



COMPANY REGISTRATION NUMBER 3077211

SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2010

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SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

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SEISMIC EXPLORATION (CANADA) LTD
REPORT AND FINANCIAL STATEMENTS
OFFICERS AND OTHER INFORMATION

Directors	G Langseth C Steen-Nilsen J Reinhardsen
Secretary	M C Pinto
Auditor	KPMG LLP One Snow Hill Snowhill Queensway Birmingham West Midlands, B4 6GH
Registered office	4, The Heights Brooklands Weybridge Surrey KT13 0NY
Registered number	3077211

SEISMIC EXPLORATION (CANADA) LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements of the company for the year ended 31 December 2010

Principal activities

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 ("the group"), a Norwegian registered oil services group with operations worldwide. The group offers a wide range of seismic and reservoir services, including acquisition, processing, interpretation and field evaluation. It also possesses the world's most extensive MultiClient data library.

Results and dividend

The profit for the year after taxation is \$5,940,000 (2009: loss of \$2,595,000)

The directors do not recommend the payment of a final dividend (2009: Nil)

Business review

Profit margins are variable from project to project and therefore fluctuate from one year to another. The level of activity carried out by the company will vary significantly depending upon deployment of the fleet of vessels within the group. Net earnings in any year will also vary depending upon the pricing for the specific projects and productivity in carrying them out. During 2010 the company was awarded projects at attractive rates and improved its execution of the projects. Accordingly the company achieved a significant increase in turnover and improved profits as compared to the prior year.

In all other respects the company has continued to operate in a similar way to previous years. No significant change in the type of business activities is expected in the immediate foreseeable future. The long-term industry fundamentals are still intact, especially for more advanced seismic since the easy oil has been extracted. Looking at the low reserve replacement ratio for the industry and the forecasted decline in oil supply we expect demand for seismic services to be strong going forward.

Principal risks and uncertainties of the company

The management of the business and the execution of the company's strategy are subject to a number of risks, all of which are closely integrated with those of the group.

The key business risks and uncertainties affecting the company are considered to relate to competition from other international oil and gas industry consultants and to the price of oil, which is the key driver of demand for the company's services and future profitability.

From the perspective of the company, the principal risks and uncertainties are so integrated with the principal risks of the group that they are not managed separately. Accordingly, the principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed below.

SEISMIC EXPLORATION (CANADA) LTD

DIRECTORS' REPORT *(continued)*

Principal risks and uncertainties of the group

The group is exposed to adverse changes in interest rates, which is managed through financial instruments such as interest rate swaps

A portion of the group's foreign currency exchange risk on cash flows related to sales, expenses, financing and investing transactions in currencies other than the US dollar are hedged through forward currency exchange contracts

Credit risk relating to the group's trade receivables is relatively limited due to the nature of the customer base and the historic low level of losses on trade receivables. Ongoing credit evaluations of customers are used to manage exposure to this type of risk

Finally, as a result of the global economic and financial crisis, capital markets are generally less predictable and available than historically experienced. This represents an increased risk for all companies with respect to meeting possible future funding needs. The Petroleum Geo-Services Group continuously monitors its banks and has no reason to believe that they will not meet the group's funding commitments if called upon

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 63 to 65 of the group's annual 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 58 to 67 of the group's annual report which does not form part of this report

Research and development

The company contributes to the Petroleum Geo-Services Group's worldwide research and development programmes, the aims of which are the practical application and early introduction of relevant new technologies

Directors

The directors who served the company during the year and to the date of this report were as follows:

C Steen-Nilsen

G Langseth

J Reinhardsen

Employee involvement, disabled persons, health & safety

The company has developed a network for communicating with employees, including those in remote locations or at sea. Pertinent and topical information is distributed on a regular basis and channels for feedback are clearly established. Financial information is available from the parent company's web site and industry and technical news items are distributed and discussed at regular intervals

The company will always give due consideration for job vacancies to disabled persons and, should an employee working in a harsh environment become disabled, full consideration will be given to retaining that person in alternative work wherever possible.

The company aspires to the highest standards of health, safety and regard for the environment. It participates in industry forums and maintains an active information and reporting system for areas of operation with particular risks

SEISMIC EXPLORATION (CANADA) LTD

DIRECTORS' REPORT *(continued)*

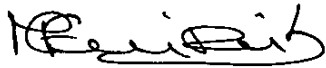
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

Signed by order of the board



M C Pinto
Company Secretary

28 September 2011

SEISMIC EXPLORATION (CANADA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

SEISMIC EXPLORATION (CANADA) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEISMIC
EXPLORATION (CANADA) LIMITED

We have audited the financial statements of Seismic Exploration (Canada) Limited for the year ended 31 December 2010 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006


In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SEISMIC EXPLORATION (CANADA) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEISMIC
EXPLORATION (CANADA) LIMITED *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



M Froom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

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September 2011

SEISMIC EXPLORATION (CANADA) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2010

	Notes	2010 \$000	2009 \$000
Turnover	2	20,161	15,743
Cost of sales		(14,664)	(19,981)
Gross profit/ (loss)		<u>5,497</u>	<u>(4,238)</u>
Administrative expenses		(329)	(323)
Operating profit/ (loss)	3	5,168	(4,561)
Interest receivable	5	259	560
Interest payable and similar charges	6	(3)	(79)
Profit/ (loss) on ordinary activities before taxation		<u>5,424</u>	<u>(4,080)</u>
Tax on profit/ (loss) on ordinary activities	7	516	1,485
Profit/ (loss) for the financial year		<u><u>5,940</u></u>	<u><u>(2,595)</u></u>

The company's results are derived from continuing activities

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

The notes on pages 10 to 16 form part of these financial statements.

SEISMIC EXPLORATION (CANADA) LTD

BALANCE SHEET

31 DECEMBER 2010

	Notes	2010 \$000	2009 \$000
Current assets			
Debtors	8	17,444	13,461
Cash at bank		63	18
		<u>17,507</u>	<u>13,479</u>
Creditors: amounts falling due within one year	9	<u>(3,317)</u>	<u>(3,329)</u>
Net current assets		<u>14,190</u>	<u>10,150</u>
Creditors: amounts falling due after more than one year	10	<u>-</u>	<u>(1,900)</u>
Net assets		<u>14,190</u>	<u>8,250</u>
Capital and reserves			
Called-up equity share capital	11	1,137	1,137
Profit and loss account	12	13,053	7,113
Shareholder's funds	13	<u>14,190</u>	<u>8,250</u>

These financial statements were approved by the directors on
signed on their behalf by

28 September 2011 and are



C Steen-Nilsen
Director

Registered number 3077211

The notes on pages 10 to 16 form part of these financial statements.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. Accounting policies

The following accounting policies have been applied consistently in deciding the items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. The directors, having assessed the responses of the directors of the company's ultimate parent Petroleum Geo-Services ASA to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Petroleum Geo-Services Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Petroleum Geo-Services ASA, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash flow statement

Under FRS 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that Petroleum Geo-Services ASA includes the company in its own published consolidated financial statements.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Turnover

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered and the customer has accepted the product or service,
- The price to the buyer is fixed and determinable, and
- Collectability is reasonably assured

The company's revenue recognition policy is described in more detail below.

(a) Proprietary sales/contract sales

The company performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The company recognises proprietary/contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognised based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

1. Accounting policies *(continued)*

(b) Other services

Revenue from other services is recognised as the services are performed, provided all other recognition criteria are satisfied

The company defers the unearned component of payments received from customers for which the revenue recognition criteria have not been met

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, and
- 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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

2. Turnover

The turnover in 2010 and 2009 is predominantly attributable to fees charged for marine seismic surveying in Russia

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

3. Operating profit/ (loss)

Operating profit/ (loss) is stated after charging/ (crediting)

	2010 \$000	2009 \$000
Auditor's remuneration		
For the audit of these financial statements		
Payable to KPMG LLP	16	26
Net (gain)/ loss on foreign currency translation	<u>(175)</u>	<u>43</u>

4. Staff costs and Directors' remuneration

There were no employees other than the directors employed during the year. None of the directors received any fees or remuneration for services as a director of the company during the financial year (2009 Nil)

The remuneration of the directors is paid by the parent company, which makes no recharges to the company. The directors act in a group capacity only and do not allocate specific time to the company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the company.

5. Interest receivable

	2010 \$000	2009 \$000
Interest receivable on group loans	257	560
Other interest receivable	<u>2</u>	<u>-</u>
	<u>259</u>	<u>560</u>

6. Interest payable and similar charges

	2010 \$000	2009 \$000
Interest payable on group loans	<u>3</u>	<u>79</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

7. Taxation on ordinary activities

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

	2010 \$000	2009 \$000
Current tax charge/ (credit)		
UK corporation tax on profit for the year	-	-
	<u>-</u>	<u>-</u>
Foreign tax – current year	-	-
Foreign tax – prior year	(1,635)	(366)
	<u>(1,635)</u>	<u>(366)</u>
Deferred taxation – current year charge/ (credit)	1,119	(1,119)
	<u>(516)</u>	<u>(1,485)</u>

(b) Factors affecting current tax charge/ (credit)

The tax assessed on the profit/ (loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009 28%)

	2010 \$000	2009 \$000
The differences are reconciled below		
Profit/ (loss) on ordinary activities before taxation	<u>5,424</u>	<u>(4,080)</u>
Expected tax charge/ (credit) at standard tax rate	1,519	(1,142)
Expenses not deductible for tax purposes	-	23
Tax losses	(1,119)	1,119
Group relief claim for no consideration	(400)	-
Prior year foreign tax on income	(1,635)	(366)
Prior year reduction in tax credits carried forward	-	280
Exchange rate movements on tax credits carried forward	(27)	(72)
Timing differences not recognised	27	(208)
Total current tax charge/ (credit) (Note 7a)	<u>(1,635)</u>	<u>(366)</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

7. Taxation on ordinary activities (continued)

(c) Deferred tax asset

The company has carried forward timing differences as shown below that are available indefinitely to be offset against future UK tax liabilities

	2010 Recognised \$000	2010 Not Recognised \$000	2009 Recognised \$000	2009 Not Recognised \$000
Tax losses	-	-	1,119	-
Foreign tax credits	-	665	-	692
	<u>-</u>	<u>665</u>	<u>1,119</u>	<u>692</u>

The deferred tax asset in respect of the foreign tax credits is not recognised in the balance sheet as forecasts do not indicate it will reverse in the foreseeable future

(d) Movement on recognised deferred tax balances

	2010 \$000	2009 \$000
Opening balance	1,119	-
(Charge)/ credit to profit and loss account	(1,119)	1,119
Closing balance	<u>-</u>	<u>1,119</u>

8. Debtors

	2010 \$000	2009 \$000
Trade debtors	590	2,997
Amounts owed by ultimate parent undertaking	15,167	3,644
Amounts owed by other group undertakings	3	2,885
Foreign tax recoverable	41	468
Other taxation - VAT	108	-
Prepayments and accrued income	1,535	2,348
Deferred tax asset	-	1,119
	<u>17,444</u>	<u>13,461</u>

Amounts owed by the ultimate parent undertaking, Petroleum Geo-Services ASA, and other group undertakings are repayable on demand and unsecured. Amounts owed by the ultimate parent undertaking bear interest at 3-month LIBOR plus 3% per annum.

Amounts owed between the company and other group undertakings are treated as trading balances and do not bear any interest.

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

9. Creditors: amounts falling due within one year

	2010 \$000	2009 \$000
Trade creditors	895	33
Amounts owed to group undertakings	570	85
Foreign tax	278	278
Accruals and deferred income	1,574	1,536
Other taxation - VAT	-	1,397
	<u>3,317</u>	<u>3,329</u>

Amounts owed between the company and other group undertakings are treated as trading balances and do not bear any interest

10. Creditors: amounts falling due after more than one year

	2010 \$000	2009 \$000
Foreign tax payable	-	1,900
	<u>-</u>	<u>1,900</u>

The creditor in 2009 represented a provision for taxes payable in Russia as a result of potential challenges regarding documentation of expenses deductible in calculating tax liabilities for a project in 2007. Under the local 3 year statute of limitation the deadline for any potential tax audit to be initiated by the Russian authorities has now lapsed and the contingent liability has therefore been released in 2010.

11. Share capital

Allotted, called up and fully paid

	2010	2009
	No	No
	\$000	\$000
Ordinary shares of £1 each	<u>791,239</u>	<u>791,239</u>
	<u>1,137</u>	<u>1,137</u>

12. Profit and loss account

	2010 \$000	2009 \$000
Balance brought forward	7,113	9,708
Profit/ (loss) for the financial year	5,940	(2,595)
Balance carried forward	<u>13,053</u>	<u>7,113</u>

SEISMIC EXPLORATION (CANADA) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2010

13. Reconciliation of movements in shareholder's funds

	2010 \$000	2009 \$000
Profit/ (loss) for the financial year	5,940	(2,595)
Net increase /(decrease) in shareholder's funds	5,940	(2,595)
Opening shareholder's funds	8,250	10,845
Closing shareholder's funds	14,190	8,250

14. Related party transactions

As a wholly owned subsidiary of Petroleum Geo-Services ASA the company has taken advantage of the exemptions provided by FRS 8 (Related Party Transactions) in not disclosing transactions with other wholly owned group companies

15. Ultimate parent company

The immediate parent company is Petroleum Geo-Services (UK) Limited, a company registered in the United Kingdom. The ultimate parent company and the ultimate controlling party is Petroleum Geo-Services ASA, a company registered in Norway. The smallest and largest group in which the results of the company are consolidated is that headed by Petroleum Geo-Services ASA.

Group financial statements are available from Petroleum Geo-Services ASA, Strandveien 4, 1366 Lysaker, Norway