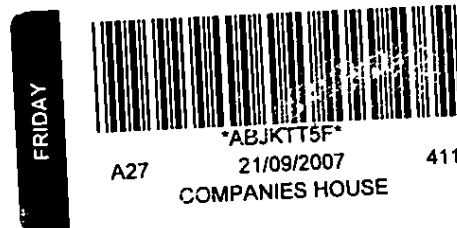




COMPANY REGISTRATION NUMBER 3077211

SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2006



SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

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SEISMIC EXPLORATION (CANADA) LTD
COMPANY REGISTRATION NO. 3077211
OFFICERS AND OTHER INFORMATION

Directors

G Langseth
S Rennemo
C Steen-Nilsen

Secretary

S Wagner

Auditors

Ernst & Young LLP
Registered Auditors
London

Registered office

PGS Court
Halfway Green
Walton on Thames
Surrey
KT12 1RS

SEISMIC EXPLORATION (CANADA) LTD

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 December 2006

Results and dividend

The profit for the year after taxation is \$6,157,663 (2005 \$106,036)

The directors have not recommended a dividend

Principal activities, review of the business and future developments

The principal activity of the company is the provision of seismic services to the oil and gas industry

The company is a member of the Petroleum Geo-Services Group, a Norwegian registered oil services group with operations worldwide

The company has continued to operate in a similar way to previous years. The operating climate for the company and the group has been good during the year, turnover has increased and profitability has also improved. No significant change in the business activities is expected in the immediate foreseeable future.

Financial risk management objectives and policies

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the company are considered to relate to competition from other international oil and gas industry consultants

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed on page 7 of the group's annual report which does not form part of this report.

Key performance indicators ("KPI's")

The directors of the Petroleum Geo-Services Group manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Seismic Exploration (Canada) Limited. The development, performance and position of the group, which includes the company, is discussed on pages 34 to 48 of the group's annual report which does not form part of this report.

Policy on the payment of creditors

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

Directors and their interests

The directors who served the company during the year were as follows

C Steen-Nilsen
S Rennemo
G Langseth

None of the above directors had or has any interests in the shares of the company

SEISMIC EXPLORATION (CANADA) LTD

DIRECTORS' REPORT (continued)

Directors' statement as to disclosure of information to auditors

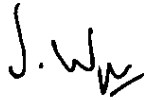
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Re-appointment of auditors

A resolution to re-appoint Ernst & Young LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Signed by order of the board



S Wagner
Company Secretary

31st August 2007

Registered office
PGS Court
Halfway Green
Walton on Thames
Surrey
KT12 1RS

SEISMIC EXPLORATION (CANADA) LTD
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing those financial statements, the directors are required to

select suitable accounting policies, as described on page 9, and then apply them consistently,

make judgements and estimates that are reasonable and prudent

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance of integrity of the corporate and financial information included in the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

The directors confirm that they have complied with these requirements, and having reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEISMIC EXPLORATION (CANADA) LTD

We have audited the financial statements of Seismic Exploration (Canada) Ltd for the year ended 31 December 2006 which comprise the Profit and Loss account, Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the Annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SEISMIC EXPLORATION (CANADA) LTD *(continued)***

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditors
London

3 September 2007

SEISMIC EXPLORATION (CANADA) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2006

	Notes	2006 \$	2005 \$
Turnover	2	59,511,311	28 956
Operating expenses		(54,372,022)	(37 614)
Administrative expenses		(950,905)	10 819
Operating profit	3	4,188,383	2,161
Interest receivable	5	264,522	154 138
Interest payable and similar charges	6	(12,478)	(50 263)
Profit on ordinary activities before taxation		4,440,427	106,036
Tax on profit on ordinary activities	7	1,717,236	–
Profit for the financial year		<u>6,157 663</u>	<u>106 036</u>

The company's results are derived from continuing activities

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 9 to 14 form part of these financial statements

SEISMIC EXPLORATION (CANADA) LTD

BALANCE SHEET

31 DECEMBER 2006

	Notes	\$	2006	\$	2005	\$
Current assets						
Debtors						
Amounts falling due within one year	8	33 840,495		1,634		
Debtors						
Amounts falling due after one year	8	6,652,500		1,086,239		
Cash at bank		7,262,512		5,106		
		<u>47 755,507</u>		<u>1,092,979</u>		
Creditors: amounts falling due within one year	9	<u>(40,505,296)</u>		<u>(431)</u>		
Net current assets			7,250,211		1,092,548	
Net assets			<u>7,250,211</u>		<u>1,092,548</u>	
Capital and reserves						
Called-up equity share capital	10		1,137,201		14,810,238	
Profit and loss account	11		6,113,010		(13 717,690)	
Shareholders' funds	12		<u>7 250,211</u>		<u>1,092,548</u>	

These financial statements were approved by the directors on 31st August 2007 and are signed on their behalf by



C Steen-Nilsen

The notes on pages 9 to 14 form part of these financial statements.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards and include the results of the company's operations which are described in the directors' report and all of which are continuing

Cash flow statement

The company is a subsidiary of Petroleum Geo-Services ASA and its results, and its cash flows, are included in the latter company's financial statements which are publicly available. Consequently the company is exempt under the terms of FRS 1 (revised) from presenting a cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that at the balance sheet date, dividends have been accrued as receivable
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

The company's primary activities are in US Dollars. As a result the financial statements are prepared in US Dollars this being the functional currency of the company

Transactions in foreign currencies are recorded at the rate ruling at the date of transactions or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to provide a hedge against foreign equity investments which are taken directly to reserves together with the exchange differences on the carrying amount of related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

2. Turnover

The turnover is predominantly attributable to fees charged for marine seismic surveying in the North Sea, Gulf of Mexico and Russia. In 2005 turnover was attributable in full to recharges of administrative expenses within the group.

An analysis of turnover is given below

	2006	2005
	\$	\$
United Kingdom	12,422,486	28,956
Gulf of Mexico	20,397,360	-
Rest of the World	26,691,465	-
	<u>59,511,311</u>	<u>28,956</u>

3. Operating profit

Operating profit is stated after charging/(crediting)

	2006	2005
	\$	\$
Auditor's remuneration		
- as auditor	9,048	26,021
Net (loss) / profit on foreign currency translation	<u>9,023</u>	<u>(43,732)</u>

4. Particulars of Employees

There were no employees employed during the year. No salaries or wages have been paid to directors, during the year (2005: nil).

5. Interest receivable

	2006	2005
	\$	\$
Interest on tax refund	-	141,972
Bank interest receivable	51,351	130
Interest receivable on group loans	213,171	12,036
	<u>264,522</u>	<u>154,138</u>

6. Interest payable and similar charges

	2006	2005
	\$	\$
Bank interest payable	12,478	-
Interest payable on group loans	-	50,263
	<u>12,478</u>	<u>50,263</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

7. Taxation on ordinary activities

(a) Analysis of charge / (credit) in the year

	2006	2005
	\$	\$
Current tax		
UK Corporation tax on profit for the year	-	-
Foreign Tax	374 101	-
	<u>374,101</u>	<u>-</u>
Deferred taxation Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	(2,091,337)	-
Total tax on profits on ordinary activities	<u>(1,717,236)</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

The differences are reconciled below

	2006	2005
	\$	\$
Profit on ordinary activities before taxation	4 440,427	106,036
Expected tax charge/(credit) at standard tax rate	1,332,128	31,811
Expenses not deductible for tax purposes	794	1,838
Losses claimed as group relief	(79,357)	-
Tax losses utilised not recognised	(1,141,335)	-
Higher rate of foreign tax on income	261 871	-
Revaluation of tax losses carried forward	(311 431)	331 379
Timing differences not recognised	311 431	(365,028)
Total current tax (Note 7a)	<u>374,101</u>	<u>-</u>

(c) Deferred tax asset

The company has carried forward timing differences as shown below that are available indefinitely to be offset against future taxable profits

	2006	2005
	\$	\$
Unrelieved tax losses	2 091 337	3 009,306
Total	<u>2,091,337</u>	<u>3,009,306</u>

Deferred tax assets have been recognised in relation to the losses existing at 31 December 2006 because sufficient trading profits are forecast to arise in 2007 to offset against these trade losses. No deferred tax assets were recognised at 31 December 2005.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

7. Taxation on ordinary activities (continued)

(d) Movement on recognised deferred tax balances

	2006 \$	2005 \$
Opening balance	-	-
Credit / (charge) to profit and loss account	2,091,337	-
Closing Balance	<u>2,091,337</u>	<u>-</u>

8 Debtors

	2006 \$	2005 \$
Amounts owed by group undertakings	37,341,170	1,087,873
Prepayments and accrued income	1,060,488	-
Deferred tax asset	2,091,337	-
	<u>40,492,995</u>	<u>1,087,873</u>

The debtors above include the following amounts falling due after more than one year

	2006 \$	2005 \$
Amounts owed by group undertakings	<u>6,652,500</u>	<u>1,086,239</u>

9. Creditors: amounts falling due within one year

	2006 \$	2005 \$
Trade creditors	179,786	-
Amounts owed to group undertakings	31,107,077	431
Accruals and deferred income	9,218,433	-
	<u>40,505,296</u>	<u>431</u>

The above creditors contain an amount that relates to inter-company leases for vessels that account for some \$23 million in 2006. This lease is expected to account for some \$27 million in 2007 and it will expire in Q4 of 2008.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

10. Authorised and issued share capital

Authorised share capital

During 2006 the company carried out a capital reduction process which resulted in the authorised share capital being reduced from 10,000,000 ordinary shares of £1 each to 3 090,239 ordinary shares of £1 each. The capital reduction was approved by the High Court of Justice on 6 December 2006.

	2006	2005
	£	£
3,090,239 Ordinary shares of £1 shares	<u>3,090,239</u>	<u>10,000,000</u>
Allotted called up and fully paid		
	2006	2005
	No	No
	\$	\$
Ordinary shares of £1 each	<u>791,239</u>	<u>14,810,238</u>

11. Profit and loss account

	2006	2005
	\$	\$
Balance brought forward	(13,717,690)	(13,823,726)
Profit for the financial year	6,157,663	106,036
Capital reduction in the year	13,673,037	—
Balance carried forward	<u>6,113,010</u>	<u>(13,717,690)</u>

During 2006 a capital reduction process was carried out (Note 10) and this, combined with 2006 results, accounts for the large swing in the profit and loss account from 2005 to 2006.

12. Reconciliation of movements in shareholders' funds

	2006	2005
	\$	\$
Profit for the financial year	6,157,663	106,036
Net addition to shareholders' funds	<u>6,157,663</u>	<u>106,036</u>
Opening shareholders' funds	1,092,548	986,512
Closing shareholders' funds	<u>7,250,211</u>	<u>1,092,548</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

13. Related party transactions

The company has taken advantage of the exemptions provided by FRS 8 (Related Party Transactions) in not disclosing transactions with other group companies where there is a common ownership interest of 90% or more

14. Ultimate parent company

The ultimate parent company and the ultimate controlling party is Petroleum Geo-Services ASA, a company registered in Norway. Group financial statements are available from Petroleum Geo-Services ASA, Strandveien 4, 1366 Lysaker, Norway. The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.