CAPITAL MARKETS DAY

Shippingklubben, Oslo
16 June 2011

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INTRODUCTION, STRATEGY AND OUTLOOK

Roar Bekker, CEO

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AGENDA

09:00 – 09:30	**Introduction, strategy and outlook** *Roar Bekker, CEO*	
09:30 – 10:00	**Building the EM market** *Dag Reynolds, EVP sales and marketing*	
10:00 – 10:30	**Value creation with EM** *Dave Ridyard, President EMGS Americas*	
10:30 – 11:00	Break with refreshments	
11:00 – 11.30	**Adding value in the Barents Sea** *Svein Ellingsrud, Founder and SVP*	
11.30 – 12:00	**A scalable and flexible business model** *Svein Knudsen, CFO*	
12:00 – 12:30	**Summary and Q&A** *Roar Bekker, CEO*	
12:30 – 13:30	Lunch	

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SAFETY MOMENT

PETRONAS CARIGALI

HEALTH, SAFETY & ENVIRONMENT RECOGNITION 2011

IN RECOGNITION OF ZERO INCIDENT & 200,000 SAFE MAN-HOURS ACHIVEMENT BY ELECTROMAGNETIC GEOSERVICES (EMGS) FROM 2008 TO 2011

FOR

THE PROVISION OF CONTROLLED SOURCE ELECTROMEGNETIC (CSEM) FOR MALAYSIA AND INTERNATIONAL BLOCKS

Effendy Cheng B. Abdullah
Vice President & Chief Executive Officer
PETRONAS Exploration (PEX)
PETRONAS CARIGALI SDN. BHD.

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EMGS IN BRIEF

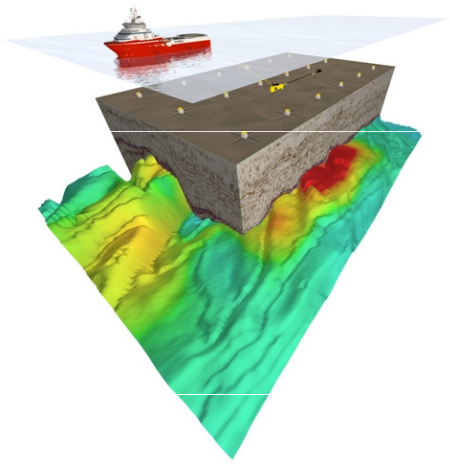
EMGS pioneered the marine EM industry

Remains the undisputed technology and market leader

Provides a full suite of services:
- Survey design
- Data acquisition
- Processing and interpretation
- Integration

Worldwide operations with main offices in Trondheim, Stavanger, Oslo, Houston and Kuala Lumpur

Approximately 200 employees



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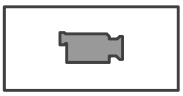
THE BASICS OF EM



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EMGS MANAGEMENT

Average industry experience of more than 20 years

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WORLDWIDE PRESENCE

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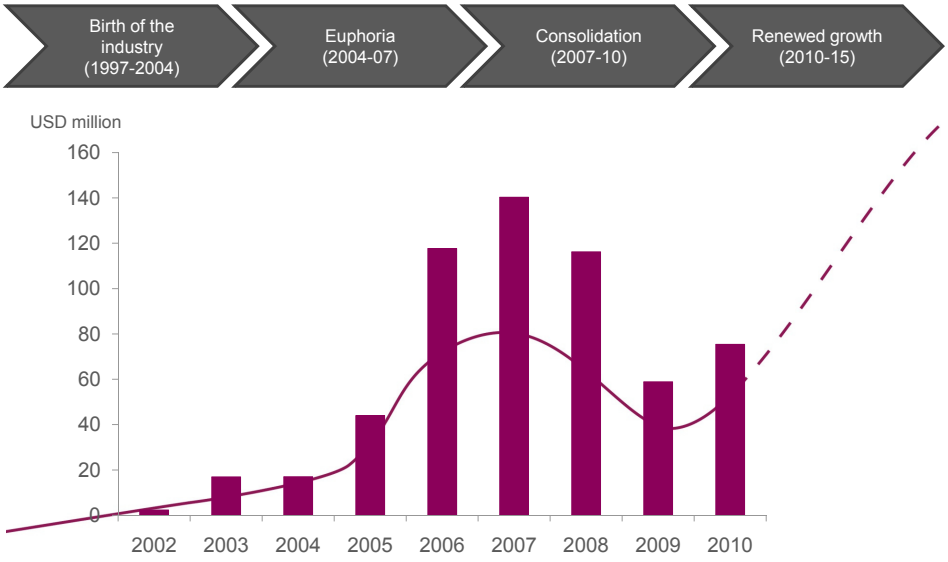
EMGS HISTORY: TEXTBOOK COMMERCIALISATION



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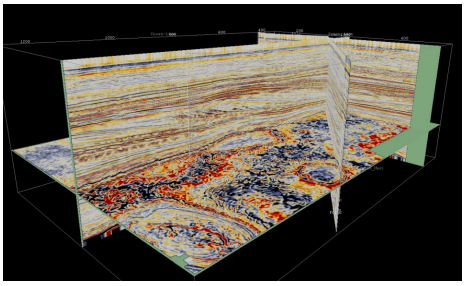
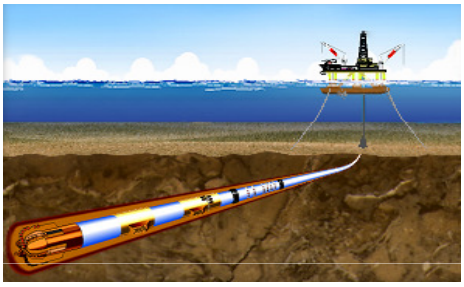
SIMILAR TECHNOLOGY INNOVATIONS

Birth of the industry → Euphoria → Consolidation → Renewed growth



3D Seismic



Directional drilling

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EMGS STRATEGY TOWARDS 2015

Build the EM market and retain # 1 position through technology leadership

Expand application window

Accelerate customer adoption

Increase customer penetration

Broaden scope

Build confidence in EM

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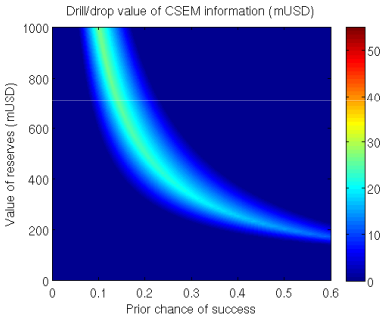
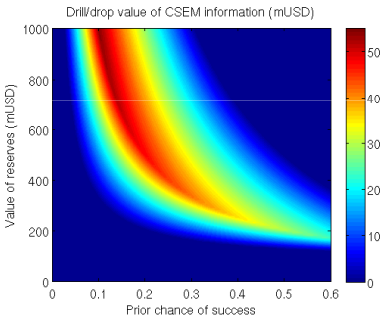
BUILDING CONFIDENCE IN EM

60% confidence



80% confidence



Customer understanding
Technology
Feasibility
Uncertainty
Results

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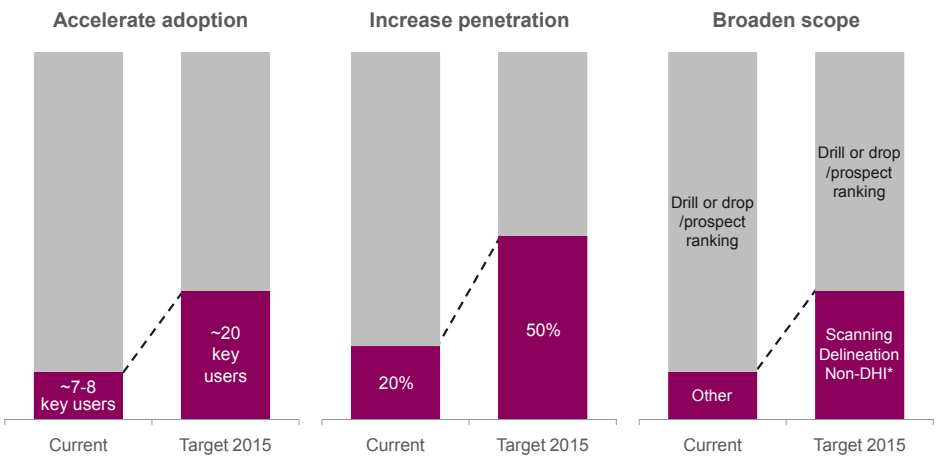
THREE KEY PILLARS



Adoption = Number of clients that use EM on a regular basis

Penetration = Share of EM relevant prospects resulting in a EMGS project

* DHI : Direct Hydrocarbon Indicator

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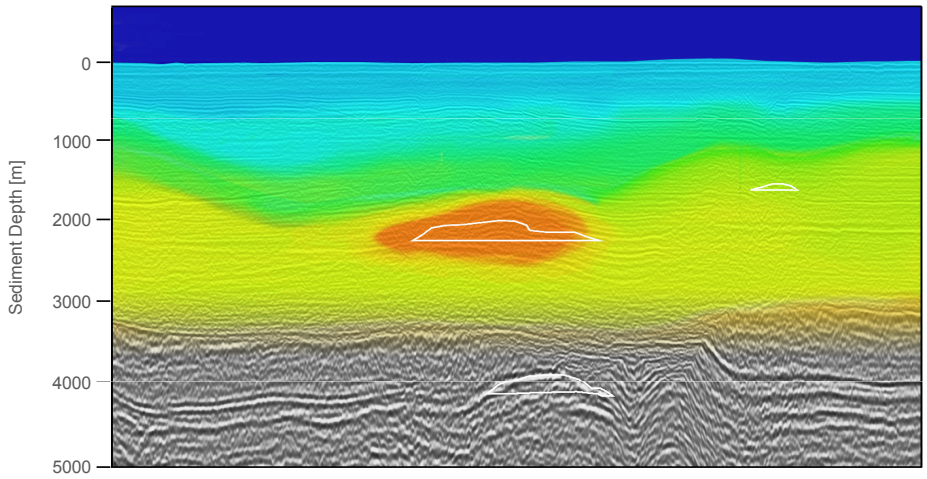
EXPANDING THE APPLICATION WINDOW THROUGH TECHNOLOGY DEVELOPMENT



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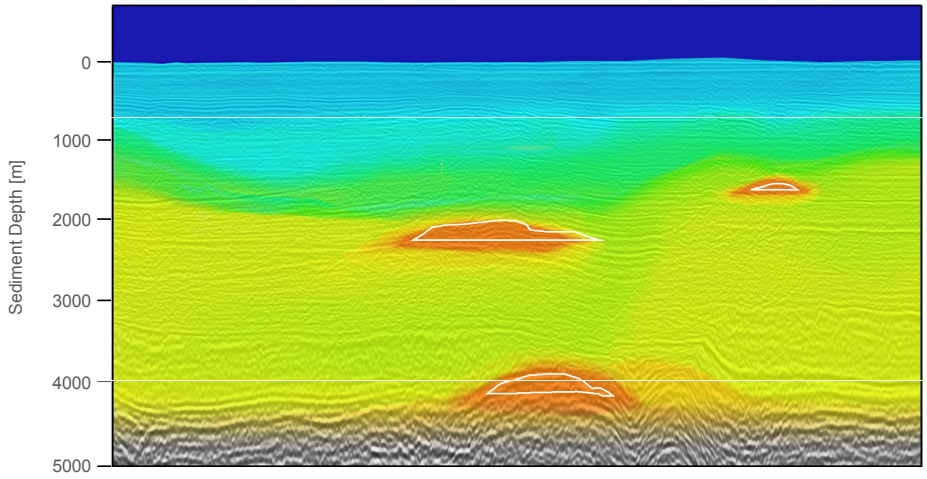
EXPANDING THE APPLICATION WINDOW THROUGH TECHNOLOGY DEVELOPMENT



"We believe the next-generation system will at least double the number of hydrocarbon prospects we can evaluate with EM." *Mark Rosenquist, Shell*

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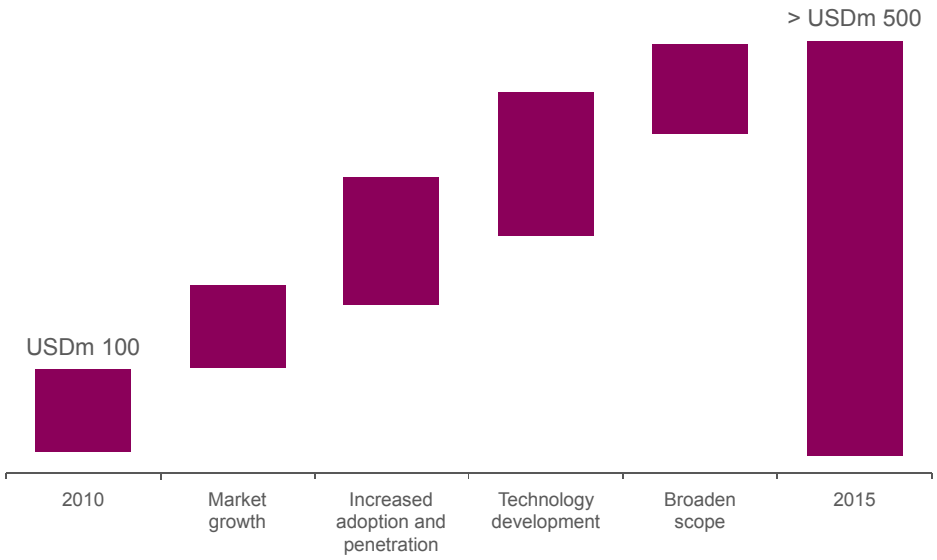
EM MARKET 2015



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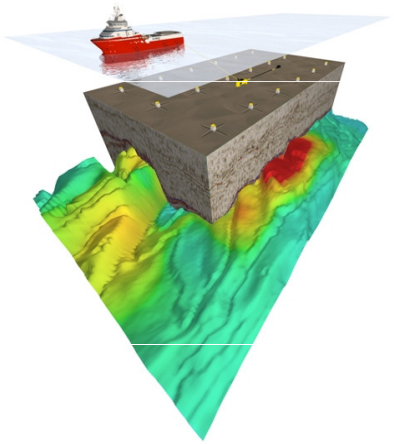
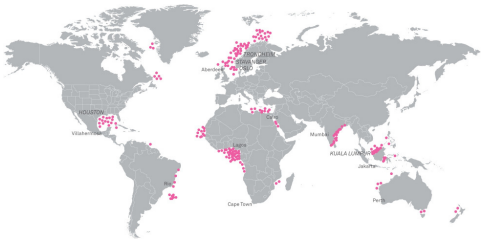
EMGS – IDEALLY POSITIONED FOR GROWTH

SCALABLE BUSINESS MODEL



TECHNOLOGY LEADER



UNPARALLELLED EXPERIENCE

WORLD'S LEADING EXPERTS

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BUILDING THE EM MARKET

Dag Reynolds, EVP Sales and Business Development

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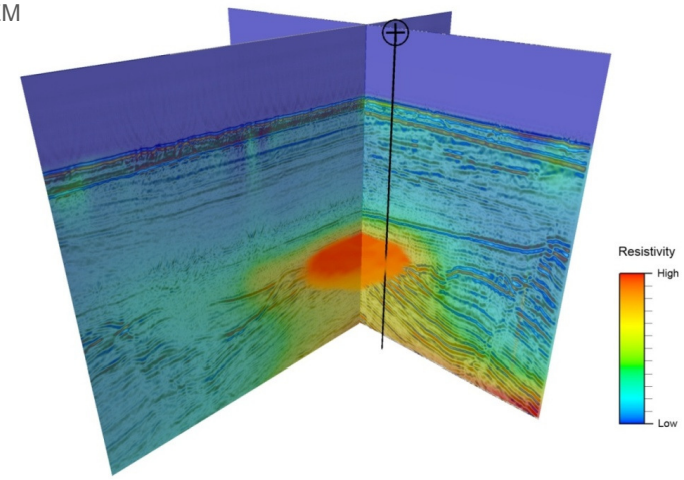
SKRUGARD, 2008 MULTI-CLIENT DATA

EMGS's multi-client CSEM resistivity data over the Skrugard discovery

3D EM data integrated with publically available seismic data

Imaged using 3D anisotropic inversion

Well location from NPD



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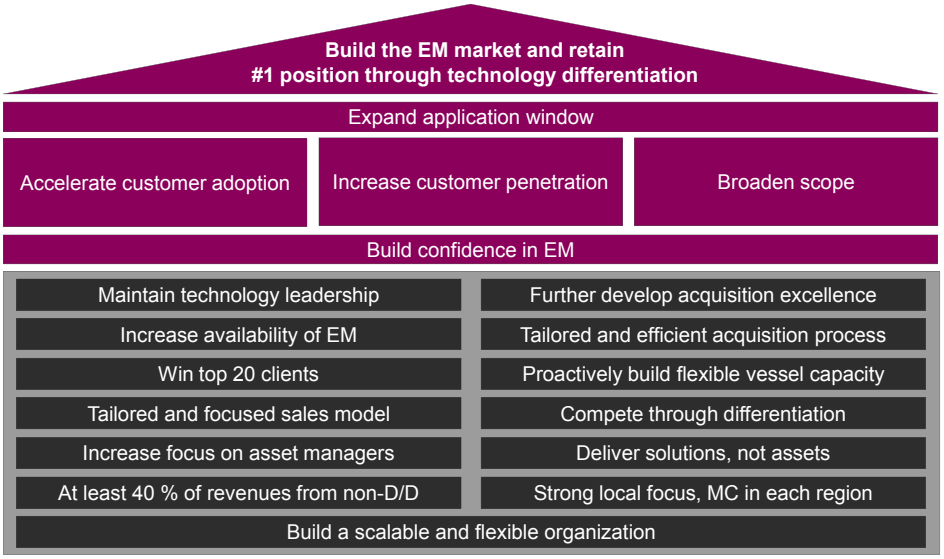
SUMMARY OVERALL STRATEGY AND GOALS



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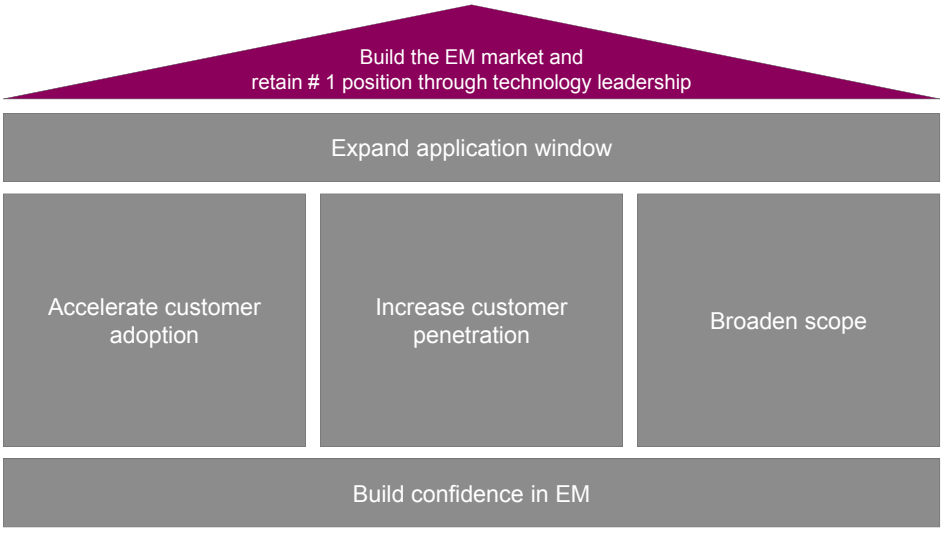
EMGS STRATEGY TOWARDS 2015



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BUILDING CONFIDENCE

Key drivers

- Close interaction with customers and knowledge sharing
- Customers' experience and internal training
- Combining EM and geology
  - A variety of joint projects under discussion, with a number of seismic companies
- Exploration successes

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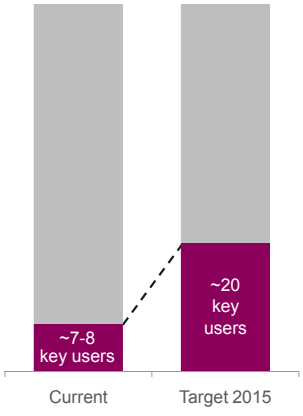
ACCELERATE CUSTOMER ADOPTION



Adoption = Number of clients that use EM on a regular basis

Key priorities

- Integrated marketing at all levels
- Tailored strategy for each customer
- Build confidence in Value of Information understanding
- Multi-client plays a crucial role

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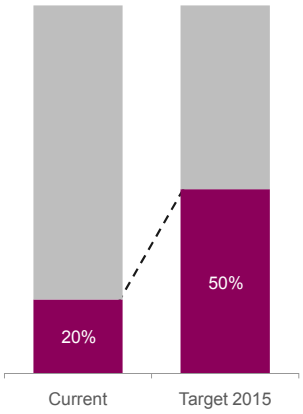
INCREASE CUSTOMER PENETRATION



Penetration = Share of EM relevant prospects resulting in a EMGS project

Key priorities

- Spread understanding and knowledge
- Ensure that perceived application window = true window
- Establish EM in the E&P workflow
- Increase confidence

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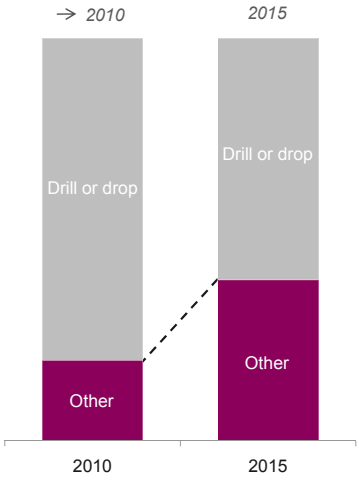
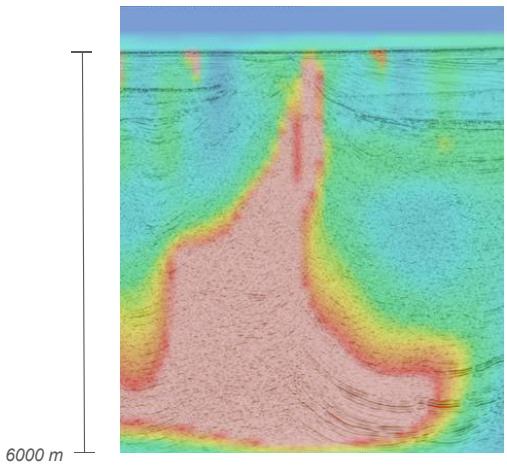
BROADENING THE SCOPE



Salt/basalt



Salt structure mapping - preliminary results from 3D MMT inversion (Barents Sea)

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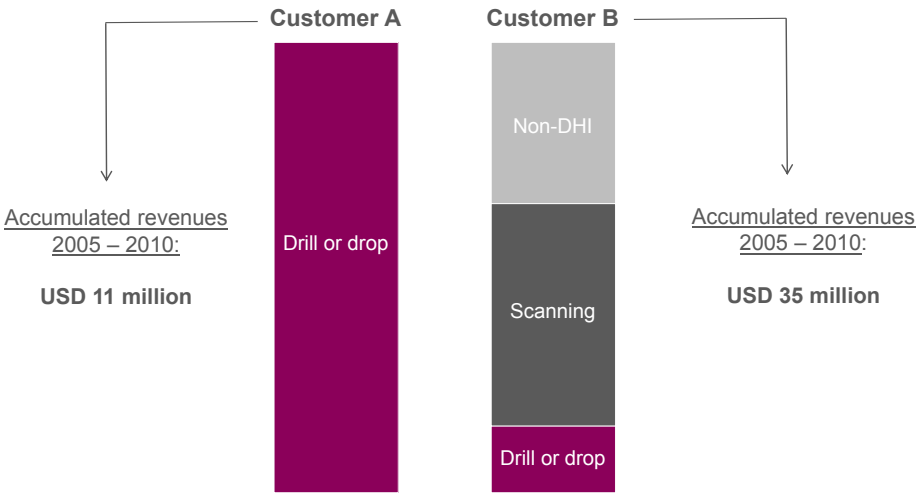
EXAMPLE: THE VALUE OF BROADENING OUR SCOPE



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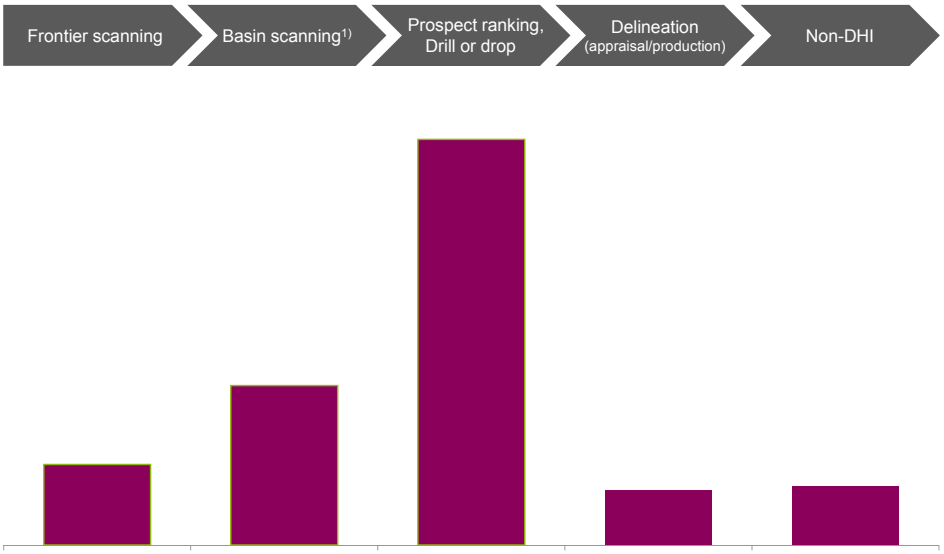
EMGS ADDRESSABLE MARKET BY SEGMENT, 2015



1) Maturing basin fields and semi frontier

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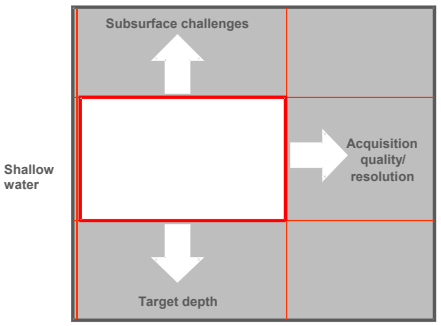
RETAIN #1 POSITION BASED ON TECHNOLOGY LEADERSHIP

Key priorities

- Expand application window
- Increase accessibility of EM
- Develop technologies that enable “new” EM segments
- Communicate & quantify the value and uncertainty of EM



Technology targets

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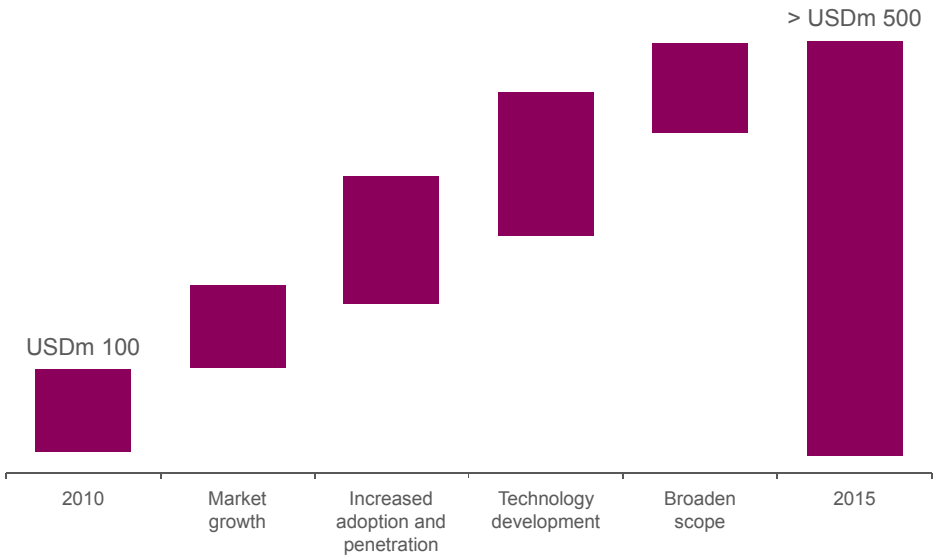
EM MARKET 2015



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THE MULTI-CLIENT BUSINESS MODEL

Optimising vessel utilisation

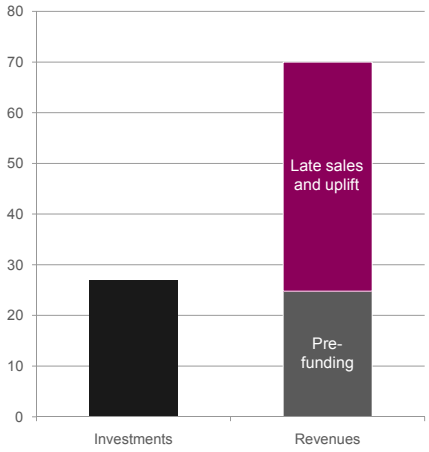
We control timing and costs

Strong cash flow and revenue stream

Performance to date calls for further investments

Conservative investment approach

Investments and sales (USD Million)



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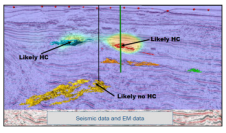
GOALS 2015

20+ key clients	MURPHY, woodside, ExxonMobil, PETROBRAS, Anadarko, ROCKSOURCE, Eni, Focus, Saudi Aramco, PETRONAS, OGX, ONGC, PEMEX, bp, Statoil, Reliance Industries Limited, Chevron, Sonangol, TOTAL
EM integrated in customer workflow	Scanning → Ranking/ Drill or drop → Appraisal/Delineation → Non-DHI; EM
Capacity leader	*"Tailored"* *"Flexible"*
Solution provider	 

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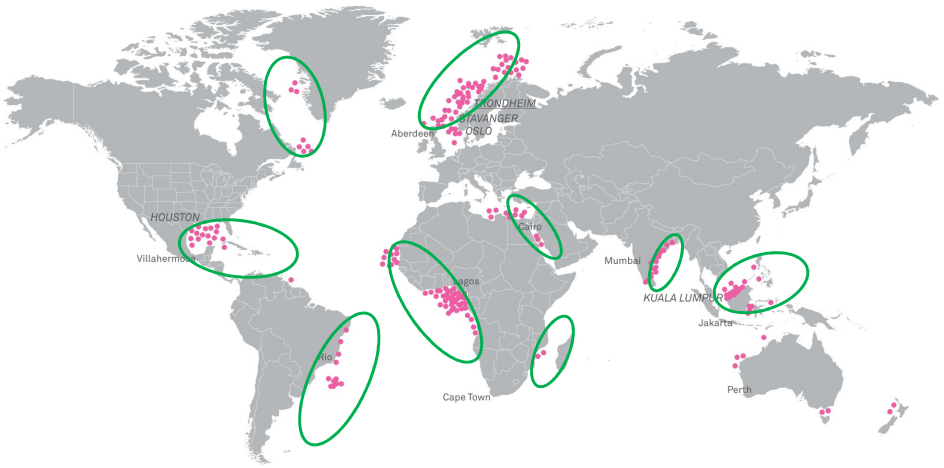
KEY REGIONS

We have already gained experience in all the right areas



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VESSEL ACTIVITY & BACKLOG

	Q1 2011			Q2 2011			Q3 2011			Q4 2011		
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
BOA Thalassa												
• Mexico, PEMEX												
BOA Galatea												
• Steaming												
• New Zealand, Shell												
• Steaming												
• Mozambique												
• Steaming												
• Red Sea												
• Contract negotiations												
Atlantic Guardian												
• Rigging												
• Northern Europe												
• Steaming												
• Americas												
• Contract negotiations												

Planned activity: Multi-client: Contract:

SUMMARY

Retaining strong backlog

Market absorbed third vessel

Record opportunity level

Improving prices

Increasing adoption through exploration successes

Strong macro picture with increased E&P spending

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VALUE CREATION WITH EM DRILL AND DROP…AND BEYOND

Dave Ridyard, President – EMGS Americas

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VALUE CREATION WITH EM

Agenda

- EM “drill and drop” application
  - Drilling risk reduction case history
  - Does EM really work?
  - Value creation & value of information
- Broadening the scope of EM applications
  - Site survey
  - Field development applications
  - Non DHI* applications
  - Frontier exploration

* DHI : Direct Hydrocarbon Indicator

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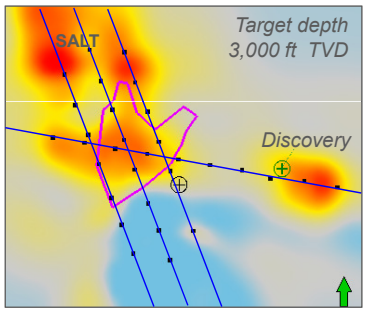
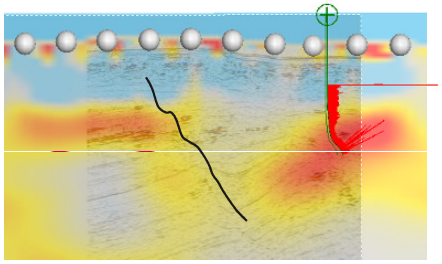
3D EM – DRILL & DROP

Western Gulf of Mexico Example





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3D EM – DRILL & DROP

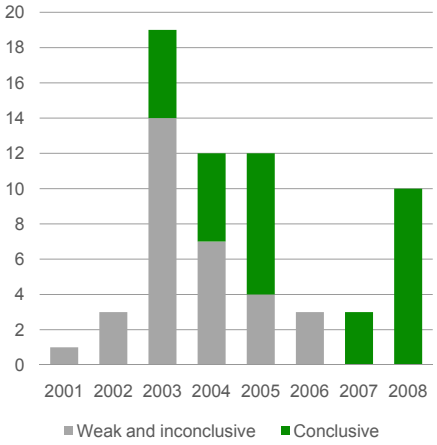
Does it work?

	Dry Hole	Discovery
EM Positive	10	40
EM Negative	26	10

Historical Prediction Strength = 77%

Study of 86 wells
(Hesthammer et al., The Leading Edge, Jan. 2010)

EM Surveys (by year)
Buland et al (Statoil)



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PROSPECT ECONOMICS

Before EM

NPV Reserves	**V $**	**$ 600 M**
Probability of Geologic Success	**P_G**	**20%**
Well Cost	**W**	**$ 100 M**

Expected Value = SUM (Probability x (Value – Cost))

2 possible drilling outcomes

(1) Success	20% x ($600M - $100M)	$100M
(2) Dry Hole	80% x (- $100M)	- $ 80M

Expected value (if we drill) **$ 20M**

Conclusion : Marginal drilling prospect

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PROSPECT ECONOMICS

After EM

4 POSSIBLE OUTCOMES

		Drill	Don't drill
If Reservoir exists	Pg	True Positive	False Negative
If Reservoir does not exist	1-Pg	False Positive	True Negative

Prediction strength = True / (True + False)

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PROSPECT ECONOMICS

Expected Value (With EM - Assuming 80% EM reliability)

(1) Reservoir Exists True Positive 16% (20% x 80%)		**SUCCESS**
Expected Value (1) 16% x ($600M -$100M)		**$ 80.0 M**
(2) Reservoir Exists False Negative 4% (20% x 20%)		**DON'T DRILL**
Expected Value (2) 4%		**-$ 0.0 M**
(3) No Reservoir True Negative 64% (80% x 80%)		**DON'T DRILL**
Expected Value (3) 64%		**-$ 0.0 M**
(4) No Reservoir False Positive 16% (80% x 20%)		**DRY HOLE**
Expected Value(4) 16% x (-$100M)		**-$ 16.0 M**
Prospect Expected Value (WITH EM)		**$ 64.0 M**
Prospect Expected Value (WITHOUT EM)		**$ 20.0 M**
Value of EM Information		**$ 44.0 M**

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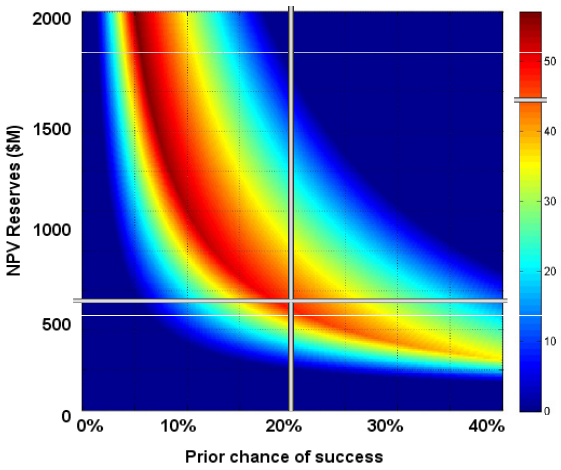
VALUE OF INFORMATION

Value of Information
(Buland et al : EAGE 2010)



Additional potential value :

- Ranking
- Enhanced fluid distribution and fluid volume knowledge

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VALUE CREATION WITH EM

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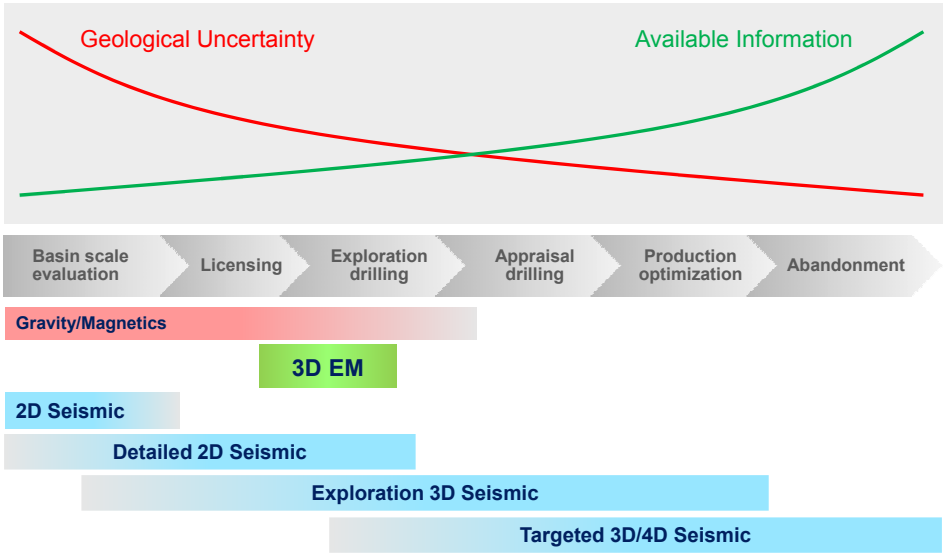
THE ROLE OF MARINE GEOPHYSICAL TECHNOLOGY: 2008



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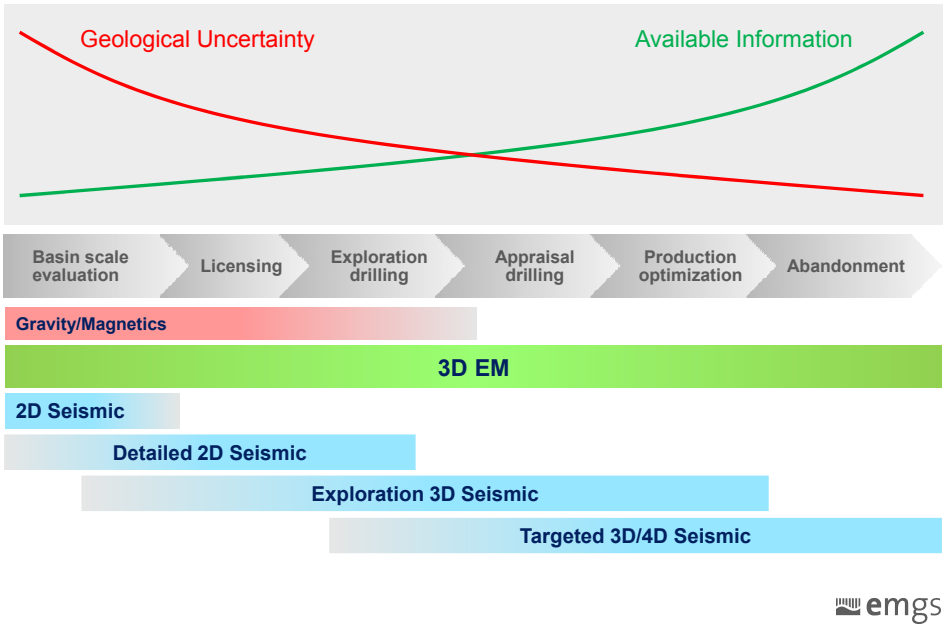
THE ROLE OF MARINE GEOPHYSICAL TECHNOLOGY: 2015



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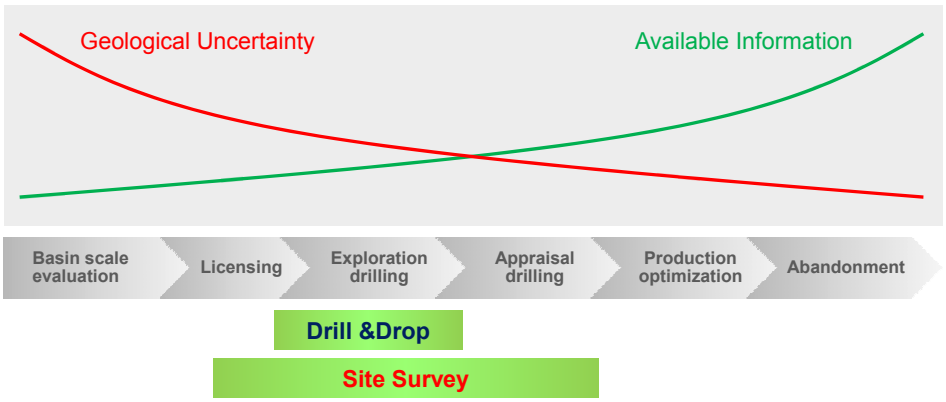
3D EM: A GROWING PORTFOLIO OF E&P APPLICATIONS



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3D EM: A GROWING PORTFOLIO OF E&P APPLICATIONS

Site survey
Identification of shallow drilling hazards

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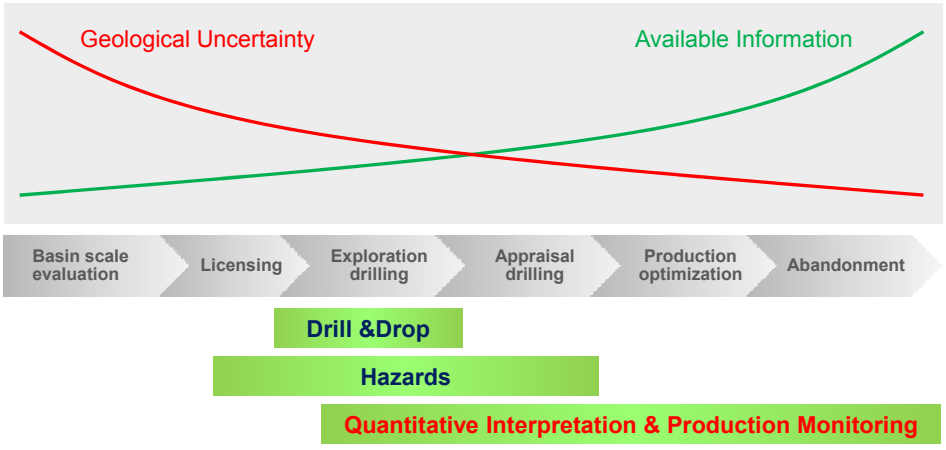
3D EM: A GROWING PORTFOLIO OF E&P APPLICATIONS



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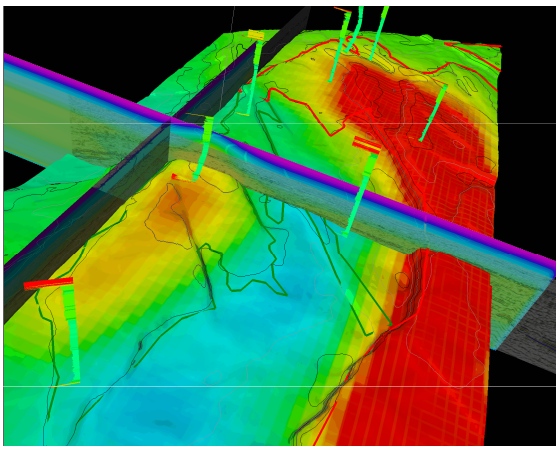
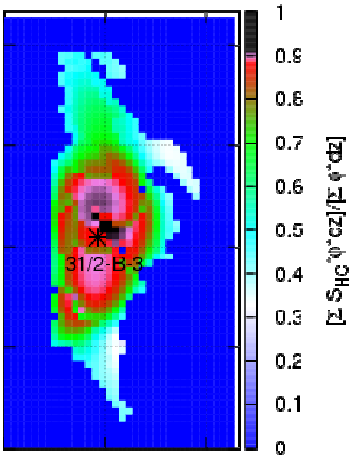
QUANTITATIVE INTERPRETATION



2008 Resistivity mapping



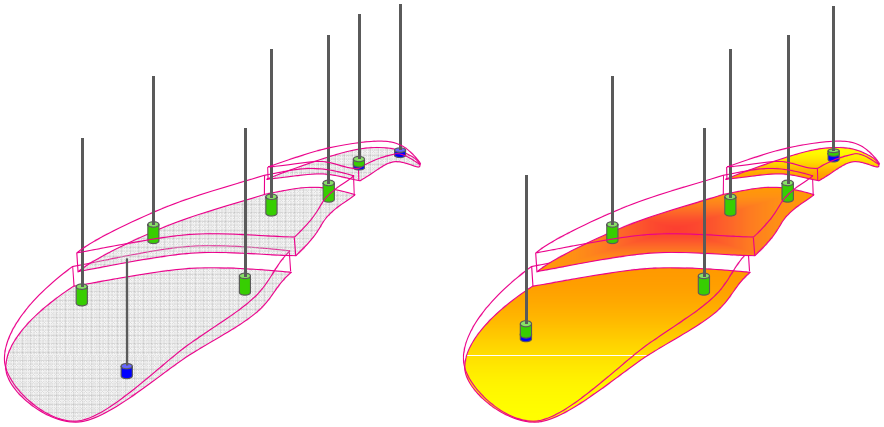
2010 Hydrocarbon saturation

Morten et al EAGE 2011

emgs

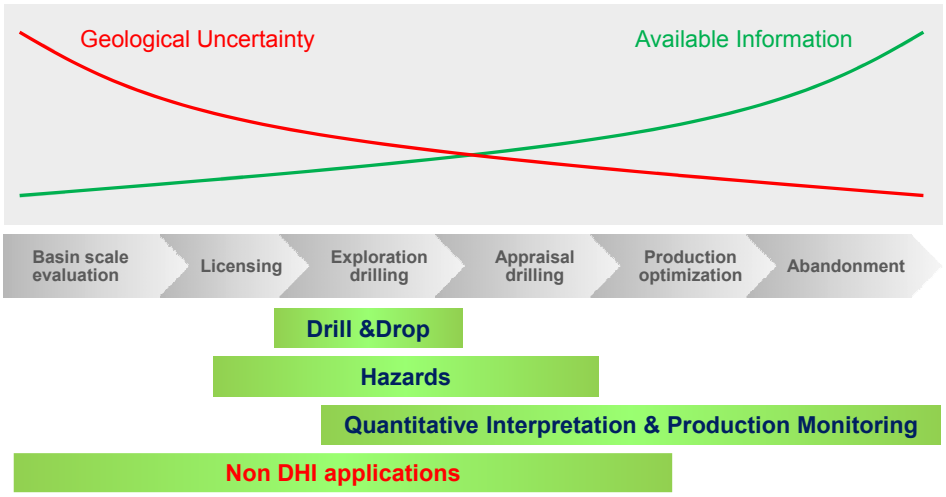
QUANTITATIVE INTERPRETATION

Appraisal drilling application



emgs

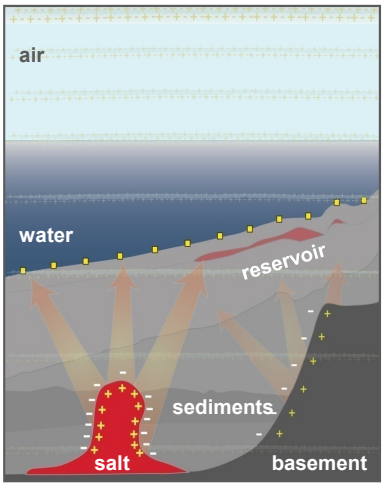
3D EM: A GROWING PORTFOLIO OF E&P APPLICATIONS



emgs

NON-DHI GEOLOGY

Combining Magnetotellurics and ultra low frequency CSEM

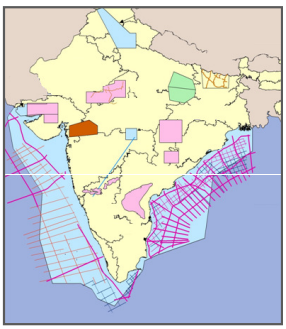


2D : Basin evaluation

- Basement
- Sedimentary package thickness
- Carbonates
- Volcanics
- Salt detection
- Thermal gradients

3D

- Salt body imaging



emgs

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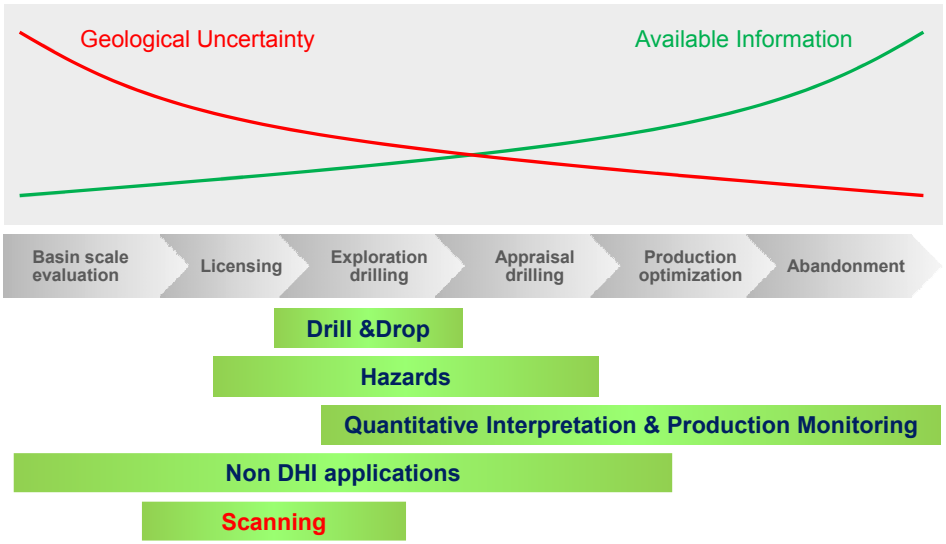
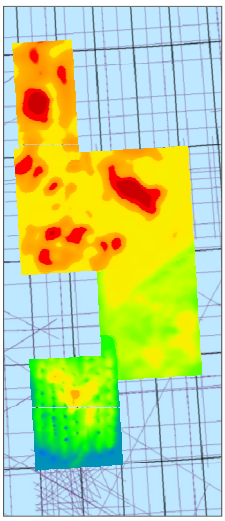
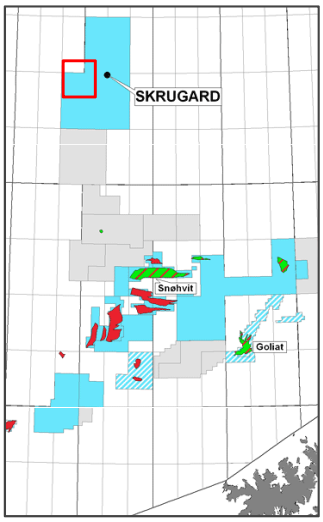
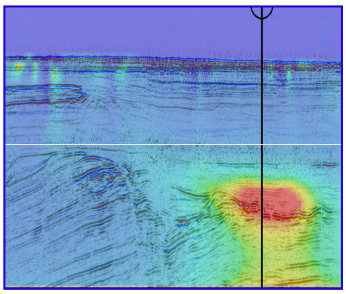


emgs

EM DRIVEN FRONTIER EXPLORATION WORKFLOW







Statoil

Major Barents Sea Discovery
1 April 2011

Multi-client 3D EM data

emgs

VALUE CREATION WITH EM

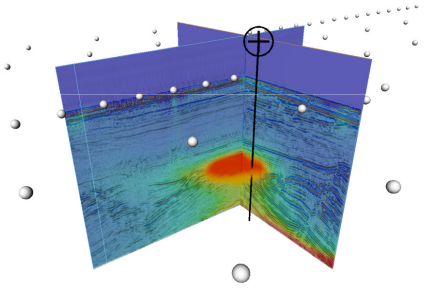
Summary

"Drill and drop" is now a proven application

- 75-80% historical prediction strength
- Better in the future
- Significant, proven VOI

Broadening the scope of EM applications

- Site survey
- Basin scale geology
- Salt body imaging
- Frontier scanning
- Quantitative interpretation/Time lapse



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ADDING VALUE IN THE BARENTS SEA

Svein Ellingsrud, Founder & SVP

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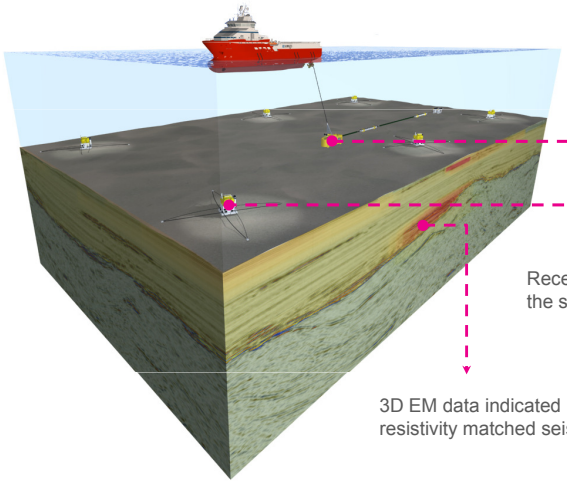
3D WIDE-AZIMUTH DATA ACQUISITION



Source towed above a grid of receivers

Receivers dropped in a predetermined grid on the sea floor

3D EM data indicated reserves (high resistivity matched seismic anomaly)

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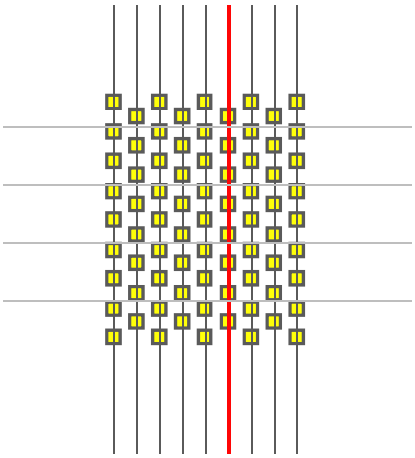
3D WIDE-AZIMUTH DATA ACQUISITION



All lines live with wide-azimuth information

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TECHNICAL REQUIREMENTS – 3D WIDE-AZIMUTH DATA

- Capacity: up to 200 receivers
- Powerful source
- Accurate navigation, positioning and timing
- Efficient operations: ~1000 km² per month
- Water depth range: 20–3500 m

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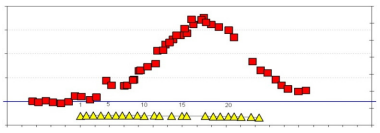
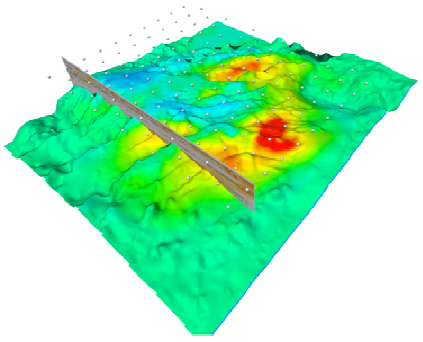
FROM 2D TO 3D WIDE-AZIMUTH PROCESSING

2002 → 2010

2D



3D anisotropic inversion



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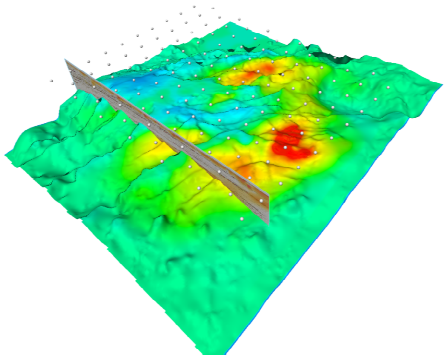
3D ANISOTROPIC INVERSION IS CRUCIAL

The subsurface is anisotropic

- Resistivity depends on direction
- This must be handled correctly

3D anisotropic inversion

- Real data is compared with modelled data
- Final product is a 3D resistivity cube in a standard seismic format (SEGY)
- Can estimate the “relative volume” using the final model



3D data from the Barents Sea

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FRONTIER EXPLORATION IN 1993 – HIGH POTENTIAL

Seismic information from 1993

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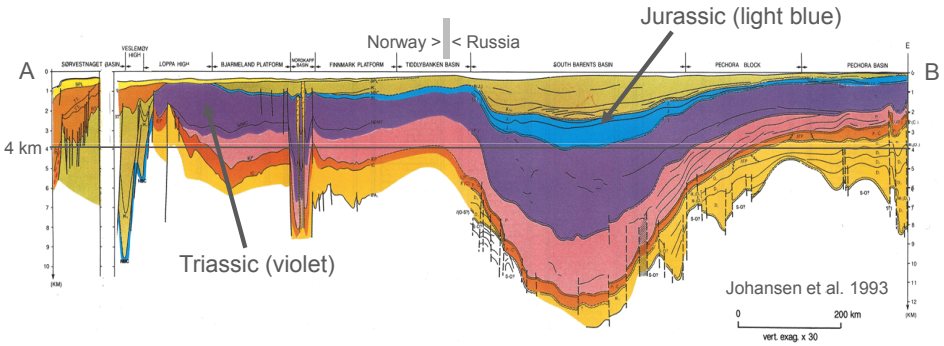
INTERPRETATION FROM SEISMIC DATA IN 1993



Main discoveries

Norwegian side

- Snøhvit, 1984 (Jurassic)
- Goliat, 2000 (Triassic)
- Skrugard, 2011 (Jurassic)

Russian side

- Stokman, 1988 (Jurassic)
- Murmanskaya, 1983 (Triassic)
- Kildinskoya, 1985 (Triassic)

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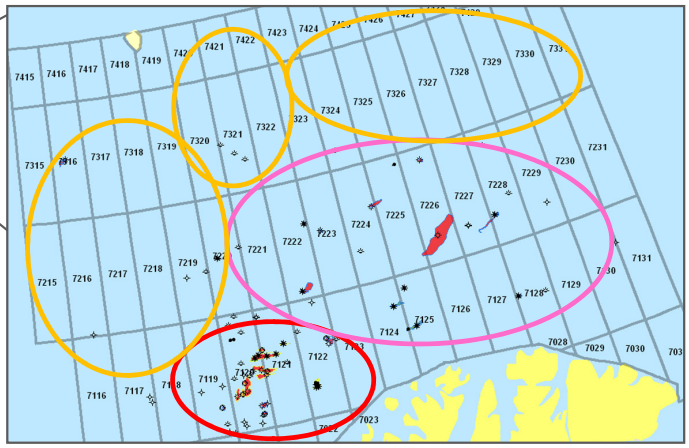
BARENTS SEA – STATUS, NORWEGIAN SIDE



81 exploration wells
- 2 in progress
- 3 main commercial discoveries (all imaged by EMGS):
  - Snøhvit
  - Goliat
  - Skrugard
- Large petroleum system

Undiscovered large fields?

Is seismic data alone the ideal tool?

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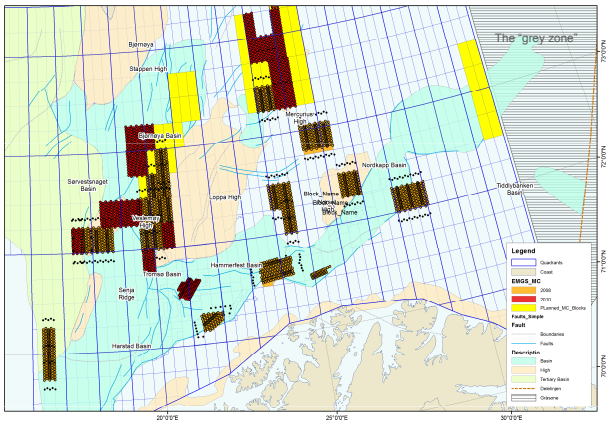
EMGS' S MULTI-CLIENT DATA COVERAGE

- 20th round, 2008
- 21st round, 2010

  In total, 16,000 km^2
- 22nd round surveys, 2011/2012 (preliminary areas in yellow)



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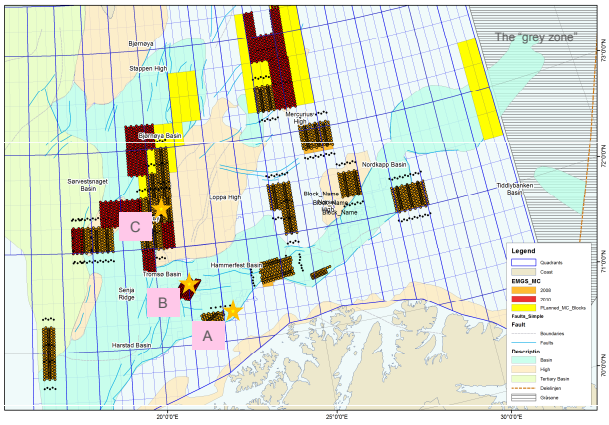

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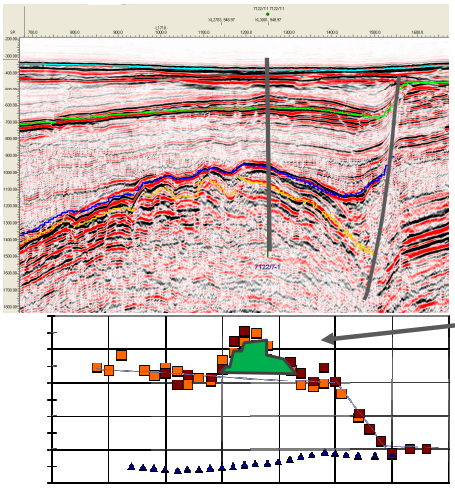
GOLIAT, 2005/2006 – 2D LINES

Back

Goliat



High 2D response from Goliat

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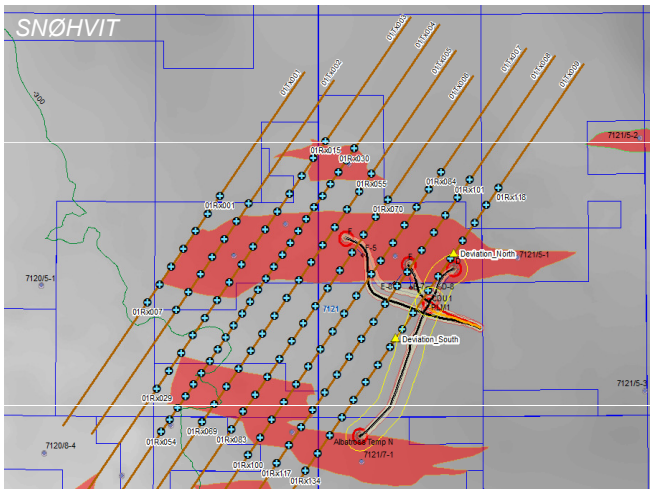
SNØHVIT, 2010 – 3D EDDA CONSORTIUM

Participants

- ConocoPhillips
- Statoil
- Shell
- RWE
- VNG
- Rocksource

Observer

- NPD



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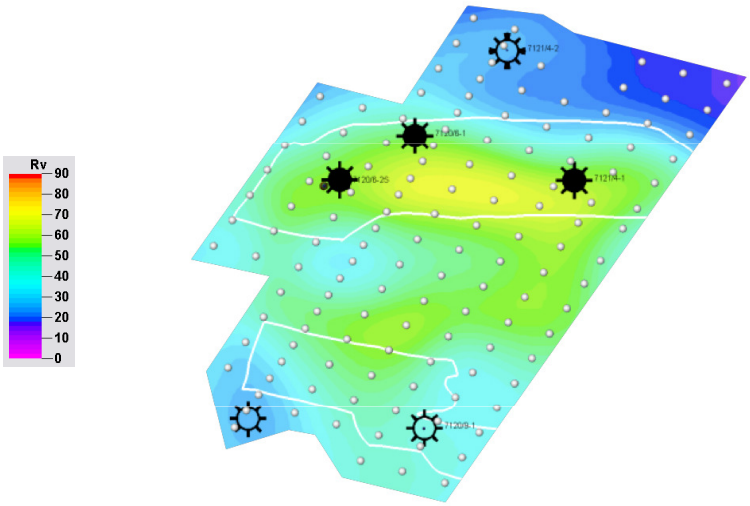
SNØHVIT, 2010

Back



Depth slice at 2300 m from 3D CSEM inversion. Field outline in white

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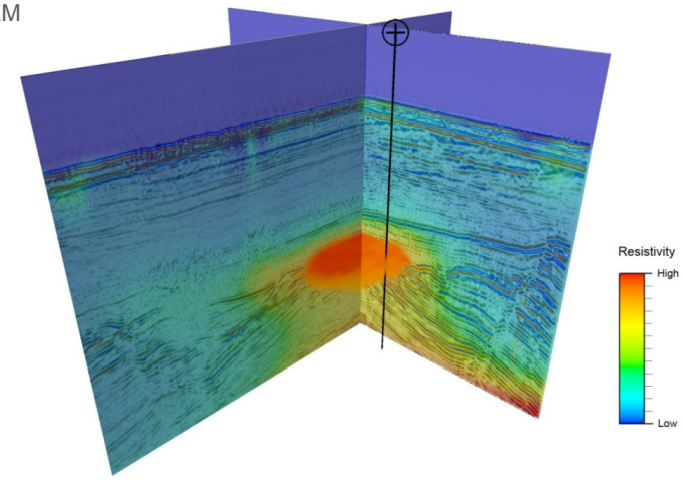
SKRUGARD, 2008 MULTI-CLIENT DATA

EMGS's multi-client CSEM resistivity data over the Skrugard discovery

3D EM data integrated with publically available seismic data

Imaged using 3D anisotropic inversion

Well location from NPD



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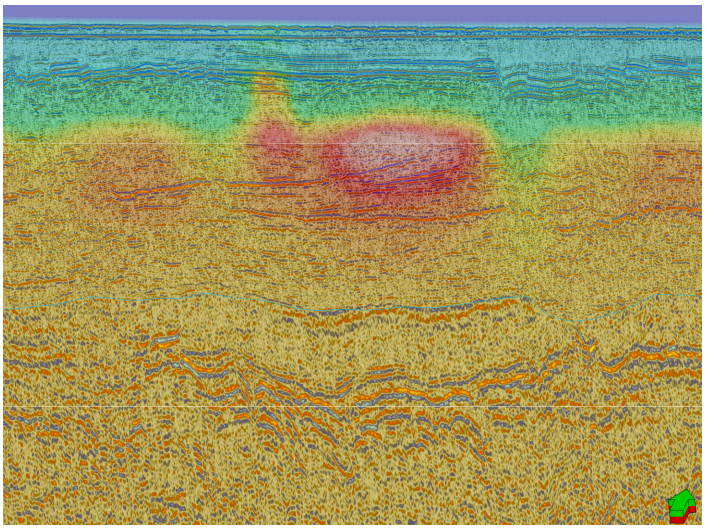
MULTI-CLIENT DATA, 2010

Resistive anomalies



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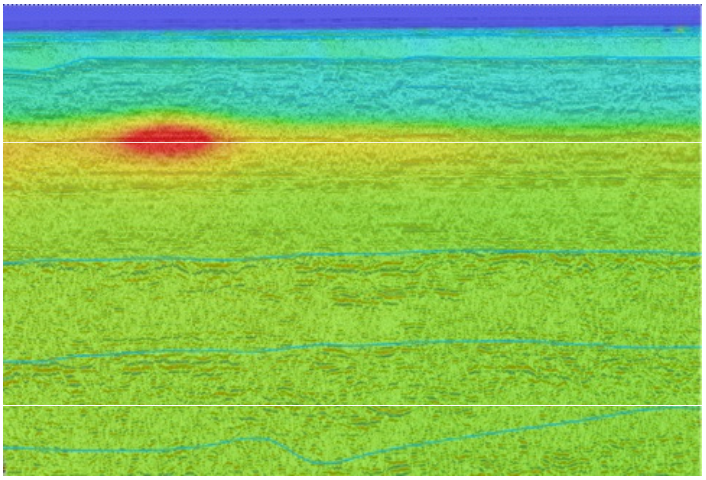
MULTI-CLIENT DATA, 2010

Stratigraphic trap?

Hardly visible
on seismic data



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EMGS MULTI-CLIENT DATA COVERAGE

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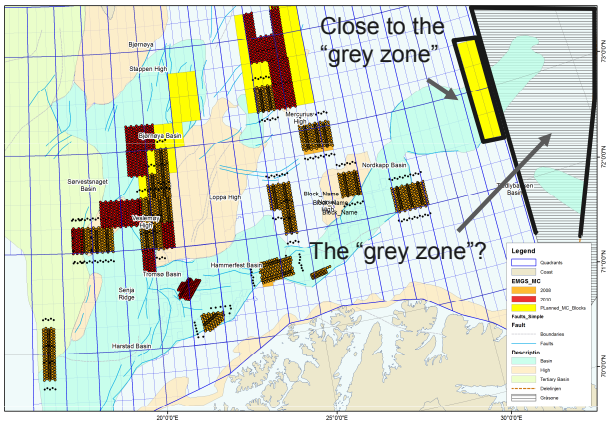

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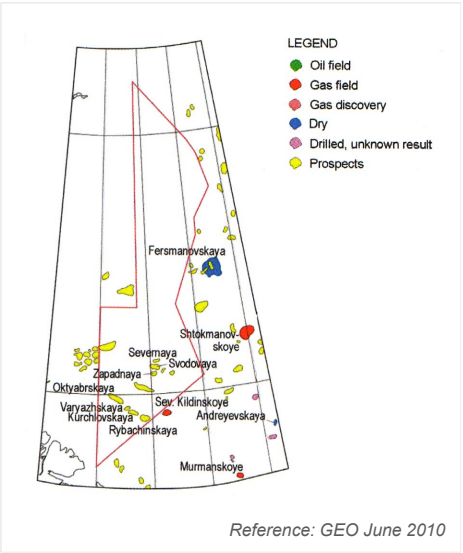
THE "GREY ZONE"

Signed agreement between Russia and Norway with effect from 7 July

High expectations from oil companies and the government

Limited geophysical data available

A combination of 2D seismic and 3D CSEM data gives a quicker estimate of the hydrocarbon potential



Reference: GEO June 2010

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SUMMARY

81 exploration wells based on seismic data - lack of success in the eastern part of the Norwegian side

EMGS's technology verified in complex geology

Proven track record in the Barents Sea

The "grey zone": Russian and Norwegian agreement from 7 July

A combination of 2D seismic and 3D CSEM data can reduce exploration risk and time to first oil

Show case with applications worldwide!

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A SCALABLE AND FLEXIBLE BUSINESS MODEL

Svein Knudsen, CFO

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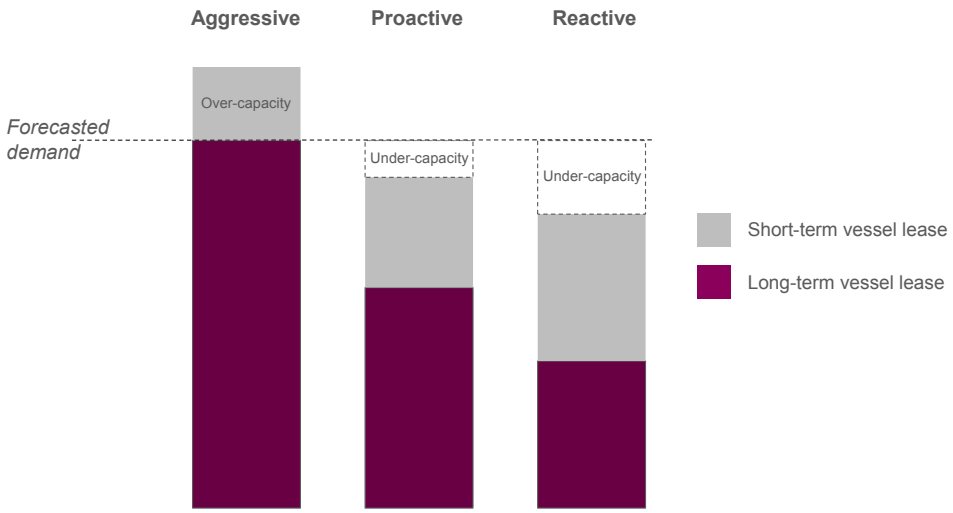
THREE ALTERNATIVE RAMP-UP STRATEGIES



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FINANCIAL SNAPSHOT

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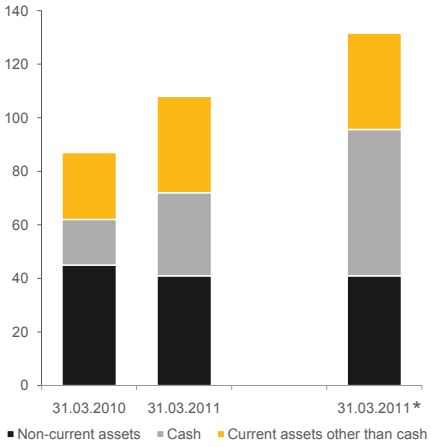
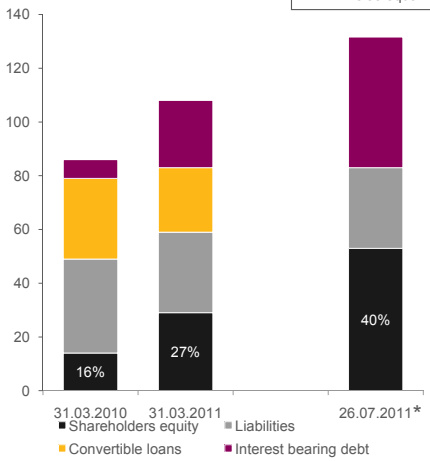
CAPITAL STRUCTURE

Assets
(USD million)



Equity and liabilities
(USD million)



- Effect of conversion, NOK 150 million Fugro loan, and NOK 250 million Sr. Secured Bond refinancing
- All else equal

* Adjusted

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ACCOUNTING PRINCIPLES MULTI-CLIENT

Revenue recognition
- Prefunding: Percentage of completion
- Late sales: Upon delivery of data to customer

Cost capitalization multi-client
- Acquisition costs
- Data processing costs
- Direct project costs

Amortization
- Rate ratio = cost of survey over estimated revenues
- Four profitability categories with amortization rates of 45, 60, 75 & 90%
- Conservative approach

EMGS's multi-client library covers more than 20,000 km² of EM data

Forced amortization

Calendar year	% of total costs
Year 0	100%
Year 1	67%
Year 2	33%
Year 3	0%

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ACCOUNTING

Revenue recognition contract sales
- The Percentage of Completion Method
- Mobilisation fees booked as a percentage of acquisition completion

Depreciation – equipment
- Equipment on deck: 5 years
- Equipment in sea: 3 years
- ”Useful life” under consideration

Unused tax assets
- Unrecognised deferred tax asset: USD 79.6 million
- Tax losses carried forward: USD 252.4 million

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A SCALABLE BUSINESS MODEL

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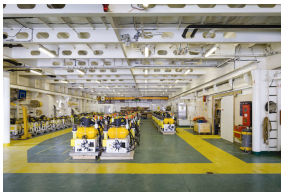
SCALABILITY: SHORT LEAD TIME

Vessel mobilisation	Receivers	Source and handling
		
1-2 weeks	6-8 months	6-8 months

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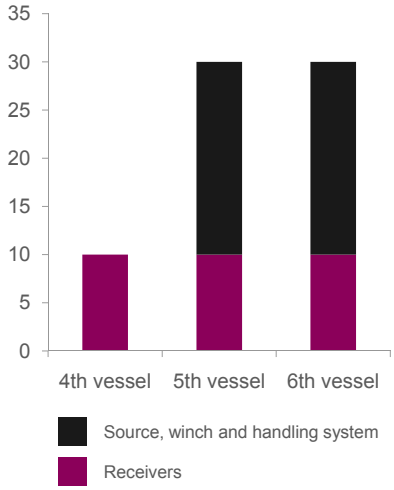
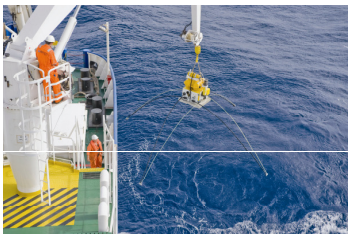
CAPEX– ADDITIONAL EQUIPMENT SETS

Capital expenditure per additional equipment set
(USD Million)





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MOBILE ACQUISITION SET

150 receivers

Full source redundancy

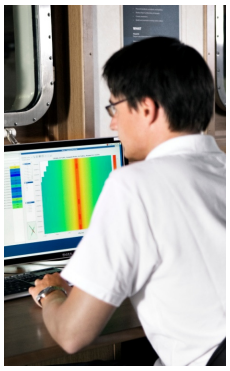
Rigging costs at USD 0.5 – 1 million

Rigging period of 1 – 2 weeks

Suitable for a range of vessel types

Full 3D EM capabilities

Experienced crews



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VESSEL OVERVIEW

BOA Thalassa

Charter expiration
December 2013

Optional extensions
3 x 1 year

BOA Galatea

Charter expiration
July 2014

Optional extensions
3 x 1 year

Atlantic Guardian

Charter expiration
October 2011

Optional extensions
2 x 3 months

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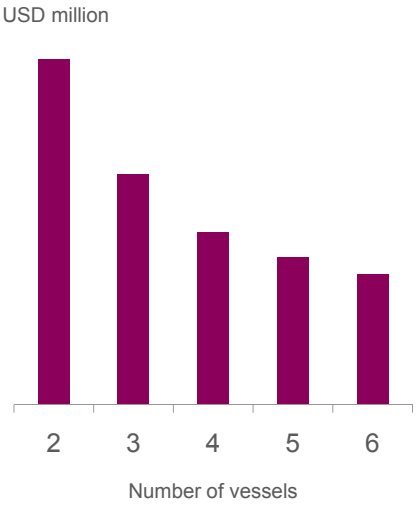
OVERHEAD COSTS PER VESSEL



EBITDA contribution 3rd and 4th vessel (USD million per vessel)

Annual revenues	50
÷ OPEX and mob/demob	25
EBITDA	25

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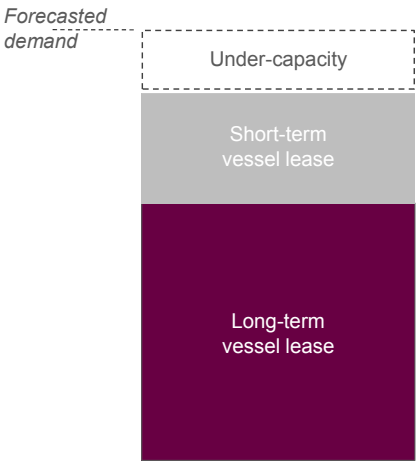
SUMMARY



- ✓Proactive, backlog-driven vessel strategy
- ✓Positioned to capitalize on the upside
- ✓...whilst protecting the downside

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SUMMARY

Roar Bekker, CEO

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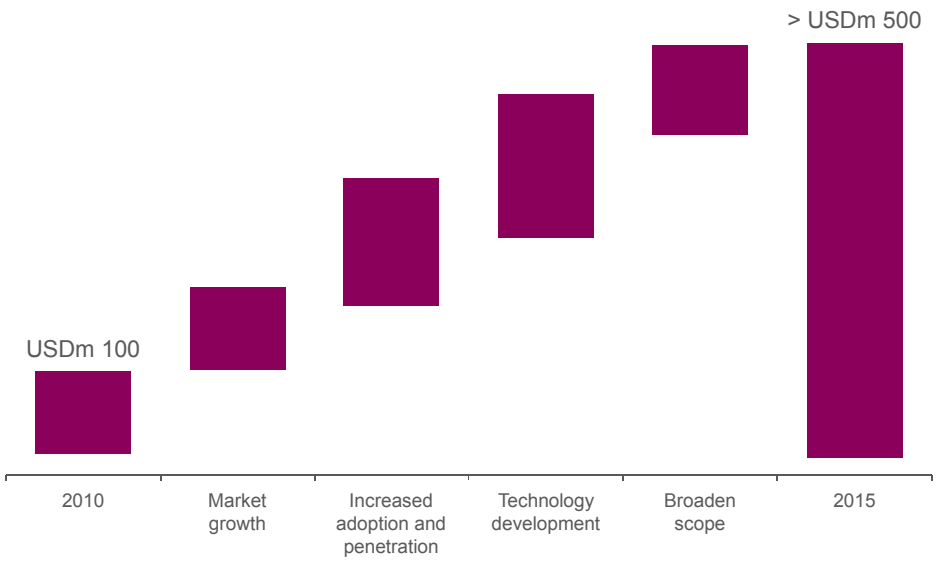
EM MARKET 2015



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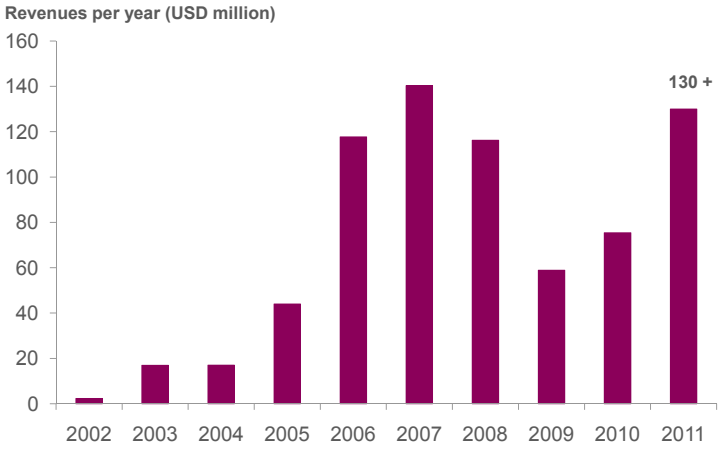
RENEWED GROWTH: GUIDING 2011



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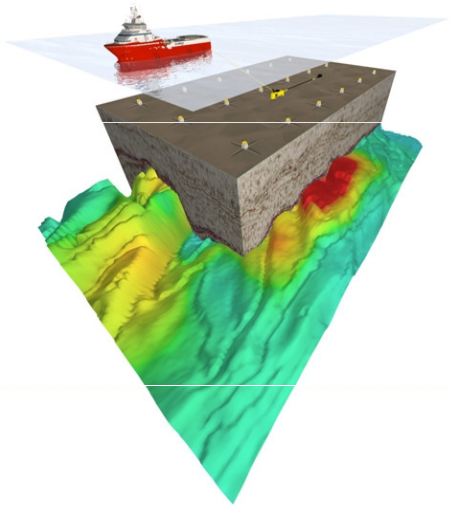
EMGS: AN ATTRACTIVE INVESTMENT CASE

A growing EM market
- Supported by increase in E&P spending
- Evidence of accelerated adoption by a broader range of customers
- EM integrated in the E&P workflow

EMGS is uniquely positioned
- Industry-leading technology and product range
- Unparallelled experience and expertise
- High barriers to entry in a non-commoditised industry

Flexible business model
- Demand-driven profitable growth
- Short lead time on equipment and vessels
- ”Asset light”



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