

WAVEFIELD INSEIS AS

Parent company

Annual Report

2006

NORWEGIAN GAAP (NGAAP)

English Translation



PROFIT & LOSS STATEMENT

(in thousands of NOK unless stated others)

	Note	YTD 2006	YTD 2005
Operating Revenues	2	191 066	28 700
Net Operating Revenues		191 066	28 700
<i>Operating expenses</i>			
Cost of sales	4,22	(73 119)	(1 151)
Amortization of Multi-Client Data Library	8	(12 394)	(7 713)
Selling, General and administration	4, 22	(16 193)	(4 570)
Depreciation	9	(21 988)	(18)
Other operating expenses	22	(2 859)	
Total operating expenses		(126 553)	(13 451)
Operating profit		64 513	15 249
<i>Financial income and expenses</i>			
Interest Income		6 062	199
Interest Expense	13	(11 207)	(10)
Exchange gains/losses		2 428	(310)
Net financial items	5	(2 717)	(122)
Profit before taxes		61 796	15 128
Tax expense	6	(10 572)	(4 020)
Net Income		51 225	11 108

BALANCE SHEET

(In thousands of NOK unless stated others)

	Note	Year ended 2006	Year ended 2005
Assets			
Non-Current Assets			
Intangible Non-Current Assets			
Intangible assets	7	6 234	
Multi-Client Library	8	63 218	24 081
Total Intangible Non-Current Assets		69 452	24 081
Tangible Non-Current Assets			
Financial Lease vessel	9	36 353	
Seismic Equipment	9	352 630	
Total Tangible Non-Current Assets		388 983	-
Financial Non-Current Assets			
Investment in associated companies	10, 11	66 076	
Pension asset	20	34	
Total financial Non-current Assets		66 110	-
Total Non-Current Assets		524 545	24 081
Current Assets			
Receivables			
Non-Current Receivables and Prepayments		71 487	3 759
Accounts Receivable		112 915	21 807
Other Receivables		9 295	249
Total Receivables	14	193 697	25 815
Cash and Cash Equivalents	17	534 021	110 504
Total Cash and Cash Equivalents		534 021	110 504
Total Current Assets		727 717	136 319
Total Assets		1 252 263	160 400

BALANCE SHEET

(In thousands of NOK unless stated others)

	Note	Year ended 2006	Year ended 2005
Equity			
Paid-in Capital			
Share Capital		4 672	1 333
Share Premium Reserve		889 203	99 546
Total Paid-in Capital		893 875	100 879
Retained Earnings			
Other Equity		65 839	14 615
Total Retained Earnings		65 839	14 615
Total Equity	19	959 714	115 494
Liabilities			
Provisions			
Deferred Tax	6	10 572	
Total Provisions		10 572	-
Other Non-Current Liabilities			
Capitalized Lease Liabilities	13	129 560	
Total Non-Current Liabilities		129 560	-
Current Liabilities			
Short-Term Debt	13	66 279	
Accounts Payable		50 082	27 491
Partnershare payable		14 890	10 916
Taxes Payable	6	-	4 020
Other Short-Term Liabilities	15	21 166	2 480
Total Current Liabilities		152 417	44 907
Total Liabilities		292 548	44 907
Total Equity and Liabilities		1 252 263	160 400

Lysaker 16.02.2007


 Anders Farestveit



 Ole-Jacob Storvik


 Dag Oddvar Larsen


 Jan Bertil Gateman


 Dag Erik Rasmussen


 Rick Donoghue


 Atle Jacobsen

CASH FLOW PARENT COMPANY

as of December 31

*(all amounts in thousands NOK under NGAAP unless noted otherwise)****(indirect metode)***

	2006	2005
Cash flow from operating activities		
Profit before tax	61 796	15 127
Adjustment to reconcile profit before tax to net cash flows Non-cash:		
Depreciation and impairment of p,p & e, net of investment in multiclient library	9 21 988	18
Amortization of multiclient library	8 12 394	7 713
Share Based payments expense	21 3 953	-
Interest income	(5 615)	(199)
Interest expense	5,13 11 134	
Movements in provisions, pensions and government grants	20 (34)	2 991
Working capital adjustments:		
Increase in trade and other receivables	14 (167 881)	(11 791)
Decrease in inventories		
Increase in trade and other payables	45 251	22 878
Income tax paid	6 (4 020)	
Net cash flows from operating activities	(21 033)	36 737
Investing activities		
Proceeds from sale of p,p&e		
Purchase of p,p&e	9 (132 491)	
Investment in multiclient library net of depreciation	8,9 (44 115)	(27 444)
Purchase of available-for-sale investments		
Purchase of intangible assets	7 (6 234)	-
Acquisition of a subsidiary, net of cash acquired	10,11 (66 076)	-
Interest received	5 615	199
Net cash flow used in investing activities	(243 301)	(27 245)
Financing activities		
Proceeds from new equity raised	19 716 000	99 990
Proceeds from issuance of convertible debt	19 100 000	-
Transaction costs in issue of shares	19 (26 957)	-
Payment of finance lease liabilities	(90 058)	-
Repayment of borrowings	-	-
Interest paid	13 (11 134)	-
Net cash flows used in financing activities	687 851	99 990
Net increase in cash and cash equivalents	423 517	109 482
Net foreign exchange difference	-	-
Cash and cash equivalents at 1 January	110 504	1 022
Cash and cash equivalents at 31 December	17 534 021	110 504
Non-cash event		
Convertible debt converted to equity	100 000	0
Assets acquired through finance leases	285 897	0
Accrued interest incom	447	
Accrued interest expense	1028	

REPORT FROM BOARD OF DIRECTORS 2006

Business activity and location

Wavefield Inseis AS is a Geophysical Company that provides offshore services within high quality seismic data acquisition, project development, sale of non-exclusive seismic and electromagnetic data, as well as installation and operation of 4C fiber optic permanent Seabed systems on existing oil producing fields.

The Company is growing fast and the objectives are to offer their services on a world wide basis. The areas of main activities in 2006 have been North West Europe, Africa and South America

The Company would like to provide services to improve the oil and gas companies exploration and production success, by developing and operate a competent and respectable Geophysical Company, which also will establish close strategic alliances for developing new innovative technologies that can be utilized in attractive business models.

Since inception in 2001, the Company has become a well respected geophysical company with a good reputation. This is based on a company with solid organic growth, a conservative investment strategy, high external project financing and dedicated focus on development and application of new technologies. Due to the strong market development and consolidation within the industry in 2006, the Company has strategically decided to offer additional seismic services and start operate seismic vessels.

The Group is located in Bergen, Lysaker, London, Houston and is also represented with a sales representative office in Perth, Australia.

As per year-end 2006 the Group had 65 employees in Norway and 3 employees permanently employed abroad. In addition, we hired external personnel both offshore and for office positions. At year-end, we hired the total of 53 external persons. The Group has the total of 112 employees and hired personnel at year-end 2006. On large projects we also use short term consultants from alliance partners within geology and geophysics.

The Group has two segments of operations, Seismic and Technology Development, the latter one is represented by associated companies that were established and partly acquired within 2006.

Going Concern

In accordance with the Accounting Act § 3-3 we confirm that the Financial Statements have been prepared under the assumption that we are a going concern and we confirm that the assumption of going concern is considered to be met.

Future development

Inseis AS merged with Wavefield Geophysical AS in 2006, and the Company considerably increased the operative and technical competence. The strategy was changed to also become a larger operator of modern and high capacity seismic vessels and to be an innovative developer of

new technology. The objective is that the Company within 2008 will operate one of the most modern seismic fleet within the seismic industry and be leading company installing permanent 4C fiber optic seabed systems. The seismic vessels will be on long term Time Charter agreements with vessel owners.

The Company will also use resources to further expand the interesting development within Electromagnetic measurements (EM), which we believe will be complementary to the existing seismic technology as of today.

Based on the new strategy and initiated projects we believe the Company is well positioned for future growth based on oil companies increased demand for exploration and production services. Revenues and net profit is expected to be significantly higher for the Group in 2007 compared with 2006. However, there are always uncertainties related to future revenues and profit predictions.

Net income, investments, financing and liquidity – Parent Company

Revenue for the Company increased from NOK 28,7 mill. to NOK 191 mill. for 2006, the increase was primarily due to new seismic vessels in operation on exclusive contracts for oil companies. The net income post tax for 2006 increased by NOK 51,2 millions to 40,1 mill. compared with previous year.

The Company has expensed NOK 1,2 mill. related to research and development for 2006. The costs did not meet the IFRS requirements for balance capitalization.

The equity capital has been significantly strengthened by several equity issues and debt to equity conversions during the year, accumulated at NOK 816 mill. Total equity capital of the Company is NOK 959,7 mill. compared with a total capital of NOK 1,252 mill., the equity capital ratio is 76,5% as per year-end 2006.

The parent company non-restricted equity capital is NOK 65,8 mill. as per year-end 2006.

Cash-flow from operation is NOK – 21 mill. primarily due to the increased working capital requirement from the strong revenue growth in fourth quarter of 2006.

Net income , investments, financing and liquidity – Group

Wavefield Inseis Group was founded in 2006 and this is the first year the Group present consolidated accounts according to the International Financial Reporting Standards (IFRS). Wavefield Inseis Group only difference compared to parent company is three 100% owned subsidiaries with limited marketing and sales activity in 2006, further we have also two ownership positions in associated companies.

Revenues of the Group increased from USD 4,4 mill. in 2005 to USD 30,1 mill. for 2006, the increase was primarily due to new seismic vessels in operation on exclusive contracts for oil companies. The net income post tax for 2006 increased by USD 7,9 mill. to USD 9,6 millions compared with previous year.

The Group equity capital has been significantly strengthened by several equity issues and debt to equity conversions during the year, accumulated at USD 128 millions. The equity use of proceeds will be to purchase seismic equipment related to the time chartered vessels, investment in new Multi-Client data and development of new technologies. The group has entered into external long term loan financing in connection with the Groups two existing vessels, no additional credit facilities have been established as per year-end 2006. Total equity capital of the Group is USD 151,5 mill. compared with a total capital of USD 198 mill. , the equity capital ratio is 76,5% as per year-end 2006.

Multi-Client project investments are financed by either Early Commitments from customers, investments by operating partners, by company funds or a combination of the alternatives. The improved financial strength will enable the Group to initiate more projects and improve project profitability.

Cash-flow from operation is USD – 1,8 mill. due to the increased working capital requirement from the strong revenue growth in fourth quarter of 2006. The Group has a significant investment program in relation to the rigging and seismic equipment for the new vessels as well as for the increased level of Multi-Client project investments.

Financial Risk

The Company is exposed towards a cyclical industry and large individual projects, the fleet of vessels are chartered for a 2-7 years period and the fixed costs in this period are high. Risk related to development of new technology is reduced through cooperation's with other development partners.

The Company's activity is associated with an element of financial risk, in particular currency fluctuations could affect the financials of the Company. However, the objective is to reduce any financial risks as far as possible. The Company's financial strategy do not include use of financial instruments. Functional currency is United States Dollars (USD), this will reduce the currency exposure of the Company in relation to USD revenues and USD Capital Expenditures.

The Equity Capital of the Company has been significantly strengthened and the solidity is very good as per year-end 2006.

Health, Safety and Environmental Issues

The Board consider the working environment to be good, both in offices onshore and onboard the seismic vessels offshore. A good Quality Control and Health, Security and Environment system (HSE) and procedures have been implemented within the Company and on board our chartered vessels. The procedures also apply to our hired personnel and the overall objective is to improve all HSE aspects, continuously improve the working environment and finally to prevent any pollution or any other effects on the external environment or nature. Based on the Group's activities there is an inherent risk for potential pollutions from the seismic vessels.

During 2006, no personal injuries or accidents have been registered for office based personnel, for our offshore based crew 2 incidents have been registered, that needed treatment. The two individual employees were both back in work on the next crew change on their respective vessel.

The overall illness-related absence totaled 0,42 % of total working time in 2006. The Group has 9% female employees and no female board representatives as per year-end 2006, however we have specific plans to increase this ratio in 2007.

Allocation of net income

The Board of Director's has proposed the following allocation of the net income of Wavefield Inseis AS for 2006:

<u>Allocated to Other Equity</u>	<u>NOK 51.224.000,-</u>
Total allocated	NOK 51.224.000,-

Shareholder issues

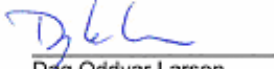
The Wavefield Inseis AS shares are registered and can be traded on the OTC list in Oslo, Norway under the ticker code "wave". The Company's information policy is based on openness and equal treatment of all shareholders.

The Board has approved and adopted a "Code of Practice for the Corporate Governance", further the Company are developing a plan for the Company's basic values and ethical guidelines in accordance with these values.

The Board is planning to apply for Oslo Stock Exchange listing within 2007. The Company will then be converted from a Norwegian limited company "AS" to a limited public company "ASA".

Lysaker, Norge
16 February 2007


Anders Farestveit



Dag Oddvar Larsen


Dag Erik Rasmussen


Ole-Jacobi Storvik


Jan Bertil Gateman


Rick Donoghue


Atle Jacobsen

To the General Meeting of
Wavefield Inseis AS

■ Statsautoriserte revisorer

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Medlemmer av Den norske Revisorforening

Auditor's report for 2006

We have audited the annual financial statements of Wavefield Inseis AS as of 31 December 2006, showing a profit of KNOK 51 225 for the Parent Company and a profit of KUSD 9 633 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income, cash flows and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2006, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, February 16, 2007
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)
(sign)

Note: The translation to English has been prepared for information purposes only.

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■ Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

Note 1: Accounting policies for the parent company

General

Wavefield Inseis AS is a Norwegian marine geophysical company that provides proprietary data acquisition services and offers a portfolio of non-exclusive Multi-client data to the global exploration community developed in partnership with oil companies and governments. From the main office in Bergen, and the other locations in Oslo, London, Houston and Perth, Wavefield Inseis has a global reach, with activities in the Americas, Europe, Africa, the Middle East and the Asia / Pacific region.

Basis for preparation

The Financial Statements of Wavefield Inseis AS has been prepared in accordance with the Norwegian Accounting Act 1998 and generally accepted accounting principles.

Subsidiaries and investment in associate

Subsidiaries and investments in associate are valued by the cost method in Wavefield Inseis AS' accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing that write down is not required. Write down to fair value will be carried out if the reduction in value is caused by circumstances which may not be regarded as incidental, and deemed necessary by generally accepted accounting principles. Write downs are reversed when the cause of the initial write down are no longer present. Dividends and other distributions are recognized in the same year as appropriated in the subsidiary accounts. If dividends exceed withheld profits after acquisition, the exceeding amount represents reimbursement of invested capital, and the distribution will be subtracted from the value of the shares in the balance sheet.

Changes in accounting policies

No changes in accounting policies have been made after 1 January 2006.

Property, Plant and Equipment

Property, plant and equipment acquired by the Company are stated at historical cost less accumulated depreciation and write-downs. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The carrying values of items of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset calculated as the difference between the net disposal and the carrying amount of the asset is included in the income statement in the year the asset is derecognised.

Depreciation on items of property, plant and equipment are depreciated using the straight-line method to allocate their cost to their residual values, if significant over their estimated useful lives as follows:

Asset group	Useful life
Office equipment including hardware	3 years
Fixed Seismic equipment onboard vessel	Over time charter agreement period (5 – 7 years)
Seismic equipment, leased and owned	5 years

The residual values and estimated useful lives of items of property, plant and equipment are reviewed, and adjusted annually as appropriate, at the year-end balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (see "Impairment of non-financial assets").

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized net in the income statement.

Equipment for vessels under construction / rigging are classified as non-current assets and recognised at the cost, it is not depreciated until the non-current asset is taken into use.

Rigging cost

Expenses directly related to the rigging of new seismic vessels are recognised in the balance sheet as non-current assets, as a part of seismic equipment. Internal cost associated with the rigging is recognised in the balance sheet if it is directly related to the rigging. The capitalized cost are direct cost associated with rigging the seismic vessel, including time charter during rigging period, personnel charges, consultants etc. The rigging cost is depreciated over the life of the time charter agreement. The intangible will be impaired if the time charter agreement with which it is connected is cancelled. The amortization period is not extended if the time charter is extended, in accordance with the Company's principles for depreciation of non-current assets.

Intangible assets

Intangible assets acquired separately, except for Multi-Client library

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated write-downs. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development

Expenditure on research activities is recognized as an expense in the period in which is incurred.

An internally generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- it intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and impairment, on the same basis as intangible assets acquired separately.

The internally-generated intangible assets primarily relates to Multi-Client Data Library.

Multi-Client Data Library

Multi-client seismology library includes both completed seismic data and projects in work which is licensed on a non-exclusive basis to oil and gas search/production companies. Production cost directly related to obtain the seismic data and processing are capitalized. The seismology library contains also the cost price for the seismic data acquired from external parties.

Amortization is compared with the income for the different projects in proportion to the expected income per project. There have been established a minimum amortization that states that the capitalized value for a project a year after completion shall not exceed 60% of the cost price, that is minimum 40% amortization after 12 months. Furthermore, all projects shall be entirely amortized within 5 years (20% per year) from completion. In these circumstances some related projects can be seen as a unit and the minimum rules for amortization will then first be relevant 12 months after completion.

Impairment of non-financial assets excluding goodwill

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment if events or change in circumstances indicates that the impairment could be reversed.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in fair value are recorded in the income statement in the period arising.

Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The interest element is disregarded if it is insignificant. A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and other short-term highly liquid investments with original maturities of three months or less.

Equity

Share issuance costs that are incremental and directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The interest element is ignored if immaterial.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle the obligation. Provisions are measured based on most probable outcome of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Income taxes

Income tax expense represents the sum of the taxes currently payable and deferred tax. Deferred taxes are recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Employee benefits*Defined benefit plan*

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to the equity.

Defined contribution plan

Contributions to defined contribution benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions. The Company pays fixed contributions into a separate legal entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Share options

The Company issues equity settled share-based compensation to its employees. The fair value of employee share option plans is calculated using the Black Scholes model. In accordance with IFRS 2 "Share-Based Payment," the resulting cost is recognized in the income statement over the vesting period of the options based on the number of options that are expected to vest. Non-market vesting conditions are included in the assumption of the

number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest.

The fair value of the option plan is charged to other paid in equity. The option plan also has effect on diluted earnings per share.

Leases

Finance leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property, or if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating leases

Leases, where the risks and benefits incidental to ownership remain with the lessor, are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Borrowing cost

Borrowing costs are generally recognised in the income statement when they arise. Borrowing costs for one of the leases are capitalised as they are directly related to the purchase of seismic equipment. Borrowing costs are capitalised when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalised until the date when the non-current asset is ready for use. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognised.

Revenues

Operating revenues are recognized when they can be measured reliably, and when it is likely that the economic benefits associated with the transaction will flow to the entity, which is at the point that such revenues have been realized or are considered realizable. For contracts where the percentage on completion method of accounting is being applied, revenues are only recognized when the costs incurred for the transaction and the cost to complete the transaction can be measured reliably and such revenues are considered earned and realizable.

Multi-client surveys

Multi-client surveys consist of surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client surveys. The carrying amount of out multi-client library on the balance sheet at costs less accumulated amortization and accumulated impairments.

Revenues related to multi-client surveys generally falls into two categories (1) multi-client surveys performed after securing commitments from some customers or (2) multi-client services performed before securing purchase commitments from customers.

Pre-commitments – Generally, we obtain commitments from customers before a seismic project is started or during the project period. These pre-commitments cover specific areas or license blocks. In return for the commitment, the customer obtains early access to the data, favorable pricing compared to late sales and a degree of influence over the project. Advance

payments from customers are deferred and recognized over the project period from the time the project commences based on the ratio of project cost incurred during that period to total estimated project cost.

Late sales – Generally, we grant a license entitling non-exclusive access to a complete and read for use, specifically defined portion of our multi-client data library in exchange for a fixed and determinable payment. We recognize after sales revenue upon the client executing a valid license agreement and having been granted access to the data.

Exclusive contracts

The Company performs seismic services for specific customers under exclusive contracts. Sales of services under contracts are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The revenue and the related steaming and mobilization costs when moving the seismic vessels to the location specified by the contract are deferred until the contracted services commence and are recognized over the duration of the contract by reference to the stage of completion.

Events after the balance sheet date

New information on the Company's positions that existed at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Company's position at the balance sheet date but which will affect the Company's position in the future are disclosed if significant.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less. The Company has no overdraft facility.

Critical accounting judgement and estimates

The annual financial statements have been prepared in accordance with NGAAP. This means that the management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. Future events may lead to these estimates being changed. Such changes will be recognised when new estimates can be determined with certainty.

Amortization of multi-client library:

The Company amortizes the multi-client library to the income statement based on the percentage of actual sale of the total sales expected from a multi-client library, with an underlying minimum amortization. This requires management to estimate the total sales on the various multi-client projects of the Company.

Revenue recognition:

The Company recognizes revenues from pre-commitment multi-client surveys and exclusive contract survey based on the percentage of completion method. This requires management to estimate the stage of completion of the various projects of the Company.

Pensions – defined benefit plan:

The net pension obligation is calculated with actuarial models based on several actuarial assumptions such as discount rate, future salary levels, changes in pension levels, return on plan assets, and disability- and mortality rates.

For accounting purposes it is assumed that the pension benefits are accrued linearly. Unrealized gains and losses resulting from changes in actuarial assumptions are recognized through equity. The pension obligation is calculated by an independent actuarial at year end. In calculating the pension cost and liability the assumptions are made in accordance with recommendations in the last notice for comments made by NRS (Norwegian Accounting Standards), NRS 6A and IFRS IAS 19 – Employee benefits and the Norwegian Actuarial Associations standards.

Share options:

The employees and management of the Company have been given options to buy shares in the parent company. The fair value of the options is estimated at the grant date and recognised as an expense over the vesting period. To compute fair value the management has to estimate several assumptions.

Financial lease asset:

Under the criteria's of NGAAP and IAS 17 the seismic vessel MV Bergen Surveyor is classified as a financial asset on our balance sheet. The company does not intend to formally acquire this vessel. Impairment is assessed as described under "Property, Plant and Equipment". The split between operational leases and financial leases is a critical accounting judgment.

Capitalization of expenses

The split between direct and indirect expenses related to the Multi-Client library and rigging costs are critical judgments.

Note 2: Segment and Geographic information

Wavefield Inseis AS' operations are divided into strategic business units which are organised and managed separately. The various business segments sell various services and have different risk profiles. The Company is delivering seismic geophysical to clients world wide and are developing new technology through associates.

Wavefield Inseis AS is divided into the following business segments:

- a. Seismic data
- b. Technology Development

Geographical segments

The Company's activities are mainly divided among the following regions: Colombia, Syria, North-West Europe and West Africa.

The geographical segment is split on exclusive contract seismic for external customers and Multi-Client projects.

Business segment data

(NOK thousand)	Seismic		Technology Development		Total operations	
	2006	2005	2006	2005	2006	2005
Business segment						
<i>Revenues from external customers:</i>						
Sales	191 066	28 700	-	-	191 066	28 700
Total revenues	191 066	28 700	-	-	191 066	28 700
Segment profits (losses)						
Operating profit (loss)	64 513	15 249	-	-	64 513	15 249
Net financing expenses	(2 717)	(122)	-	-	(2 717)	(122)
Income from associates	-	-	-	-	-	-
Tax expenses	(10 572)	(4 020)	-	-	(10 572)	(4 020)
Gain/loss on sale of discontinued operations	-	-	-	-	-	-
Profit (loss) for the year	51 225	11 107	-	-	51 225	11 107
Segment Assets						
Investments in associates	-	-	66 076	-	66 076	-
Segment assets	1 186 186	160 400	-	-	1 186 186	160 400
Total assets	1 186 186	160 400	66 076	-	1 252 263	160 400

(NOK thousand)	Seismic		Technology Development		Total operations	
	2006	2005	2006	2005	2006	2005
(Business segment, contd.)						
Segment liability	292 548	44 907	-	-	292 548	44 907
Unallocated liability	-	-	-	-	-	-
Total debt	292 548	44 907	-	-	292 548	44 907
Cash flow from operating activities	(21 033)	36 737			(21 033)	36 737
Cash flow from investing activities	(177 225)	(27 245)	(66 076)		(243 301)	(27 245)
Cash flow from financing activities	562 851	99 990	125 000		687 851	99 990
Investment in associate			(66 076)		(66 076)	
Investments in seismic equipment	(132 491)	-	-	-	(132 491)	-
Investments in multi-client library	(44 115)	(27 444)	-	-	(44 115)	(27 444)
Depreciation per segment	(29 404)	-	-	-	(29 404)	-
Amortization per segment	(12 394)	(7 713)	-	-	(12 394)	(7 713)
Capital costs	(11 207)	-	-	-	(11 207)	-

(NOK thousand)	Americas		EAME		Total	
	2006	2005	2006	2005	2006	2005
Geographical Segment						
<i>Revenue from external customers</i>						
Multiclient revenues	23 314	30 932	2 765	27 925	26 079	58 857
Exclusive contract revenue	718	-	164 269	-	164 987	-
Segment assets	-	-	1 257 024	160 400	1 257 024	160 400
Segment investment						
Investment in associate			66 076			
Investments in seismic equipment			132 491			

Note 3: Business combinations and changes in the Company's structure

Wavefield Inseis AS is a result of the merger between Inseis AS and Wavefield Geophysical AS. The transaction is a common control transaction and is accounted for using the pooling of interest method.

Through 2006 the Company performed acquisition of the fully owned subsidiary Wavefield Exploration Ltd. and formed Optowave AS and Wavefield AIM Inc. Both transactions took place in the last month of 2006. Further a 35% ownership of the associated Norwegian Company Optoplan AS was acquired at the very end of the accounting year. In November 2006 the Company established Marine Services AS of which the Company owns 25,866%.

Note 4: Wage costs and number of employee's

	2006	2005
Wages	25 133	3 955
Social Security/National insurance contribution	3 973	491
Pension costs defined benefit plans (note 20)	195	-
Pension costs defined contribution plans (Note 20)	860	-
Pension costs other**	209	-
Share based compensation (note 21)	3 953	-
Other employee related cost***	(298)	380
Crew cost, foreign crew*	18 279	-
-Direct salaries capitalized	(5 400)	-
-Personell cost capitalized to Multi-Client Library	(4 216)	(2 796)
Payroll and related cost	42 696	2 029

*) Includes personell charges from seismic manning services

***) Includes the employers part of the contribution to the Norwegian mariner pension ("sjømannspensjon")

**) Includes a reversed accrual from previous years

Average number of employees: 40 6

The following table present information about the number of our employees as of end of the last two years:

	2 006	2 005
Oslo	10	6
Bergen	55	0
Foreign based crew*	44	0
London	3	0
Total	112	6

*) Foreign based crew is hired through seismic manning services and is included in our ordinary personnel cost.

The establishment of Wavefield Geophysical AS led to an increase of 97 in the number of employees. The Company has hired two full seismic crews through the year and is increasing its number of employees in the first part of 2007 to crew up the number of new vessels.

There has been no profit sharing to any employees during the fiscal year 2006. However a bonusscheme for the employees is established. There has not been paid any bonuses in 2006, however the Company has a bonus programme which also includes management. There is an accrual made for bonuses which will be paid in February of 2007. The total bonus accruals is TNOK 4 769 incl. social security and includes all crew and office.

There are no loans to employees. There is not set up an additional defined benefit plan for management. The Company has not set up any severance pay for the management.

The Company has introduce a share-based compensation plan, see note 21.

Note 4: Wage costs and number of employee's cont.

Remuneration to the management

Overview of remuneration to the management that has been recognised as costs:

	2006	2005
Salaries and benefits in kind *	6 979	875
Other benefits	280	12
Pension cost	378	-
Options	-	-
Total remuneration	7 637	887

*) 2005 figures is for CEO only

In connection with the merger there has been changes in the management and the Company. The figure for the CEO is for the period he has been employed with the Company (9 months). The benefit to CEO Atle Jacobsen has been 736 771 in 2006, of this 723 404 was wages, the benefits to Anders Farestveit is 1 109 897 of this is 1 103 113 wages. The benefit paid to CFO Erik Hokholt is 1 375 572 of which 1 353 192 is wages.

Auditor's fee	2006	2005
<i>Expensed audit fee is divided as follows:</i>		
Statutory audit	439	147
Other attestation services	-	-
Tax advice	33	-
Other services outside the auditscope	30	37
Total auditor's fee	502	184

VAT is not included in the auditor's fee.

Note 5: Net financial expenses

	2006	2005
Interest income	6 062	199
Income from investments		-
Total financial income	6 062	199
Interest costs on loans	(1 028)	(10)
Interest costs on finance leases	(11 134)	-
Capitalised interest SG	1 882	-
Other financial expenses	(927)	-
Total financial expenses	(11 207)	(10)
Exchange gains	12 500	88
Exchange loss	(10 072)	(398)
Total Exchange gain/loss	2 428	(310)
Net financial expenses	(2 717)	(122)

Note 6: Income Taxes

All figures in NOK 1000

	Wavefield Inseis AS Parent company	
Income tax expense:	2 006	2005
Taxes payable	-	4 020
Changes in deferred taxes	10 572	-
Total income taxes	10 572	4 020

Calculation of the tax base for the year

Profit before taxes	61 796	15 127
Permanent differences	(22 809)	107
Changes in temporary differences	(47 168)	4
Tax losses carried forward	-	(881)
Tax base for the year	(8 181)	14 357
Taxes payable (28 %)	0	4 020

Temporary differences relate to the following items:

Pensions	34	-
Non-current assets	51 107	(31)
Provisions	(5 203)	(1 200)
Tax loss carry forwards	(8 181)	-
Total	37 756	(1 231)
Deferred taxes (28 %)	10 572	(345)

Deferred tax assets have not been capitalized earlier.

Explanation why tax expenses for the year is not equal to 28 % of profit before taxes:

	2 006	2005
Income taxes based on 28 % of profit before taxes	17 303	4 236
Permanent differences (28%)	(6 386)	30
Deferred tax assets not accounted for as of 01.01.06	(345)	
Changes in temporary differences (28%)	-	1
Tax losses carried forward (28%)		(247)
Calculated income tax expense	10 572	4 020
Effective tax rate*	17,1 %	26,6 %

* Tax expense in relation to profit before tax

Note 7: Intangible assets

	AIM agreement
Acquisition cost at 01.01.06	-
Purchased intangibles	6 234
Disposals	-
Acquisition cost at 31.12.06	6 234
Accumulated amortisation at 31.12.06	-
Accumulated impairments 31.12.06	-
Reversed impairments 31.12.06	-
Net carrying value at 31.12.06	6 234
Amortisation for the year	-
Impairments for the year	-

The intangible assets is related to Wavefield Inseis AS introduction to the Gulf of Mexico market. The purchase transaction related to the intangible assets was completed at the end of the year 2006. The intangible asset was acquired the last week of December 2006. The intangible asset will be amortised over a period of three years starting January 2007.

Note 8: Multi Client Library

Multi-Client Library

Cost:

Acquisition cost at 01.01.05	25 925
Investment in multiclient library	27 444
Disposals*	(4 883)

Acquisition cost at 31.12.05 **48 485**

Acquisition cost at 01.01.06	48 485
Investment in multiclient library	51 531
Disposals	-

Acquisition cost at 31.12.06 **100 017****Accumulated amortization:**

Balance at January 1st	16 692
Amortization for the year	7 713

Accumulated amortization at 31.12.05 **24 405**

Balance at January 1st	24 405
Amortization for the year	12 394
Impairment losses	-

Balance at 31.12.06 **36 799****Carrying amount:**

Balance at 31.12.06 **63 218**

Amortisation for the year	(12 394)
Impairments for the year	0

* The disposal was a part of the capital reduction and pay out in 2005

Note 9: Non-Current Assets

	Owned seismic equipment*	Leased seismic equipment	Financial Lease Asset	Total
Acquisition cost at 01.01.06	-	-	-	-
Purchased tangibles	128 884	247 863	41 641	418 388
Disposals	-	-	-	-
Acquisition cost at 31.12.06	128 884	247 863	41 641	418 388
Accumulated depreciation 31.12.06	5 524	18 593	5 287	29 404
Accumulated impairments 31.12.06	-	-	-	-
Reversed impairments 31.12.06	-	-	-	-
Net carrying value at 31.12.06	123 359	229 271	36 353	388 983
Depreciation for the year	5 524	18 593	5 287	29 404
Depreciation capitalized to Multi-client library	(623)	(4 501)	(2 293)	(7 417)
Depreciation charged to expense	4 901	14 092	2 995	21 988

The useful economic life is estimated to be 3-7 years. The equipment is depreciated over the estimated useful economic life. Residual values are taken into consideration.

*) Included in Owned seismic equipment is rigging cost with net book value of TNOK 52 000 relating to the rigging of the seismic equipment onboard the seismic vessel. The capitalised cost are direct cost associated with the seismic equipment. The rigging cost is depreciated over the life of the time charter agreement. The asset will be impaired if the time charter agreement with which it is connected is cancelled. The amortization period is not extended if the timecharter is extended in accordance with the Company's principles for depreciation.

Note 10: List of subsidiaries

Wavefield Inseis AS has the following subsidiaries as of 31.12.2006:

Company	Country of registration	Main operations	Ownership share	Voting share
Wavefield Exploration Ltd	UK	Oil Service	100%	100%
Optowave AS	Norway	Oil Service	100 %	100%
Wavefield AIM Inc.	US	Oil Service	100 %	100%

Wavefield Exploration Ltd was transferred at December 18th 2006, Optowave AS on 31st of December 2006 and Wavefield AIM was established in December 2006.

For all 3 entities 100% of the shares was acquired of the company. The cost price for the companies was respectively, GBP 1, NOK 130 000 and USD 0. None of the above companies have had any significant activity during 2006.

Note 11: Investments in associates

35% ownership of the associated Norwegian Company Optoplan AS was acquired at the very end of the accounting year. In November 2006 Wavefield Inseis AS established Marine Services AS of which the Company owns 25,9 %.

Company	Country	Industry	Ownership share	Carrying amount 31.12.06
Marine Services AS	Norway	Oil Services	25,866 %	3 500
Optoplan AS	Norway	Oil Services	35 %	62 446

If the Company had held the 35 % share in Optoplan AS from January 1, 2006 the share of the associate's loss would have been NOK – 4 146 798 in 2006.

The Group has an ownership of 25,1% in Marine Services AS, a company recently established to research and develop various new data acquisition methods. The technology development is still in a development phase without having established technology feasibility. Our relative proportion of the Company's loss has been expensed in the Groups account. Based upon product development and oil industry product acceptance, the Company will within a 5 years period consider to utilize a commercial right to acquire additional 25,1% of the Company from one of the other shareholders and finally the Group has a commercial right to fully acquire the remaining outstanding shares from the major shareholder of the Company. Given the current status, technology feasibility and high purchase exercise price of the options described above, we believe that the commercial right currently lacks economic substance to secure any voting control of the Company.

Further the Company has an option to increase it's ownership in Marine Services with 25,1% valid for 5 years, and finally an option to fully acquire the company.

Based upon the product development, oil industry acceptance and successful pilot installation during 2007, the Group will consider within a 2 years period to exercise an option to further acquire 14% of the B-shares of the Optoplan AS. In a period of 24 to 36 months, pending commercial success, the Group may acquire all the remaining shares of the Company. As per year-end 2006, the Group held B-shares with restrictive dividend and voting rights. Given the current status of product development, there is no economic substance for the Group to exercise options to obtain control of the Company.

Note 12: Financial market risk

Wavefield Inseis AS operates in a market featuring open competition and numerous factors outside the Company's control.

Interest risks

The Company is exposed to interest risk, as a result of the company's liabilities being at floating rates. The Company has at year end 2006 two financial leases with floating interest rates. The two financial leases have interest that is based market rate / LIBOR + a margin. The Company will continue to finance seismic equipment on the new build vessels. The leases are over a five year time period. The Company has not gone into any arrangement to hedge the interest risk.

Exchange rate risk

As a result of Wavefield Inseis AS' international operations, the Company is exposed to exchange rate fluctuations. The majority of operational cost and financial cost as well as the revenues are in USD. The Company currency risk at year-end is related to exposure of NOK to USD since we have a significant amount of cash in NOK. The Company has not entered into any agreements to reduce the risk per 31.12.2006.

Commodity price risk

In operation of the seismic vessels we use substantial quantity of fuel. The Company is exposed to changes in fuel prices (oil prices) and environmental and other taxes on hydrocarbon products.

The seismic industry is experiencing a high demand for geophysical services. Critical components and equipment to the operation are supplied by few manufacturers/suppliers. The Company is working strategically to secure supply of critical components and equipment.

Credit risk

Wavefield Inseis AS' plans for further international expansion could impose financial and administrative burdens on its business. Expansions in accordance with the Company's business plan will require investments to increase the seismic acquisition capacity and the capacity regarding new technology developments.

The Company's trade receivables are primarily from oil companies with a generally high credit rating. The Board of Directors believes that the Company exposure to credit risk from the loss of trade receivables is relatively low. Credit evaluations of customers are performed regularly in order to manage potential risk.

Liquidity risk

The Company's cash base as per 31.12.2006 was MNOK 534. Based on the year end cash balance and the current structure and terms of Wavefield Inseis AS' debt, the liquidity risk is considered to be adequate. When arriving to the conclusion referred to the BOD has taken into account the fact that the Company has been able to place shares amounting to MNOK 800 during 2006

Note 13: Leases

The Company as a lessee – finance leases

Wavefield Inseis AS' assets under finance leases include seismic equipment, and a financial lease asset (vessel). In addition to the rental payments, Wavefield Inseis AS has obligations relating to the maintenance and insurance of the seismic equipment and the lease. The lease agreement for the Financial Lease asset does not transfer the responsibility of maintenance and insurance to Wavefield Inseis AS. The majority of the financial leases has fixed lease amount through the lease period. One of the leases is split in larger lease payments for the first 24 months, allowing 60 % of the lease amount to be repaid within 2 years.

The assets under finance leases are as follows:

	2006		2005
	Seismic Equipment	Financial lease asset	Seismic Equipment
Seismic equipment	247 863	41 641	-
Accumulated depreciation	(18 593)	(5 287)	-
Net carrying amount	229 270	36 354	-

Overview of future minimum lease payments:

	2006		2005
	Seismic Equipment	Financial lease asset	Seismic Equipment
Next 1 year	55 667	10 612	-
1 to 5 years	103 320	26 230	-
After 5 years			-
Future minimum lease payments	158 987	36 842	-
Effective interest rate	6,9 %	14,5 %	-
Interest	26 642	15 550	-
Present value of future minimum lease payments			
Of which:			
- current liabilities	55 667	10 612	-
- long-term liabilities	103 320	26 230	-

The financial lease agreements for seismic equipment transfers the ownership of the equipment to Wavefield Inseis AS after the lease period of 5 years. The financial lease asset agreement has an option to extend the lease with 5 x 1 year. The leases have fixed lease payments, the interest is variable. Any cost associated with the lease are amortised over the lease period. The arrangement fee was USD 52 500 which is amortized over a period of 5 years from May 2006.

Note 13: Leases cont.

The Company as a lessee – operating leases

The Company has entered into several different operating leases including time charter agreements for seismic vessels, offices, computers, furnitures and other facilities.

Most of the leases can be extended. The majority of the leases are fixed in the period. The ownership of the majority of the leased equipment is held by the lessor at the expiry date of the lease, an exemption to this is the time charter agreements below.

The Company has entered into a 7 timecharter agreement for Geowave Commander. The timecharter includes a purchase option. In addition the timecharter agreement for Geowave Champion and Geowave Master will increase the cost of operational leases in 2007 and onwards.

	2006	2005
Timecharter agreements	41 821	-
Office rents	1 888	1 449
Other lease facilities	2 851	271
Total	4 738	1 719

The future minimum rents related to non-cancellable leases fall due as follows:

Within 1 year	189 081
1 to 5 years	807 593
After 5 years	477 606
Total	1 474 280

Note 14: Accounts Receivable, Prepayments and Other Receivables

	2006	2005
Capitalised steaming	10 574	-
Pre-paid costs	13 550	-
Pre-paid seismic equipment	45 584	3 759
Intercompany UK	1 779	-
Accounts receivable, foreign	99 370	21 807
Other receivables	9 295	249
Accrued revenue	13 545	-
Total receivables	193 697	25 816

All receivables are due within one year.

Some of the pre-paid seismic equipment is for the vessel Endeavour, which is to be delivered in 2008.

The rest of the non-current receivables and pre-payments are held for less than one year.

The capitalised steaming cost includes direct related expenses to a signed contract with a client.

Note 15: Other short term liabilities

<i>NOK Thousands</i>	2006	2005
Prepaid revenue	11 370	
Salaries and holiday pay due	5 121	418
Debt to public authorities	2 659	120
Accrued interest expense	1 028	
Other current liabilities	988	1 942
TOTAL	21 166	2 480

Wavefield Inseis AS has no long term liabilities due for more than five years, except for financial lease debt

Note 16: Contingent liabilities

Wavefield Inseis AS is not involved in any disputes or ongoing legal matters, and therefore no provision has been made for possible claims arising from the same.

Note 17: Cash and short-term deposits

	2006	2005
Cash at the bank and in hand	534 021	110 504
Cash and cash equivalents in the balance sheet	534 021	110 504
Overdraft facility	-	-
Cash and cash equivalents in the cash flow statement	534 021	110 504

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interests at the respective short-term deposit rates.

Restricted Cash

	2006	2005
<i>Restricted cash consists of:</i>	-	-
Payroll and withholding taxes	1 663	174
Deposit rent	757	757
Letter of guarantee	597	-
Total	3 017	931

The Company has no overdraft facility established.

Note 18: Shareholder Information

As of December 31, 2006, Wavefield Inseis AS had a share capital of NOK 4 672 040 divided on a total of 116 801 000 shares.

All shares have equal voting rights.

	Dec 31, 2006	
Shareholder	Shares	Ownership %
UBG AG, London Branch	43 423 000	37,2 %
Anfar Invest AS	11 231 000	9,6 %
Geo Innova AS	6 887 000	5,9 %
Morgan Stanley & Co Inc	4 860 530	4,2 %
Zaragossa Invest AS	3 029 000	2,6 %
Deutsche Bank AG London	3 000 000	2,6 %
Bank of New York, Brussels Branch	2 616 619	2,2 %
Odin Offshore	2 075 000	1,8 %
Orkla ASA	2 027 000	1,7 %
Sagex Group AS	1 925 000	1,6 %
Dyvi Invest AS	1 298 000	1,1 %
Kongsberg Gruppen ASA	1 290 000	1,1 %
Morgan Stanley and Co.Intl.Limited	1 205 000	1,0 %
Storebrand Livsforsikring AS	1 107 300	0,9 %
State Street Bank and Trust Co.	1 016 000	0,9 %
Datum AS	975 000	0,8 %
Commerzbank AG	973 000	0,8 %
Nordea Bank Sweden AB (Publ.)	935 833	0,8 %
Canica AS	885 000	0,8 %
Spencer Trading Inc.	844 000	0,7 %
Total number of shares	91 603 282	78,4 %
Other Shareholders	25 197 718	21,6 %
Total all Shareholders	116 801 000	100,0 %

Shares owned by BOD and management:

Board of directors:		Dec 31, 2006	
	Position	Shares	Ownership %
Anders Farestveit*	Chairman of the Board	11 309 000	9,68 %
Dag-Erik Rasmussen	Board member	10 000	0,01 %
Jan Bertil Gateman*	Board member	6 887 000	5,90 %
Dag Oddvar Larsen*	Board member	575 000	0,49 %
Richard William Donoghue	Board member	739 000	0,63 %
Ole-Jacob Storvik*	Board member	0	0,00 %

Group Executive Officers:		Dec 31, 2006	
Names	Position	Shares	Ownership %
Atle Jacobsen*	CEO	739 000	0,63 %
Erik Hokholt*	CFO	1 968 325	1,69 %
Rick Donoghue	VP Marketing and Sales	739 000	0,63 %
Jan Åge Langeland*	VP Technical	738 000	0,63 %
Peter Hooper	VP Operations	739 000	0,63 %
Jan Bertil Gateman*	Senior VP G&G	6 887 000	5,90 %
Mike Hodge*	QHSE Manager	739 000	0,63 %

As of 31.12.2006, Wavefield Inseis AS holds no treasury shares.

As of 31.12.2006, the Board of Directors have been authorized to issue 17 216 500 shares.

*) Indirect ownership through fully or partly owned limited companies

Note 19: Equity

<i>Equity reconciliation for 2006</i>	Share capital	Premium Fund	Retained earnings in Parent Company	Equity in Parent Company
Opening balance 31.12.2005	1 333	99 546	14 615	115 494
Issue of new shares	2 456	686 587		689 043
Conversion of debt and exercise of warrants	883	99 117		100 000
Cost share based compensation		3 953		3 953
Net income of the year			51 225	51 225
End balance 31.12.06	4 672	889 203	65 839	959 714

Note 20: Pensions

Defined contribution pensions

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension. ("lov om obligatorisk tjenstepensjon") The Company's pension scheme meets the requirements of that law.

The Company has a defined contribution plan for all of its fulltime employees. The amount per employee is defined as 4 - 8% of the annual salary above 1G. The total expense of the plan during year 2006 was NOK 859,997. As at December 31, 2006, 27 members were covered by the plans. No contribution plan was established at Dec 31, 2005. The schemes also consist of disability pension. The benefit for disability pension. The pension scheme requires that the member of the plan is an employee of the Company and employee do not take any seniority with them if they leave the company. The mentioned pension cost equals gross pension cost, and there are no pension accrual needed for future disability pension payments.

Pension cost for 2006 does also include the cost for pension for 2005, the pension was established late 2005 and the cost for pension was accrued at YE 2005. The pension cost for previous years was accrued at YE 2005 with TNOK 1 200, which has been reversed in 2006. The compensation for the pension plan not being established before 2005 has been accounted for and paid the employees as wages.

Defined benefit pensions

The seismic crews are covered by a defined benefit pension plan. According to this plan they are entitled to a pension that is covering the difference between "Pensjonstrygden for Sjømenn" (National Insurance for Mariners) and a pension of 60 % of the final salary over a 7-year accrual period, from 60 to 67 years. As at 31 December 2006, the plan had 23 members.

In the life insurance company, the risk for death and disability is divided between all the customers, which are therefore used as the relevant indicator for future disability and life expectancy rate. The rates used are based on historical data relevant for the population in the life insurance company.

Note 20: Pensions conts.

The year's pension costs are calculated as follows:

	2006	2005
Present value of the year's pension accruals	168 778	0
Interest cost on accrued pension liabilities	0	0
Estimated yield on pension assets	-2 194	0
Payroll tax	28 225	0
Actuarial gains/losses recognised in the income statement	0	0
Past service cost	0	0
Net pension costs	194 809	0

Pension liabilities and pension assets:

	2006	2005
Defined benefit obligation	-168 778	0
Fair value of plan assets	202 371	0
Benefit asset (liability)	33 593	0

Changes in the present value of the defined benefit obligation are as follows:

	2006	2005
Opening defined benefit obligation	0	0
Current service cost	168 778	0
Interest cost	0	0
Benefits paid	0	0
Actuarial (gains)/losses on obligation	0	0
Exchange differences	0	0
Closing defined benefit obligation	168 778	0

Changes in fair value of plan assets are as follows:

	2006	2005
Opening fair value of plan assets	0	0
Expected return	2 194	0
Contributions by employer	200 177	0
Benefits paid	0	0
Actuarial gains/ (losses)	0	0
Exchange differences	0	0
Fair value of plan assets 31.12	202 371	0

Pension assets	33 593	0
Pension liabilities	0	0

In calculating the pension costs and net pension liabilities, the following assumptions have been made:

	2006	2005
Discount rate	4,35 %	0,0 %
Yield on pension assets	5,40 %	0,0 %
Wage growth	4,50 %	0,0 %
Pension adjustments	1,60 %	0,0 %
Social Security	14,10 %	0,0 %
Average turnover	7,0 %	0,0 %

Note 21: Share based compensation

Share-Based Compensation

In June 2006, the Shareholder meeting authorized the Board of Directors to grant up to 5 million equity-settled options to Board member, employees and others providing similar services. The options generally vest over a period of two years and expire 2.5-3 years after the grant date or upon employee or employer providing notice of termination of employment.

List of outstanding options:

List of outstanding options:

	2006		2005	
	Number of options	Weighted average exercise price (in NOK)	Number of options	Weighted average exercise price (in NOK)
Outstanding on 1 January	-	-	-	-
Granted during the year	3 128 000	16,90	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	3 128 000	16,90	-	-
Exercisable at 31 December	-	-	-	-

The average fair value of options granted in 2006 was NOK 5,63

The cost for the share based compensation in 2006 was NOK social security not included TNOK 3 953

The Company used the Black Scholes model to estimate the fair value of granted options. The weighted average assumptions used to determine the fair value of the options granted under Black Scholes was:

	2006
Volatility (%)	40 %
Expected life (in years)	1,75
Risk free interest rate	3,88 %
Share price	19,13

The weighted-average remaining contractual life was 2.67 years at 31 December 2006

The volatility

The volatility is based on reweaving certain listed comparable companies with in the seismic industry.

Share price on grant date:

The share price is stipulated to be the known price of the share on the grant date. The Company has issued new shares and the price in relation to the share issuance has been used as the best estimate of the share price

Risk-free interest rate

The risk-free interest rate assumed when calculation options is equal to the interest rate on the Norwegian Central Bank 4 years governments bonds.

Management and members of the BOD have been granted options, see note 23.

Note 22: Specification of cost of sales

The cost of sales consist of the following:

	2006	2005
Charterhire	14 801	-
Maritime running cost*	9 077	-
Seismic running cost	58 594	25 798
Wages including crew cost**	39 983	2 796
Capitalised cost of sales into Multiclient library***	(49 338)	(27 444)
Total cost of sales	73 119	1 151

*) Cost includes maritim cost of financial lease asset

**) Includes cost of seismic crew hired through manning services

***) Relates to expenses directly related to the Multiclient Library

The cost of Selling, general and administrative consist of the following:

	2006	2005
Wages and remunerations	6 929	1 408
Travel and entertainment	1 054	(204)
Marketing expenses	2 203	557
Professional fees	3 711	1 471
Office operational cost	2 296	1 338
Total administrative expenses	16 193	4 570

Other cost consist of the following:*

	2006	2005
Legal fees	1 863	0
Consultants and management consultants	997	0
Other costs	2 859	-

*) Non-operational legal fees/consultants regarding start up of new offices.

Note 23: Transactions with related parties

Transactions with associates

Wavefield Inseis AS has carried out transactions with associates during the year. All the transactions have been carried out as part of the ordinary operations and at arms length prices. The transactions are as follows:

- Transactions with the subsidiary Wavefield Exploration Ltd. The transactions have mainly been reimbursements and services within marketing and sales. The total has been app. GBP 200.000 and are considered being not material.
- There has been sale of services to Marine Seismic late in 2006, but the amount is insignificant. The sale of services has been at market rate for such services.
- One shareholder, Riekeles Finance has invested in a multiclient project and will receive partnershare in return for the investment. The agreement is cancelled in 2011.
- Sagex AS, a shareholder has an agreement with Wavefield Inseis AS to provide geological consulting service. Sagex is one of Norway's few independent Geological / Geophysical consulting businesses and the agreement has been under normal marked conditions

Remuneration to the Board

Wavefield Inseis AS has not paid any fees to the Board of Directors during 2006 except from two transactions to Dag Erik Rasmussen, amounting to NOK 133 500. This remuneration is related to advice services regarding the merger and other legal services, and is based upon market rate.

Shares owned by the board of directors - directors see note 18.

There has been a share based compensation plan in 2006. The number of stock based options granted to board of directors and management are as follows:

	2006	2005
Chairman of the board Anders Farestveit	250 000	
Boardmember Jan B. Gateman	75 000	
Boardmember Rick Donoghue	75 000	
CEO Atle Jacobsen	250 000	
CFO Erik Hokholt	75 000	
Michael Hodge	75 000	
Peter Hooper	75 000	
Jan-Åge Langeland	150 000	

The options are outstanding for 32 months.

Note 24: Subsequent events

The BOD will propose to transform the Company from AS (private limited liability company), to an ASA (public limited liability company) and apply for a listing at Oslo Stock Exchange.

Note 25: Lien and Guarantees

Pr 31 December 2006, it was established a lien in the Company's assets at nominal value USD 3 505 000. This is a security for payment regarding collect project costs to the Colombia project. The costs are fully paid and the formal lien will be cleared out.

The Company has issued the following guarantees:

- USD 92 000 bid bond for Uruguay that will be released when the outcome of the bid is finished.

The financial lease asset is owned by external parties and may be pledged in favour of lenders.