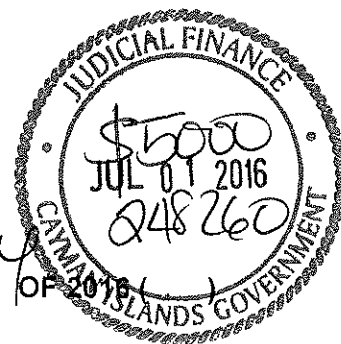


IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

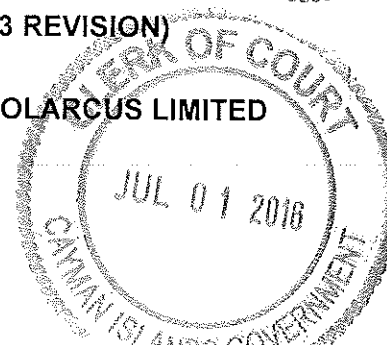


CAUSE NO: 0094

IN THE MATTER OF SECTION 15 OF THE COMPANIES LAW (2013 REVISION)

AND IN THE MATTER OF REDUCTION OF SHARE CAPITAL OF POLARCUS LIMITED

PETITION



TO THE GRAND COURT

THE HUMBLE PETITION OF POLARCUS LIMITED, whose registered office is at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands, SHOWS THAT:

1. Polarcus Limited (hereinafter called the "**Company**"), was incorporated on 17 December 2007 as an exempted company limited by shares under the Companies Law of the Cayman Islands (as amended) (the "**Companies Law**").
2. The objects for which the Company was formed are unrestricted, and the Company has full power and authority to carry out any object not prohibited by the Companies Law.
3. The Company is an investment holding company. It was listed on Oslo Axess (a regulated and licensed market under the auspices of the Oslo Stock Exchange) on 30 September 2009 and transferred to the Oslo Børs (the main Oslo Stock Exchange) on 20 June 2012.
4. The group of companies, of which the Company is the ultimate holding company (the "**Group**"), is principally engaged in the business of delivering high-end towed streamer data acquisition and imaging services to the oil and natural gas exploration industry. The Group's main administrative office is in the Dubai Multi Commodities Centre, Dubai, United Arab Emirates.
5. The authorised share capital of the Company at the date of its incorporation was US\$50,000 divided into 5,000,000 ordinary shares of a nominal or a par value of US\$0.01 each.

6. Since the incorporation of the Company, the authorised share capital has been changed as follows:
- (a) On 9 February 2008, the Company increased its authorised share capital to US\$1,000,000 divided into 100,000,000 ordinary shares of a par value of US\$0.01 each.
  - (b) On 18 March 2008, the Company further increased its authorised share capital to US\$1,700,000 divided into 170,000,000 ordinary shares of a par value of US\$0.01 each.
  - (c) On 19 May 2008, the Company increased its authorised share capital to US\$2,137,868.55 divided into 213,786,855 ordinary shares of a par value of US\$0.01 each.
  - (d) On 20 June 2008, the Company increased its authorised share capital to US\$5,637,868.55 divided into 563,786,855 ordinary shares of a par value of US\$0.01 each.
  - (e) On 11 September 2009, the Company increased its authorised share capital to US\$7,040,000 divided into 704,000,000 ordinary shares of a par value US\$0.01 each and, immediately thereafter, consolidated (i) the 203,571,855 issued ordinary shares of a par value of US\$0.01 each into 101,785,927.50 issued shares of a par value US\$0.02 each and (ii) the 500,428,145 authorised but unissued ordinary shares of a par value US\$0.01 each into 250,214,072.50 authorised but unissued ordinary shares of a par value US\$0.02 each.
  - (f) On 27 April 2010, the Company increased its authorised share capital to US\$11,190,000 divided into 559,500,000 ordinary shares of a par value US\$0.02 each.
  - (g) On 27 April 2011, the Company increased its authorised share capital to US\$13,190,000 divided into 659,500,000 ordinary shares of a par value US\$0.02 each.

- (h) On 26 April 2012, the Company increased its authorised share capital to US\$13,470,000 divided into 673,500,000 ordinary shares of a par value of US\$0.02 each.
- (i) On 13 May 2014, the Company increased its authorised share capital to US\$13,770,000 divided into 688,500,000 ordinary shares of a par value of US\$0.02 each.
- (j) On 20 October 2014, the Company increased its authorised share capital to US\$18,570,000 divided into 928,500,000 ordinary shares of a par value of US\$0.02 each.
- (k) On 22 November 2015, the Company consolidated the 669,813,680 issued ordinary shares of a par value of US\$0.02 each into 66,981,368 issued ordinary shares of a par value of US\$0.2 each and the 258,656,320 authorised but unissued shares of a par value of US\$0.02 each into 25,868,632 authorised but unissued ordinary shares of a par value US\$0.2 each.
- (l) On 27 January 2016, the Company increased its authorised share capital to US\$19,353,682.0056 divided into 92,850,000 ordinary shares of a nominal or par value of US\$0.20 each (the "**Ordinary Shares**") and 602,832,312 Class B shares of a nominal or par value of US\$0.0013 each (the "**Class B Shares**").
- (m) On 13 April 2016, the Company increased its authorised share capital to US\$152,051,997.8056 divided into 756,341,579 Ordinary Shares and 602,832,312 Class B Shares.

### **Financial Position of the Group**

7. The Group has been adversely impacted by the severe industry downturn, where the continuing and significant decline in the price of oil has caused depressed levels of seismic spending by oil companies, a knock-on reduction in demand for the Group's

services, lower vessel rates and less favourable payment terms, which has led to several of the Group's seismic vessels being "cold-stacked" (i.e. placed out of service).

8. Consistent with its peers in the market, the Group had considerable levels of debt (both to bank lenders and bondholders) including (i) US\$101.9m of secured convertible bonds issued by the Company, (ii) NOK350m of senior unsecured bonds issued by the Company; (iii) US\$95m of senior unsecured bonds issued by the Company, and (iv) an aggregate of US\$434.2m of secured loan facilities and leases (together the "Debt"). The interest and amortization burden emanating from the Debt was considerable, resulting in US\$100m debt service due in 2016.
9. In light of challenging market conditions that show no sign of improvement in the near term, the Company's board of directors (the "Board") considered that the Company's capital structure was unsustainable in the current markets.
10. Between around July 2014 to January 2016, the Board took a number of steps to improve the Company's liquidity position, including:
  - (a) amending the terms of its US\$410 million fleet bank facility to achieve improved terms, including a new US\$25m working capital facility;
  - (b) amending the terms of its US\$125 million senior secured bonds to achieve improved terms;
  - (c) continuing (successful) efforts to significantly reduce the Group's cost base, and restructure its sales function to increase its efficiency; and
  - (d) a partial divestment of the Group's multi-client library in return for a cash consideration of US\$27.5 million, and a future revenue share on library late sales.
11. Although these steps had a positive impact, the Group's financial position remained critical, and the Group's debt levels remained unmanageably high. In December 2015, having regard to factors including the Group's limited liquidity, the lack of refinancing options and uncertainty over the prospects of a future restructuring, the need to safeguard the interests of creditors, and the fiduciary duties of the Group's directors, the Group defaulted on certain interest and amortization payments due on the Debt facilities.

In the absence of a holistic financial restructuring being speedily implemented, it was considered that further defaults were likely to follow, the Group would be unable to continue as a going concern and it would face the risk of being liquidated on an insolvent basis under the supervision of the Cayman Islands and Norwegian courts.

12. Based on a liquidation analysis undertaken by Deloitte in October 2015, the prospects of any return to unsecured creditors out of a formal liquidation of the Group were found to be slim and unlikely to exceed 8% at best. Secured creditors would have a recovery determined by the realizable value of the pledged assets which would include all the vessels owned by the Group and the multi-client library. The prospect of any returns to shareholders in the event of a Group liquidation was considered to be approximately nil.

#### **Restructuring: Debt Conversion**

13. The Board took steps alongside its professional advisors, the Company and the Group's bank and bondholder creditors, and the Company's shareholders, to identify and pursue a restructuring plan capable of returning the Company and the Group to profitable going concern status, with a viable prospect of being speedily implemented, so as to provide the best prospects of recovery for all stakeholders (the "**Restructuring**").
14. The terms of the Restructuring were set out in a bank support letter dated 6 January 2016 entered into between DNB Bank ASA (as agent on behalf of the Finance Parties, as defined therein) and the Company (the "**Bank Support Letter**"), and provided the terms on which the financing banks would continue to support the Company and the Group until the earlier of the completion of the proposed financial restructuring of the Group or 29 February 2016.
15. Among other steps, the Restructuring contemplated the restructuring of the Company's share capital under the Companies Law, subject to the approval of the Company's shareholders, such that the Company would create a new class of shares (being the Class B Shares) and issue up to 602,832,312 Class B Shares to the Company's bondholders in consideration for the cancellation of an agreed principal amount under the Company's bonds and the acceptance of a reduction to the call option prices for the bonds in the range of 24% to 36% of par value (the "**Debt Conversion**"). The

bondholders would subscribe for the Class B Shares representing up to 90% of the Company's issued shares, and at a later date such Class B shares would be merged with the Ordinary Shares into a single share class listed on the Oslo Børs.

16. An extraordinary general meeting of the Company was convened and held on 27 January 2016, at which the shareholders approved the terms of the Restructuring and the Bank Support Letter, including the creation of the Class B Shares.
17. On 22 January 2016, a meeting of the Company's bondholders was held at which the Restructuring was approved by the bondholders (the "**Bondholders' Meeting**").
18. On 22 February 2016, the Board approved the issue of 463,491,579 Class B Shares, fully paid, to certain of the Company's bondholders in consideration for the cancellation of an agreed principal amount under the Company's bonds and the acceptance of a reduction to the call option prices for the bonds in the range of 24% to 36% of par value. Such Class B Shares were issued to certain of the bondholders on 9 March 2016.

#### **Restructuring: Share Repurchase and Capital Increase**

19. Following the completion of the Debt Conversion and in connection with the Restructuring, the Board proposed that the Company take steps to merge the two classes of issued shares in the Company into a single class in order to streamline the capital structure of the Company and to facilitate the listing of all the Company's issued shares on the Oslo Børs.
20. In order to effect the merger of share classes, the Board proposed that the Company repurchase all of the issued Class B Shares in consideration for the issue of an equal number of Ordinary Shares at their par value to the holders of the Class B Shares (the "**Share Repurchase**").
21. In approving the Restructuring and agreeing to subscribe for Class B Shares at the Bondholders' Meeting, each holder of Class B Shares had consented to the Share Repurchase.

22. Following completion of the Restructuring, the Company had sufficient funds in its share premium account to fund the premium to be paid on the issue of 463,491,579 Ordinary Shares in connection with the Share Repurchase (being the amount by which the par value of each Ordinary Share exceeded the par value of each Class B Share being repurchased, in an aggregate amount of US\$92,095,776.75).
23. In order to effect the Share Purchase, the Company's authorised share capital had to be increased by 463,491,579 Ordinary Shares. The directors proposed increasing the authorised share capital by an additional 200,000 Ordinary Shares, over and above the requirements of the Share Repurchase, so as to provide sufficient flexibility with regard to future equity capital injections, in order, for example, to maintain adequate equity levels and working capital and to make provision for the exercise of the call options in relation to the Company's bonds as well as for general corporate purposes.
24. At a Board meeting held on 21 March 2016, the Board members determined that they were satisfied that immediately following the Share Repurchase (including the funding of the premium), the Company would be able to pay its debts as they fell due in the ordinary course of business and approved the Share Purchase and the increase to the Company's authorised share capital by an additional 663,491,579 Ordinary Shares (the "**Capital Increase**"), subject to obtaining the approval of the Company's shareholders to the same.
25. Accordingly, an extraordinary general meeting of the Company was convened and held on 13 April 2016, at which the shareholders approved the Share Repurchase and the Capital Increase.

#### **Restructuring: Capital Reduction**

26. As at the date of this Petition, and following the completion of the Capital Increase and the Share Purchase, the authorised share capital of the Company is US\$152,051,997.8056 divided into 756,341,579 Ordinary Shares, of which 530,472,947 are in issue and 602,832,312 Class B Shares, none of which are in issue. The issued and fully paid up share capital of the Company is US\$106,094,589.40.

27. The Capital Reduction is an integral part of the Restructuring process and is necessary in order to ensure that the Company's share capital more accurately reflects the Company's available assets. The par value of the Ordinary Shares, being US\$ 0.20, is substantially higher than the current quoted market price of such shares on the Oslo Børs (approximately US\$0.07 as at 22 June 2016) and does not represent the Company's available assets. The disparity between the par value and the market value of the Ordinary Shares materially adversely affects the Company's ability to raise additional capital by the issue of further Ordinary Shares, which if not addressed would be an impediment to the successful implementation of the Restructuring.
28. In this context, the Board at a meeting held on 21 March 2016 resolved to propose to the Company's shareholders that the Company seek a reduction in the Company's share capital to reduce the par value of the Ordinary Shares to below their stated market value, as follows:
- (a) the par value of every issued Ordinary Share will be reduced from US\$0.20 to US\$0.01 by cancelling share capital to the extent of US\$0.19 per issued Ordinary Share; and
  - (b) the par value of every authorised but unissued Ordinary Share will be reduced from US\$0.20 to US\$0.01,

such that the authorised share capital of the Company will be reduced from US\$152,051,997.8056 to US\$8,347,097.7956 (the "**Capital Reduction**").

### ***Articles of Association***

29. The amended and restated articles of association of the Company adopted by special resolution dated 22 November 2015 (the "**Articles of Association**") provide (inter alia) as follows:

*"46. Subject to the provisions of the Law, the Company may by Special Resolution:*

*... 46.4 reduce its share capital and any capital redemption reserve fund; ... ."*

30. The term "Special Resolution" is defined in Article 1 of the Articles of Association as follows:

*"Special Resolution" means a resolution passed by a three-quarter majority of the Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting, and includes a unanimous written resolution. In computing the majority when a poll is demanded regard shall be had to the number of votes to which each Member is entitled by the Articles."*

### **Special Resolution**

31. On 21 April 2016, a notice in respect of the annual general meeting of the Company's shareholders (the "**AGM**") to, *inter alia*, approve the Capital Reduction was sent out to the shareholders of the Company (the "**AGM Notice**"). The AGM Notice set out the background to the Capital Reduction and the commercial rationale for it. The AGM Notice also invited questions or comments from any shareholders who wished to discuss the notice or the agenda for the AGM further. The AGM was held in accordance with the Articles of Association with requisite notice being given to the shareholders of the Company. The special resolution in respect of the Capital Reduction was clearly set out in the AGM Notice and attached proxy form.
32. At the AGM duly held on 12 May 2016, the directors of the Company were available to discuss the proposed Capital Reduction. Upon the vote, 100% of the Company's shareholders in attendance and voting (in person or by proxy), voted in favour of the Capital Reduction.
33. By a special resolution (the "**Special Resolution**") duly passed at the AGM convened and held on 12 May 2016 and in accordance with the Articles of Association and with the Companies Law, it was resolved that, conditional upon, *inter alia*, the approval of the Capital Reduction by the Grand Court of the Cayman Islands (the "**Cayman Court**"), the registration of the order of the Cayman Court confirming the Capital Reduction, and the minute relating to the Capital Reduction approved by the Cayman Court (as required by the Companies Law), and compliance with any conditions or directions as may be imposed by the Cayman Court in relation to the Capital Reduction:

- (a) the par value of every issued Ordinary Share be reduced from US\$0.20 to US\$0.01 by cancelling share capital to the extent of US\$0.19 per issued Ordinary Share; and
  - (b) the par value of every authorised but unissued Ordinary Share be reduced from US\$0.20 to US\$0.01.
- 34. The Capital Reduction in the form proposed does not involve (i) an alteration or variation to the rights attached to the Company's shares; (ii) a diminution of the liability of any shareholder in respect of amounts unpaid on issued share capital; or (iii) the return of capital to any shareholder of the Company.
- 35. The form of minute proposed to be registered records:

*"The authorised share capital of Polarcus Limited was by virtue of a special resolution of its shareholders dated 12 May 2016, and with the sanction of an order of the Grand Court of the Cayman Islands, reduced from US\$152,051,997.8056 divided into 756,341,579 ordinary shares of a par value of US\$0.20 each and 602,832,312 Class B shares of a par value of US\$0.0013 each, to US\$8,347,097.7956 divided into 756,341,579 ordinary shares of a par value of US\$0.01 each and 602,832,312 Class B shares of a par value of US\$0.0013 each. As at the date of registration of this minute 530,472,947 ordinary shares of a par value of US\$0.010 each have been issued and fully paid and no Class B shares of a par value of US\$0.0013 each have been issued and fully paid."*
- 36. After the completion of the Capital Reduction, the authorised share capital of the Petitioner will be US\$8,347,097.7956 divided into 756,341,579 ordinary shares of a par value of US\$0.01 each, of which 530,472,947 have been issued and 602,832,312 Class B Shares, none of which have been issued.

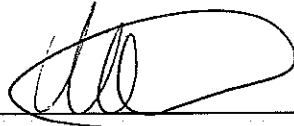
YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

- 1. The Capital Reduction of the Company proposed to be effected by the Special Resolution set forth in paragraph 33 of this Petition be confirmed and the Minute set forth in paragraph 35 of this Petition be approved by the Court;
- 2. To this end all necessary inquiries and directions may be made and given; and /or

3. Such other order may be made in the premises as the Court shall deem fit.

AND YOUR PETITIONER WILL EVER PRAY ETC.

DATED this 30<sup>th</sup> day of June 2016

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

**WALKERS**

Attorneys at Law for the Company

**NOTE:** It is not intended to serve this Petition on any person.

This Petition was presented by Walkers, Attorneys at Law, 190 Elgin Avenue, George Town, Grand Cayman KY1-9001, Cayman Islands for the Company whose address for service is that of its said Attorneys at Law.

**ENDORSEMENT**

This petition, having been presented to the Grand Court of the Cayman Islands on the \_\_\_\_\_ day of \_\_\_\_\_ 2016 will be heard at the Grand Court of the Cayman Islands on:

Date:

Time:

(or as soon thereafter as the petition can be heard).