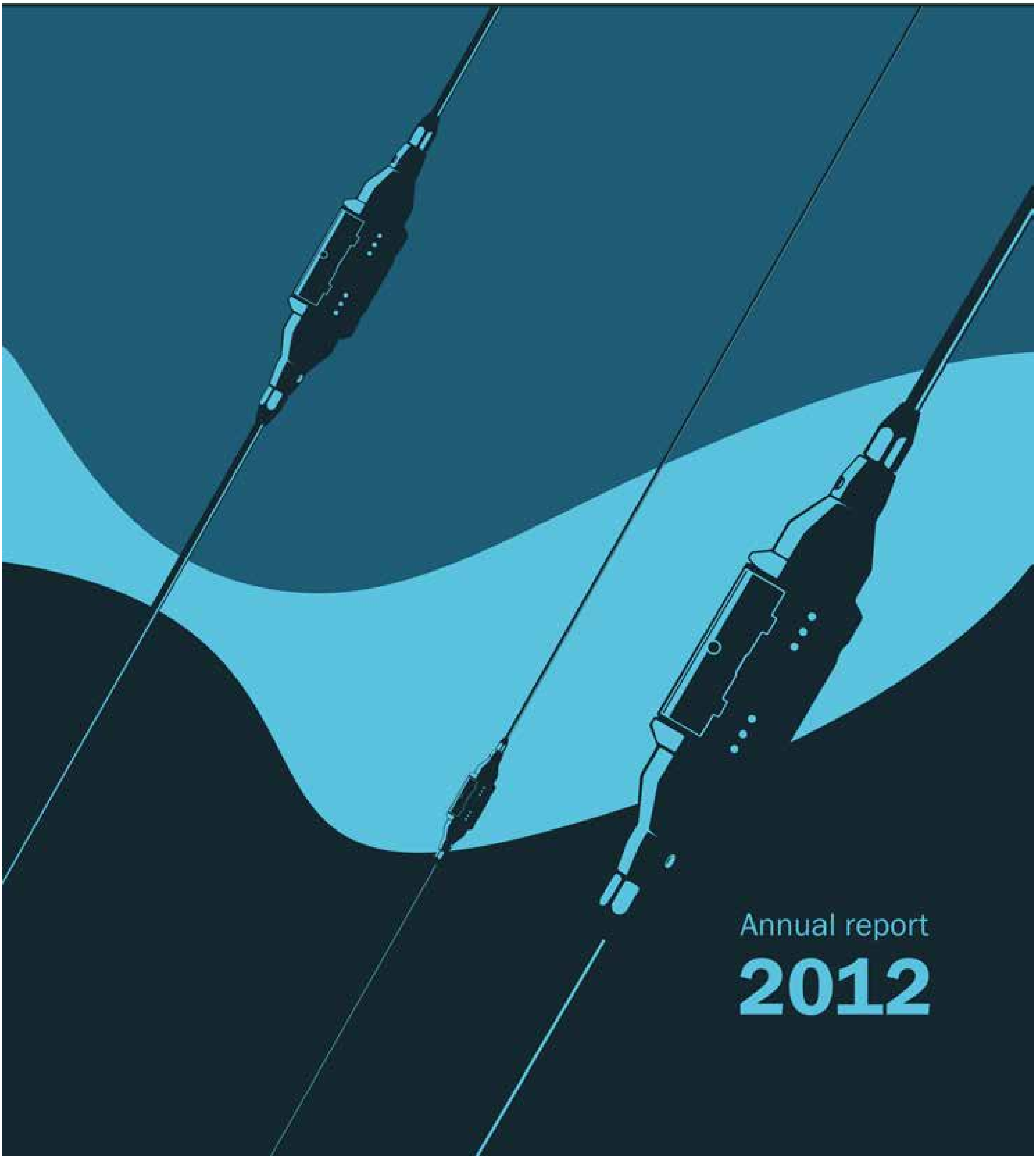
magseis



Annual report 2012

Contents

1. History and Background

MagSeis AS ("the Company") is a Norwegian geophysical company founded in 2009. The management team and staff have significant experience within geology, geophysics as well as marine seismic operations. The company has developed a proprietary system which will significantly improve the efficiency of Ocean Bottom Seismic ("OBS") operations.

OBS data is widely recognised as the highest quality seismic data available today. However, the adoption of OBS technology has been slow due to the significant costs related to acquisition and therefore it has primarily been used for smaller, field development surveys. This has started to change over the past few years as Exploration and Production ("E&P") companies, struggling with increasingly challenging geology, have started to apply the technology over much larger areas.

The Company has developed a technology which allows an Ocean Bottom Cable to be deployed in much greater lengths than what has previously been possible. Through this technology we aim to reduce the time required to conduct OBS surveys and consequently the cost. Our vision is that OBS costs can be reduced to a level where it becomes a widely used tool for not only field development but also for exploration.

Working with leading industry partners such as Statoil, Lundin Petroleum and the Westcon Group, the Company is rapidly developing our organisation in order to start commercial operations during 2013.

Once our first crew has successfully started operations we will continue our work towards developing an industry leading OBS service provider. Short to medium-term strategy is to increase the size of our proprietary system up to 150km of cable as well as to establish a second crew that can work in the multi-client market.

The Company's head office is located in Lysaker, Norway and also has an office in Bergen, Norway.

The Company is planning to undertake a listing on Oslo Axess in the second half of 2013.

2. Directors

The directors of the Company since the end of the financial year are:

Name and Qualifications	Experience and Special Responsibilities
Anders Farestveit M.Sc. in Geophysics Chairman Non-Executive Director	Anders Farestveit has 45 years' experience from the seismic and oil exploration industry. Anders founded GECO in 1972 and served as CEO until 1987 when Schlumberger acquired 50% of the company. Anders served as Working Chairman of Schlumberger Norge until 1999 when he retired. Anders went on to establish the seismic company Wavefield InSeis ASA which was listed at the Oslo Stock exchange in 2007. Wavefield Inseis was subsequently acquired by CGG in 2008. He has been recognised for his contribution to the seismic industry and has received several awards, as Honorary Doctor University of Bergen, Honorary member SEG and 1993 Oilman of the year by Society of Petroleum Engineers (SPE) International.
Ellen Ingeborg Elisabet Malmquist M.Sc. in Geology Non-Executive Director	Elisabet Malmquist worked in Saga Petroleum for 16 years, where among other things she played a central role in discovery of the Borg Field in the Tampen area. She has experience from most of the Norwegian licensing rounds, TFO applications, data analysis and G&G work in partner as well as operator licences. She has also worked as an independent G&G consultant, in which capacity she had long-term contracts with Norwegian and international oil companies. Elisabet is currently employed as a Geological Advisor by Concedo AS.

2. Directors (continued)

Name and Qualifications	Experience and Special Responsibilities
Noralf Matre Non-Executive Director	Noralf Matre has 40 years' of experience from the shipyard and offshore industries as CEO and in different senior management positions. Noralf is one of three main shareholders and board member of Westcon Group. Noralf is presently chairman for Maritim Management AS which is the group's seismic ship operation company. As shipyard manager and ship owner Noralf has been involved with all aspects of ship building and operation of ships. Noralf is a College graduate from the University of Stavanger in 1973 within shipping economics.
Jan B Gateman M.Sc. in Marine Geology Executive Director Senior Vice President	Mr. Jan Gateman has 30 years seismic industry experience, with particular focus on the Multi Client seismic business segment, and has held various senior management positions with companies such as Geco-Prakla (1983- 1987), Nopec (1987-1993), Compagnie Generale de Geophysique (CGG) (1993-1998), GeoInnova, Inseis and Wavefield Inseis. He was one of the persons pioneering the Multi Client 3D seismic industry in North West Europe and is also one of the founders of both GeoInnova and InSeis.

3. Executive Management

The current Executive Management of the Company are (details of Jan B Gateman detailed above):

Name and Qualifications	Experience and Special Responsibilities
Ivar Gimse M.Sc. in Geophysics CEO	Mr. Gimse has more than 25 years seismic industry experience, with particular focus on data processing, multi-client seismic project development, Ocean Bottom Cable operations and technical marketing. Ivar held various senior management positions with Geco-Prakla (1983-1998) and PGS (1998-2006) before joining InSeis in 2006 as Vice President, Business Development.
Mikkel Ektvedt BA in Business Administration CFO	Mr Ektvedt graduated from Simon Fraser University in Canada in 2000 with a Bachelor of Business Administration. From 2000 to 2008 Mikkel worked for the corporate finance division of SEB Enskilda in London and Oslo. From 2008 to 2010 Mikkel worked for FLEX LNG as VP of corporate development. Prior to joining MagSeis, Mikkel spent six months as CFO of Bergen Oilfield Services.

4. Company Secretary

Mikkel Ektvedt was appointed to the position of company secretary as part of his duties as CFO of the Company.

5. Results

The loss after tax for the financial year was NOK 12.0m (2011: loss NOK 13.7m). The loss results primarily from work related to the further development and testing of the Company's proprietary MASS system as well as costs related to the gradual development of the organisation. The loss for the year has been transferred to retained earnings.

The cash balances at 31 December were NOK 257.6m (2011: NOK 6.9). In the twelve months in 2012 the operating cash outflow was NOK 23.7m (principally from operating loss and working capital movements); investing outflow NOK 44.0m (acquisition of equipment and development of the proprietary MASS system); and financing activities inflow of NOK 318.5m (proceeds from share placements and a shareholder loan).

5. Results (continued)

The Company's unrestricted equity as per 31 December 2012 is 0.

6. Funding and Going Concern

MagSeis has raised sufficient capital to produce our first 75km proprietary system and to put this into operation with our first crew. As we work to increase our crew sizes in order to bring acquisition costs further down – we will need to raise additional capital. We envisage that this capital will be raised through a combination of debt and equity issuance and we are working with a number of alternatives to secure long-term debt finance once operations have been successfully established.

The Company expects to finish production of the first system for commercial use in late Q2 2013 and will then begin operations during Q3 2013 on the Norwegian Continental Shelf (NCS) for Statoil.

Pursuant to section 3-3a of the Norwegian accounting act, the Board confirms that the 2012 financial statements have been prepared based on the assumption of a going concern and that it believes that this assumption is appropriate.

7. Risks

The Company is exposed to risk factors including, but not limited to, the ones described below and in Note 4 of the annual accounts.

The Company's current focus is to finish production of the first system for commercial use in 2013, which exposures the Company to a variety of commercial, operational and financial risks, including market risks, credit risks and liquidity risks.

The Company has historically funded its operations through equity financing. Obtaining such financing may be subject to market risks and other risks that influence the availability, structure and terms of financing. The Company has raised sufficient capital to produce its first system.

The revenues and cash flow from operations will give the Company access to working capital for on-going operations. This will be dependent on contract awards at competitive terms. Furthermore, the revenues of the Company will depend on the financial position of the customers and the willingness of these customers to honour their obligations towards MagSeis in a timely manner. There can be no guarantees that the financial position of the contract parties will be sufficient to adhere to the obligations under the contracts with the Company. The inability of one or more of the contractual parties to make payment under the contracts might have a significant adverse effect on the financial position of the Company.

The Company may require additional capital in the future due to unforeseen liabilities or in order for it to take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be identified by the Company. Any negative development in sales, gross margins or sales processes, may lead to a strained liquidity position and the potential need for additional funding through equity financing, debt financing or other means. Any additional equity financing may be dilutive to existing shareholders.

8. Corporate Governance Report

General principles, implementation and reporting on Corporate Governance
The Company believes that good and sound corporate governance creates higher shareholder value. As a result, MagSeis is committed to developing high standards of Corporate Governance. MagSeis' principles of Corporate Governance are being developed in light of the Norwegian Code of Practice for Corporate Governance (the "Code"), dated October 23, 2012, as required for all listed companies on the Oslo Stock Exchange. The Code is available on www.nues.no.

8. Corporate Governance Report (continued)

General principles, implementation and reporting on Corporate Governance (continued)
The principles are being developed and the intention is for it to be in accordance with section 3-3b of the Norwegian Accounting Act, which can be found at www.lovdata.no/all/nl-19980717-056.html by the time the Company undertakes listing in the Oslo Axess in the second half of 2013. MagSeis views the development of high standards of Corporate Governance as a continuous process and will continue to focus on improving the level of Corporate Governance.

The Board of Directors has the overall responsibility for Corporate Governance at MagSeis and ensures that the Company implements sound Corporate Governance.

MagSeis' activities
MagSeis' vision is to continue the development of the proprietary system which will significantly improve the efficiency and increase the use of OBS. This is reflected in Article 3 of the Articles of Association, which reads "The Company's activities include the development of geophysical equipment and methods, generation, marketing and sales of non-exclusive geophysical surveys and other business that fall within such activities.

The Company's core purpose is to significantly reduce the costs of OBS operations and broaden the applications for which it can be used. We want to be the first choice of our customers in the field development and exploration industry. In fulfilling this purpose we will create enduring value for our customers and our shareholders.

Equity and dividends
The Company's equity is considered to be adequate relative to MagSeis' financial objectives, overall strategy and risk profile. To achieve its ambitious long-term growth objectives, MagSeis will need to raise additional capital in the years to come, however, it is MagSeis' policy to maintain a high equity ratio during this growth phase.

MagSeis has yet to produce stable cash flow, hence does currently not expect to pay ordinary dividends to our shareholders. However, any future dividend payment will be subject to determination based on the Company's results and other factors the Board of Directors finds relevant. Dividend payments will be subject to approval by the shareholders at the Company's Annual General Meetings.

Equal treatment of shareholders and transactions with close associates
MagSeis has one class of shares and all shares are freely transferable (with possible exceptions due to foreign law restrictions on sale and offering of securities). All shares in the Company carry equal voting rights. The shareholders exercise the highest authority in the Company through the General Meeting. All shareholders are entitled to submit items to the agenda, and to meet, speak, and vote at the General Meeting.

General Meetings
Through the General Meeting, the shareholders exercise the highest authority in the Company. General Meetings are held in accordance with the Code. All shareholders are entitled to submit items to the agenda, meet, speak and vote at General Meetings. The Annual General Meeting is held each year before the end of June. Extraordinary General Meetings may be called by the Board of Directors at any time.

General Meetings are convened by written notice to all shareholders with known addresses no later than 28 days prior to the date of the meeting. Proposed resolutions and supporting information, including information on how to be represented at the meeting, vote by proxy and the right to propose items for the General Meeting, is generally made available to the shareholders no later than the date of the notice. Shareholders who wish to receive the attachments may request the Company to mail such attachments free of charge. Resolutions and the supporting information are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered in the meeting.

Shareholders who are unable to be present in the meeting are encouraged to participate by proxy, and a person who will be available to vote on behalf of shareholders as their proxy will be nominated. Proxy forms will allow the proxy-holder to cast votes for each item separately. A final deadline for shareholders to give notice of their intention to attend the meeting or vote by proxy will be set in the notice for the meeting. Such deadline will be set as close as possible to the

8. Corporate Governance Report (continued)

General Meetings (continued)
date of the General Meeting, and under any circumstance in accordance with the principles of section 5-3 of the Public Limited Companies Act.

The Chairman, CEO, and the CFO will, under normal circumstances, be present at the meeting in person. The Chairman for the meeting is independent. Notice, enclosures and protocol of meetings will be available on MagSeis' Website.

The General Meeting elects the members of the Board of Directors (excluding company representatives), determines the remuneration of the members of the Board of Directors, approves the annual accounts and decides such other matters, which by law, by separate proposal or according to the Company's Articles of Association, are to be decided by the General Meeting. The General Meeting will normally vote separately on each candidate for election for the Board of Directors and any other corporate bodies to which members are elected by the General Meeting.

The minutes from General Meetings will be posted on the Company's Website within 15 days after the General Meeting has been held. Information that a General Meeting has been held will be made public as soon as possible after the end of the meeting.

Corporate assembly and Board of Directors: Composition and independence
MagSeis is not required to have and does not have a corporate assembly as agreed by key management representatives of the employees of the Company as warranted by Norwegian Law.

The Board of Directors have overall responsibility for the management of the Company. This includes a responsibility to supervise and exercise control of the Company's activities. The Board of Directors consist of 4 members, including 1 company representatives. The proceedings and responsibilities of the Board of Directors are governed by a set of rules of procedure. It is the Company's intention that the members of the Board of Directors will be selected in the light of an evaluation of the Company's needs for expertise, capacity and balanced decision making, with the aim of ensuring that the Board of Directors can operate independently of any special interests and that the Board of Directors can function effectively as a collegial body.

The directors are encouraged to hold shares in the Company, which the Board believes promote a common financial interest between the members of the Board and the shareholders of the Company.

Pursuant to the Code, at least half of the shareholder-elected members of the Board of Directors shall be independent of the Company's management and its main business connections. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholders.

In the Company's view, none of the directors are considered independent of the Company's main shareholders nor are any shareholder elected directors considered independent of the Company's management and main business connections. Currently, one executive consultant is a director. The term of office for members of the Board of Directors is two years unless the General Meeting decides otherwise, but a director may be re-elected.

A process has been initiated to change the composition of the Board and to elect new members that satisfy the criteria for independence as established by the Code. Such changes are expected to be put in place prior to a listing of the Company on Oslo Axess Exchange, which is planned for the second half of 2013. One of the criteria that will be considered in making the selection of new Board members will be the suitability for participating in the audit committee which will be established in connection with the listing.

The work of the Board of Directors
The Board of Directors meet a number of times within a year, including for strategy meetings, and will hold additional meetings under special circumstances. Its working methods are openly discussed. Between meetings, the Chairman and Chief Executive Officer update the Board members on current matters. There is frequent contact regarding the progress and affairs of the Company. Each Board meeting includes a briefing by one of the functional or department managers of

8. Corporate Governance Report (continued)

The work of the Board of Directors (continued)
the Company followed by Q&A. The Board meetings are a continuous center of attention for the Board of Directors, ensuring executive personnel maintain systems, procedures and a corporate culture that promote high ethical conduct and compliance with legal and regulatory requirements.

The Company is not required to establish an Audit Committee but intends to do so prior to the planned listing on Oslo Axess.

The Company does not have Remuneration Committee as the Board has not taken remuneration for the year ended 31 December 2012.

Risk management and internal control
Board of Directors
The Board, in conjunction with the executive management, evaluates the risks inherent in the operations of the Company. Principal among these risks currently are those relating to the construction of the Company's proprietary system, obtaining contractual counterparties, retaining key staff and financial risk. In addition the following risks inherent in the business plan are monitored: commodity prices, exchange rates, competition, the political and regulatory environment, counterparty performance, and the potential growth of the business and the proposed application of new technology. The Board, working with the finance department and through the annual audit process, ensures that the Company has reliable internal control and systems for risk management.

The Board is presented an annual budget at the end of the preceding financial year. Thereafter, the Board is presented with regular updates and reports identifying material variations from the approved budget. Explanations are obtained for material variances. The Board is also presented financial statements on an annual basis, which are reviewed with the executive management. The Company's annual accounts provide information on internal control and risk management systems as they relate to its financial reporting.

Remuneration of the Board of Directors
No remuneration has been taken by the Board of directors since the establishment of the Company.

Remuneration of the executive personnel
The Company's policy for management remuneration is that leading employees shall receive competitive salary in order to maintain continuity in the executive management. The Company shall offer a level of salary which reflects the level of salary in equivalent companies in Norway and abroad.

Information and communications
Communication with shareholders, investors and analysts is a high priority for MagSeis. The Company believes that objective and timely information to the market is a prerequisite for a fair valuation of the Company's value and, in turn, the generation of shareholder value. The Company continually seeks ways to enhance its communication with the investment community.

Take-overs
The Board of Directors endorses the recommendation of the Code. The Articles of Association of MagSeis do not contain any restrictions, limitations or defense mechanisms on acquiring the Company's shares.

In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for possible takeovers. In the event of an offer, the Board of Directors will not seek to hinder or obstruct takeover bids for MagSeis' activities or shares. Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for the Company's shares will only be entered into where the Board believes it is in the common interest of the Company and its shareholders.

8. Corporate Governance Report (continued)

Take-overs (continued)
Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

If an offer is made for the shares of MagSeis, the Board of Directors will make a recommendation on whether the shareholders should or should not accept the offer, and will normally arrange for a valuation from an independent expert.

Auditor
The auditor is to participate in meetings of the Board of Directors that deal with the annual accounts from the 2012 annual accounts. The auditor will present to the Board of Directors a report outlining the audit activities in the previous fiscal year and highlighting the areas that caused the most attention or discussions with management, and a plan for the work related to the Company's audit. The auditor will make themself available upon request for meetings with the Board of Directors during which no member of the executive management is present, as will the Board of Directors upon the auditor's request. The General Meeting is informed about the Company's engagement and remuneration of the auditor and for fees paid to the auditor for services other than the annual audit, and details are given in notes to the Annual Report.

9. Environmental Reporting

The company has an objective that all activities that are performed are to be carried out so as to minimise negative impacts to people and the environment. Given the nature of the operations there is currently minimal corporate impact on the environment.

10. Working Environment and Personnel

At the end of 2012, MagSeis had in total of 13 employees and consultants, 12 men and 1 woman. There have not been any serious injuries or accidents in the current or prior year. The average number of work days recorded as sick for the office population was 0 days per person for the current year. The Company's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, sex or religion. Respect for the individual is the cornerstone of this policy and the Company also aims to treat its employees with dignity and respect.

11. Post Balance Sheet Events

The Company signed a letter of intent with Statoil on 21 November 2012 for OBS acquisition on the NCS during 2013. Work is now ongoing to secure the required qualifications and to convert the Letter of Intent ("LOI") into a firm contract with expected start of work during Q3 2013. During December 2012 the Company entered into an LOI with the Westcon Group comprising an investment in the company as well as an industrial partnership. The partnership agreement was formalised during February 2013 when MagSeis and Westcon entered into a services agreement under which Westcon shall deliver Marine Brokerage and Support Services to MagSeis. The agreement included a 3 year Lock-up transfer of shares clause limiting the sale of shares of the Founders (J Gateman, I Gimse and A Farestveit) of the Company.

During April 2013 the Company entered into a LOI for a time charter agreement with Westcon for the provision of a combined source and cable vessel to use for the Company's OBS operations.

During May 2013 the Company entered into a LOI with TGS Nopec comprising an exclusive multi-client partnership based on MagSeis' proprietary Ocean Bottom Seismic technology. Joint projects are currently being planned with promising customer feedback.

Board of Directors of MagSeis AS

Anders Farestveit Chairman	Ellen Malmquist Director	Noralf Matre Director	Jan Gateman Senior Vice President

Ivar Gimse
CEO

Dated at ...Lysaker.... this 20th day of ...June..... 2013.

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To the Annual Shareholders meeting in MagSeis AS

INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of MagSeis AS, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of MagSeis AS as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

KPMG

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures, we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 June 2013
KPMG AS

Lone Frogner

Lone Frogner
State authorized public accountant

MagSeis AS

Statements of comprehensive income

For the year ended 31 December

in thousands of NOK	*Note*	2012	2011 Restated*	2010 Restated*
REVENUE AND OTHER INCOME				
Sales revenue	*6*	3,000	932	1,315
Other income	*6*	0	0	200
Total revenue and other income		**3,000**	**932**	**1,515**
OPERATING EXPENSES				
Cost of sales	*7*	1,870	1,502	370
Research and development expenses	*7*	7,959	12,491	399
Selling, general and administrative cost	*7*	6,120	855	23
Total operating expenses		**15,949**	**14,848**	**792**
OPERATING PROFIT (LOSS)		**-12,949**	**-13,916**	**723**
FINANCIAL INCOME AND EXPENSES				
Finance income	*8*	1,187	225	21
Finance costs	*8*	-269	-4	-1
Net finance costs		**918**	**221**	**20**
NET PROFIT (LOSS) BEFORE TAX		**-12,031**	**-13,695**	**743**
Income tax expense	*11*	0	0	208
NET PROFIT (LOSS)		**-12,031**	**-13,695**	**535**
Basic earnings (loss) per share	*16*	-33.67	-77.79	5.30
Diluted earnings (loss) per share	*16*	-33.67	-77.79	5.30
OTHER COMPREHENSIVE INCOME				
Other comprehensive income (loss) for the period		0	0	0
Total comprehensive income (loss) for the period, attributable to Owners of the Company		**-12,031**	**-13,695**	**535**

*** See Note 20**

MagSeis AS

Statements of financial position

For the year ended 31 December

in thousands of NOK	*Note*	2012	2011	2010
ASSETS			**Restated***	**Restated***
Current assets				
Cash and cash equivalents	*9*	257,645	6,894	1,978
Trade receivables		0	915	512
Other current assets	*10*	17,788	3,560	806
Total current assets		**275,433**	**11,369**	**3,296**
Non-current assets				
Equipment	*13*	41,456	57	0
Intangible assets	*14*	12,167	0	0
Total non-current assets		**53,623**	**57**	**0**
TOTAL ASSETS		**329,056**	**11,426**	**3,296**
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*15*	1,053	234	102
Share premium	*15*	338,504	20,818	500
Other equity	*15*	815	0	0
Retained earnings		-25,141	-13,110	584
Total equity attributable to equity holders of the Company		**315,231**	**7,942**	**1,186**
TOTAL EQUITY		**315,231**	**7,942**	**1,186**
LIABILITIES				
Current liabilities				
Trade payables	*12*	10,260	2,459	1,763
Current tax payable	*12*	208	208	208
Accruals and other payables	*12*	3,357	817	139
Total current liabilities		**13,825**	**3,484**	**2,110**
TOTAL LIABILITIES		**13,825**	**3,484**	**2,110**
TOTAL EQUITY AND LIABILITES		**329,056**	**11,426**	**3,296**

*** See Notes 10 and 20**

Board of Directors of MagSeis AS

Anders Farestveit	Ellen Malmquist	Noralf Matre	Jan Gateman
Chairman	Director	Director	Senior Vice President

Dated at Lysaker this 20th day of June 2013.

MagSeis AS

Statements of changes in equity

For the year ended 31 December

in thousands of NOK	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Restated Total*
Balance at 1 January 2010	**100**	**0**	**0**	**49**	**149**
Profit / (loss) for the period	0	0	0	535	535
Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	0	0	0	535	535
Issue of share capital	2	500	0	0	502
Balance at 31 December 2010	**102**	**500**	**0**	**584**	**1,186**
Balance at 1 January 2011	**102**	**500**	**0**	**584**	**1,186**
Profit / (loss) for the period	0	0	0	-13,695	-13,695
Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-13,695	-13,695
Issue of share capital	132	20,318	0	0	20,450
Balance at 31 December 2011	**234**	**20,818**	**0**	**-13,110**	**7,942**
Balance at 1 January 2012	**234**	**20,818**	**0**	**-13,110**	**7,942**
Profit / (loss) for the period	0	0	0	-12,031	-12,031
Other comprehensive income	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-12,031	-12,031
Transaction costs on issue of shares	0	-13,537	0	0	-13,537
Employee stock options	0	0	815	0	815
Issue of share capital	819	331,223	0	0	332,042
Balance at 31 December 2012	**1,053**	**338,504**	**815**	**-25,141**	**315,231**

*** See Note 20**

MagSeis AS

Statements of cash flows

For the year ended 31 December

in thousands of NOK	***Note***	**2012**	**2011**	**2010**
Cash flows from operating activities				
Profit / (Loss) before tax		-12,031	-13,695	743
Adjustment for:				
Depreciation	***13***	430	9	0
Share based payments expense	***17***	815	0	0
Interest expense	***8***	40	0	1
Interest income	***8***	-925	-221	-21
Working capital adjustments:				
(Increase) / decrease in current assets		-13,313	-3,157	-1,215
Increase / (decrease) in trade and other payables and accruals		1,313	1,375	1,887
		-23,671	-15,689	1,395
Income taxes paid		0	0	-19
Net cash from operating activities		**-23,671**	**-15,689**	**1,376**
Cash flows from investing activities				
Interest received		925	221	21
Acquisition of equipment	***13***	-32,801	-66	0
Payments for capitalised development and intangibles	***14***	-12,168	0	0
Net cash used in investing activities		**-44,044**	**155**	**21**
Cash flows from financing activities				
Procceds from loan	***15***	25,000	0	0
Proceeds from issuance of ordinary shares	***15***	295,221	20,450	502
Transaction costs on issue of shares	***15***	-1,715	0	0
Interest paid		-40	0	-1
Net cash from financing activities		**318,466**	**20,450**	**501**
Net decrease in cash and cash equivalents		250,751	4,916	1,898
Cash and cash equivalents at 1 January		6,894	1,978	80
Cash and cash equivalents at 31 December	***9***	**257,645**	**6,894**	**1,978**

1. Reporting entity

MagSeis AS is a limited liability company incorporated in Bærum, Norway. The address of the Company's registered office is Gaustadalléen 21, 0349 Oslo. The Company is primarily involved in marine seismic operations and seismic-related activities.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and their interpretations adopted by the International Accounting Standards Board (IASB). This is the Company's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

There have been no significant changes to the reported financial position, financial performance or cash flows of the Company, further information is provided in Note 22.

The financial statements were authorised for issue by the Board of Directors on 20.06.2013

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

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The financial statements have been prepared on the going concern basis.

(c) Functional and presentation currency

The financial statements are presented in Norwegian Kroner (NOK), which is also the Company's functional currency. All financial information presented in NOK has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 13 – equipment
- Note 14 – intangible assets
- Note 17 – share based payments

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Company's financial statements, unless otherwise indicated.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the profit or loss.

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value, plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial asset expire, or the Company transfers the financial asset to another party without retaining control of substantially all of the risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligation specified in the contract expire or are discharged or cancelled.

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(ii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Equipment

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Items of equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Equipment 3 - 5 years
- Fixtures and Fittings 3 years
- IT Equipment 3 years

3. Significant accounting policies (continued)

(d) Equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated over the cost of the asset, or an other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Capitalised development costs 3 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Impairment

(i) Financial assets

Financial assets which are valued at amortised cost are written down when it is probable that the Company will not recover all the amounts relating to contractual receivables. The amount of the impairment loss is recognised in the profit or loss as a finance cost. Any reversal of previous impairment losses is recognised when a reduction in the need to write down the asset can be related to an event after the impairment loss has been recognised. The decrease in impairment loss is reversed through profit or loss.

Provision is made where there is objective evidence that the Company will be unable to recover balances in full from trade and other receivables. Balances are written off when the probability of recovery is assessed as being remote.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value and its fair value less costs to sell. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(g) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(h) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees, and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service conditions at the vesting date.

(i) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants that compensate the Company for expenses incurred are offset in profit or loss in the same periods in which the expenses were originally recognised. Grants that compensate the Company for the cost of an asset are offset in balance sheet and then recognised in profit or loss on a systematic basis over the useful life of the asset.

(j) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on foreign currency transactions that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise of interest expense, impairment losses recognised on financial assets, and losses on foreign currency transactions that are recognised in profit or loss.

(k) Income tax

Income tax expense comprises current and deferred tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

3. Significant accounting policies (continued)

(k) Income tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Segment reporting

The Company is operating in one segment being geophysical surveys with respect to products and services. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2012, but have not been applied in preparing this financial report.

IFRS 13 - Fair Value Measurement

The standard establishes guidance to valuation techniques and inputs used to measure fair value as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

IFRS13 does not change when an entity is required to use fair value, but provides guidance to measure fair value under IFRS when fair value is required or permitted. The standard becomes effective on or after 1 January 2013.

IFRS 9 - Financial Instruments

This standard is the first step in the process to replace IAS 39 – Financial Instruments recognition and measurement. IFRS 9 requires financial assets to be classified into two measurement categories, fair value measurements and amortised cost recognition. For financial liabilities, the standard retains most of IAS 39 requirements. The standard is not applicable until 1 January 2015.

The Company intends to adopt those standards when they become effective. Currently the Company estimates that the implementation will have no impact, or are unable to determine the impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Company.

4. Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Company's overall risk management programme considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

4. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The aging of trade and other receivables at the reporting date was:

in thousands of NOK	Carrying amount 2012	Impairment 2012	Carrying amount 2011	Impairment 2011	Carrying amount 2010	Impairment 2010
Past due 0-30 days	12,431	0	3,592	0	618	0
Past due 31-120 days	0	0	0	0	0	0
More than 120 days	0	0	454	0	0	0
Total	**12,431**	**0**	**4,046**	**0**	**618**	**0**

During 2012, the Company has had no loss on bad debt and as of 31 December 2012, the Company has no outstanding trade receivables, and therefore no provisions have been made.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses cash modelling forecast, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 12 months, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are remaining contractual maturities at the end of the reporting period of financial liabilities:

in thousands of NOK	Carrying amount	3 months or less	3-12 months	1-2 years
At 31 December 2012				
Trade payables	10,260	10,260	0	0
Non-trade payables	521	521	0	0
Accrued expenses	2,278	2,083	100	95
Total	**13,059**	**12,864**	**100**	**95**
At 31 December 2011				
Trade payables	2,459	2,459	0	0
Non-trade payables	204	204	0	0
Accrued expenses	583	583	0	0
Total	**3,246**	**3,246**	**0**	**0**
At 31 December 2010				
Trade payables	1,763	1,763	0	0
Non-trade payables	57	57	0	0
Accrued expenses	82	82	0	0
Total	**1,902**	**1,902**	**0**	**0**

Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company, the Norwegian Kroner (NOK). The currencies in which these transactions primarily are denominated are NOK, United States Dollar (USD), euro, British Pound (GBP) and Swedish Krona (SEK).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

4. Financial risk management (continued)

Currency risk (continued)

The table below shows the Company's exposure to currency risk at the reporting date was:

in thousands	SEK 2012	euro 2012	SEK 2011	euro 2011	SEK 2010	euro 2010
Trade payables	**1,084**	**2**	**488**	**0**	**0**	**0**
Average rate	**0.855**	**7.570**	0.863			
Reporting date spot rate	**0.857**	**7.376**	0.870			
in thousands of NOK						
+/- 10% on Profit or loss	**95**	**1**	21			

Interest rate risk

The Company currently has interest bearing assets. Amounts are placed on deposit for periods to secure higher returns, while balancing the need to access funds as required.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital to ensure it will be able to continue as a going concern while maximising shareholder wealth and financial stability. The Company defines its capital as equity, share capital and reserves.

Financial instruments

Set out below is a comparison by category for carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements. The following estimated fair value amounts of the Company's financial instruments have been determined by the Company, using appropriate market information and valuation methodologies.

The carrying amount of financial assets and liabilities:

in thousands of NOK	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
Financial assets						
Cash and cash equivalents	257,645	257,645	6,894	6,894	1,978	1,978
Trade receivables	0	0	915	915	512	512
Other receivables	12,431	12,431	3,131	3,131	106	106
Total	**270,076**	**270,076**	**10,940**	**10,940**	**2,596**	**2,596**
Financial liabilities						
Trade payables	10,260	10,260	2,459	2,459	1,763	1,763
Other payables	521	521	204	204	57	57
Accruals	2,278	2,278	583	583	82	82
Total	**13,059**	**13,059**	**3,246**	**3,246**	**1,902**	**1,902**

At 31 December 2012, 2011 and 2010 there are no differences between the carrying amount and fair value upon initial recognition for any of the items listed as financial asset or financial liabilities in the tables above.

5. Operating segments

The Company is operating in one segment being geophysical surveys with respect to products and services. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

In 2012 the Company's total operating revenue was attributable to one customer through an offshore test of the Company's proprietary system.

In 2011 and 2010 the Company's total operating revenue was attributable to one customer through consultancy revenue.

6. Revenue and other income

in thousands of NOK	2012	2011	2010
Revenue and other income		**Restated***	**Restated***
Service revenue	3,000	932	1,315
Other income	0	0	200
Total revenue and other income	**3,000**	**932**	**1,515**

7. Operating expenses

in thousands of NOK	2012	2011	2010
Cost of sales		**Restated***	**Restated***
Charter hire	1,500	0	0
Fuel costs	305	0	0
Consultants	0	1,461	270
Other cost of sales	65	41	100
Total	**1,870**	**1,502**	**370**
Research and development expenses			
Corporate and consultant costs	3,775	8,705	300
Other research and development costs	4,184	3,786	99
Total	**7,959**	**12,491**	**399**
Selling, general and administrative costs			
Salary and social expenses	2,367	353	0
Administrative expenses	2,062	493	23
Other expenses	1,691	9	0
Total	**6,120**	**855**	**23**
Wage costs			
Salary	4,654	286	0
Social security tax	785	42	0
Pension	296	17	0
Equity-settled share-based payment transactions	815	0	0
Other payments	653	31	0
Total	**7,203**	**376**	**0**

The Company has been awarded five grants, two in 2012, two in 2011 and one in 2010. The two grants received in 2012 amounted to 9100 NOK thousand and were given to further develop the Company's proprietary system and organisation. Some of the related costs qualified for capitalisation whereas other costs were recognised in the profit or loss, and the grant income has been offset on a proportionally allocated basis. 7300 NOK thousand was offset against Company's intangible value and 1800 NOK thousand was offset against research and development costs. The 2011 and 2010 grants of 1350 NOK thousand and 250 NOK thousand were given to further develop the organisation and were offset against research and development costs.

The average number of employees during 2012 and 2011 were 6 and 0, respectively.

Details of the expenses to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

KPMG Auditors' remuneration

in thousands of NOK	2012
Audit services	
Audit of 2012 financial statements	400
Audit of 2011 and 2010 financial statements	230
Other services	
Other assurance services	342
Total	**972**

The Company changed auditors to KPMG for the preparation of the 2012 annual accounts and all statutory audit work was charged as an expense excluding VAT.

8. Finance income and costs

in thousands of NOK	2012	2011 Restated*	2011 Restated*
Interest income	925	221	21
Currency gains	262	4	0
Interest expense	-40	0	-1
Currency losses	-229	-4	0
Total	**918**	**221**	**20**

9. Cash and cash equivalents

in thousands of NOK	2012	2011 Restated*	2010 Restated*
Bank balances	257,645	6,894	1,978
Cash and cash equivalents	257,645	6,894	1,978

10. Other current assets

in thousands of NOK	2012	2011 Restated*	2010 Restated*
Prepayments	4,963	38	700
Deposits	394	391	0
VAT	3,331	2,031	56
Grants	9,100	1,100	50
Total other current assets	**17,788**	**3,560**	**806**

11. Income tax expense

in thousands of NOK	2012	2011 Restated*	2010 Restated*
Current tax expense			
Current period	0	0	208
Total	**0**	**0**	**208**
Deferred tax expense			
Origination and reversal of temporary differences	126	1	0
Benefit of tax losses and other deferred tax benefits not recognised	-126	-1	0
Total	**0**	**0**	**0**
Numerical reconciliation between tax expense and pre-tax accounting profit			
Profit / (loss) before tax	**-12,031**	**-13,695**	**743**
Income tax at rate of 28% (2011: 28%, 2010: 28%)	-3,369	-3,834	208
Non-deductible expenses	5	6	0
Non-assessable income	-310	-308	0
Losses (recognised) / not recognised	3,674	4,136	0
Total income tax expenses / (benefit)	**0**	**0**	**208**

The Company has estimated unutilised tax losses of 28,349,006 (2011: 14,778,257) available to be offset against future taxable income. The deductible temporary difference and tax losses do not expire under current tax legislation. The net deferred tax asset for the Company has not been recognised on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised.

11. Income tax expense (continued)

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following, and none have been recognised:

	Assets			Liabilities			Net		
in thousands of NOK	2012	2011	2010	2012	2011	2010	2012	2011	2010
Equipment	143	1	0	0	0	0	143	1	0
Other	-17	0	0	0	0	0	-17	0	0
Tax loss carry-forwards	3,674	4,136	0	0	0	0	3,674	4,136	0
Tax (assets) liabilities	3,800	4,137	0	0	0	0	3,800	4,137	0
Set off of tax	-3,800	-4,137	0	0	0	0	-3,800	-4,137	0
Net tax (assets) liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

12. Current liabilities

in thousands of NOK	2012	2011	2010
Trade payables due to related parties	800	713	844
Other trade payables	9,460	1,746	919
Non-trade payables	1,079	234	57
Accrued expenses	2,278	583	82
Income taxes	208	208	208
Total current liabilities	**13,825**	**3,484**	**2,110**

13. Equipment

in thousands of NOK	Office machines	Seismic equipment	Under construction	Total
Cost				
Balance at 1 January 2011	0	0	0	0
Additions	0	66	0	66
Disposals	0	0	0	0
Balance at 31 December 2011	**0**	**66**	**0**	**66**
Balance at 1 January 2012	0	66	0	66
Additions	684	3,635	37,510	41,829
Disposals	0	0	0	0
Balance at 31 December 2012	**684**	**3,701**	**37,510**	**41,895**
Depreciation and impairment losses				
Balance at 1 January 2011	0	0	0	0
Depreciation for the year	0	9	0	9
Disposals	0	0	0	0
Balance at 31 December 2011	**0**	**9**	**0**	**9**
Balance at 1 January 2012	0	9	0	9
Depreciation for the year	188	242	0	430
Disposals	0	0	0	0
Balance at 31 December 2012	**188**	**251**	**0**	**439**
Carrying amounts				
at 1 January 2011	0	0	0	0
at 31 December 2011	**0**	**57**	**0**	**57**
at 1 January 2012	0	57	0	57
at 31 December 2012	**496**	**3,450**	**37,510**	**41,456**

Equipment under construction

During the year ended 31 December 2012 the Company has continued the development of its Ocean Bottom Seismic ("OBS") acquisition system based on the principles of small, autonomous sensor capsules that can be integrated in an optimised steel cable and which can be deployed and recovered at high speed and in much larger quantities than existing equipment.

14. Intangible assets

in thousands of NOK	Total
Development costs	
Balance at 1 January 2012	0
Acquisition - internally developed	12,167
Balance at 31 December 2012	**12,167**

Development costs

During the year ended 31 December 2012 the Company has continued the development of its OBS acquisition system based on the principles of small, autonomous sensor capsules that can be integrated in an optimised steel cable and which can be deployed and recovered at high speed and in much larger quantities than existing equipment.

15. Share capital and reserves

Share capital issued

		Number of shares	Shares capital NOK	Share premium reserve NOK
Ordinary shares - Issued and fully paid				
At 1 January 2010		100	100,000	0
29-Jun-10	Issue of 2 shares for 251,000 NOK per share	2	2,000	500,000
At 31 December 2010		**102**	**102,000**	**500,000**
Ordinary shares - Issued and fully paid				
At 1 January 2011		102	102,000	500,000
07-Jun-11	Share split - 1000 for 1	102,000	0	0
07-Jun-11	Issue of129,800 shares at 154 NOK per share	129,800	129,800	19,870,200
21-Dec-11	Issue of 2,318 shares at 194 NOK per share	2,318	2,318	447,374
At 31 December 2011		**234,118**	**234,118**	**20,817,574**
Ordinary shares - Issued and fully paid				
At 1 January 2012		234,118	234,118	20,817,574
28-Jun-12	25 million NOK loan converted for 71,388 at 350 NOK per share	71,388	71,388	24,928,612
28-Jun-12	Placement of 125,783 at 374 NOK per share	125,783	125,783	46,917,059
20-Dec-12	Placement of 622,010 at 418 NOK per share	622,010	622,010	259,378,170
	Capital raising costs	0	0	-13,537,066
At 31 December 2012		**1,053,299**	**1,053,299**	**338,504,349**

Share options issued through share based payments reserve

		Share options	Expense recognised in P&L (NOK)
On issue at 1 January 2012		0	0
01-Jan-12	Issue of Share options	2,318	185,350
22-Jun-12	Issue of Share options	12,728	629,777
On issue at 31 December 2012		**15,046**	**815,127**

The share based payment reserve relates to cost of share options issued to management and staff during the year.

16. Earnings per Share

	2012	2011	2010
Basic earnings / (loss) per share	**-33.67**	**-77.79**	**5.30**
The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding			
Diluted earnings / (loss) per share	**-33.67**	**-77.79**	**5.30**
The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.			
Reconciliation of earnings used in calculating earnings / (loss) per share			
Basic earnings / (loss) per share			
Profit / (loss) for the year	-12,031,173	-13,694,628	535,482
Weighted average number of ordinary shares outstanding	357,288	176,038	101,036
Diluted earnings / (loss) per share			
Profit / (loss) for the year	-12,031,173	-13,694,628	535,482
Weighted average number of ordinary shares outstanding (diluted)	357,288	176,038	101,036

At 31 December 2012, 2318 share options (2011:0 options, 2010: 0 options) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would be anti-dilutive.

17. Share-based payments

Description of the share-based payment arrangements

At 31 December 2012 the Company has the following share-based payment arrangements:

Share based payment plan (equity-settled)

On 1 January 2012 and 22 June 2012 the Company established a share option programme that entitles key management personnel and employees to purchase share in the Company. In accordance with this programme options are exercisable at the market price of the share at the date of the grant and all options are equity settled.

Terms and conditions of share-based payment plan

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to key management on 1 January 2012	2,318	100% vest on 1 January 2012	1.08
Option grant to key management on 22 June 2012	12,728	20% vest on 22 June 2013, 30% vest on 22 June 2014 and 50% vest on 22 June 2015	3.48
Total share options	**15,046**		

Disclosure of share option programme

The number and weighted average exercise prices of share options are as follows:

in thousands of NOK	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at 1 January	0	0	0	0
Forfeited during the period	0	0	0	0
Exercised during the period	0	0	0	0
Granted during the period	346.27	15,046	0	0
Outstanding at 31 December		**15,046**		**0**
Exercisable at 31 December	194.00	2,318	0	0

17. Share-based payments (continued)

Disclosure of share option programme (continued)

The options outstanding at 31 December 2012 have an exercise price in the range of NOK 194 to NOK 374 and a weighted average contractual life of 3.11 years.

The Company recognised a share-based payment expense of NOK 815 thousand in 2012 (2011: 0, 2010:0) in relations to share options issued in 2012. There were no share options issued prior to 2012.

Inputs for measurement of grant date fair values

The grant date fair value of all share-based payment plans was calculated using the Black-Scholes-Merton option pricing model.

Expected volatility is estimated by considering historic average share price volatility of comparable listed entities.

The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following

Fair value of share options and assumptions	**Key management personnel 01-Jan-12**	**Key management personnel 22-Jun-12**	**Senior employees 22-Jun-12**
Fair value at grant date (weighted average)	79.96	191.25	191.25
Share price at grant date	194.00	374.00	374.00
Exercise price	194.00	374.00	374.00
Expected volatility	75.00%	75.00%	75.00%
Option life	2.08 years	4.00 years	4.00 years
Expected dividends	0	0	0
Risk-free interest rate (weighted average)	1.35%	1.48%	1.48%

The fair value of the options is calculated using the Black-Scholes-Merton option pricing model.

18. Commitments

Operating leases commitments, lessee

Non-cancellable operating lease rentals are payable as follows:

in thousands of NOK	**2012**	**2011**	**2010**
Less than one year	875	0	0
Between one and five years	3,130	0	0
More than five years	0	0	0
	4,005	**0**	**0**

The Company has entered into leases on commercial property. The leases are non-cancellable operating lease and have average remaining lives of 0.3 and 4.0 years.

On 7 March 2013 the Company entered into a new office lease in Oslo for 532,800 NOK per annum starting 1 April 2013 for 5 years.

Capital commitments

in thousands of NOK	**2012**	**2011**	**2010**
Equipment			
Contracted but not yet provided for and payable:			
Within one year	127,723	1,549	0
One year later and no later than five years	0	1,518	0
Later than five years	0	0	0
	127,723	**3,067**	**0**

19. Related parties

Shares held by current members of the Board and management, as at 31 December

	2012	2011	2010
A Farestveit	157,853	64,900	0
E Malmquist	48,926	26,897	14
N Matre	0	0	0
J B Gateman	125,811	69,165	37
I Gimse	44,793	57,950	51
M Ektvedt	0	0	0
Total	**377,383**	**218,912**	**102**

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

(i) I Gimse was engaged as an independent consultant as CEO.
Mr I Gimse became an employee on 1 January 2013.
(ii) J B Gateman is engaged as an independent consultant as Senior Vice President.
(iii) M Ektvedt started as CFO on 1 January 2012.

The aggregate value of transactions and outstanding balances related to key management personal and entities over which they have control or significant influence were as follows.

2012			**Transaction value**			**Balance outstanding**		
Name	**Transactions**	**Note**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
I Gimse	Consultant costs	(i)	1,268	1,577	464	443	357	422
J B Gateman	Consultant costs	(ii)	1,279	1,521	391	357	356	422
Total			**2,547**	**3,098**	**855**	**800**	**713**	**844**

Management Remuneration
2012

Name	**Position**	**Remuneration**	**Options**	**Pension**	**Total**
M Ektvedt	CFO	1,100	384	46	1,530
Total		**1,100**	**384**	**46**	**1,530**

In 2012, 2011 and 2010 I Gimse (CEO) and J Gateman (Senior Vice President) did not receive management remuneration. Both were engaged as independent consultants as detailed above.

In 2012 M Ektvedt was issued 6,329 share options.

20. Correction of error

During the 2012 annual audit it was discovered there had been prior year cut off errors and incorrect deferred tax recognition in the Company's historical financial statements that were prepared under the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway (NGAAP). As a result the Company has restated the 2011 and 2010 comparatives in these annual accounts as per the below table.

in thousands of NOK	**As previously reported** 2011 (NGAAP)	**Correction** 2011	**Restated** 2011 (NGAAP)	**As previously reported** 2010 (NGAAP)	**Correction** 2010	**Restated** 2010 (NGAAP)
Statement of comprehensive income extract						
REVENUE						
Other income	1,400	-50	1,350	200	50	250
Total revenue	**2,332**	**-50**	**2,282**	**1,615**	**50**	**1,665**
OPERATING EXPENSES						
Research and development expenses	12,621	1,220	13,841	1,249	-700	549
EBITDA	**-12,637**	**-1,270**	**-13,907**	**-26**	**750**	**724**
Depreciation	13	-4	9	0	0	0
NET PROFIT / (LOSS) BEFORE TAX	**-12,429**	**-1,266**	**-13,695**	**-7**	**750**	**743**
Income tax expense (benefit)	-3,474	3,474	0	-1	209	208
NET PROFIT (LOSS)	**-8,955**	**-4,740**	**-13,695**	**-6**	**541**	**535**
Statement of financial position extract						
Current assets						
Other current assets	3,560	0	3,560	56	750	806
Total non-current assets	**11,369**	**0**	**11,369**	**2,546**	**750**	**3,296**
Non-current assets						
Deferred tax asset	3,476	-3,476	0	2	-2	0
Equipment	52	5	57	0	0	0
Total non-current assets	**3,528**	**-3,471**	**57**	**2**	**-2**	**0**
TOTAL ASSETS	**14,897**	**-3,471**	**11,426**	**2,548**	**748**	**3,296**
Current liabilities						
Current tax payable	0	208	208	0	208	208
Accruals and other payables	297	520	817	139	0	139
Total current liabilities	**2,756**	**728**	**3,484**	**1,902**	**208**	**2,110**
EQUITY						
Retained earnings	-8,911	-4,199	-13,110	44	540	584
TOTAL EQUITY	**12,140**	**-4,199**	**7,941**	**646**	**540**	**1,186**
Statement of changes in equity extract						
Opening Balance	645	541	1,186	149	0	149
Operating Profit (Loss)	-8,955	-4,740	-13,695	-6	541	535
CLOSING BALANCE	**12,140**	**-4,199**	**7,941**	**645**	**541**	**1,186**

21. Subsequent events

The Company signed a Letter of Intent (LOI) with Statoil on 21 November 2012 for OBS acquisition on the Norwegian Continental Shelf (NCS) during 2013. Work is now ongoing to secure the required qualifications and to convert the LOI into a firm contract with expected start of work during Q3 2013. During December 2012 MagSeis entered into an LOI with the Westcon Group comprising an investment in the company as well as an industrial partnership. The partnership agreement was formalised during February 2013 when MagSeis and Westcon (Related Party) entered into a services agreement under which Westcon shall deliver Marine Brokerage and Support Services to MagSeis. The agreement is set at standard market terms plus a 1.25% management fee of the net costs.

During April 2013 the Company entered into a LOI for a time charter agreement with Westcon (Related Party) for the provision of a combined source and cable vessel to use for the Company’s OBS operations.

During May 2013 the Company entered into a LOI with TGS Nopec comprising an exclusive multi-client partnership based on MagSeis’ proprietary Ocean Bottom Seismic technology. Joint projects are currently being planned with promising customer feedback.

22. Explanation of transition to IFRSs

As stated in Note 2(a), these are the Company’s first financial statements prepared in accordance with IFRS as adopted by the European Union.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2012 and the comparative information presented in these financial statements for the years ended 31 December 2011 and 31 December 2010.

There have been no significant changes in preparing the opening IFRS statement of financial position, except for the presentation changes in the format of the annual accounts and the adjustment of the cash and cash equivalents amount from NOK 7285 thousand to NOK 6894 thousand reported previously in the 2011 financial statements prepared in accordance with NGAAP. This change was the result of the reclassification of the lease deposit from cash and cash equivalents to other current assets. There was no net impact to the Statement of Financial Position this is only a reclassification and presentation change only. Accordingly, reconciliations between the previously reported NGAAP financial statements and IFRS, including transition adjustments, are not presented.

Shareholdings (as at 31 December 2012)

Substantial shareholders

Fifteen largest shareholders

Name	Number of shares held	Percentage of capital held
WESTCON GROUP AS	201,675	19.1%
GEO INNOVA AS	174,737	16.6%
ANFAR INVEST AS	157,853	15.0%
ARCTIC SECURITIES ASA[1]	61,925	5.9%
CLIPPER A/S	60,412	5.7%
BARRUS CAPITAL AS	50,661	4.8%
GNEIS AS	44,793	4.3%
APM INVEST AS	26,740	2.5%
MP PENSJON PK	24,201	2.3%
BNYBE - INVESCO PERP EUR SMALL COM	20,000	1.9%
STOREBRAND VEKST	16,748	1.6%
STOREBRAND NORGE I	14,470	1.4%
PARETO SECURITIES ASA[1]	14,142	1.3%
ARCTIC SECURITIES ASA[1]	14,141	1.3%
STRØMSTANGEN AS	13,445	1.3%
OTHER	157,356	14.9%
TOTAL	**1,053,299**	**100.0%**

Note[1] - Nominee account