disaggregated sand after a survey, leaving no discernible survey footprint and no hazard to subsea operations or fishing.

Human Rights

Principles related to Human Rights:

- Support and respect the protection of human rights; and
- Make sure not to be complicit in human rights abuses.

Human rights abuses shall not occur at EMGS. It is the intention of EMGS that the working environment effort, including safety measures, the anti-corruption procedures and training as well as the attitude encouraged from the Company's employees shall contribute to improved understanding for human rights, working ethics and a cleaner environment in the areas of the world where the Group operates.

The reputation of the Company is created by the collective conduct of each individual employee. The employees are obligated to study the EMGS policies, including but not limited to Ethics Policy and Code of Conduct and perform their duties accordingly.

On an operating level, EMGS seeks to ensure that there is a good working environment without discrimination of any kind in the Group. The managers handle all minor issues related to human rights. If/when there are issues of broader magnitude, HR, legal and the Ethics Committee are involved.

No claim regarding Human Rights has been reported to the HR, QHSE or Legal in 2020.

Oslo, 29 April 2021
Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Determination of Salary Statement.

This declaration has been prepared by the Board of Directors of Electromagnetic Geoservices ASA ("EMGS" or the "Company") in accordance with the Norwegian Public Limited Liability Companies Act section 6-16a and the associated Regulation of 11 December 2020. The declaration applies to the financial year 2020 and will be presented at the Annual General Meeting of EMGS.

1. Main principles for determination of management remuneration

The objective of the Company's compensation policy for the executive management ("Management"), is to attract and retain the best leadership capabilities available to lead and develop the Company and thus maximise shareholder value. The compensation is based both on a non-variable element ("Base Salary") and variable elements such as bonus, stock options and variable special payments ("Variable Compensation", and, together with Base Salary, "Overall Compensation").

For the CEO, the compensation level is determined by the board of directors without involvement from the CEO. For other members of Management, compensation is determined by the Board based on recommendations from, and discussions with, the CEO.

The Base Salary shall be competitive to local market levels and is determined by the manager's skills and level of responsibility in the organisation. The Base Salary is determined by using industry benchmarks with local relevance for similar roles.

The Variable Compensation, such as bonuses, is applied using Company performance and individual performance. Long term incentives, such as stock option plan, is applied by assessing the criticality of the role to the Company, as an instrument to retain critical skills in the Company.

When determining compensation for the CEO and other members of Management, the Board takes into consideration not only industry benchmarks and individual performance, but also the average compensation level for all other employees of the Company.

2. Salaries and remuneration

2.1 Base Salary

The Management's fixed annual salary is defined as the Base salary and is subject to annual review.

2.2 Performance Bonus

The Company has a performance bonus programme linked to annual performance. The objective of the programme is to compensate individuals based on the achievement of Company objectives as well as personal performance. The objectives of the Company are established by the Board of Directors.

The Company has established a bonus programme for all employees, which is linked to pre-defined Company wide and individual targets. Given the high degree of volatility in the market in which the Company operates, and the Company's increased dependence on retaining key employees as a result of the recent downsizings, the Board has resolved to temporarily suspend the ordinary bonus programme. In place of the ordinary bonus programme, the Board will on a continuous basis consider implementing highly targeted and smaller bonus programs which are directly linked to short and medium terms objectives. Such objectives can include, but is not limited to, successful executions of specific projects and revenue and cash flow generation. The Board aims to ensure that the objectives are fully objective, so that no discretion is necessary when determining whether the objectives have been met. Where the objectives are not fully objective, the Board will determine whether the objectives have been met. The Board believes this pro-active and targeted approach is in the best interest of the Company's shareholders and other stakeholders.

A Bonus programme is established as a general programme for all employees with a bonus potential of 10 – 40% of Annual Base Salary. Management has a bonus potential up to 40% of Base Salary, and the rates are specified in the individual employment agreements.

2.3 Share Option Programme

Management participates in the Company's Stock Option Plan which is used to attract and retain employees. The programme was established with the aim to provide a long-term incentive.

For new grants, the minimum exercise price is set at fair market value at the date of grant. The vesting of such options takes place over a four-year period from the date of the grant.

Any new grants under the share option programme will be determined by the Board based on authorisation from the annual general meeting (as described directly below).

The Company's share option programme is based on an authorisation from the annual general meeting of the Company. The authorisation was renewed for a period of two years at the annual general meeting in 2019 and is thus subject to renewal at the 2021 annual general meeting. The authorisation, which covers all employees and not only management, is limited to a maximum of 9,822,726 options over a two-year period.

The total number of outstanding options (for all employees and not only management) under the share option programme as of 31 December 2020 was 187,500.

2.4 Pension plan

Management participates in the Company´s general collective pension plan. The Company has defined contribution pension plans, and the plan applicable in Norway involves a contribution level of 5% of Base Salary from 0 G up to 7.1 G and 15% of Base Salary from 7.1 G up 12 G, where G is the base amount (Folketrygdens grunnbeløp) that equals NOK 101 351 as of 31 December 2020.

The Company does not offer any top-up pension plan for Management.

2.5 Benefits in kind

Management participates in the Company's ordinary benefits in kind schemes (i.e. telephone expenses, laptop and free broadband connection and use). The Board may, on a case-by-case basis and based on their own discretion, award other reasonable and benefits in kind provided that such benefits do not deviate from what is generally accepted in the Norwegian market.

2.6 Severance plan

As is customary in the Norwegian market, the CEO has, in his employment agreement, agreed that he may be terminated at the discretion of the Board (i.e. termination at will). In the event of such termination, the CEO is entitled to severance pay equal to 12 months' Base Salary. No other members of Management have any agreements to receive Base salary and benefits beyond the statutory notice period.

Agreements may be signed regarding severance pay for other members of general management to attend to the Company's needs at all times to ensure that the selection of managers is in commensuration with the Company's needs. Pursuant to the Working Environment Act, such agreements may not have a binding effect on general management other than the CEO.

3. Management salaries and remuneration in subsidiaries of EMGS

Companies within the EMGS group are to follow the main principles of the Company's managerial salary policy as described in section 1. It is an ambition of the Company to globally coordinate the wage policy and the plans used for variable compensation throughout the EMGS Group.

4. Review of the executive management remuneration policy that has been carried out in the financial year 2020

The remuneration policies set out in the declaration on determination of salary and other compensation to the Management for 2020 were followed in all respects. No members of Management received a performance bonus in 2020.

Oslo, 29 April 2021

Mimi Berdal
for and on behalf of the Board of Directors of Electromagnetic Geoservices ASA

Sign.

Financial statements.

EMGS Group

Consolidated Income Statement.

1 January - 31 December

Amounts in USD 1 000	Note	2020	2019
Operating revenues			
Contract sales	6	11,503	54,444
Multi-client pre-funding	6, 16	3,229	4,608
Multi-client late sales	6, 16	4,542	21,518
Other revenue	6	5,642	8,795
Total revenues		**24,916**	**89,365**
Operating expenses			
Charter hire, fuel and crew expenses	7	5,924	14,596
Employee expenses	8	9,818	19,662
Depreciation and ordinary amortisation	16, 17	4,462	6,240
Depreciation right-of-use assets	27	7,856	13,189
Multi-client amortisation	16	4,077	7,785
Impairment of long-term assets	16, 17	7,439	152
Other operating expenses	9, 10	3,067	5,215
Total operating expenses		**42,644**	**66,839**
Operating profit/(loss)		**-17,728**	**22,526**
Financial income and expenses			
Interest income	11	208	1,830
Interest expense	11	-4,105	-5,449
Interest expense lease liabilities	27	-1,111	-1,827
Net gains/(losses) of financial assets and liabilities		-3	13
Net foreign currency income/(loss)	11	25	-346
Net financial items		**-4,987**	**-5,779**
Income/(loss) before income taxes		**-22,715**	**16,747**
Income tax expense	12	671	1,708
Income/(loss) for the year		**-23,385**	**15,039**
Basic income/(loss) per share in USD	31	**-0.18**	**0.11**
Diluted income/(loss) per share (EPS) in USD	31	**-0.18**	**0.11**

Consolidated Statement of Other Comprehensive Income.

1 January - 31 December

Amounts in USD 1 000	Note	**2020**	2019
Income/(loss) for the year		**-23,385**	**15,039**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		-13	52
Other comprehensive income/(loss)		**-13**	**52**
Total comprehensive income/(loss) for the year		**-23,398**	**15,091**

The items recorded in Other comprehensive income/(loss) do not have any tax effect in 2020 or 2019.

Consolidated Statement of Financial Position.

As of 31 December

Amounts in USD 1 000	Note	2020	2019
ASSETS			
Non-current assets			
Multi-client library	16	2,209	5,996
Other intangible assets	16	939	1,621
Property, plant and equipment	17	16,374	24,624
Right-of-use assets	27	8,246	15,955
Financial lease receivables	18	141	0
Assets under construction	17	3	1,023
Total non-current assets		**27,911**	**49,219**
Current assets			
Spare parts, fuel, anchors and batteries	19	4,726	8,261
Trade receivables	20	6,246	23,503
Other receivables	18	3,142	4,213
Financial lease receivables	18	68	0
Cash and cash equivalents	21	4,179	19,731
Restricted cash	21	7,995	618
Total current assets		**26,357**	**56,326**
Total assets		**54,269**	**105,545**
EQUITY			
Capital and reserves attributable to equity holders			
Share capital, share premium and other paid-in equity	14	71,490	71,490
Other reserves		-1,544	-1,531
Retained earnings		-77,361	-53,986
Total equity		**-7,417**	**15,971**
LIABILITIES			
Non-current liabilities			
Provisions	25	9,625	14,437
Borrowings	23,27	31,816	31,199
Non-current leasing liabilities	23,27	6,501	7,979
Total non-current liabilities		**47,942**	**53,615**
Current liabilities			
Trade payables	24	1,461	8,254
Current tax liabilities	13	4,035	6,549
Other short term liabilities	26	2,774	10,807
Current leasing liabilities	23,27	5,474	10,349
Total current liabilities		**13,744**	**35,959**
Total liabilities		**61,686**	**89,574**
Total equity and liabilities		**54,269**	**105,545**

Consolidated Statement of Cash Flows.

1 January - 31 December

Amounts in USD 1 000	Note	2020	Restated 2019*	2019
Net cash flow from operating activities				
Income/(loss) before income taxes		**-22,715**	**16,747**	**16,747**
Adjustments for:				
Total taxes paid		-453	-239	-239
Depreciation and ordinary amortisation	16, 17	4,462	6,240	6,240
Depreciation right-of-use assets	27	8,362	13,189	13,189
Multi-client amortisation	16	4,077	7,785	7,785
Impairment of other long term assets	16, 17	7,439	152	152
Cost of share-based payment		10	0	0
Change in trade receivables		17,257	-18,869	-18,869
Change in inventories		3,536	-1,036	-1,036
Change in trade payables		-6,793	1,435	1,435
Change in other working capital		-21,611	4,209	4,209
Finance income	11	-208	-1,830	-1,830
Finance cost		4,787	5,004	3,177
Net cash flow from operating activities		**-1,850**	**32,786**	**30,959**
Investing activities:				
Purchase of property, plant and equipment	17	-620	-1,304	-1,837
Investment in multi-client library	16	-1,134	-1,337	-1,337
Cash used in investing activities		**-1,754**	**-2,641**	**-3,174**
Financial activities:				
Financial lease principal	23	-8,043	-14,116	-11,970
Interest lease liabilities	27	-1,111	-1,827	-1,796
Interests paid	11	-3,001	-2,788	-2,770
Interests received	11	208	1,830	1,830
Cash used in/provided by financial activities		**-11,947**	**-16,901**	**-14,541**
Net change in cash		**-15,552**	**13,244**	**13,244**
Cash balance beginning of period		19,731	6,487	6,487
Cash balance end of period		4,179	19,731	19,731
Net change in cash		**-15,552**	**13,244**	**13,244**

* The Consolidated Statement of Cash Flows has been restated subseqent to review by The Financial Supervisory Authority of Norway to be compliant with IAS 7.44A-E.

Consolidated Statement of Changes in Equity.

Amounts in USD 1 000	Note	Share capital, share premium and other paid-in-equity	Other reserves	Retained earnings	Total equity
Balance as of 1 January 2019		**71,490**	**-1,584**	**-69,025**	**879**
Income/(loss) for the year		0	0	15,039	**15,039**
Other comprehensive income		0	52	0	**52**
Total comprehensive income		**0**	**52**	**15,039**	**15,091**
Balance as of 31 December 2019		**71,490**	**-1,531**	**-53,986**	**15,971**
Income/(loss) for the year		0	0	-23,385	**-23,385**
Other comprehensive income		0	-13	0	**-13**
Total comprehensive income		**0**	**-13**	**-23,385**	**-23,398**
Cost of share-basd payments		**0**	**0**	**10**	**10**
Balance as of 31 December 2020		**71,490**	**-1,544**	**-77,361**	**-7,417**

Oslo, 29 Aril 2021
Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Notes.

Note 1 – Corporate information

Electromagnetic Geoservices ASA (EMGS/the Company) and its subsidiaries (together the Group) use EM, a patented electromagnetic survey method, to find hydrocarbons in offshore reservoirs. The Company's services help oil and gas companies to improve their exploration success rates. The Group has subsidiaries in Norway, Australia, Brazil, USA, Mexico, Malaysia, Canada and the United Kingdom.

The Company is a public limited liability company incorporated and domiciled in Norway with shares and bonds that are publicly traded. The address of its registered office is Karenslyst allè 4, 0278 Oslo, Norway.

These consolidated financial statements have been approved for issue by the Board of Directors and the Chief Executive Officer on 29 April 2021.

Note 2 – Summary of significant accounting policies

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of EMGS and entities controlled by EMGS (subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual agreement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

2.3 Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether the assets or liabilities of the acquiree are assigned to those units.

b) Joint operation
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

2.4 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.5 Foreign currencies

a) Functional and presentation currency
The financial statements of each entity within the Group reflect transactions recorded in the currency of the economic environment in which it operates (the functional currency). The functional currency of the Company is US Dollars (USD). The consolidated financial statements are presented in USD which is the Group's presentation currency. For each entity, in the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

b) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rate on the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in profit and loss.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates on the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

c) Group companies
The results and financial position of Group companies (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated on the rate of exchange ruling at the reporting date.

(ii) Revenues and expenses for each income statement presented are translated at average exchange rate for the period. However, if this average is not a reasonable approximation of the cumulative effect on the rates prevailing on the actual transaction dates, revenues and expenses are translated using the foreign exchange rates on the specific transaction date.

All resulting exchange differences are recognised in other comprehensive income.

2.6 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects the be entitled in exchange for those goods or services.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4. Revenue is shown net of withholding and value-added taxes. Revenue is recognised as follows:

a) Proprietary contract sales

The Group performs EM services under contract for a specific customer, whereby the EM data is owned by the customer. The Group recognises contract revenues (whether priced as Lump Sum, Day Rate or Unit Price) over time. Progress is measured in a manner generally consistent with the physical progress on the project.

Mobilisation Fees

Revenues for mobilisation are usually contracted with the customer and should cover the vessel's transit to the survey area. Revenues and costs related to mobilisation are deferred and recognised over the acquisition period (which is the time from the first receiver is dropped to the last retrieval) of the contract, using the percentage of completion method. The deferral of mobilisation costs can only begin after an agreement has been signed between EMGS and the client. Until a contract is signed, costs are expensed as incurred.

b) Sales of multi-client library data

Pre-funding agreements

Multi-client licensing sales made prior to commencement of acquisition for a project and licensing sales while the projects are in progress, are presented as pre-funding revenues. The advantages for pre-funding customers are generally the possibility to influence the project specifications, early access to acquired data, and discounted prices.

The Group recognises pre-funded revenue at the point in time when data is made accessible to the customer.

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 recognised when a valid licensing agreement is signed, and the multi-client library data is made accessible to the customer.

Uplift

Uplift revenues can arise if a customer that has already bought a license for EM data, is awarded acreage covered by the data bought. Uplift revenue is recognised when the customer is awarded the acreage.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group is transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or series to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Significant financing component

The Group has received funding from third parties building the next generation EM equipment. There is a significant financing component for these contracts considering the length of time between the parties' payment and the beneficial period. As such, interest costs are calculated on this contract liability recorded as provision in the balance sheet. The interest rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the parties at contract inception.

2.7 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recorded as a reduction of the asset up to the amount that covers the cost price.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognised 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 on assets is calculated using the straight-line method. The assets are depreciated over their estimated useful life, as follows:

	Useful life:
Machinery and equipment*	3 - 8 years
Cluster **	5 years
Hardware equipment and furniture	3 - 5 years

*Machinery and equipment are mainly placed onboard the vessel. Parts of the equipment are under water during operation and have a shorter useful life.

** A cluster consists of IT equipment comprising of large number of processors for doing advanced data processing.

The assets' residual values, useful lives, and method of depreciation are reviewed at each balance sheet date and adjusted if appropriate. If an asset's carrying amount is greater than its estimated recoverable amount, the asset is immediately written down to the recoverable amount (Note 2.12).

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 and any significant part initially recognised is derecognised 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 statement of profit or loss when the asset is derecognised.

2.9 Leases

The Group assesses at the 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.

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

a) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

<u>b) Lease liabilities</u>
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

<u>c) Short-term leases and leases of low-value assets</u>
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.10 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 amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

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

<u>a) Patents</u>
Patents have a finite useful life and are recorded at historical cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (10-15 years). Administrative costs associated with patents are expensed as incurred.

<u>b) Computer software</u>
The cost of acquired computer software licenses is capitalised based on the expenses incurred to acquire and bring the specific software to use. These costs are amortised over the estimated useful life (3 years).

The costs of design of software interfaces, installing, testing, creating system and user documentation, defining user reports and data conversion are capitalised together with the software cost.

These costs are directly related to developing the software application for the Group's use.

Costs associated with maintaining computer software are expensed as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the Group, which are expected to generate economic benefits in excess of cost (beyond one year) are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful life, not to exceed three years.

c) Research and development costs
Research costs are expensed as incurred. Development expenditure on individual projects is recognised as an intangible asset when the Group can demonstrate:

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit (normally 3 years). During the period of development, the asset is tested for impairment annually.

Contributions from external customers and government grant in the development stage are recorded as a reduction of the intangible asset up to the amount that covers the cost price. Any surplus is recorded as revenues.

d) Multi-client library
The multi-client library consists of surveys of electromagnetic data. The surveys can be licensed to customers on a non-exclusive basis. Directly attributable costs associated with the production and development of multi-client projects such as acquisition costs, processing costs, and direct project costs are capitalised.

A multi-client project is considered complete when all components or processes associated with the acquisition and processing of the data are finished, and all components of the data have been properly stored and made ready for delivery to customers.

After a project is completed, a straight-line amortisation is applied. The straight-line amortisation is assigned over the useful life, which is set at four years. The straight-line amortisation is distributed evenly through the financial year independently of sales during the quarters.

2.11 Inventories

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

The Group's inventory consists primarily of equipment components and parts, anchors, batteries, and fuel.

2.12 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, such as for goodwill and intangible assets with infinite useful life, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transaction can be identified, an appropriate valuation model is applied.

The Group bases its impairment calculation on budget and forecast calculations.

Non-financial assets, other than goodwill previously impaired, are reviewed at each reporting date for possible reversal of the previously recorded impairment. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

2.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

<u>a) Financial assets</u>

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

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

- financial assets at amortised cost (debt instruments)
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at fair value through profit or loss

Financial assets at amortised cost is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables.

The Group does not have any financial assets measured at fair value through OCI, financial assets designated at fair value through OCI, or financial assets at fair value through profit or loss.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards relating to the asset, but has transferred control of the asset.

Impairment of financial assets
For trade receivables, the Group applied a simplified approach in calculating expected credit losses (ECL). The Group recognises a loss allowance based on lifetime ECLs at each reporting date. This is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, see Note 3 b).

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

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

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.
This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The EIR amortization is included as finance costs in the statement of profit or loss.

This category applies to interest-bearing loans and borrowings.

Convertible bond
The convertible bond is separated into a liability and an equity component. On issuance of the convertible bond loan, the fair value of the liability component is determined using a market rate for equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised costs (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bond, based on the allocation of proceeds to the liability and equity components when the instrument is initially recognised.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.14 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.

Current income tax relating to items recognised directly in equity is recognised in equity 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 realised or the deferred tax liability is settled.

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

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

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

c) Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.15 Employee benefits

a) Pension obligations

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

b) Share-based payments

The Group operates an equity-settled, share-based compensation plan. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuation expert using an appropriate pricing model, further details are given in Note 15.

The cost of equity-settled transactions is recognised in Employee expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. When options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Social security tax on share-based compensation is recorded as a liability and recognised over the estimated option period. The social security tax is calculated using the appropriate tax rate on the difference between market price and the exercise price on the measurement date.

c) Bonus plans

The Group recognises a provision for bonus expenses where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognised 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.

2.17 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position and consolidated statement of cash flows comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.18 Changes in accounting policies and disclosures

The accounting principles adopted are consistent with those of the previous year.

2.19 Standards and interpretations issued, but not yet adopted

The financial statements have been prepared based on standards effective for the year ending 31 December 2020. IASB has issued standards/amendments to standards that are not yet effective. The Group does not expect these standards/amendments to have an impact on the Group's financial position, performance, presentation and/or disclosures.

The Group plans to implement the new standards, amendments and interpretations when they are effective and approved by EU.

Note 3 – Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables and loans and borrowings. The main purpose of these financial liabilities is to finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposit which derive directly from its operations.
The Group is exposed to market risk, credit risk and liquidity risk. The Group's executive management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

The Group did not apply hedge accounting in 2020 or 2019.

a) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk for the Group: interest rate risk and currency risk.

The sensitivity analysis in the following sections relate to the position as at 31 December 2020 and 2019. The sensitivity analysis has been prepared on the basis that the amount of net debt and the portion of financial instruments in foreign currencies are all constant. The analysis excludes the impact of movements in market variables on the carrying value of pension, provisions and on the non-financial assets and liabilities of foreign operations.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risk. This is based on the financial assets and financial liabilities held at 31 December 2020 and 2019.

i) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan with floating interest rate.

With all other variables held constant, a reasonably possible increase in LIBOR of 1% will increase the Group's annual net interest expense on the long-term loan by approximately 317 at 31 December 2020 (2019: 314).

ii) Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and therefore has exposure to foreign exchange risk arising from transactions executed in other currencies than the functional currency of each company. EMGS ASA has USD as functional currency, hence the foreign currency risk is primarily with respect to NOK in EMGS ASA. Approximately 100% of the Group's sales are denominated in USD, whilst approximately 62% of costs are denominated in USD in 2020.

Foreign exchange risk arises from future commercial transactions, recognised as assets and liabilities.

The following table summarises the sensitivity to a reasonably possible change in the NOK exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The Group's exposure to foreign currency changes on equity and for all other currencies is not material.

	Increase/ decrease in NOK rate	Effect on income/(loss) before tax
2020	+20%	70
	-20%	-70
2019	+20%	208
	-20%	-208

b) Credit risk
The Group is exposed to credit risk from its operating activities (primarily for trade receivables and cash and cash equivalents). See Note 20 for aging analysis of trade receivables.

i) Trade receivables
The Group trades with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.
The company continues to experience significant payment delays for invoices already submitted related to an acquisition contract in the Americas. While there is no indication that the receivables are at risk, continued delays should be expected. As of 10 February 2021, past due accounts receivable related to the contract in the Americas totaled USD 1.1 million.

The requirement for an impairment charge is analysed at each reporting date on an individual basis for each customer. For trade receivables, the Group applied a simplified approach in calculating expected credit losses (ECL). The Group recognises a loss allowance based on expected credit losses at each reporting date. This is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, see Note 2.13 a). The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to credit risk arising from the other financial assets of the Group such as cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with maximum exposure equal to the carrying amount of these instruments.

c) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient liquidity to be able to meet its financial obligations. EMGS' sources of liquidity include cash balances, cash flow from operations, borrowings, it's existing and new bank facilities and further debt and equity issues. It is the Company's objective to balance these sources of liquidity.

The Group's convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. As of 31 December 2020, the free cash and cash equivalents totaled USD 4.2 million. EMGS' management follows the Group's liquidity risk closely, including weekly updates of the Group's sales forecast and vessel schedule, in addition to a corresponding update of the cost and free cash forecast.

As of 2 February 2021, the USD 7.3 million held in the restricted pledge account was released to free cash. It is expected that the Group will be required to, upon reaching certain conditions, issue a time-limited guarantee, secured by cash in a pledged account, in the amount of approximately USD 3.6 million.

The financial liabilities with maturity less than one year will be settled through cash flow from operating activities in 2021. Management considers the liquidity throughout 2021 sufficient to cover both the Group's net current liabilities per 31 December 2020 and estimated cash-need in 2021 given the successful execution of existing backlog and generating additional sales for the second half of 2021.

If current backlog is not executed successfully, additional backlog is not generated and/ or multi-client library sales are not made in H2 2021, liquidity will not be sufficient to meet the Company's financial obligations.

The table below summarises the maturity profile of the Group's financial liabilities 31 December based on contractual payments.

Amounts in USD 1 000	On demand	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Year ended 31 December 2020								
Interest bearing loans and borrowings	0	472	472	944	1,887	33,459	0	37,234
Trade and other payables	0	2,708	314	5,339	0	0	0	8,361
Other financial liabilities	0	679	1,480	3,442	6,100	274	0	11,976
Year ended 31 December 2019								
Interest bearing loans and borrowings	0	749	749	1,498	2,997	37,744	0	43,737
Trade and other payables	0	16,097	2,964	6,549	0	0	0	25,610
Other financial liabilities	0	3,625	2,178	4,557	7,304	621	0	18,286

See Note 23 for financial liabilities.

The USD 32.5 million convertible bond loan contains a financial covenant requiring free cash and cash equivalents of at least USD 2.5 million. In addition, the bond agreement restricts the Company's ability, among other things, to sell multi-client library, declare or make any dividend payments, incur additional indebtedness, change our business, and enter speculative financial derivative agreements.

i) Capital management

For the purpose of the Group's capital management, capital includes equity attributable to the equity holder of the parent.

The primary objective of the Group's capital management is to ensure healthy capital ratios to support its business and maximise shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst 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 lenders to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group manages its capital structure and adjusts it considering changes in economic conditions. To maintain or adjust the capital structure, the Group may refinance its debt, issue new shares or sell assets.

Note 4 – Significant accounting estimates, judgements and assumptions

The preparation of the Group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future periods. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimates and assumptions

The Group makes estimates 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 amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the financial budget approved by the management and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being (CGU) tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the multi-client library and DeepBlue (see description under Assets under construction below) recognised by the Group. The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are disclosed and further explained in Note 16.

DeepBlue
At least annually, management forecasts future cash flows from the Joint Industry Project ("the DeepBlue"). The DeepBlue is the Next Generation EM equipment. The project has been on-going since 2012. EMGS performed its first commercial survey with the DeepBlue equipment in 2017. The net carrying value of the DeepBlue as of 31 December 2020 of 15 000 (2019: 22 500) has been recorded as property, plant and equipment. The net carrying value of the DeepBlue was written down in 2020 due to events related to Covid-19 and collapse of the oil price. The partner contributions with a total value of 9 625 as of 31 December 2020 (2019: 14 437) are recorded as contract liability.

In estimating future cash flows, future market demand and additional expenses to operate the vessel are taken into account. Because the inherent difficulty in estimating these factors, it is possible that future cash flows from these activities will not be sufficient to recover the existing carrying value of the DeepBlue. See Note 17 for more details regarding the impairment test.

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Group is subject to income taxes in several jurisdictions. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes in such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audit by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on several factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Unrecognised tax assets at 31 December 2020 are 90 569 (2019: 85 919).

Useful lives of the Group's property, plant and equipment, and intangible assets
The Group's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant, and equipment and intangible assets. This estimate could change significantly as a result of technical innovations and increased competition. When remaining useful lives of assets are determined to be too high, management will make appropriate estimate revisions and adjust depreciation charges prospectively. Items determined to be technically obsolete or which have been abandoned will be written off completely.

4.2 Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition
IFRS 15 requires entities to exercise judgement taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Group uses the percentage of completion method in accounting for its proprietary contracts, as the revenue should be recognised over time by measuring the progress towards complete satisfaction of the performance obligation. 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 services to be performed. The proportion of services performed to total services to be performed can differ from management's estimates, influencing the amount of revenue recognised in the period.

Determining the lease term of contracts with renewal options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has lease contracts for one vessel that includes extension options. The Group applies judgement in evaluation whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The renewal periods for the vessel Atlantic Guardian are not included as part of the lease term as these are not reasonably certain to be exercised.

Refer to Note 27 for information on leases.

Development costs
Development costs are capitalised in accordance with accounting policy in Note 2.10 c). Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to established project management model. At 31 December 2020, the carrying amount of capitalised development costs is 935 (2019: 941).

4.3 Liquidity and Going Concern Assumption

The Group has prepared its financial statements under the going concern assumption, and the Board confirms in accordance with Section 3-3a of the Norwegian Accounting Act that the going concern assumption is applicable. The Group's reported results, its business strategy, its current budgets and financing, as well as its long-term strategic forecasts provide the basis for the going concern assumption. See also "Liquidity risk" above for more information about the going concern assumption.

The Group is operating with negative equity, and with limited liquidity. The cash position as of 31 December 2020 was USD 4.2 million. As further described under Risks and uncertainty factors, the Company's outstanding bond loan and its bank facilities contain financial covenants requiring that the Company has a minimum of USD 2.5 million in free cash and / or cash equivalents. As of 2 February 2021, the USD 7.3 million held in the restricted pledge account was released to free cash. It is expected that the Group will be required to, upon reaching certain conditions, issue a time-limited guarantee, secured by cash in a pledged account, in the amount of approximately USD 3.6 million.

The going concern assumption is dependent on, amongst other things, the successful execution of both the Gulf of Mexico multi-client project and the acquisition project in Southeast Asia. The Company is also dependent upon building a sufficient mix of proprietary and fully-funded multi-client projects subsequent to the Southeast Asia acquisition project in order to secure revenue and enable the Company to weather future periods of low utilisation.

As of 31 December 2020, the carrying value of the Group's equity was negative USD 7.4 million, down from USD 16.0 million at the end of 2019. The free cash balance at the end of 2020 was USD 4.2 million.

The Company's equity amounted to negative NOK 87.2 million as of 31 December 2020, down from NOK 13.0 million at the end of 2019. The Board of Directors are taking steps to address the negative equity and are considering a number of alternatives in this regard. Should these steps fail to materialize in a timely manner, the going concern assumption is at risk.

Note 5 – Shared revenue

The Group has entered several cooperation agreements regarding EM multi-client surveys in the Barents Sea, Gulf of Mexico and Brazil. The cooperation agreements are joint operations.

EMGS has received funding and/or seismic data against a revenue share on prefunding, late sales and uplift revenues. EMGS has provided the vessel, performed the data acquisition and finally provided the data processing services. The acquired data remains the property of EMGS.

When EMGS licenses data to customers in areas subject to revenue sharing, the Group invoices and collects payments from the customers for the entire sales amount. The related accounts receivable is presented gross, while the portion due to the partner upon collection from the customer is presented as a short-term liability.

EMGS' share of the revenue from the sale of multi-client library with cooperation agreements in 2020 is 1 016 (2019: 1 205).

	EMGS' revenue share
Multi-client survey	
Brazil 2013	95 %
Barents Sea 2013	70 %
Barents Sea 2014	50 %
Gulf of Mexico 2014	90 %
Barents Sea 2015	50 %
Barents Sea 2016	50 %
Barents Sea 2017	50 %

Note 6 – Segment

For management purposes, the Group is organised into one reportable segment. The Group offers EM services, and the sale contracts and costs are incurred worldwide.

The Group uses a patented electromagnetic survey method to find hydrocarbons in offshore reservoirs. The Group's services help oil and gas companies to improve their exploration success rates.

Management monitors the operating result of the single reportable segment for the purpose of making decisions about resource allocation and performance assessment.

No operating segments have been aggregated to form the above reportable operating segment. The customers are international oil companies and the risk and profitability are similar in the different geographical areas.

The Group's property, plant and equipment are mainly the survey equipment on the vessels. As the surveys are executed worldwide, the Group is not able to allocate any assets to different geographical areas.

Geographic information

Revenues from external customers:

Amounts in USD 1 000	**2020**	**2019**
Europe, Middle East and Africa*	2,155	-
Norway	14,421	32,934
North and South America	8,268	32,511
Asia and the Pacific Ocean	73	23,920
Total	**24,916**	**89,365**

*excluding Norway

The revenue information above is based on the location of the survey.

One external customers amounted to 10% or more of the Group's total revenues in 2020 (four single external customers in 2019). Total revenues from this customer was in 2020 8 040 (for 2019: 27 613, 25 995, 11 183 and 9 170).

Note 7 – Charter hire, fuel and crew expenses

Amounts in USD 1 000	**2020**	2019
Charter hire and crew expenses	456	2,075
Fuel	1,848	4,280
Agent fee	0	361
Withholding tax cost	-161	1,683
Capitalisation of multi-client costs	-629	-813
Other external services	2,262	7,009
Obsolete inventory	2,148	0
Total charter hire, fuel and crew expenses	**5,924**	**14,596**

Note 8 – Employee expenses

Amounts in USD 1 000	**2020**	2019
Employee expenses		
Salaries	7,730	15,942
Social security tax	892	1,571
Pension costs (Note 22)	514	925
Other payments	672	1,224
Cost of share based payment (Note 15)	10	0
Total employee expenses	**9,818**	**19,662**
Compensation of key management personnel of the Group		
Salary	944	952
Bonus paid in the year	0	31
Share options	2	0
Pension benefits	42	55
Other benefits	19	26
Total management remuneration	**1,007**	**1,064**

The average number of full-time equivalents was 72 in 2020 (2019: 127).
The average number of full-time equivalents in management was 3.75 in 2020 (2019: 4).
See Note 6 in the Financial Statements of EMGS ASA for Executive Management and Board of Directors remuneration.

Note 9 – Other operating expenses

Amounts in USD 1 000	2020	2019
Office rental and housing expenses	266	461
Consumables and maintenance	420	568
Consultancy fees *	1,461	2,170
Travel expenses	220	829
Insurance	243	403
Marketing	66	225
Other operating expenses	389	557
Total other operating expenses	**3,067**	**5,214**
*** Fees to auditor included in consultancy fees:**		
Statutory audit services	97	146
Further assurance services	54	1
Tax advisory services	93	26
Total fees to auditor	**244**	**173**

The fees to auditor are for the Group included subsidiaries, and do not include VAT.

Note 10 – Research and development costs

Research and development costs consist of 1 688 (2019: 2 026) charged to the income statement as part of operating expenses.

Employee costs capitalised as development amounted to 170 (2019: 874).

Note 11 – Financial items

Amounts in USD 1 000	2020	2019
Financial income:		
Interest income on short term bank deposits	208	1,830
Currency gain on forward agreement	0	0
Total financial income	**208**	**1,830**
Financial expenses:		
Interest expense on financial leases and bank borrowings	1,111	2,090
Interest expense on bonds	2,793	3,077
Interest expense partner contribution DeepBlue source	830	1,413
Foreign exchange losses related to loans and receivables	-21	343
Foreign exchange losses related to liabilities at amortised cost	0	0
Financial costs repayment of bond	0	0
Other financial expenses	482	686
Total financial expenses	**5,195**	**7,609**
Net financial items	**-4,987**	**-5,779**

The exchange rate effects in 2020 and 2019 are mainly related to accounts receivables and trade payables in NOK in EMGS ASA, and accounts receivables and trade payables in NOK or other currencies than USD in other group companies.

The Interest paid under Financial Activities in the Consolidated Statement of Cash Flows includes the Interest expense on the partner contribution of the DeepBlue source in the amount of USD 830 as well as the cash paid related to interest and fees on the convertible bond USD 2 171.

Note 12 – Income tax expense

Amounts in USD 1 000	**2020**	2019
Change in deferred tax asset	0	0
Current tax	671	1,708
Total income tax expense	**671**	**1,708**

The expense/(benefit) for income taxes from continuing operations differs from the amount computed when applying the Norwegian statutory tax rate to income/(loss) before taxes as the result of the following:

Amounts in USD 1 000	**2020**	2019
Income/(Loss) before tax	-22,715	16,747
Tax at the domestic rate of 22%	-4,997	3,684
Non-deductible expenses	-29	364
Change in non recognised deferred tax asset	5,026	-4,049
Effect of change in tax rate	0	0
Effect of change in accounting principles	0	0
Foreign income taxes	671	1,708
Total tax charge	**671**	**1,708**

Note 13 – Deferred tax

Amounts in USD 1 000	**2020**	2019
Deferred taxes detailed:		
Property, plant and equipment	1,074	3,334
Inventory	0	-20
Accrued foreign income taxes	-888	-1,441
Loss carried forward	-90,755	-87,792
Total deferred tax (asset)/liability	**-90,569**	**-85,919**
Non-recognised deferred tax assets	**90,569**	**85,919**
Net deferred tax asset	**0**	**0**

Deferred tax assets are recognised only to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

Unused tax losses are generated in Brazil, Norway, Mexico, Malaysia and the US. It can be carried forward indefinitely in Brazil, Mexico, Norway and Malaysia whilst in the US it can be carried forward in 20 years.

The current tax liabilities of 4 035 mainly consist of accruals for taxes related to operations in Brazil.

Note 14 – Share capital, share premium and other paid in capital

Amounts in USD 1 000 (except number of shares)	Number of shares	Ordinary share capital	Share premium	Other paid-in capital	Total
At 1 January 2019	**130,969,690**	**15,285**	**0**	**56,206**	**71,490**
					0
At 31 December 2019	**130,969,690**	**15,285**	**0**	**56,206**	**71,490**
At 1 January 2020	**130,969,690**	**15,285**	**0**	**56,206**	**71,490**
					0
At 31 December 2020	**130,969,690**	**15,285**	**0**	**56,206**	**71,490**

The Board is granted authorisation to increase the share capital by 22,919,695 shares so the total authorised number of ordinary shares is 153 889 385 (2019: 153 889 385) with a par value of USD 0.12 (NOK 1) per share. Total number of shares as of 31 December 2020 is 130 969 690 (2019: 130 969 690). All issued shares are denominated in NOK and fully paid.

The largest shareholders as of 31 December 2020:

	Number of ordinary shares	Percentage
SIEM INVESTMENTS INC.	31,327,467	23.92%
PERESTROIKA AS	29,452,795	22.49%
Morgan Stanley & Co. LLC	25,891,805	19.77%
SPORTSMAGASINET AS	4,191,786	3.20%
RAGE	1,200,000	0.92%
Nordnet Bank AB	979,934	0.75%
RYGG	799,275	0.61%
NÆRINGSLIVETS HOVEDORGANISASJON	766,190	0.59%
NORDNET LIVSFORSIKRING AS	726,963	0.56%
HAAV HOLDING AS	700,000	0.53%
Danske Bank A/S	667,417	0.51%
Nordea Bank Abp	573,705	0.44%
KONGSRUD	507,837	0.39%
JAGLAND	500,000	0.38%
KRISTIAN FALNES AS	500,000	0.38%
BÆKKELAGET HOLDING AS	500,000	0.38%
NGUYEN	470,000	0.36%
ØVERLAND	457,039	0.35%
SKOGMO	450,000	0.34%
EIKANGER INVEST AS	448,000	0.34%
Other	29,859,477	22.80%
Total	**130,969,690**	**100%**

Note 15 – Share based payment transactions

Share options are granted to employees. In 2020, 1,512,500 options were granted to the Company's employees.

The expense recognised for employee services during the year is:

Amounts in USD 1 000	**2020**	2019
Expense arising from share based payment transactions	**10**	0

The vesting period is the period during which the conditions to obtain the right to exercise are to be satisfied. The options granted vest as follows:

- 25% on the one-year anniversary of the Grant Date
- 25% on the two-year anniversary of the Grant Date
- 25% on the three-year anniversary of the Grant Date
- 25% on the four-year anniversary of the Grant Date

The Grant expires two years following the Vesting Date. A condition to hold options within the Company is continued employment.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be actual outcome.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.
The cost of the options is calculated based on the Black Scholes option pricing model.
The following table lists the inputs to the model used for the plan for the option granted during the year ended 31 December 2020:

	2020
Expected volatility	86%
Risk free interest rate	1.28%
Expected life of options (years)	3.5
Weighted average share price (USD)	2.14

Expected volatility was determined based on historic volatility on comparable listed companies. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Average exercise price in USD per share	**Options**	**Average exercise price in USD per share**	**Options**
At 1 January	36.09	46,250	36.09	77,750
Granted	0.25	1,512,500	0.00	0
Exercised	0	0	0.00	0
Released	0	0	0.00	0
Forfeited	0.65	-1,371,250	0.00	0
Expired	0.00	0	87.55	-31,500
At 31 December	**0.25**	**187,500**	**36.09**	**46,250**
Exercisable at 31 December	**0.25**	**187,500**	**36.09**	**46,250**

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

2020

	In USD per share	Options
2021	0.25	46,875
2022	0.25	46,875
2023	0.25	46,875
2024	0.25	46,875
		187,500

2019

	In USD per share	Options
2020	40.83	21,250
2021	19.32 and 33.48	25,000
		46,250

The weighted average remaining contractual life for the share options outstanding as at 31 December 2020 is 3.60 years (2019: 0.79 years).

The weighted average fair value of options granted during the year 2020 was USD 0.14. No options were granted in 2016, 2017, 2018 or 2019.

Note 16 – Intangible assets

Amounts in USD 1 000	**Software and licenses**	**Patents**	**Multi-client library**	**Total**
Year ended 31 December 2019				
Opening carrying value	575	813	12,596	13,984
Additions			1,337	1,337
Transferred from assets under construction to intangible assets	837			837
Accumulated costs on disposals	-350			-350
Amortisation charge	-468	-137	-7,785	-8,390
Accumulated depreciation on disposals	350			350
Impairment			-152	-152
Closing carrying value	**945**	**676**	**5,996**	**7,617**
At 31 December 2019				
Accumulated cost	16,779	3,667	156,503	176,950
Accumulated amortisation and impairment	-15,835	-2,991	-150,507	-169,332
Net carrying value	**945**	**676**	**5,996**	**7,617**
Year ended 31 December 2020				
Opening carrying value	945	676	5,996	7,617
Additions			1,135	1,135
Transferred from assets under construction to intangible assets	587			587
Accumulated costs on disposals				0
Amortisation charge	-593	-137	-4,077	-4,807
Accumulated depreciation on disposals				0
Impairment		-540	-844	-1,384
Closing carrying value	**939**	**0**	**2,210**	**3,148**
At 31 December 2020				
Accumulated cost	17,366	3,667	157,638	178,671
Accumulated amortisation and impairment	-16,427	-3,667	-155,428	-175,523
Net carrying value	**939**	**0**	**2,210**	**3,148**

Amounts in USD 1 000	Software and licenses	Patents	Multi-client library	Total
Year ended 31 December 2019				
Opening carrying value	575	813	12,596	13,984
Additions		0	1,337	1,337
Transferred from assets under construction to intangible assets	837			837
Accumulated costs on disposals	-350			-350
Amortisation charge	-468	-137	-7,785	-8,390
Accumulated depreciation on disposals	350			350
Impairment			-152	-152
Closing carrying value	**945**	**676**	**5,996**	**7,617**
At 31 December 2019				
Accumulated cost	16,779	3,667	156,503	176,950
Accumulated amortisation and impairment	-15,835	-2,991	-150,507	-169,332
Net carrying value	**945**	**676**	**5,996**	**7,617**
Year ended 31 December 2020				
Opening carrying value	945	676	5,996	7,617
Additions		0	1,135	1,135
Transferred from assets under construction to intangible assets	587			587
Accumulated costs on disposals	0			0
Amortisation charge	-593	-137	-4,077	-4,807
Accumulated depreciation on disposals	0			0
Impairment		-540	-844	-1,384
Closing carrying value	**939**	**0**	**2,210**	**3,148**
At 31 December 2020				
Accumulated cost	17,366	3,667	157,638	178,671
Accumulated amortisation and impairment	-16,427	-3,667	-155,428	-175,523
Net carrying value	**939**	**0**	**2,210**	**3,148**

Asset	**Estimated useful life**
Patents	10 – 15 years
Software and licenses	3 years
Lease agreements	2.5 – 3.5 years
Multi-client library	4 years

Patents

Upon review of the Group’s remaining capitalised patents related to electromagnetic method, it was determined that the full amount should be impaired.

Impairment of multi-client library

The Group performs impairment tests when there are indicators of impairment at least once a year. The Group considers the relationship between the total revenue forecast and the book value of each multi-client project when reviewing for indicators of impairment, hence the book value of the multi-client projects is highly influenced by the future sales forecasts.

The Group recorded impairments of the multi-client library of USD 844 thousand in 2020 and 152 thousand in 2019. The impairment test was done for each multi-client project individually. The net present value of the future sales for each project was compared to the book value of the project. When calculating the net present value of future sales, a discount rate of 12% was used. A 1 % increase in the discount rate would have reduced the total net present value of future sales by USD 113 thousand, but it would not have resulted in an impairment in 2020.

Multi-client revenue recognised in 2020 amounted to 7 770 (2019: 26 126).

Note 17 – Property, plant and equipment and assets under construction

Amounts in USD 1 000	Machinery and equipment	Hardware and furniture	Cluster	Total	Assets under construction
Year ended 31 December 2019					
Opening carrying value	29,899	275	0	30,174	852
Additions		6	533	539	1,314
Accumulated costs on disposals	-1,389	-1,084	-533	-3,006	0
Transferred from assets under construction to PPE	270	25		295	-295
Transferred from assets under construction to intangible assets					-837
Depreciation charge	-5,552	-182	-94	-5,828	0
Accumulated depreciation on disposals	1,389	1,000	62	2,451	0
Impairment	0	0	0	0	-11
Closing carrying value	**24,617**	**39**	**-32**	**24,624**	**1,023**
At 31 December 2019					
Accumulated cost	152,919	21,912	12,375	187,206	3,578
Accumulated amortisation and impairment	-128,303	-21,874	-12,407	-162,584	-2,555
Net carrying value	**24,617**	**39**	**-32**	**24,624**	**1,023**
Year ended 31 December 2020					
Opening carrying value	24,617	39	-32	24,624	1,023
Additions	159	163	138	460	159
Accumulated costs on disposals	0	-78	0	-78	-23
Transferred from assets under construction to PPE	0	0	0	0	0
Transferred from assets under construction to intangible assets	0	0	0	0	-587
Depreciation charge	-3,667	-35	-27	-3,728	0
Accumulated depreciation on disposals	0	78	0	78	0
Impairment	-4,981	0	0	-4,981	-569
Closing carrying value	**16,128**	**168**	**79**	**16,374**	**3**
At 31 December 2020					
Accumulated cost	153,078	21,998	12,513	187,588	3,127
Accumulated amortisation and impairment	-136,951	-21,831	-12,434	-171,216	-3,124
Net carrying value	**16,128**	**168**	**79**	**16,374**	**3**

Asset	**Estimated useful life**
Machinery and equipment	3 – 8 years
Hardware and furniture	3 - 5 years
Cluster	5 years

The Impairment of other long-term assets in the amount of USD 7 439 under Operating Activities in the Consolidated Statement of Cash Flows includes impairment of machinery and equipment USD 4 981, assets under construction USD 569, patents USD 540, multi-client library USD 844 and impairment of right-of-use assets USD 505.

Assets under construction

Assets under construction are internal capital expenditure projects that are not completed. These projects are mainly development and production of acquisition the EM equipment, including receivers, the source and the navigation system. In 2020, EMGS recorded an impairment of USD 569 thousand which relates to hardware development cost that will not be commercialized due to the cost cutting measures implemented in 2020. The impairment of USD 11 thousand in 2019 was hardware development cost that will not be commercialised.

The DeepBlue
EMGS has been working on a Joint Industry Project ("the DeepBlue"), supported by Shell and Equinor, for developing the Next Generation EM equipment. The benefit of using the DeepBlue equipment is deeper penetration and significantly improved imaging at increased burial depths. The improved imaging leads to improved confidence and enhanced interpretation possibilities. The project commenced 2012 and the prototype equipment was completed in 2017 with its first commercial survey summer 2017. The carrying value of the DeepBlue equipment as of 31 December 2020 was 15 000 thousand (2019: 22 500 thousand). See Note 25 for funding from the DeepBlue partners recorded as a contract liability.

Impairment test of the DeepBlue
The Group performs impairment tests when there are indicators of impairment and at least once a year. The Group considers the relationship between the total revenue forecast and the total carrying value of the DeepBlue when reviewing for indicators of impairment.

During 2020, it was determined that an impairment of the DeepBlue equipment set was required given the downturn in the market. The DeepBlue equipment set was impaired in the amount of USD 4 981 thousand, compared to 2019 in which no impairment was made. The recoverable amount used in the impairment calculation was determined based on cash flow projections from the 2021 budget and assumptions regarding additional revenue stream from the DeepBlue equipment. The discount rate applied to cash flow projections was 12%.

The Company used the best estimate of additional revenue stream from the DeepBlue equipment compared with the conventional equipment as revenue forecast in the impairment model. The DeepBlue opens a new market for the Group as it increases the water depth from 3 000 meters as the limit on the conventional source to 4 500 meters on the DeepBlue source.

The discount rate used in the net present value calculation was based on the specific circumstances of the Group and was derived from its weighted average cost of capital (WACC). The WACC took both debt and equity into account. The cost of equity was derived from the expected return on investment by the Group's investors. The cost of debt was based on the interest-bearing borrowings the Group is obliged to service. The beta factor was in line with the industry beta.

Sensitivity analysis for key assumptions
The table below shows how the recoverable amount of USD 32 002 of the DeepBlue will be affected by changes in the various assumptions, given that the remainder of the assumptions are constant as of 31 December 2020:

Amounts in USD 1 000		**Change in recoverable amount**
Discount rate	1% increase	-257
	1% decrease	271
Dayrate	20% increase	2,933
	20% decrease	-2,933
Number of survey days per year	33% increase	2,034
	33% decrease	-2,034

Note 18 - Other receivables

Amounts in USD 1 000	**2020**	2019
Prepayments	1,752	2,496
Receivables VAT and taxes	1,099	739
Other receivables	292	978
Total other receivables	**3,142**	**4,213**

The Company, at the end of 2020, entered into an agreement to sublease one of our offices for the remainder of the office lease. The present value of the sublease was recognized as a Financial lease receivable and split between current USD 68 and non-current USD 141.

Note 19 – Spare parts, fuel, anchors and batteries

Amounts in USD 1 000	**2020**	2019
Equipment components and parts, at cost	3,545	6,157
Anchors and batteries, at cost	891	1,122
Fuel, at cost	289	981
Total Spare parts, fuel, anchors and batteries	**4,726**	**8,261**

Note 20 – Trade receivables

Amounts in USD 1 000	**2020**	2019
Accounts receivable	6,199	17,873
Accrued revenues	95	5,630
Impaired receivable	-48	0
Total trade receivables	**6,246**	**23,503**

Trade receivables are non-interest bearing and the payment terms are generally net 30 days.

Fair value of the receivables approximates the nominal values, less provision for doubtful receivables.

Generally, the Group trades with recognised, creditworthy customers. The customers are usually large oil companies with an appropriate credit history.

Only in a few instances, services are performed for smaller companies with limited credit history.

Per 31 December 2020 EMGS found it necessary to make a provision for doubtful trade receivables in the amount of USD 48 thousand (2019: 0).

As at 31 December 2020, the aging analysis of trade receivables is as follows:

Amounts in USD 1 000	**Total**	**Not Due**	**< 30**	**30 - 60 days**	**60 - 90 days**	**90 - 120 days**	**> 120**
	6 199	1 131	30	0	0	8	5 030

Subsequent to the end of the year, the Group received all of the USD 5.0 million that was greater than 120 days past due.

Note 21 – Cash and cash equivalents

Amounts in USD 1 000	**2020**	2019
Cash	4,179	19,731
Restricted cash	7,995	618
Total cash and cash equivalents	**12,175**	**20,349**

Cash earns interest at floating rates based on daily bank deposit rates.

Restricted cash consists of USD 7.8 million held in restricted accounts as security against guarantees issued as well as employee taxes withheld. Subsequent to the end of the year, USD 7.3 million was released from the pledge account upon expiry of a guarantee for which it was being held as security.

Note 22 – Employee benefit obligations

The Company is required to have an occupational pension plan in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company's pension arrangements fulfill the requirements of the law.

In 2020, the defined contribution plan involved a contribution level of 5 % of Base Salary from 0 to 7.1 G and 15 % of Base Salary from 7.1 up to 12 G, where G is the National Insurance basic amount (Folketrygdens grunnbeløp). G equals to NOK 101 351 as of 31 December 2020.

The Company`s contribution to the Norwegian defined contribution plan for the year ended 31 December 2020 was 405 (2019: 606).

As of 31 December 2020, there were 17 employees covered by the defined contribution pension plan (2019: 74).

Defined contribution schemes

Employees not eligible for coverage under the defined contribution plan applicable in Norway are eligible to participate in other Company pension schemes or to receive a pension compensation. All the schemes are considered defined contribution plans. For some of the schemes, subject to statutory limitations, employees may make voluntary contributions in addition to the Company's contributions. Total pension scheme contributions made by the Company in 2020 was 514 (2019: 925).

Note 23 – Financial liabilities

Amounts in USD 1 000	Interest rate	Maturity	**2020**	2019
Non-current				
USD 32.5 million convertible bond	3 month LIBOR + 5.50%	5/9/2023	31,816	31,199
Lease liabilites	4.0-8.1%	2-3 years	6,501	7,979
			38,317	**39,178**
Current				
Lease liabilites	4.0-8.1%	Up to 1 year	5,474	10,349
			5,474	**10,349**
Total financial liabilities			**43,791**	**49,527**

USD 32.5 million convertible bond

On 9 May 2018, EMGS secured a USD 32.5 million convertible bond bearing an interest at 3 months LIBOR + 5.50% p.a. The loan can at any time be converted into common shares in EMGS at the conversion price of USD 0.42677 until the maturity date on 9 May 2023.

The USD 32.5 million convertible bond can be seen as a contract settled by an entity by delivering a fixed amount of its own equity instruments in exchange for a fixed amount of foreign currency. The economic components of this convertible bond are:

(a) A liability. On issuance of the convertible bond, the fair value of the liability component was determined using a market rate for an equivalent non-convertible bond; and classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

(b) An equity component. The residual of the proceeds was allocated to the conversion option that was recognised in shareholders' equity.

At inception, the value of the liability component was estimated to USD 30.2 million. Amortised cost as 31 December 2020 was USD 31.8 million (2019: USD 31.2 million). The equity component, the carrying amount of the conversion option, was estimated to USD 1.9 million at inception and is not remeasured in subsequent periods.

The convertible bond loan contains financial covenants requiring free cash and cash equivalents of at least USD 2.5 million. In addition, the bond agreement has restrictions regarding the Company's ability to sell the multi-client library, declare or make dividend payments, incur additional indebtedness, change its business or enter into speculative financial derivative agreements. As of 31 December 2020, the free cash and cash equivalents totaled USD 4.2 million (2019: USD 19.7 million).

The bond is unsecured.

Lease liabilities

The Group has lease contracts for various items of IT-equipment, offices and vessels. The Group's obligations under its leases are secured by the lessor's title to the leased assets, see Note 27.

The exposure of the Group's borrowings to interest rate changes related to floating rate obligations and the contractual repricing dates of those obligations at the balance sheet dates are as follows:

Amounts in USD 1 000	**2020**	2019
6 months or less	43,791	49,527
6-12 months	0	0
1-5 years	0	0
Over 5 years	0	0
Total	**43,791**	**49,527**

The maturity of non-current borrowings is as follows:

Amounts in USD 1 000	**2020**	2019
1-3 years	38,317	38,787
4-5 years	0	390
Over 5 years	0	0
Total	**38,318**	**39,177**

The carrying amounts and fair value of the non-current borrowings are as follows:

Amounts in USD 1 000	Carrying amounts	
	2020	2019
USD 32.5 million convertible bond	31,816	31,199
Leasing liabilities	11,975	18,328

There has not been any trading in the USD 32.5 million convertible bond after the issuance, hence the fair value is set to equal the carrying amount in 2020 and 2019.

The carrying amount of the Group’s borrowings are as follows:

Amounts in USD 1 000	**2020**	2019
USD denominated	42,697	47,344
NOK denominated	1,080	2,029
Other	14	153
Total	**43,791**	**49,527**

The liabilities arising from financing activities are as follows:

		Non- cash changes		Cash flows	
Amounts in USD 1 000	Opening	Currency	New Leases & Modifications	Financial lease liabilities	**Closing**
Current interest bearing loans	0	0	0	0	0
Current lease liabilities	10,349	0	1,383	-6,258	5,474
Non-current interst bearing loans	31,199	617	0	0	31,816
Non-current lease liablities	7,979	0	305	-1,784	6,501
Total	**49,527**	**617**	**1,688**	**-8,042**	**43,791**

The effective interest rates at the balance sheet date were as follows:

	2020	2019
USD 32.5 million convertible bond	7.37%	10.41%
Leasing liabilities	7.11%	7.11%

Fair values

The fair value hierarchy discloses how fair value is determined for financial instruments recorded at fair value in the consolidated financial statement.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
Level 2: assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.
Level 3: techniques for which all inputs which have a significant effect on the recorded fair value that is not based on observable market data.

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, other receivables, trade payables and other short-term liabilities approximate their respective fair values because of short maturities of those instruments.

Note 24 – Trade payables

Trade payables are generally non-interest bearing and the payment terns are net 30 days. Fair value of the payables equals the nominal value of 1 461 (2019: 8 254).

Note 25 - Provisions

The Group recognises a contract liability for prepayments from Shell and Equinor in a joint industry project (the DeepBlue). EMGS, Shell and Equinor decided to collaborate on the development, construction, and testing of an advanced marine electromagnetic acquisition system. The prototype of the new source was completed in 2017. The contract liability was previously recognised as revenue over an eight-year period, which is the same as the depreciation period for the DeepBlue source asset. In 2019, Shell, Equinor and EMGS signed an amendment to the initial agreement, which changed the liability's revenue recognition period from eight to four years starting from 1 January 2019.

The Group has recorded 9 625 as provision for DeepBlue prepayments per 31 December 2020 (2019: 14 437).

The prepayments from Shell and Equinor have been recorded at fair value, and the difference between the fair value and the nominal amount of the consideration was recognised as interest. This interest expense is recorded against revenues. Total interest expense recorded in 2020 was 830 (2019: 1 347).

Note 26 – Other short-term liabilities

Amounts in USD 1 000	**2020**	2019
Accrued expenses	987	3,229
Holiday pay	224	1,228
Social security taxes and other public duties	202	1,104
Other short term liabilities	1,361	5,246
Total other short term liabilities	**2,774**	**10,807**

Accrued expenses are generally on 30 days payment terms.

Note 27 – Leases

The Group has lease contracts for various items of IT-equipment, offices and vessels. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Some of the lease contracts include extension options. See Note 4 for information on extension options.

The Group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets and lease liabilities recognised and the movements during the period:

	Right-of-use assets				**Lease liabilities**	**Interest expense on lease liabilitiles**
Amounts in USD 1 000	**Vessel leases**	**Office leases**	**IT equipment**	**Total**	**Total**	
As at 1 January 2020	**13,821**	**1,604**	**531**	**15,956**	**18,328**	
Additions	1,663	0	25	1,688	1,688	
Depreciation expense	-7,349	-356	-151	-7,856	0	
Depreciation capitalised as multi-client expenses	-506	0	0	-506	0	
Impairment/Modification	0	-1,035	0	-1,035	0	
Payments	0	0	0	0	-8,042	-1,111
As at 31 December 2020	**7,629**	**213**	**404**	**8,247**	**11,975**	**-1,111**

The maturity analysis of the lease liabilities is disclosed below:

Amounts in USD 1 000	**2020**	2019
Lease agreements – minimum lease payments:		
No later than 1 year	6,302	11,353
After 1 year and no more than 5 years	6,668	8,302
After more than 5 years	0	0
Total minimum lease payments	**12,970**	**19,655**
Future finance charges on leases	-995	-1,327
Present value of lease agreements	**11,975**	**18,327**

The following amounts are recognised in profit or loss:

Amounts in USD 1 000	**2020**
Depreciation expense of right-of-use assets	7,856
Interest expense on lease liabilities	1,111
Total amounts recognised in profit or loss	**8,967**

The Group had total cash outflows for leases of 9,152 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of 1,688 in 2020. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 29.

Depreciation of right-of use assets as presented in the Consolidated Income Statement USD 7 856 is net of depreciation capitalised as multi-client expense as opposed to the Consolidated Statement of Cash Flows, in which the gross depreciation of USD 8 362 is included in operating activities and USD 506 is included in investing activities.

Note 28 - Contingencies

The Group has contingent liabilities in respect of guarantees and matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The Group has given guarantees in the ordinary course of business to third parties as specified below:

Amounts in USD 1 000	**2020**	2019
Guarantees on client contracts	7,330	9,045
Other guarantees/collateral	547	684
Total guarantees	**7,877**	**9,730**

Guarantees on office premises are valid as long as the contracts are active. All guarantees are secured by bank guarantees.

Note 29 - Commitments

Lease commitments:

The Group has lease agreements on IT-equipment, offices and vessels.
The future aggregate minimum lease payments under non-cancellable leases are as follows:

Amounts in USD 1 000	**2020**	2019
No later than 1 year	6,302	11,353
After 1 year and no more than 5 years	6,668	8,302
Total operating lease commitments	**12,970**	**19,655**

Contract terms on renewal of the leases are to be negotiated at or before the expiry of the contracts. The vessel contracts have renewal options of different durations.

Note 30 – Legal claims

EMGS is involved in the following legal processes:

EMGS is engaged in several tax discussions with the Brazilian internal revenue service. These discussions are related to two main categories of claims by the IRS; (i) a non-approval by the IRS of certain tax offset requests by EMGS related to a credit of Social Contribution on Net Profits (all as provided for under Brazilian law); and (ii) payment of an administrative penalty fee of 50% over a previously disputed tax credit claim. EMGS disputes all of the claims received from the IRS and has initiated administrative proceedings in Brazil to that effect. While EMGS views a negative outcome as unlikely, should EMGS ultimately be unsuccessful in disputing these claims, the aggregate potential additional tax liability amounts to approximately 306 (exclusive of interest and penalties).

Note 31 – Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Amounts in USD 1 000	**2020**	2019
Income/(loss) attributable to equity holders of the Company	-23,385	15,039
Basic earnings per share	**-0.18**	**0.11**
Diluted earnings per share	**-0.18**	**0.11**
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	130,970	130,970
Effect of dilutive potential shares:		
Share options	0	0
Weighted average number of ordinary shares for the purpose of diluted earnings per share (thousands)	130,970	130,970

The Company has one category of dilutive potential ordinary shares: share options.

Note 32 – Related party transactions

The following table provides the amounts paid on transactions that have been entered into with related parties for the relevant financial year:

Amounts in USD 1 000	**2020**	2019
Siem Europe S.A.R.L.	68	161
Perestroika AS	69	0
RWC European Focus Master Inc.	34	81
Total guarantee commissions	**170**	**242**

In 2019, the Group secured a new guarantee facility (the "New Facility") that has a maximum limit of USD 7.5 million and is limited in scope to providing certain performance and warranty guarantees required under the multi- year acquisition contract with Pemex. The New Facility was provided by the Company's existing bank. At the time of establishment and during 2019, the New Facility was fully guaranteed by Siem Europe S.A.R.L., Perestroika AS and RWC European Focus Master Inc. (the "Shareholder Guarantors"). The shareholder guarantees were replaced by a pledged cash depot (the "Pledged Depot") which served as security for the New Guarantee. A counter guarantee agreement entered into between EMGS and the Shareholder Guarantors regulates the Company's obligations towards the Shareholder Guarantors in connection with the New facility. The Group paid the Shareholder Guarantors a guarantee commission of 8% p.a. of the guaranteed amount, 1.5% p.a. for such parts of the New Guarantee which were covered by the Pledged Depot, and to 0% as the Shareholder Guarantors were released form their obligations towards the bank. The Pledged Depot was fully replaced as of May 2020.

Note 33 – Investment in subsidiaries

Amounts in USD 1 000

Company	Share ownership/ voting rights 2020	Share ownership/ voting rights 2019	Equity 31 December 2020	Equity 31 December 2019	Location
Sea Bed Logging - Data Storage Company AS	100%	100%	4	-34	Trondheim, Norway
emgs Americas 1 AS	100%	100%	11,938	9,041	Trondheim, Norway
CSEM Production AS	100%	100%	-2	2	Trondheim, Norway
EM Multi-client AS	100%	100%	905	914	Trondheim, Norway
EMGS Global AS	100%	100%	1,254	1,362	Trondheim, Norway
emgs Americas Inc	100%	100%	-854	-926	Delaware, USA
emgs Shipping Mexico S. de R.L. de C.V.	99%/100%	99%/100%	1,593	-1,334	Col. Del Valle, Mexico
emgs Sea Bed Logging Mexico S.A. de C.V.	100%	100%	-4,119	1,100	Col. Del Valle, Mexico
emgs Services Mexico S.A. de C.V.	99%	99%	235	310	Col. Del Valle, Mexico
Electromagnetic Geoservices Canada Inc	100%	100%	-824	-786	British Columbia, Canada
Servicios Geologicos Electromagneticos do Brasil Ltda	100%	100%	-53,111	-52,662	Rio de Janeiro, Brasil
EMGS Surveys AS	100%	100%	7,341	7,342	Trondheim, Norway
Electromagnetic Geoservices UK Ltd	100%	100%	4,154	3,610	London, UK
Electromagnetic Geoservices Malaysia Sdn Bhd	1%/100%	1%/100%	811	878	Kuala Lumpur, Malaysia
emgs Asia Pacific Sdn Bhd	100%	100%	531	1,657	Kuala Lumpur, Malaysia
emgs Labuan Ltd	100%	100%	-21	-18	Labuan, Malaysia
emgs Asia Pacific Labuan Ltd	100%	100%	-149	-354	Labuan, Malaysia
emgs Australia Pty Ltd	100%	100%	102	103	Perth, Australia

The Group consolidates Electromagnetic Geoservices Malaysia Sdn Bhd and emgs Shipping Mexico S. de R.L. de C.V. at 100 % as the Company has control over these companies.

The Group has started the process of voluntary winding up of emgs Asia Pacific Sdn Bhd, emgs Labuan Ltd., emgs Asia Pacific Labuan Ltd., Electromagnetic Geoservices Malaysia Sdn Bhd.

Side agreements show that EMGS has all the rights and obligations of 100 % ownership.

Note 34 – Events after the reporting period

Pledged Depot deposit (New Facility)

In February 2021, USD 7.3 million held in the Pledge Depot was released due to the expiry of the guarantee is provided security for. Upon release, available cash increased by USD 7.3 million.

Contract Awarded

In March 2021, Electromagnetic Geoservices ASA was awarded a 3D CSEM contract in Southeast Asia. The expected contract value is between USD 6.0 and 7.0 million.

Financial statements.

EMGS ASA

Income Statement.

Amounts in NOK 1 000	Note	2020	2019
Operating revenues			
Contract sales	1, 11	44,518	275,565
Multi-client sales	1, 11	123,670	276,537
Other revenue	1, 11	45,980	52,013
Total operating revenues		**214,168**	**604,116**
Operating expenses			
Charter hire, fuel and crew expenses	4	104,001	184,197
Employee expenses	5, 6	78,667	162,389
Depreciation and ordinary amortisation	7	26,558	44,244
Multi-client amortisation	7	33,748	18,066
Impairment of long-term assets	7	70,199	1,385
Other operating expenses	4, 22	31,003	53,912
Total operating expenses		**344,177**	**464,193**
Operating income		**-130,009**	**139,923**
Financial income and expenses			
Financial income	16	77,012	16,706
Financial expense	16	-40,892	-339,919
Net financial items		**36,120**	**-323,213**
Income/(loss) before income tax		**-93,889**	**-183,290**
Income tax expense	8	7,136	12,961
Income/(loss) for the year		**-101,025**	**-196,252**

Balance Sheet.

As of 31 December

Amounts in NOK 1 000	Note	2020	2019
ASSETS			
Non-current assets			
Multi-client library	7	18,230	50,037
Other intangible assets	7	8,116	12,429
Property, plant and equipment	7, 9	103,819	172,335
Assets under construction	7	0	8,841
Investments in subsidiaries	10	1,091	1,091
Total non-current assets		**131,256**	**244,733**
Current assets			
Spare parts, fuel, anchors and batteries	3	31,444	55,779
Trade receivables	9, 11, 12	10,085	66,443
Receivables group companies	12, 23	29,976	103,585
Other receivables	18	18,101	28,507
Cash and cash equivalents		16,302	41,528
Restricted cash	13	67,956	4,933
Total current assets		**173,864**	**300,774**
Total assets		**305,119**	**545,507**

Balance Sheet.

As of 31 December

Amounts in NOK 1 000	Note	2020	2019
EQUITY			
Paid-in-capital			
Share capital	14, 15	130,970	130,970
Share premium	14, 15	0	0
Other paid-in-capital	14, 15	415,568	415,466
Total paid-in-capital		**546,538**	**546,436**
Retained earnings			
Other equity	15	-633,749	-533,423
Total retained earnings		**-633,749**	**-533,423**
Total equity		**-87,212**	**13,014**
LIABILITIES			
Non-current liabilities			
Provisions	18	82,172	127,303
Borrowings	7, 17	271,629	275,100
Non-current leasing liabilities	17	2,879	4,511
Total non-current liabilities		**356,681**	**406,914**
Current liabilities			
Trade payables		11,317	29,203
Payable group companies	23	0	0
Current tax liabilities	8	8,113	8,365
Public taxes and duties payable	20	1,476	9,572
Other short term liabilities	21	12,912	76,730
Current leasing liabilities	17	1,832	1,710
Total current liabilities		**35,650**	**125,580**
Total liabilities		**392,331**	**532,493**
Total equity and liabilities		**305,119**	**545,507**

Oslo, 29 April 2021
Board of Directors and CEO of Electromagnetic Geoservices ASA

Sign.

Cash Flow Statement.

1 January - 31 December

Amounts in NOK 1 000	**2020**	2019
A) Cash flow from operating activities		
Funds sourced from operations *)	56,580	-105,532
Changes in inventories, accounts receivable and accounts payables	136,416	139,258
Other changes in working capital	-110,786	-2,978
Net cash flow from operating activities	**82,211**	**30,749**
B) Cash flow from investing activities		
Purchase of property, plant and equipment	-11,221	-25,410
Investment in multi-client library	-11,113	-11,664
Net cash flow from investing activities	**-22,335**	**-37,074**
C) Cash flow from financial activities		
Proceeds from issuance of ordinary shares	0	0
Proceeds from new loan	0	0
Proceeds from new leasing agreement	0	4,540
Payment of interests on loans	-20,569	-23,525
Financial lease payments	-1,510	-3,022
Net cash flow from financial activities	**-22,079**	**-22,007**
A+B+C) Net change in cash and cash equivalents	37,797	-28,332
Cash and cash equivalents as 01.01	46,462	74,794
Cash and cash equivalents as 31.12	**84,258**	**46,462**
Calculation of cash and cash equivalents		
Cash and cash equivalents	16,302	41,528
Restricted cash	67,956	4,933
Cash and cash equivalents 31.12	**84,258**	**46,461**
***) Calculation of funds sourced from operations**		
Income/(loss) before income tax	-93,889	-183,289
Depreciation and amortisation	60,306	62,310
Income tax expense	-7,136	-12,961
Impairment of long-term assets	70,199	1,385
Cost of share-based payment	0	0
Amortisation of interest	27,100	27,023
	56,580	**-105,532**

Notes.

Accounting Principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Use of estimates

The management has used estimates and assumptions that have had an impact on assets, liabilities, income, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in other operating expenses.
When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue is recognised as follows:

a) Proprietary contract sales
EMGS performs EM services under contract for a specific customer, whereby the EM data is owned by the customer. The Company recognises contract revenues (whether priced as Lump Sum, Day Rate or Unit Price) over time. Progress is measured in a manner generally consistent with the physical progress on the project.

Mobilisation Fees
Revenues for mobilisation are usually contracted with the customer and should cover the vessel's transit to the actual area. Revenues and costs related to mobilisation are deferred and recognised over the acquisition period (which is the time from the first receiver is dropped to the last retrieval) of the contract, using the percentage of completion method. The deferral of mobilisation costs can only begin after an agreement has been signed between EMGS and the client. Until a contract is signed, costs are expensed as incurred.

b) Sales of multi-client library data
Pre-funding agreements
Sales made prior to commencement of acquisition for a project and sales while the projects are in progress, are presented as pre-funding revenues. The advantages for pre-funding customers are generally the possibility to influence the project specifications, early access to acquired data, and discounted prices.

The Company recognises pre-funded revenue at the point in time when data is made accessible to the customer.

Late sales
Customers are granted a license from the Company 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 recognised when a valid licensing agreement is signed, and the multi-client library data is made accessible to the customer.

Uplift
Uplift revenues can arise if a customer that has already bought a license for EM data, is awarded acreage covered by the data bought. Uplift revenue is recognised when the customer is awarded the acreage.

Contract balances:

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or series to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Significant financing component
The Company has received funding from third parties building the next generation EM equipment. There is a significant financing component for these contracts considering the length of time between the parties' payment and the beneficial period. As such, interest costs are calculated on this contract liability recorded as provision in the balance sheet. The interest rate is commensurate with the rate that would be reflected in a separate financing transaction between the Company and the parties at contract inception.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognised at nominal value.

Subsidiaries

Subsidiaries are valued at cost in the Company's accounts. The investments are valued at the cost of acquiring shares in the subsidiary or joint venture, provided that no write down is required. A write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental and deemed necessary by generally accepted accounting principles. Write downs will be reversed when the cause of the initial write down is no longer present.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Property, plant and equipment

Property, plant and equipment are capitalised and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are used.

Research and development

Development costs are capitalised provided that a future economic benefit associated with development of the intangible asset can be established and costs can be measured reliably. Otherwise, the costs are expensed as incurred. Capitalised development costs are amortised linearly over its useful life.

Research costs are expensed as they are incurred.

Multi-client library

The multi-client library consists of surveys of electromagnetic data. The surveys can be licensed to customers on a non-exclusive basis. Directly attributable costs associated with the production and development of multi-client projects such as acquisition costs, processing costs, and direct project costs are capitalised.

A multi-client project is considered complete when all components or processes associated with the acquisition and processing of the data are finished, and all components of the data have been properly stored and made ready for delivery to customers.

After a project is completed, a straight-line amortisation is applied. The straight-line amortisation is assigned over the useful life, which is set at four years. The straight-line amortisation is distributed evenly through the financial year independently of sales during the quarters.

Leased assets

Leases that provide EMGS with substantially all the rights and obligations of ownership are accounted for as finance leases. Such leases are valued at the present value of minimum lease payment and recorded as assets under tangible assets. The assets are subsequently depreciated, and the related liabilities are reduced by the amount of the lease payments less the effective interest expense. Other leases are accounted for as operating leases with lease payments recognised as an expense over the lease term.

Inventories

Inventories are valued at the lower of cost or net selling price. The selling price is the estimated selling price in the case of ordinary operations minus the estimated completion, marketing and distribution costs. The cost is arrived at using the FIFO method and includes the costs incurred in acquiring the goods and the costs of bringing the goods to their current state and location.

Trade and other receivables

Trade receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables.

Income tax

Tax expenses in the profit and loss accounts comprise of both tax payable for the accounting period and changes in deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax is calculated at 22 percent on the basis of existing temporary differences and the tax effect of tax losses carried forward. Temporary differences, both positive and negative, that will reverse within the same period, are recorded net. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised.

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

Share based payments

Options for employees are valued at the fair value of the option at the time the option plan is adopted. The Black - Scholes model is used for valuation of options. The cost of the options is allocated over the period during which the employees earn the right to receive such options. This arrangement is presented as other paid-in capital in the balance sheet. Provisions are made for the social security taxes related to the share option plan, which are related to the difference between the issue price and the market price of the share at year-end, on the basis of the vesting period of the program.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions for loss on contracts are recognised when it is clear that the contract will result in a loss. The calculation is made by comparing the contracted revenues to the expected direct operating costs for the contract period.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash and bank deposits.

Note 1 – Operating revenues

Amounts in NOK 1 000	**2020**	2019
Regions		
Norway	129,536	285,047
Europe, Middle East and Africa	22,032	2,596
North and South America	61,039	78,928
Asia and the Pacific Ocean	1,560	237,545
Total	**214,168**	**604,116**

50 780 of the 214 168 in total operating revenues in 2020, was intercompany revenues (2019: 85 030).

The Company consists of one business area only. EMGS operates globally.

Note 2 – Shared revenue

The Company has since 2013 entered several cooperation agreements regarding EM multi-client surveys in the Barents Sea and Brazil.

EMGS has received funding and/or seismic data against a revenue share on prefunding, late sales and uplift revenues. EMGS has provided the vessel, performed the data acquisition and finally provided the data processing services. The acquired data remains the property of EMGS.

When EMGS licenses data to customers in areas subject to revenue sharing, the Company invoices and collects payments from the customers for the entire sales amount. The related accounts receivable is presented gross, while the portion due to the partner upon collection from the customer, is presented as a short-term liability.

EMGS' share of the revenue from the sale of multi-client library with cooperation agreements in 2020 is 10 225 (2019: 9 173).

	EMGS' revenue share
Multi-client survey	
Brazil 2013	95%
Barents Sea 2013	70%
Barents Sea 2014	50%
Barents Sea 2015	50%
Barents Sea 2016	50%
Barents Sea 2017	50%

Note 3 – Spare parts, fuel, anchors and batteries

Amounts in NOK 1 000	2020	2019
Inventory type		
Equipment, components and parts	21,042	41,427
Anchors and batteries	7,607	9,898
Fuel	2,795	4,454
Total	**31,444**	**55,779**

Note 4 – Operating leases

Amounts in NOK 1 000	2020	2019
Operating leases recognised as expense in the period		
Charter hire	63,413	93,488
Office premises	6,119	6,837
Total	**69,531**	**100,325**

Note 5 – Pensions

The Company is required to have an occupational pension plan in accordance with the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon"). The Company's pension arrangements fulfill the requirements of the law.

In 2020, the pension plan involved a contribution level of 5 % of Base Salary from 0 to 7.1 G and 15 % of Base Salary from 7.1 up to 12 G, where G is the National Insurance basic amount (Folketrygdens grunnbeløp). G is equal to NOK 101 351 as of 31 December 2020.

The Company`s contribution to the Norwegian defined contribution plan for the year ended 31 December 2020 is 2 786 (2019: 5 304).

As of 31 December 2020, there are 19 employees covered by the defined contribution pension plan (2019: 74).

Note 6 – Remuneration

The average number of employees during 2020 was 61.

Amounts in NOK 1 000	2020	2019
Employee expenses:		
Salaries and bonus	62,572	138,041
Payroll tax	7,610	12,337
Pension costs	2,920	5,304
Other benefits	5,565	6,707
Total	**78,667**	**162,389**

Executive Management remuneration

Amounts in NOK 1 000		Salaries	Bonus	Share options	Pension benefit	Other benefits**	Total remuneration
Executive Management							
Bjørn Petter Lindhom *	2020	3,475		7	134	123	3,739
Anders Eimstad, CFO	2020	1,451		7	74	15	1,547
Dag Helland-Hansen, Global EA / President EMEA	2020	2,230		7	76	15	2,329
Øyvind Greaker Bjørndal, CLC	01.01.2020-30.09.2020	1,265			72	12	1,348
Total		**8,421**			**356**	**165**	**8,963**

*Bjørn Petter Lindhom was engaged through a consultancy agreement with a subsidiary of EMGS ASA for a portion of 2020.

**Other benefits include electronic communication, group life insurance and health insurance.

Remuneration Policy

All members of the Executive Management Group have fixed salaries. In addition to the fixed salary, a bonus plan is in place. The bonus system is based on a combination of fulfillment of EMGS´s goals and individual goals. The Executive Management Group is included in the Company´s ordinary pension plan.

There are no other variable elements included in the remuneration for the Executive Management Group.

Board of Directors remuneration

Amounts in NOK 1 000			Directors fee
Board of Directors			
Johan Kr. Mikkelsen	Chairman of the Board	01.01.-20.02.	63
Petteri Soininen	Non-executive Director	01.01.-31.12.	443
Mimi Berdal	Chairman of the Board	01.01.-31.12	374
Alexandra Herger	Non-executive Director	01.01.-19.06.	136
Øyvind Greaker Bjørndal	Non-executive Director	19.06.-31.12.	61
Marte Vist Karlsen	Employee elected board member	01.01.-19.06.	0
Jon Gunnar Solheim	Employee elected board member	01.01.-19.06.	0
			1,077

The amounts listed under Directors fee have been expensed and paid in 2020.

The employee´s representatives are not paid directors fee and their remuneration as employees have not been included in the table above.

Share base payment

The Company has an option program (more details about the program is presented in note 15 for the Group).
The Company uses Black Scholes model to estimate the value of the options.

Amounts in NOK 1 000	Number of options OB	Forfeited options	Granted options	Number of options CB	Weighted average excercise price B	Weighted average remaining contractual life
Executive Management						
Bjørn Petter Lindhom	7,500	-7,500	12,500	12,500	2.17	3.60
Knut Anders Eimstad	0	0	12,500	12,500	2.17	3.60
Dag Helland-Hansen	0	0	12,500	12,500	2.17	3.60

B – average exercise price for number of options by 31 December 2020.

Loans and guarantees

No loans or loan guarantees have been granted to the Executive Management of the Board of Directors or other related parties.

Auditor expense

Amounts in NOK 1 000	2020	2019
Auditor expenses		
Statutory audit services (excl VAT)	675	1,100
Tax advisory services (excl VAT)	436	227
Further assurance services (excl VAT)	213	9
Total	**1,324**	**1,336**

Note 7 – Tangible and intangible assets

Amounts in NOK 1 000	Property, plant and equipment	Patents	Software licenses etc.	Multi-client library	Total	Assets under construction
Acquisition cost at 1 January 2020	1,124,240	26,415	100,036	690,197	1,940,888	23,463
Adjustment of opening value	0	0	0	0	0	0
Transferred from assets under construction to intangible assets	0	0	5,306	0	5,306	0
Purchases	4,532	0	0	11,113	15,645	1,443
Disposals		0	0	0	0	0
Acquisition cost at 31 December 2020	**1,128,772**	**26,415**	**105,342**	**701,310**	**1,961,839**	**24,906**
Accumulated depreciation 1 January 2020 (Restated*)	951,904	21,849	92,173	640,161	1,706,087	14,622
Depreciation/amortisation for the year	20,744	761	5,053	33,748	60,306	0
Transferred from assets under construction to intangible assets	0	0	0	0	0	5,306
Disposals	0	0	0	0	0	0
Impairment	52,244	3,805	0	9,172	65,221	4,978
Accumulated depreciation 31 December 2020	**1,024,892**	**26,415**	**97,226**	**683,081**	**1,831,614**	**24,906**
Net carrying value	**103,879**	**0**	**8,115**	**18,230**	**130,225**	**0**
Depreciation rate (%)	13-33	7-10	33	25		

*See changes in accounting policy under notes

Depreciation/amortisation of fixed assets is calculated using the straight-line method.

The registered patents rights relate to electromagnetic surveys (EM).

The DeepBlue

EMGS has been working on a Joint Industry Project ("the DeepBlue"), supported by Shell and Equinor, for developing the Next Generation EM equipment. The benefit of using the DeepBlue equipment is deeper penetration and significantly improved imaging at increased burial depths. The improved imaging leads to improved confidence and enhanced interpretation possibilities. The project commenced 2012 and the prototype equipment was completed in 2017 with its first commercial survey summer 2017. The carrying value of the DeepBlue equipment as of 31 December 2020 was 94 525 (2019: 152 067) (more details about the DeepBlue in presented in note 17 for the Group).

See Note 19 for funding from the DeepBlue partners recorded as a contract liability.

Assets under construction

Assets under construction are internal capital expenditure projects that are not completed. These projects are mainly development and production of acquisition equipment, but also interpretation and modelling software.

Finance leases

Finance leases are capitalised at the lease's commencement at the lower of the present value and cost.

The leasing contracts have a duration of 5 years and the asset will be depreciated over a 3-5-year period.

The terms of the agreements are 3 month NIBOR + 2,60%, 2,80% and 3,42%.

Amounts in NOK 1 000	**2020**	2019
Capitalised in the balance sheet 31 December	5 631	9 744
Accumulated Depreciation	-2 171	-5 249
Net carrying value	**3 460**	**4 495**
Depreciation	344	1 783

Amounts in NOK 1 000	**2020**	2019
Specification of R&D expenses		
External expenses	-616	673
Materials	421	-702
Internal hours	11,569	10,303
Total	**11,375**	**10,275**

Amounts in NOK 1 000	**2020**		**2019**	
	Nominal value	**Present value**	**Nominal value**	**Present value**
Leases due within 12 months	1 975	1 832	1 976	1 710
Leases due within the next 13-60 months	3 029	2 879	4 862	4 511
Remaining debt on leasing contracts 31 December	**5 005**	**4 711**	**6 838**	**6 221**

Note 8 – Income taxes

Amounts in NOK 1 000	2020	2019
Tax base specification		
Profit before tax	-93,889	-183,290
Permanent differences	-61,921	297,843
Changes in temporary differences	22,400	-35,048
Recieved group contribution	22,022	0
Tax expense abroad, paid	0	0
Taxable profit (this year tax base)	**-111,388**	**79,505**
Tax losses carried forward	111,388	-79,505
Taxable profit (this year tax base)	**0**	0
Income tax expenses:		
Non-creditable foreign income taxes	7,136	12,961
Total income tax expense	**7,136**	**12,961**
Temporary differences		
Fixed assets	-69,471	-46,461
Accounts receivable	0	0
Inventory	0	-796
Provisions tax liability abroad	4,299	4,487
Other accruals	-35,527	-490
Tax losses carried forward	-1,525,086	-1,467,156
Total temporary differences	**-1,625,785**	**-1,510,417**
Non-recognised deferred tax asset	**-357,673**	**-332,292**

Non-creditable foreign income tax is related to Malaysia.

Non-recognised deferred tax asset

Amounts in NOK 1 000	Tax base	22% tax
Explanation why the tax is not 22% of income before tax		
22% tax of income before tax	-93,889	-20,656
Permanent difference	-61,921	-13,623
Change in deferred tax assets, not recognised	115,368	25,381
Correction of errors in previous years	18,419	4,052
Effect of tax on group contribution	22,022	4,845
Calculated tax		**0**
Effective tax rate in %		**0%**

Unused tax losses can be carried forward indefinitely.

Current tax liabilities are related to operations abroad. Accrued year end is 8 113 (2019 8 365).

Note 9 – Collaterals

There are no long-term liabilities due in more than five years from 31 December 2020 or 31 December 2019.

Amounts in NOK 1 000	2020	2019
Pledged assets:		
Trade receivables	8,933	20,030
Assets held under finance leases	4,362	4,495
Total carrying value of pledged assets	**13,295**	**24,525**

Note 10 – Investment in subsidiaries

Amounts in NOK 1 000	Share ownership/ Voting rights	Net carrying value shares in subsidiaries	Profit/Loss 2020	Equity 31 December 2020	Location
Sea Bed Logging - Data Storage Company AS	100%	0	2,015	-38	Trondheim, Norway
emgs Americas 1 AS	100%	0	17,409	-26,201	Trondheim, Norway
CSEM Production AS	100%	0	-29	-13	Trondheim, Norway
EM Multi-client AS	100%	0	-339	7,724	Trondheim, Norway
EMGS Global AS	100%	117	-461	82	Trondheim, Norway
EMGS Surveys AS	100%	0	-55	1,158	Trondheim, Norway
EMGS Shipping Mexico S. de R.L de C.V.	99%	0	24,973	13,594	Col. Del Valle, Mexico
EMGS Sea Bed Logging Mexico S.A. de C.V.	100%	0	-44,529	-35,145	Col. Del Valle, Mexico
Servicos Geologicos Electromagneticos Do Brazil LTD	99%	0	-3,837	-453,179	Rio de Janeiro, Brazil
Electromagnetic Geoservices Malaysia Sdn Bhd	1%	0	2,531	6,918	Kuala Lumpur, Malaysia
emgs Asia Pacific Sdn Bhd	100%	839	-6,919	4,534	Kuala Lumpur, Malaysia
EMGS Labuan Ltd	100%	0	-25	-183	Labuan, Malaysia
EMGS Asia Pacific Labuan Ltd	100%	0	-574	-1,273	Labuan, Malaysia
emgs Australia Pty Ltd	100%	0	-8	870	Perth, Australia
Total		**955**	**-9,849**	**-481,151**	

Note 11 – On-going projects

Part of trade receivables that are recognised in 2020, but not invoiced per 31 December 2020 amounts to 0 (2019: 0).

Deferred revenue as of 31 December 2020 amounts to 2 433 (2019: 13 305).

The Company does not expect any loss on contracts in 2020.

Note 12 – Receivables

The Company has no accounts receivables with due dates later than 12 months.

There has not been made any provision for loss on external receivables per 31 December 2020 (2019: 0).

Note 13 – Bank deposits

Restricted cash as of 31 December 2020:

Amounts in NOK 1 000	2020	2019
Restricted cash		
Guarantees	66,865	9
Employee tax	1,091	4,924
Total	**67,956**	**4,933**

Note 14 – Share capital and Shareholder information

The total authorised number of ordinary shares is 153 889 385 as of 31 December 2020 (2019: 153 889 385) with a par value of NOK 1 per share. All issued shares are denominated in NOK and fully paid.

The largest shareholders as of 31 December 2020:

	Number of ordinary shares	Percentage
SIEM INVESTMENTS INC.	31,327,467	23.92%
PERESTROIKA AS	29,452,795	22.49%
Morgan Stanley & Co. LLC	25,891,805	19.77%
SPORTSMAGASINET AS	4,191,786	3.20%
RAGE	1,200,000	0.92%
Nordnet Bank AB	979,934	0.75%
RYGG	799,275	0.61%
NÆRINGSLIVETS HOVEDORGANISASJON	766,190	0.59%
NORDNET LIVSFORSIKRING AS	726,963	0.56%
HAAV HOLDING AS	700,000	0.53%
Danske Bank A/S	667,417	0.51%
Nordea Bank Abp	573,705	0.44%
KONGSRUD	507,837	0.39%
JAGLAND	500,000	0.38%
KRISTIAN FALNES AS	500,000	0.38%
BÆKKELAGET HOLDING AS	500,000	0.38%
NGUYEN	470,000	0.36%
ØVERLAND	457,039	0.35%
SKOGMO	450,000	0.34%
EIKANGER INVEST AS	448,000	0.34%
Other	29,859,477	22.80%
Total	**130,969,690**	**100%**

	Shares
Leading representatives of the Company as of 31 December 2020 hold the following shares:	
CEO	17 003
Business Unit President EMEA & Global Exploration Advisor	40 000
Chairman of the Board, Mimi Berdal (MKB Invest AS)	30 000
Board member, Øyvind Greaker Bjørndal	11 000
Total	**98 003**

Note 15 – Equity

Amounts in NOK 1 000	Share capital	Share premium	Other paid-in capital	Available-for-sale reserve	Actuarial gains/(losses)	Other equity (uncovered loss)	Total
At 31 December 2019	130,970	0	413,416	2,050	13,377	-546,800	13,013
Group contribution not recorded in 2019	0	0	0	0	0		0
At 1 January 2020	130,970	0	413,416	2,050	13,377	-546,800	**13,013**
Other transactions	0	0	101	0	0	699	800
Income for the year	0	0	0	0	0	-101,025	-101,025
At 31 December 2020	**130,970**	**0**	**413,517**	**2,050**	**13,377**	**-647,126**	**-87,212**

Note 16 – Financial items

Amounts in NOK 1 000	**2020**	2019
Financial income:		
Group contribution	22,120	6,332
Interest income subsidiaries	0	0
Interest income on short term bank deposits	1,866	1,404
Net foreign exchange gains	16,346	8,970
Net gains of financial assets	36,680	0
Total	**77,012**	**16,706**
Financial expenses:		
Interest expense subsidiaries	2,599	0
Interest expense	34,535	40,239
Net loss on financial assets and liabilities	0	291,944
Financial expenses repayment of bond loan	0	0
Other financial expenses	3,758	7,736
Total financial	**40,892**	**339,919**
Net financial items	**36,120**	**-323,213**

Note 17 – Financial liabilities

USD 32.5 million convertible bond

On 9 May 2018, EMGS secured a USD 32.5 million convertible bond bearing an interest at 3 months LIBOR + 5.50% p.a. The loan can at any time be converted into common shares in EMGS at the conversion price of NOK 3.31 (USD 0.42677) until the maturity date on 9 May 2023.

The USD 32.5 million convertible bond can be seen as a contract settled by an entity by delivering a fixed amount of its own equity instruments in exchange for a fixed amount of foreign currency. The economic components of this convertible bond are:

(a) A liability. On issuance of the convertible bond, the fair value of the liability component was determined using a market rate for an equivalent non-convertible bond; and classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.
(b) An equity component. The residual of the proceeds was allocated to the conversion option that was recognised in shareholders' equity.

At inception, the value of the liability component was estimated to NOK 246.4 million, and amortised cost as of 31 December 2020 was NOK 271.6 million (2019: NOK 275.1 million). The equity component, the carrying amount of the conversion option, was estimated to NOK 15.8 million at inception and is not remeasured in subsequent periods.

The convertible bond loan contains financial covenants requiring free cash and cash equivalents of at least USD 2.5

million on group level. In addition, the bond agreement has restrictions regarding the Company's ability to sell the multi-client library, declare or make dividend payments, incur additional indebtedness, change its business or enter into speculative financial derivative agreements. As of 31 December 2020, the free cash and cash equivalents of the Group totalled USD 4.2 million.

The bond is unsecured.

Lease liabilities

The finance lease liabilities relate to certain property, plant and equipment and are capitalised leases for financial reporting purposes. The related leased property, plant and equipment serve as the collateral under such leases.

Amounts in NOK 1 000	Interest rate	Maturity	**2020**	2019
Non-current				
USD 32.5 million convertible bond	3 month LIBOR + 5.50%	5/9/2023	271,629	275,100
Lease liabilites	4.0-8.1%	2-4 years	2,879	4,511
Total			**274,508**	**279,611**
Current				
Lease liabilites	4.0-8.1%	Up to 1 year	1,832	1,710
Total			**1,832**	**1,710**
Total financial liabilities			**276,340**	**281,321**

Note 18 – Other receivables

Amounts in NOK 1 000	**2020**	2019
Other receivables		
Prepaid expenses	4,188	6,855
VAT	795	2,504
Withholding tax	12,413	12,851
Other	706	6,296
Total	**18,101**	**28,507**

Note 19 – Provisions

The Company recognises a contract liability for prepayments from Shell and Equinor in a joint industry project (the DeepBlue). EMGS, Shell and Equinor decided to collaborate on the development, construction, and testing of an advanced marine electromagnetic acquisition system. The prototype of the new source was completed in 2017. The contract liability was previously recognised as revenue over an eight-year period, which is the same as the depreciation period for the DeepBlue source asset. In 2019, Shell, Equinor and EMGS signed an amendment to the initial agreement, which changed the liability’s revenue recognition period from eight to four years starting from 1 January 2019.

The Company has recorded 82 172 as provision for DeepBlue prepayments per 31 December 2020 (2019: 127 303).

The prepayments from Shell and Equinor have been recorded at fair value, and the difference between the fair value and the nominal amount of the consideration was recognised as interest. This interest expense is recorded against revenues. Total interest expense recorded in 2020 was 6 763 (2019: 11 870).

Note 20 – Public taxes and duties payable

Amounts in NOK 1 000	**2020**	2019
Public taxes and duties payable		
Employee taxes withheld	617	5,304
Employment tax	859	4,348
Tax foreign employees	0	-1
Other	0	-80
Total	**1,476**	**9,572**

Note 21 – Other current liabilities

Amounts in NOK 1 000	**2020**	2019
Other current liabilities		
Provision for onerous contract	0	0
Accrued holiday pay	1,757	10,612
Accrued salaries	0	5,491
Deferred revenues	2,433	13,198
Accrued shared revenues	1,292	664
Accrued vessel expenses	6,123	21,573
Other liabilities	1,309	25,194
Total	**12,913**	**76,732**

Note 22 – Other operating expenses

Amounts in NOK 1 000	**2020**	2019
Other operating expenses		
Rental and housing expenses	7,570	9,255
Consumables and maintenance	3,368	4,742
Consultancy fee	9,647	7,720
Travel expenses	1,400	3,555
Insurance	1,607	1,894
Marketing	571	1,396
Intercompany expenses	4,169	21,756
Other operating expenses	2,672	3,594
Total	**31,003**	**53,912**

Note 23 – Related parties

Sales and purchases of services, receivable and liabilities:

	2020				2019			
Amounts in NOK 1 000	**Liabilities**	**Receivables**	**Purchase**	**Sales**	**Liabilities**	**Receivables**	**Purchase**	**Sales**
Related parties								
Sea Bed Logging - Data Storage Company AS	0	0	0	0	0	0	0	0
emgs Americas 1 AS	0	0	0	0	0	0	0	0
CSEM Production AS	0	0	0	0	0	0	0	0
EM Multi-client AS	11,356	0	0	0	0	0	0	0
emgs Global AS	8,704	0	0	0	9,754	0	0	0
emgs Americas 1 AS Mexican Branch	0	0	0	0	0	0	0	0
emgs Americas Inc	0	0	13,047	0	0	0	20,883	0
EMGS Shipping Mexico S. de R.L de C.V.	0	50,160	0	-5,033	0	134,011	0	-19,615
EMGS Sea Bed Logging Mexico S.A. de C.V.	0	31	0	-44,825	0	26,881	0	-27,422
EMGS Sevices Mexico S.A de C.V	0	0	0	0	0	0	0	0
Electromagnetic Geoservices Canada Inc	0	0	0	0	0	348	0	0
Servicos Geologicos Electromag. Do Brazil LTD/	0	0	0	0	0	0	0	0
EMGS Surveys AS	0	0	0	0	0	0	0	0
EMGS UK Ltd	34,511	0	139	0	31,601	0	218	0
Electromagnetic Geoservices Malaysia Sdn Bhc	1,123	0	0	0	1,160	0	0	0
emgs Asia Pacific Sdn Bhd	3,682	0	0	-922	15,093	0	15,734	-1,287
emgs Labuan Ltd	48	0	0	0	49	0	0	0
EMGS AP Labuan Ltd	0	1	0	0	0	0	0	-720
	59,423	**50,192**	**13,186**	**-50,780**	**57,656**	**161,240**	**36,834**	**-49,044**

In 2020, the Company reversed the accrual for loss on group company receivables with 36 680 (2019 accrued: 156 128)

Note 24 – Events after the reporting period

Pledged Depot deposit (New Facility)

In February 2021, USD 7.3 million held in the Pledge Depot was released due to the expiry of the guarantee is provided security for. Upon release, available cash increased by USD 7.3 million.

Contract Awarded

In March 2021, EMGS was awarded a 3D CSEM contract in Southeast Asia. The expected contract value is between USD 6.0 and 7.0 million.

Auditor's report.

2020

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 Electromagnetic Geoservices ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Electromagnetic Geoservices ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

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

Emphasis of matter

We draw attention to the Board of Directors report, section Going concern, and Note 4.3 – "Going concern" of the consolidated financial statements, which state that the Company's equity is negative at NOK 87.2 million at 31 December 2020, and the requirement for the actions the Board need to take to address and remediate this. 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 2020. 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 Deep Blue equipment

A significant part of PP&E is related to a Joint Industry Project, referred to as "the Deep Blue", which is the Company's next generation EM equipment. The equipment accounts for 28 % (USD 15 million) of total assets of the Group and 46 % (NOK 140 million) of the Parent company. Due to the collapse in the oil price early 2020 and the prevailing Covid-19 pandemic, the seismic market changed significantly the last year. Because of this, the Company booked an impairment of Deep Blue in the first quarter of 2020 with MUSD 5.

The Company performed an updated impairment assessment and determined the value in use per 31 December 2020. Value in use was estimated using cash flow projections related to the expected use of the Deep Blue. Total revenue forecasts were based on budgets and assumptions about the market of EM equipment. Revenue forecasts require judgment from management about the market for this equipment, the number of survey days to expect per year, day rates and other factors that may affect future market conditions. Forecasts of costs are based on the costs using Deep Blue. Management concluded that no additional impairments were required based on the updated assessment. Impairment assessment of Deep Blue is a key audit matter due to the significant judgement involved in estimating future cash flows using the Deep Blue EM equipment.

We evaluated management's estimates related to revenue forecast and assumptions of related costs using the new EM equipment. Our audit procedures included inquiries and assessment of management's assumptions regarding the current market situation and expected development. Through analysis we compared the current year's performance with management's estimate from previous year. We have tested management's assumptions for revenue forecasts against contracts and future vessel plans approved by the Board. Furthermore, we evaluated and tested the valuation methodology, costs related to the use of Deep Blue and the discount rate applied and tested the mathematical accuracy of the value in use calculation. We refer to the Group's disclosures regarding assumptions disclosed in notes 4 – "Significant accounting estimates, judgements and assumptions" and 17 – "Property, plant and equipment and assets under construction" of the consolidated financial statements, and note 7 – "Tangible and intangible assets" for the Company.

Other information

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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal

Building a better
working world

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Opinion on registration and documentation

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

Oslo, 29 April 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Finn Ole Edstrøm
State Authorised Public Accountant (Norway)

EMGS ASA
Karenslyst Allé 4, 4th floor
N-0278 Oslo
Norway