

COMPANY REGISTRATION NUMBER 03077211

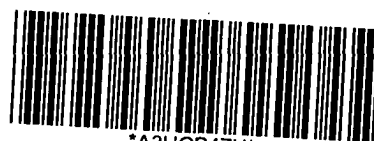


SEISMIC EXPLORATION (CANADA) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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SEISMIC EXPLORATION (CANADA) LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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SEISMIC EXPLORATION (CANADA) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
OFFICERS AND OTHER INFORMATION

| | |
|--------------------------|--|
| Directors | C Steen-Nilsen G Langseth J Reinhardsen |
| Company secretary | M C Pinto (resigned 13 September 2013) |
| Auditor | KPMG LLP One Snowhill Snow Hill Queensway Birmingham West Midlands, B4 6GH United Kingdom |
| Registered office | 4, The Heights Brooklands Weybridge Surrey, KT13 0NY United Kingdom |
| Registered number | 03077211 |

SEISMIC EXPLORATION (CANADA) LIMITED

STRATEGIC REPORT

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 providing geophysical services worldwide. The group provides a broad range of geophysical and reservoir services, including seismic data acquisition, processing, interpretation and field evaluation. It also possesses a substantial international MultiClient seismic data library.

Business review

During 2013, the company received revenue in relation to a MultiClient survey performed in Europe. The company did not undertake any other external projects in the year. In 2012, the company performed a 4D baseline survey offshore Angola. Profit margins are variable from project to project and therefore fluctuate from one year to another, and the level of activity carried out by the company will vary significantly depending upon deployment of the fleet of vessels within the group.

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 prospects for the seismic industry remain favourable, as energy companies continue their search for new hydrocarbon resources in regions featuring deeper waters, harsher environments, extreme reservoir depths, and complex geologies; and as such 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 seismic service providers 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.

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.

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. 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.

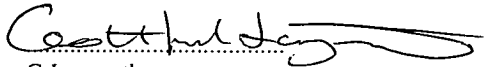
SEISMIC EXPLORATION (CANADA) LIMITED
STRATEGIC REPORT *(continued)*

The principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed in more detail on pages 51 to 52 of the group's annual report.

Key performance indicators ("KPIs")

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 46 to 54 of the group's annual report which does not form part of this report.

Signed on behalf of the Board

A handwritten signature in dark ink, appearing to read 'G Langseth', written over a horizontal dotted line.

G Langseth
Director

11 September 2014

SEISMIC EXPLORATION (CANADA) LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31 December 2013.

Results and dividends

The loss for the year after taxation is \$95,000 (2012: profit of \$1,587,000).

The directors do not recommend payment of a dividend (2012: \$nil).

Directors of the company

The directors who held office during the year 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.

Charitable and political donations

The company made no political or charitable donations nor incurred any political expenditure during the year (2012: Nil).

Disclosure of information to the auditor

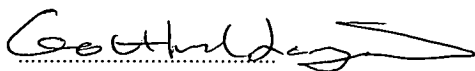
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make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

SEISMIC EXPLORATION (CANADA) LIMITED
DIRECTORS' REPORT *(continued)*

Auditor

A resolution to appoint Ernst & Young as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'G Langseth', with a long horizontal flourish extending to the right.

G Langseth
Director

// September 2014

SEISMIC EXPLORATION (CANADA) LIMITED

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

The directors are responsible for preparing the Strategic Report, 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 apply them consistently;
- make judgements and accounting 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.

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 2013, set out on pages 9 to 17. 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 in an auditor's 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 auditor

As explained more fully in the statement of directors' responsibilities set out on page 6, 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom 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

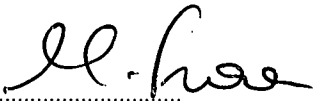
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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.



.....
Michael Froom (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
West Midlands
B4 6GH

Date:.....18/9/14

SEISMIC EXPLORATION (CANADA) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2013

| | Note | 2013 \$ 000 | 2012 \$ 000 |
|---|------|--------------------|---------------------|
| Turnover | 2 | 2,005 | 28,948 |
| Cost of sales | | <u>(2,239)</u> | <u>(25,940)</u> |
| Gross (loss)/profit | | (234) | 3,008 |
| Administrative expenses | | <u>(33)</u> | <u>(324)</u> |
| Operating (loss)/profit | 3 | (267) | 2,684 |
| Interest receivable | 5 | <u>167</u> | <u>106</u> |
| (Loss)/profit on ordinary activities before taxation | | (100) | 2,790 |
| Tax on (loss)/profit on ordinary activities | 6 | <u>5</u> | <u>(1,203)</u> |
| (Loss)/profit for the financial year | 11 | <u><u>(95)</u></u> | <u><u>1,587</u></u> |

The company's results are derived from continuing activities.

There are no recognised gains or losses other than the results for the current and preceding year as set out above.

The notes on pages 11 to 17 form part of these financial statements.

SEISMIC EXPLORATION (CANADA) LIMITED
BALANCE SHEET
31 DECEMBER 2013

| | Note | 2013 \$ 000 | 2012 \$ 000 |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Investments | 7 | - | - |
| Current assets | | | |
| Debtors | 8 | 7,837 | 6,687 |
| Cash at bank | | <u>8</u> | <u>10</u> |
| | | 7,845 | 6,697 |
| Creditors: Amounts falling due within one year | 9 | <u>(4,386)</u> | <u>(3,143)</u> |
| Net current assets | | <u>3,459</u> | <u>3,554</u> |
| Net assets | | <u>3,459</u> | <u>3,554</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 1,137 | 1,137 |
| Profit and loss account | 11 | <u>2,322</u> | <u>2,417</u> |
| Shareholders' funds | 12 | <u>3,459</u> | <u>3,554</u> |

These financial statements were approved by the Board on September 2014 and are signed on their behalf by:



C Steen-Nilsen
Director

Registered number 03077211

The notes on pages 11 to 17 form part of these financial statements.

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

The following accounting policies have been consistently applied 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. They have been presented in US\$ as this is the currency in which the company operates.

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 ASA 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.

Group accounts

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent undertaking, Petroleum Geo-Services ASA, a company registered in Norway.

The financial statements contain information about Seismic Exploration (Canada) Limited as an individual company and do not contain consolidated financial information as the parent of a group.

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:

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (continued)

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.

(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.

Investments

Investments are held at cost less provision for diminution in value. The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred tax

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

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1 Accounting policies (continued)

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

An analysis of turnover by origin is given below:

| | 2013 \$ 000 | 2012 \$ 000 |
|--------|------------------------------|------------------------------|
| Africa | - | 28,948 |
| Europe | <u>2,005</u> | <u>-</u> |
| | <u><u>2,005</u></u> | <u><u>28,948</u></u> |

3 Operating (loss)/ profit

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

| | 2013 \$ 000 | 2012 \$ 000 |
|---|------------------------------|------------------------------|
| Auditors remuneration for the audit of these financial statements | | |
| - Payable to KPMG LLP | 32 | 24 |
| Net losses on foreign currency translation | <u><u>-</u></u> | <u><u>14</u></u> |

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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 (2012: \$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

| | 2013 \$ 000 | 2012 \$ 000 |
|------------------------------------|------------------------------|------------------------------|
| Interest receivable on group loans | <u>167</u> | <u>106</u> |

6 Taxation on ordinary activities

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

| | 2013 \$ 000 | 2012 \$ 000 |
|---|------------------------------|------------------------------|
| Current tax: | | |
| UK corporation tax | | |
| - current year | - | 697 |
| - double taxation relief | <u>-</u> | <u>(697)</u> |
| | - | - |
| Foreign tax - current year | - | 1,481 |
| Foreign tax - prior year | <u>(5)</u> | <u>(278)</u> |
| | <u>(5)</u> | <u>1,203</u> |
| Total current tax | (5) | 1,203 |
| Deferred taxation - current year charge | <u>-</u> | <u>-</u> |
| Total tax on (loss)/profit on ordinary activities | <u>(5)</u> | <u>1,203</u> |

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

6 Taxation on ordinary activities (continued)

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

The tax on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (2012 - higher) of 23.25% (2012 - 24.5%).

The differences are reconciled below:

| | 2013 \$ 000 | 2012 \$ 000 |
|--|------------------------------|------------------------------|
| (Loss)/profit on ordinary activities before tax | (100) | 2,790 |
| Expected corporation tax at standard rate | (23) | 683 |
| Non-deductible expenses due to branch election | 16 | 40 |
| Other non deductible expenses | 43 | - |
| Group relief (claim)/surrender for no consideration | (36) | - |
| Interest deduction claimed from group company for no consideration | - | (26) |
| Higher rate of tax on foreign income | - | 784 |
| Prior year foreign tax on income | (5) | (278) |
| Total current tax | (5) | 1,203 |

(c) Deferred tax asset

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

| | 2013 \$000 | 2012 \$000 |
|------------------------|-----------------------------|-----------------------------|
| Unrecognised: | | |
| Unrelieved foreign tax | 781 | 763 |

An election has been made to exempt the branch profits from UK tax with effect from 1 January 2012. The unrelieved foreign tax above relates to countries without a branch or permanent establishment.

7 Investments

On 11 January 2013, the company obtained a 98% share in Smart Technical Solutions Services Company S.A de C.V., a company incorporated in Mexico, for a consideration of \$75.

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

8 Debtors

| | 2013 \$ 000 | 2012 \$ 000 |
|---|------------------------------|------------------------------|
| Trade debtors | 1,901 | - |
| Amounts owed by ultimate parent undertaking | 5,936 | 5,302 |
| Prepayments and accrued income | - | 1,385 |
| | <u>7,837</u> | <u>6,687</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.

9 Creditors: Amounts falling due within one year

| | 2013 \$ 000 | 2012 \$ 000 |
|------------------------------------|------------------------------|------------------------------|
| Trade creditors | 7 | 8 |
| Amounts owed to group undertakings | 3,878 | 2,625 |
| Foreign tax | - | 5 |
| Accruals and deferred income | 466 | 464 |
| Other taxation - VAT | 35 | 41 |
| | <u>4,386</u> | <u>3,143</u> |

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

10 Share capital

Allotted, called up and fully paid shares

| | 2013 | 2012 |
|----------------------------|----------------|----------------|
| | 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> |

SEISMIC EXPLORATION (CANADA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

11 Reserves

| | 2013 \$ 000 | 2012 \$ 000 |
|--------------------------------------|------------------------------|------------------------------|
| Balance brought forward | 2,417 | 830 |
| (Loss)/profit for the financial year | <u>(95)</u> | <u>1,587</u> |
| Balance carried forward | <u><u>2,322</u></u> | <u><u>2,417</u></u> |

12 Reconciliation of movement in shareholders' funds

| | 2013 \$ 000 | 2012 \$ 000 |
|--------------------------------------|------------------------------|------------------------------|
| (Loss)/profit for the financial year | <u>(95)</u> | <u>1,587</u> |
| Shareholders' funds at 1 January | <u>3,554</u> | <u>1,967</u> |
| Shareholders' funds at 31 December | <u><u>3,459</u></u> | <u><u>3,554</u></u> |

13 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.

14 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 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, Lilleakerveien 4C, P.O. Box 251 Lilleaker, 0216 Oslo, Norway.