

Quarterly Report

Q1 2023



Argeo

Digitizing the ocean space



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CEO Letter

The year got off to a good start with the arrival of Argeo Searcher to our fleet. Following this, we embarked on a series of integration efforts for the SeaRaptor AUVs and implemented a new data management and onboard processing solution to enable faster turnaround times for our clients. We also undertook a 2-week yard stay at Las Palmas to fit our new underwater communications system, after which we carried out final calibrations and shakedown. With these preparations complete, we turned our focus to our marine mineral projects. Our top priority has been to secure project backlog for the rest of 2023, and we're pleased to report significant progress on this front, with a strong orderbook extending into Q4. We also have several promising leads that could close out this year entirely, demonstrating our continued success in delivering quality service and meeting the evolving needs of our clients.

Vehicle status

Both SeaRaptors have been shipped to Las Palmas and integrated onboard the "Searcher," the Hugin 6000 system is currently on a six-month fixed + six-month optional contract, the option was recently called, and the contract extended until March 2024. Our Argus USV is undergoing a series of tests and verifications for the upcoming North Sea season, with a particular focus on our Offshore Wind projects. The Argus contracted for the Stromar OWS project and offered on subsequent OWS and O&G projects. The Hugin 1000 system is currently warm stacked while we explore potential projects for it.

Projects and contracts

Securing contracts with high-value clients that offer an acceptable risk/reward profile has been the primary focus of our commercial team. This has paid off well, as we now have a nearly full order book for our major assets in 2023. Our tender and sales pipeline is continually growing, and we are in negotiations

for several projects for Q4-23 and well into 2024. We have also achieved qualification for major clients in the O&G sector which is a major achievement by the whole team. Our tender activities now extend well into all of our strategic geomarkets, enabling us to work directly for major client companies in our current markets. We experience that these tenders could lead to contracts that increase in both size and duration, all of which require vessels with equipment of which we are perfectly positioned to deliver on. Our current secured order book for 2023 is approximately NOK 120 million.

Finances

Despite a strong start to the year, our quarterly revenues were lower than expected. This was primarily due to the vessel conversion and a short dry dock period that impacted our operations in the beginning of the quarter, resulting in only 27 days of revenue generating operation for Argeo Searcher, and 90 days for the Hugin 6000 project which is now extended. Based on our financial projections and current contract backlog, we expect to generate positive cash flow from our operations in Q3. This is due to a combination of factors such as an improved order book for our major assets, ongoing qualification for major clients in the O&G sector and expanding our tender and sales pipeline in strategic geomarkets. Additionally, we have implemented cost-saving measures and improved operational efficiency, which are expected to contribute to our positive cash position. We continue to standby our EBITDA target of NOK 50 million for 2023 which now looks firmer than before. However, operational delays can occur which could impact project execution and therefor put this target at risk.

Trond Figenschou Crantz, CEO of Argeo

Trond Figenschou Crantz

Highlights

Q1 Highlights

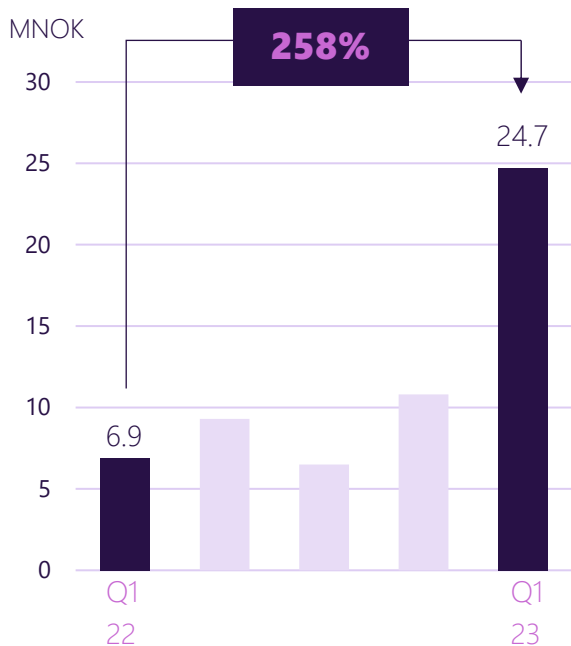
- Strong revenue growth – up 258% from NOK 6.9 to 24.7 million
- Strong order book of NOK 120 million secured in the quarter
- Signed contract for Polish Geological Institute in the Mid Atlantic
- Teamed up with global multi-client player to acquiring world first multi-client marine minerals project
- Signed contract with Stromar Offshore Wind Farm
- Strong sales pipeline of more than NOK 1.4 bn
- Completed conversion and rigging of Argeo Searcher in February
- Strengthened financial position through NOK 5.2 million subsequent offering

Subsequent events

- Signed NOK 37 million contract with Norwegian Petroleum Directorate for minerals survey in Norway
- 6-month option confirmed with extension for minimum USD 2 million contract for Hugin 6000 AUV confirmed.

REVENUES

24.7



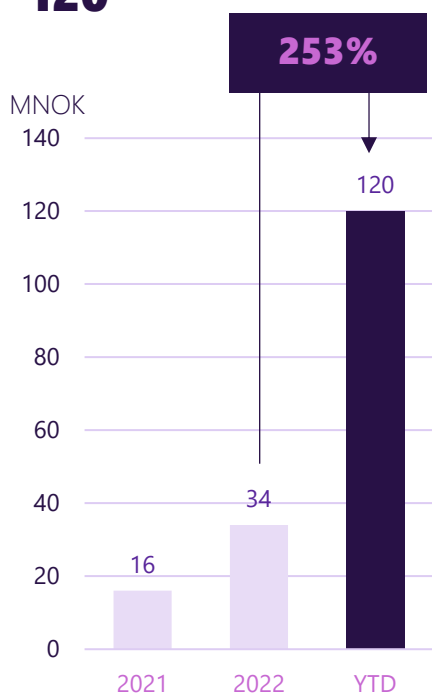
EBITDA

-9.8



ORDER BOOK 2023

120



EBITDA for the quarter included OPEX for vessel during conversion and dry dock.



Positive cash flow from operations expected from Q3

Geomarket update

Europe & Africa

After successfully completing the SMART campaign in April and May, the Searcher will move to the North Sea. Actively pursuing opportunities to expand our presence in the greater North Sea region has resulted in secured work until September. Following the North Sea summer campaign, our focus shifts to West Africa, where we have identified and developed several leads for commercial work. West Africa has a mix of deepwater Oil & Gas development projects and mature infrastructure fields, making it highly relevant for AUV survey and inspection work. Our goal is to establish a strong foothold in this key geomarket and build long-term relationships with clients by providing high-quality services and innovative solutions.

South America

South America, particularly Brazil, represents a substantial market for deep-water Oil & Gas AUV services. To capture this opportunity, Argeo has established a local entity in Brazil and is actively participating in tendering processes as a sub-supplier to local companies. Our focus is on securing longer-term charters for the Searcher, given the significant potential demand in this market.

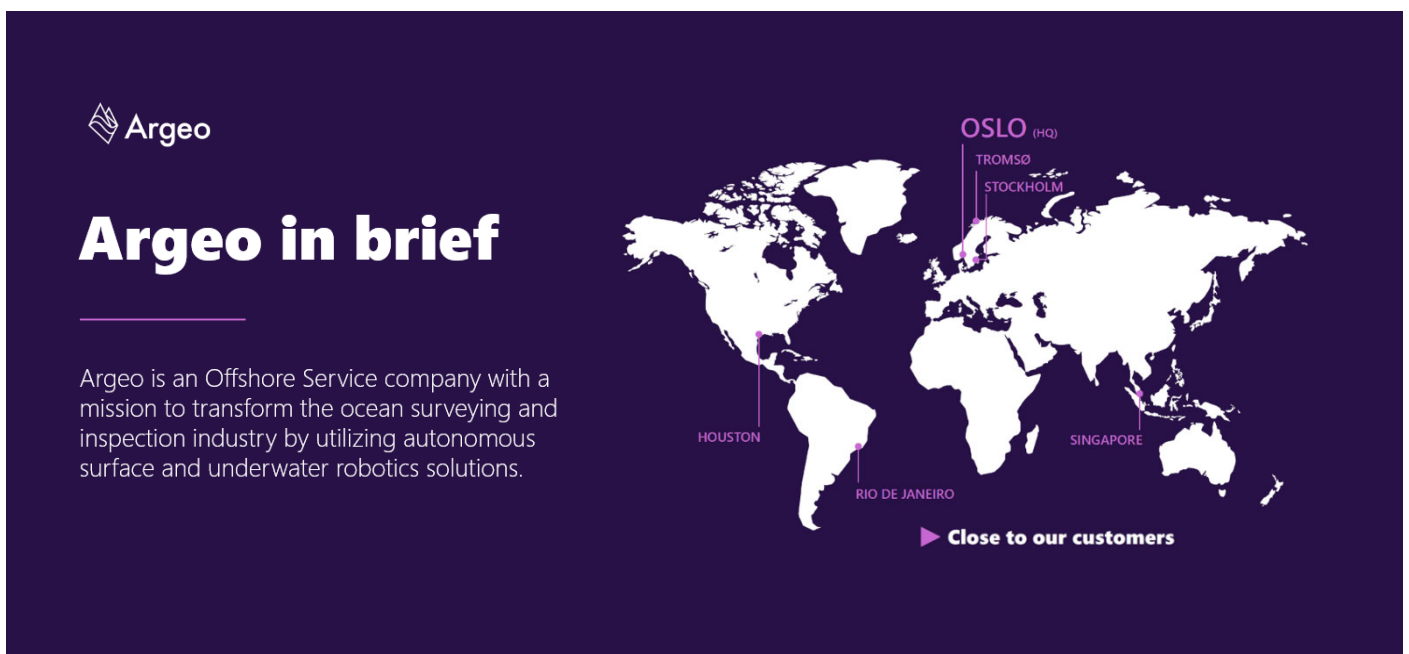
North America

Argeo is closely monitoring the maturing deep water survey market for floating offshore wind along the west coast of North America. As the demand for AUV surveying work is expected to increase, we are evaluating opportunities with AUV's in this region. On the east coast, the focus is mostly on O&G related subsea inspection and brownfield survey work. In order to expand our reach and capabilities in the region, we are exploring partnerships to rig containerized AUV systems on local vessels. These efforts will help us to better serve our clients in both regions, while positioning us for further growth in the future.

About Argeo

Argeo is an Offshore Service company with technology to transforming the ocean space survey and inspection industry utilizing autonomous surface and underwater robotics solutions. Equipped with unique sensors and advanced digital imaging technology, the Autonomous Underwater Vehicles ("AUVs") will significantly increase efficiency and imaging quality in addition to contribute to reductions in CO2 emissions from operations for the global industry in which Argeo operates.

With the recent subsea vessel expansion adding Argeo Searcher to the fleet, Argeo is now offering an independent and complete long endurance solution to our customers. The vessel is well equipped to support IMR operations with Argeo's unique SeaRaptor AUV's and available hangar for several work-class ROV (WROV) systems. Argeo's markets are in Oil & Gas, Renewables, Marine Minerals and Offshore Installations.



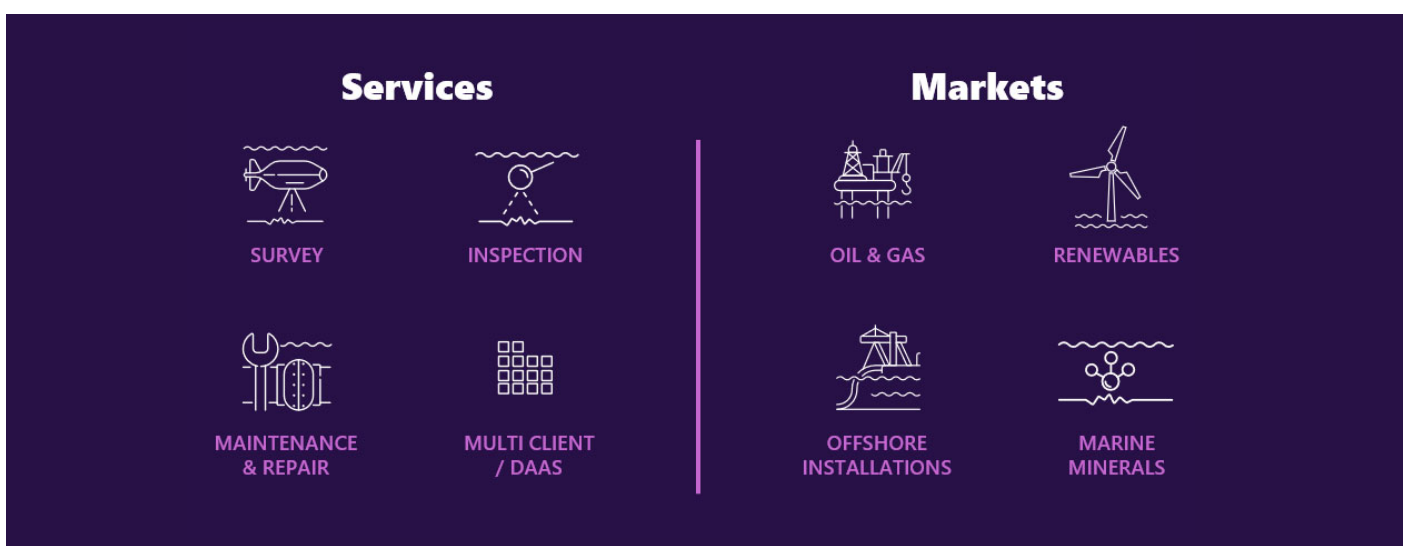
Argeo









Argeo in brief

Argeo is an Offshore Service company with a mission to transform the ocean surveying and inspection industry by utilizing autonomous surface and underwater robotics solutions.

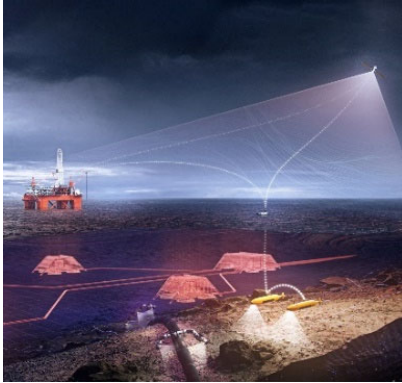
OSLO (HQ)
TROMSØ
STOCKHOLM
HOUSTON
RIO DE JANEIRO
SINGAPORE

► Close to our customers



Services		Markets	
 SURVEY	 INSPECTION	 OIL & GAS	 RENEWABLES
 MAINTENANCE & REPAIR	 MULTI CLIENT / DAAS	 OFFSHORE INSTALLATIONS	 MARINE MINERALS

Robotics and digital solutions for the ocean space - four attractive key target markets



Oil & Gas

Rising number of deep-water activities and a clear directive from majors to replace traditional vessel based IMR solutions with robotics and uncrewed solutions.

- Pipeline and cable survey / inspection
- Site Survey
- Route / trench survey and modelling
- Electrical & communication cable installations
- Route inspection after installation



Renewables

Increase investments in renewable sources of energy and favourable government policies.

- Initial survey
- Early planning & design survey
- Construction and installation survey
- Operations & maintenance



Marine Minerals

Global demand for batteries and metals for the renewable sector is the main growth driver for this market.

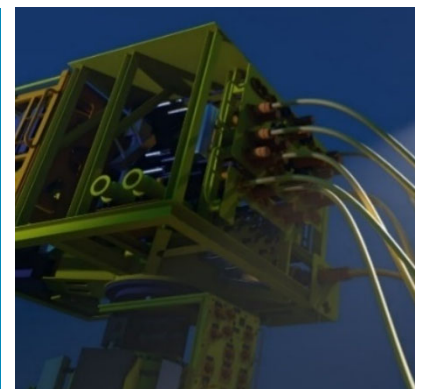
- High-resolution seabed mapping
- UHD seabed and megafauna imaging
- Multiphysics characterization
- Subsurface imaging
- Deposit detection and delineation
- Environmental surveying/monitoring

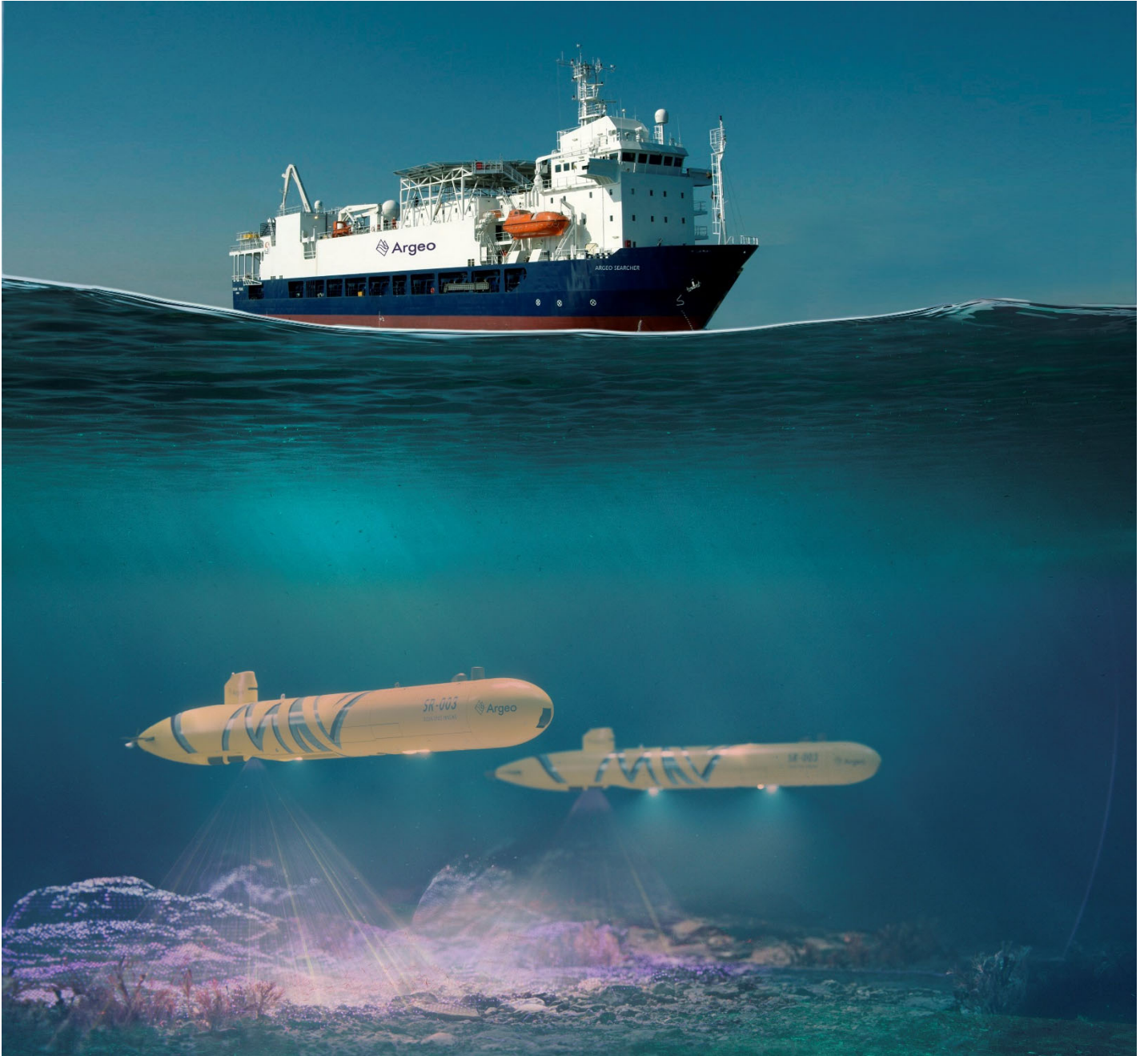


Offshore Installations

The need for expertise and project de-risking for complex offshore installations is increasing with project

- Bridges & crossings
- Aquaculture
- Construction & Installation survey
- Early planning & design survey
- Inspection & maintenance survey





 Financial review

Financial review

Revenue:

Revenue for Q1 2023 was NOK 24.7 million, compared to NOK 6.9 million in Q1 2022. Revenue in Q1 2023 is from the deep-water survey with Argeo Searcher and both SeaRaptors in the North Atlantic, and from the Hugin 6000 which started commercial work in September.

Operating expenses:

Operating cost in Q1 2023 was NOK 16.0 million, compared to NOK 4.7 million in Q1 2022. Employee expenses for Q1 2023 was NOK 18.9 million, compared to NOK 13.8 million in Q1 2022. Other operating expenses in Q1 2023 was NOK 4.7 million, compared to NOK 4.4 million in Q1 2022.

The increase in operating expenses from 2022 is mostly due to vessel conversion cost for Argeo Searcher, which started on a 5-year bareboat contract in January 2023. Argeo has an option to purchase the vessel for USD 2 million after 12 months and USD 1 million after 27 months.

Argeo capitalised NOK 5.0 million as development cost in Q1, compared to NOK 3.7 million in Q1 2022.

Depreciation was NOK 6.0 million in Q1 2023, compared to NOK 0.6 million in Q1 2022.

Financial items

Net financial loss for Q1 2023 was NOK 6.7 million, of which NOK 6.1 million is unrealised currency exchange loss on debt nominated in USD. Net financial gain in Q1 2022 was NOK 0.4 million.

Financial gain in Q1 2023 includes a loss of NOK 0.2 million (50% share) in the JV with Multiconsult.

Net Profit/ Loss

Net loss for Q1 2023 was NOK 22.8 million compared to a net loss of NOK 9.8 million in Q1 2022.

Balance Sheet

Total non-current assets at the end of the period amounted to NOK 256.6 million. This includes NOK 28.5 million in intangible assets, NOK 4.2 million in deferred tax assets and NOK 217.9 million in Property, plant and equipment. Property, plant and equipment includes two SeaRaptor AUV's, one Hugin AUV, and the Argus USV.

Cash and cash equivalents balance was NOK 14.1 million at the end of the quarter, compared to NOK 32.9 million at the end of Q1 2022 and 21.3 million at year end 2022.

Long term debt was NOK 88.5 million at the of Q1 2023, down from 106.5 million at year end 2022. Proceeds from new debt was 9.3 million, repayment NOK 33.4 million, and NOK 6.1 million was increase due to change in exchange rate USD/NOK.

Total liabilities at the end of the quarter were NOK 141.3 million, of which NOK 4.2 million is interest bearing.

Shares

A private placement of 30 300 000 new shares was made 20 December 2022, raising gross proceeds of NOK 50 million. The placement consisted of one tranche of 8 516 160 new shares ("Tranche 1"), and a second tranche of 21 783 840 new shares ("Tranche 2"). The Tranche 1 shares were issued 22 December 2022 pursuant to an earlier authorization granted to the board. After this issuance, Argeo had 51 096 960 shares outstanding at the end of 2022. The Tranche 2 shares were issued 3 January 2023, resulting in 72 880 800 shares outstanding.

A subsequent offering NOK 5.2 million was completed in February 2023. 3 124 368 new shares were issued at NOK 1.65 per share.

In February 2023, the Company issued 139 337 new shares to CEO Trond F. Crantz, related to exercise of warrants under the "Tranche 1 Warrants" plan as described above. The exercise price for each of the warrants was NOK 0.282 per share.

After the subsequent offering and warrants exercise, Argeo has 76 144 505 shares outstanding.

As per 31 March 2023, a total of 1 365 434 options are outstanding in connection with the Company's share option program. 485 434 of these are formalised as warrants ("Tranche 1 Warrants"). Exercise price for these is in average NOK 1.80, and the warrants expires at various intervals from 10 February 2024 to 23 December 2025. 880 000 options were granted to Board of Directors and employees in 2021. These options will vest over 3 years and mature after 5 years. Strike price is NOK 8.20.

In connection with the private placement in April 2021, the Company's general meeting approved the issuance of 3,750,000 new warrants to the existing shareholders of the Company before the private placement ("Tranche 2 Warrants"). A total of 1,875,000 Tranche 2 Warrants can be exercised at NOK 0.10 given a demonstrated share market price appreciation of two times the Subscription Price within the next two years and the remaining 1,875,000 Tranche 2 Warrants can be exercised at NOK 0.10 given a demonstrated share market price appreciation of three times the Subscription Price within a period of 4 years. The Subscription Price in the private placement in April 2021 was NOK 8.20 per share.

Argeo Group
Interim consolidated profit and loss

<u>Amounts in NOK 1 000</u>	Note	<u>Q1-2023</u> <u>(unaudited)</u>	<u>Q1-2022</u> <u>(unaudited)</u>	<u>2022</u> <u>Audited</u>
Operating revenues:				
Sales revenue		24 682	6 913	33 497
Governmental grants		0	0	86
Total operating revenues		24 682	6 913	33 583
Operating expenses:				
Operating cost		15 963	4 676	31 266
Employee expenses		18 857	13 843	62 425
Other operating expenses		4 696	4 398	17 954
Capitalisation of cost		-4 984	-3 659	-26 326
Depreciation	1, 2	6 019	630	12 481
Total operating expenses		40 551	19 889	97 800
Operating profit/(loss)		-15 868	-12 975	-64 217
Financial income and expenses:				
Income/ (loss) equity investments		-192	35	-3 183
Financial income		32	0	296
Financial expenses		-226	-167	-733
Net foreign exchange gain (loss)		-6 297	518	-2 149
Net financial items		-6 683	386	-5 770
Profit/(loss) before tax		-22 551	-12 589	-69 986
Income tax (expense)		-209	2 777	-6 309
Profit/ (loss) for the period		-22 760	-9 813	-76 296

Argeo Group
Interim consolidated statement of Financial Position

Amounts in NOK 1 000	Note	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)	December 31, 2022 (audited)
ASSETS				
Non-current assets				
Intangible assets	1	28 472	12 463	24 304
Deferred tax asset		4 158	13 036	4 349
Property, plant and equipment	2	217 887	65 072	211 840
Shares in associated companies		2 103	5 514	2 295
Multi-client library		4 000	0	4 000
Total non-current assets		256 619	96 085	246 788
Current assets				
Trade receivables		9 436	9 142	17 582
Spare parts		21 209	0	15 630
Other current assets		10 096	52 602	44 468
Cash and cash equivalents		14 082	32 898	21 313
Total current assets		54 823	94 642	98 992
Total assets		311 443	190 727	345 781
EQUITY				
Share capital		7 614	2 744	5 110
Share premium		280 869	179 438	279 545
Other equity		-118 307	-43 944	-95 547
Total equity		170 177	138 238	189 108
LIABILITIES				
Non-current liabilities				
Long term debt	3	88 465	35 633	106 482
Total non-current liabilities		88 465	35 633	106 482
Current liabilities				
Trade payables		26 544	10 562	23 784
Taxes payable		0	100	0
Public duties		2 510	1 273	3 335
Other current liabilities		23 747	4 920	23 072
Total current liabilities		52 801	16 856	50 190
Total liabilities		141 266	52 489	156 672
Total equity and liabilities		311 443	190 727	345 781

Argeo Group
Interim consolidated statement of changes in equity

<u>Amounts in NOK 1 000</u>	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated earnings</u>	<u>Total equity</u>
Balance as of 1.1.2023	5 110	279 545	-95 547	189 108
Profit/(loss) for the period	0	0	-22 760	-22 760
Net proceeds from new equity	2 505	1 324	0	3 829
Balance as of 31.3.2023	7 614	280 869	-118 307	170 177
Balance as of 1.1.2022	2 744	164 558	-19 251	148 051
Profit/(loss) for the period	0	0	-76 296	-76 296
New equity not registered	0	35 943	0	35 943
Net proceeds from new equity	2 366	79 045	0	81 410
Balance as of 31.12.2022	5 110	279 545	-95 547	189 108

Argeo Group

Interim consolidated statement of cash flow

Amounts in NOK 1 000	Note	Q1-2023 (unaudited)	Q1-2022 (unaudited)	2022 (audited)
Cash flow from operating activities				
Profit/(loss) before tax		-22 551	-12 589	-69 986
Depreciation		6 019	630	12 481
Financial income		-32	0	-267
Financial expense		6 524	167	2 853
Gain/Loss equity investments		192	-35	3 183
Change in current assets		36 938	12 384	-3 551
Change current liabilities		2 414	3 500	37 101
Net cash from operating activities		29 503	4 057	-18 185
Cash flow from investing activities				
Investment in property, plant and equipment	2	-11 548	-61 484	-218 962
Capitalisation of development cost		-4 685	-5 070	-18 052
Investment in Multi-client library		0	0	-4 000
Net cash from investing activities		-16 233	-66 554	-241 014
Cash flow from financing activities				
Net proceeds from new equity		3 829	0	117 353
Proceeds from new debt		9 286	30 040	122 743
Repayment of debt		-33 422	-340	-25 009
Financial income		32	0	267
Financial expense		-226	-167	-704
Net cash flow from financial activities		-20 500	29 533	214 650
Net change in cash and cash equivalents		-7 231	-32 964	-44 549
Cash and cash equivalents begin. of period		21 313	65 862	65 862
Cash and cash equivalents end of the period		14 082	32 898	21 313



 Notes

Notes to the unaudited consolidated interim financial statements

General information and basis for the preparation

Argeo AS and its subsidiaries (the "Group", or "Argeo") is a publicly listed company on the Euronext Growth, with ticker symbol ARGEO. Argeo was admitted to trading on Euronext Growth 26 April 2021. Argeo is incorporated and domiciled in Norway.

These interim consolidated financial statements for the fourth quarter ended 31 March 2023 were prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles for smaller companies. They do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with consolidated financial statements of the Group as at and for the year ended 31 December 2022. These condensed consolidated interim financial statements are unaudited for 2023.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022.

Note 1. Intangible assets

Amounts in NOK 1 000

	Development	Licenses	Software	Sum
Cost as of 1 January 2023	23 682	1 999	1 408	27 089
Additions	4 537	144	5	4 685
Governmental grants	0	0	0	0
Cost as of 31 March 2023	28 218	2 143	1 413	31 774
Accumulated depreciation as of 1 January	2 421	342	21	2 784
Depreciation	343	105	71	518
Accumulated depreciation as of 31 March 2023	2 763	447	92	3 302
Net book value at 31 March 2023	25 455	1 696	1 321	28 472
Useful life	5 years	5 years	5 years	
Depreciation method	Linear	Linear	Linear	

Development cost is related to development of a 3D Geological modelling system, Argeo's digital twin solution "Argeo Scope", and various sensor solutions.

Note 2. Property, plant and equipment

	Office equipment	Misc equipment	AUV, USV	Sum
Cost as of 1 January 2023	3 547	13 832	206 973	224 351
Additions	111	10 028	1 408	11 548
Cost as of 31 March 2023	3 658	23 860	208 381	235 899
Accumulated depreciation as of 1 January 2023	1 285	2 069	9 157	12 511
Depreciation	271	340	4 890	5 501
Accumulated depreciation as of 31 March 2023	1 556	2 408	14 047	18 012
Net book value at 31 March 2023	2 102	21 452	194 334	217 887
Useful life	3 years	3-5 years	7 years	
Depreciation method	Linear	Linear	Linear	

Note 3 Long-term liabilities

Amounts in NOK 1 000	Nominal interest	March 31, 2023	March 31, 2022	December 31, 2022
Seller credits	0	84 231	30 040	101 909
Loans	6.45%	4 233	5 593	4 573
Total long-term debt		88 465	35 633	106 482

Seller credits

Argeo has NOK 84.2 million in seller credits related to purchases of AUV's. Expected repayment of the seller credits is NOK 35 million for the remaining quarters in 2023, NOK 41 million in 2024 and NOK 8 million in 2025.

Loans

Argeo has two loans from Innovation Norway, bearing an interest at 6.45%. Both loans are secured with machinery and plant in Argeo Survey AS. One of the loans are also secured with the shares owned by Argeo Survey AS in its 50% ownership in H1000 JV AS, and by a parent company guarantee from Argeo AS, and is repaid over 6 years.

Argeo was granted a new loan from Innovation Norway in December 2022. The loan was drawn with NOK 10 million in April 2023 and NOK 10 million in May 2023.

Financial calendar

24th August 2023: Q2 2023 Report

16th November 2023: Q3 2023 Report

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Phone: +47 976 37 273

Argeo is an Offshore Service company with a mission to transform the ocean surveying and inspection industry by utilizing autonomous surface and underwater robotics solutions. Equipped with unique sensors and advanced digital imaging technology, the Autonomous Underwater Vehicles ("AUVs") will significantly increase efficiency and imaging quality in addition to contribute to significant reduction in CO2 emissions from operations for the global industry in which the Company operates.

The Company's highly accurate digital models and digital twin solutions are based on geophysical, hydrographic, and geological methods from shallow waters to the deepest oceans for the market segments Oil & Gas, Renewables, Marine Minerals and Offshore Installations. Argeo was established in 2017 and has offices in Asker (Oslo), Tromsø, Stockholm, Houston, and Singapore.

www.argeo.no