EMGS FIRST QUARTER

19 / 05 / 2011

HIGHLIGHTS IN THE FIRST QUARTER 2011

· Total revenues at USD 21.5 million for the quarter
· Negative EBITDA of USD 3.3 million
· Awarded contract of USD 8.5 million offshore Mozambique
· Awarded USD 12.5 million Red Sea contract
· Conversion of USD 5 million bond loan to shares

Subsequent important events:

· Third crew mobilised
· Fugro converted NOK 150 million bond loan to shares
· Major international oil company has joined EMGS and Shell in Joint Industry Project (JIP)
· Successful completion of NOK 250 million unsecured bond issue

KEY FINANCIAL FIGURES

USD million (except per share data)	Q1 2011	Q1 2010	2010	Q4 2010
Revenues	**21.5**	10.7	75.4	27.2
Operating profit/(loss)	**(6.7)**	(13.2)	(24.9)	6.1
Income/(loss) before income taxes	**(12.7)**	(13.7)	(56.3)	(30.2)
Earnings per share	**(0.09)**	(0.11)	(0.40)	(0.18)
Average number of shares outstanding (in thousands)	**156 814**	123 577	137 699	153 751
EBITDA	**(3.3)**	(7.6)	(2.4)	2.4
Multi-client investment	**-**	0.8	11.3	-
Adjusted EBITDA*	**(3.3)**	(8.4)	(13.6)	(2.4)

Information related to shares is for ordinary shares. The number of ordinary shares outstanding at March 31, 2011, was 159 804 715.

*Adjusted EBITDA is EBITDA adjusted for the capitalisation of operating expenses related to multi-client surveys.

FINANCIAL REVIEW

Revenues and operating expenses

EMGS recorded revenues of USD 21.5 million in the first quarter of 2011, up from USD 10.7 million in the first quarter of 2010. Contract sales totalled USD 21.0 million, whilst multi-client sales came in at USD 0.5 million. In the corresponding period last year EMGS recorded multi-client sales of USD 0.3 million.

Charter hire, fuel and crew expenses totalled USD 10.5 million in the first quarter 2011, up from USD 7.8 million in the corresponding quarter in 2010. The fuel expenses in the first quarter of 2011 were affected by higher fuel prices and steaming. In addition, the expenses in 2010 were low mainly due to the facts that costs for vessels not in operation were accrued for under onerous contracts in the fourth quarter of 2009, as well as capitalisation of multi-client costs of USD 2.3 million.

Employee expenses increased from USD 7.3 million in the first quarter of 2010 to USD 9.9 million in the first quarter 2011 owing to increased expenses related to offshore crew which, in turn, were caused by high operational activity.

Other operational costs increased from USD 3.2 million in the first quarter last year to USD 4.5 million this quarter. This is mainly due to increased activity level in the first quarter of 2011.

Depreciation and amortisation

Depreciation and ordinary amortisation totalled USD 3.4 million in the first quarter 2011, down from USD 5.2 million in the same quarter in 2010. The reduction is due to the reduced capital expenditure throughout 2009 to date, along with assets becoming fully depreciated.

Net financial items

Net financial items was negative USD 6.0 million in the first quarter of 2011, while a negative USD 0.5 million was reported in the corresponding period in 2010. USD 0.7 million of the increase is due to interest expenses and USD 1.4 million is due to a negative change in fair value of conversion rights on the USD 5.0 million convertible loan. In addition, the financial items were negatively affected by the weakening of the USD to NOK. The currency loss for the first quarter of 2011 was USD 2.5 million.

Result before income taxes

EMGS recorded a loss of USD 12.7 million before income tax in the first quarter 2011, compared with a loss of USD 13.7 million in the corresponding quarter in 2010.

Income tax expenses

Income tax expenses of USD 0.7 million were recorded in the first quarter of 2011, compared with income tax expenses of USD 0.1 million in the first quarter of 2010. These taxes relate to profits earned in foreign jurisdictions.

Net result for the period

Net loss in the first quarter of 2011 ended at USD 13.4 million, compared with a loss of USD 13.8 million in the same period last year.

Balance sheet and cash flow

Cash and cash equivalents totalled USD 30.6 million at 31 March 2011, compared with USD 39.6 million at 31 December 2010. USD 18.6 million of the cash at 31 March 2011 were restricted, mainly due to client performance guarantees.

Trade receivables were USD 18.3 million at 31 March 2011, down from USD 20.6 million at 31 December 2010.

Total borrowings were USD 48.5 million at 31 March 2011, compared with USD 82.2 million at 31 December 2010. The reduction is mainly due to reclassification of the fair value of the conversion right on the NOK 150 million convertible bond of USD 30.6 million as a consequence of EMGS ASA changing its functional currency from USD to NOK. In addition, the USD 5.0 million convertible bond was converted into shares in March 2011.

Cash flow from operating activities was negative by USD 5.0 million for the quarter ended 31 March 2011, compared with a negative cash flow from operating activities of USD 12.7 million in the comparable period in 2010.

Cash applied in investing activities in the first quarter of 2011 amounted to USD 2.7 million, compared with USD 0.9 million in the same period in 2010.

Cash flow from financial activities was negative USD 1.3 million in the first quarter of 2011 mainly due to payment of interest on loans. The comparable amount in 2010 was positive USD 1.0 million due to proceeds from subsequent offering.

OPERATIONAL REVIEW

EMGS defines 'utilisation' as vessel time spent on contracted or committed work, including paid mobilisation. The company's vessel utilisation in 2010 and 2011 were as follows:

	Q1	Q2	Q3	Q4
2010	69%	66%	84%	74%
2011	87%	-	-	-

Vessel overview

VESSEL	*STATUS Q1*	*UTILISATION Q1*	*CHARTER EXPIRATION*
BOA Thalassa	In operation	86%	December 2013
BOA Galatea	In operation	89%	July 2014
Atlantic Guardian	Decommisioned	Not applicable	25 January 2011

The BOA Thalassa spent the entire first quarter of 2011 performing ultra-deepwater acquisition of 3D EM data for PEMEX in the Mexican sector of the Gulf of Mexico. In February, EMGS extended its water-depth record by towing the EM source at a depth of 3449 m. During the first quarter, the company implemented several significant technical upgrades on both the hardware and software sides. This resulted in fewer repeat tows and faster towing in deep waters, which provided month-on-month production improvements throughout the quarter. Technical downtime was reduced from 28% in January to 3.5% in March. In total, the work in the Gulf of Mexico generated first-quarter revenues of approximately USD 12.5 million. Productivity is expected to improve in the second quarter, as the vessel moved into shallower water areas at the end of April.

The BOA Galatea started the first quarter of 2011 in transit from Australia to New Zealand. Data acquisition for Shell commenced offshore New Zealand on 10 January and was completed one month later. Subsequently, the BOA Galatea spent about one month in transit to Mozambique, where it acquired 3D EM data for a repeat customer during the remainder of the quarter.

The Atlantic Guardian was delivered back to its owner on 25 January when the charter expired.

EVENTS IN THE QUARTER

On 27 January, EMGS announced that it had been awarded a contract worth USD 8.5 million by a repeat customer to acquire 3D EM data offshore Mozambique. BOA Galatea mobilised in early February, and the survey was completed on 13 May. The vessel subsequently mobilised for a survey in the Red Sea (please see next paragraph for further information).

On 1 February, EMGS reported that it had signed a contract worth approximately USD 12.5 million with an oil company in the Kingdom of Saudi Arabia. The survey includes acquisition of both 3D electromagnetic (EM) and magnetotelluric (MT) data in the Red Sea over a three-month period, and BOA Galatea mobilised for the survey following completion of the above mentioned survey offshore Mozambique.

On 16 February, EMGS announced that it had changed its functional currency from USD to NOK. This had a significant impact on the value of the conversion rights recorded in the balance sheet. The fair value component of the NOK 150 million convertible bond was reclassified from liability to equity. The reporting currency for the EMGS Group will continue to be USD.

On 1 March, EMGS received a request from bondholders to convert bonds amounting to USD 4,200,000 to 4,883,721 shares at USD 0.86 per share. The nominal value of the convertible bond was consequently reduced to USD 800,000.

On 4 March, EMGS received a request from bondholders to convert bonds amounting to USD 800,000 to 930.233 shares at USD 0.86 per share. The nominal value of the convertible bond was consequently nil.

RECENT EVENTS

On 4 April, EMGS announced that it was mobilising its third crew. The company entered into an agreement with North Sea Shipping to charter the vessel Atlantic Guardian for six months from 25 April 2011, with optional extensions of up to six months. EMGS equipped the Atlantic Guardian with its custom-designed acquisition set in late April/early May. The company has secured nearly 5 months backlog, at an estimated value of USD 20 million, for its third vessel.

On 5 April, EMGS announced that it had been notified by Fugro Norway AS that the latter had exercised its rights pursuant to a NOK 150,000,000 Senior Secured Convertible Loan to convert the full amount of the loan into shares in EMGS. The shares were converted at NOK 5.40 per share, resulting in 27,777,778 shares.

On 7 April, EMGS announced that a major international oil company had joined EMGS and Shell in a joint industry project (JIP) to plan and design the next-generation 3D EM system. The ongoing feasibility study includes laboratory tests, design solutions, specifications and a project plan for the development of the next generation of source, receivers and positioning system.

On 4 May, EMGS announced that the company had successfully completed the issuance of a new unsecured bond with maturity in May 2014. The borrowing amount is NOK 250 million, and the bond has a coupon of NIBOR + 7.00%. Settlement date for the bond is expected to be 26 May 2011. An application will be made for the bond to be listed on the Oslo Stock Exchange. Net proceeds from the bond issue will be used to refinance existing debt and for general corporate purposes. Arctic Securities and First Securities acted as arrangers of the bond issue.

On 16 May, EMGS announced that, on the basis of the new production licences awarded to its customers in the 21st Licensing Round on the Norwegian Continental Shelf, it expects to realise uplift revenues of USD 5.4 million from the Barents Sea multi-client 3D EM campaign in 2010. These revenues will be recognised in the second quarter of 2011.

OUTLOOK

EMGS's backlog remains strong, and the vessel Atlantic Guardian has now joined the BOA Galatea and the BOA Thalassa to create a fleet of three revenue-generating vessels.

Productivity in the Mexican sector of the Gulf of Mexico is set to increase, as the BOA Thalassa moves into shallower water where faster towing speeds and quicker receiver deployment and retrieval times are achievable. Equipment upgrades are also leading to productivity increases.

The company expects that the above factors, along with uplift revenues from Norway's 21st licensing round awards, will lead to a substantial increase in second quarter revenues.

Adding to this, the company is witnessing growing recognition of 3D EM's value as an exploration tool. This is fuelling demand, and, with limited capacity in the industry, EMGS's negotiating position will most likely strengthen as demand increases.

The company remains fully committed to building a financially sustainable business and expects to deliver a positive net income for 2011 and a stronger balance sheet through the year.

Oslo, 18 May 2011
Board of Directors

CONSOLIDATED INCOME STATEMENT

Amounts in USD 1 000	Q1 2011 Unaudited	Q1 2010 Unaudited	2010 Audited
Operating revenues			
Contract sales	**21 006**	10 379	64 073
Multi-client sales	**528**	310	11 335
Total operating revenues	**21 534**	**10 689**	**75 408**
Operating expenses			
Charter hire, fuel and crew expenses	**10 458**	7 819	32 856
Employee expenses	**9 854**	7 284	30 451
Depreciation and ordinary amortisation	**3 444**	5 223	18 431
Multi-client amortisation	**-**	345	4 083
Other operating expenses	**4 527**	3 200	14 456
Total operating expenses	**28 283**	**23 871**	**100 277**
Operating profit (loss)	**-6 749**	**-13 182**	**-24 869**
Share of profit of joint venture	**-**	-	-
Financial income and expenses			
Interest income	**7**	2	201
Interest expenses	**-2 154**	-1 432	-7 587
Change in fair value of conversion rights	**-1 353**	-19	-23 754
Net foreign currency income/(loss)	**-2 465**	930	-267
Net financial items	**-5 965**	**-520**	**-31 407**
Income/(loss) before income tax	**-12 714**	**-13 702**	**-56 276**
Income tax expenses	**654**	62	-1 068
Income/(loss) for the period	**-13 368**	**-13 765**	**-55 208**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Income/(loss) for the period	**-13 368**	**-13 765**	**55 208**
Exchange differences on translation of foreign operations	**448**	26	46
Total comprehensive income/(loss) for the period	**-12 920**	**-13 739**	**-55 162**

CONSOLIDATED BALANCE SHEET

Amounts in USD 1 000	Quarter ended 31 March 2011 Unaudited	Quarter ended 31 March 2010 Unaudited	Year ended 31 December 2010 Audited
ASSETS			
Non-current assets			
Intangible assets	**8 964**	2 892	7 827
Property, plant and equipment	**22 634**	27 399	23 104
Assets under construction	**9 811**	11 351	9 085
Investment in joint venture	**-**	3 015	3 015
Restricted cash	**7 343**	894	7 326
Total non-current assets	**48 752**	**45 551**	**50 357**
Current assets			
Spare parts, fuel, anchors and batteries	**10 779**	8 586	9 293
Trade receivables	**18 330**	7 606	20 640
Other receivables	**6 796**	8 755	4 458
Cash and cash equivalents	**12 007**	15 774	21 340
Restricted cash	**11 209**	275	10 884
Total current assets	**59 122**	**40 996**	**66 615**
Total assets	**107 874**	**86 547**	**116 972**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital, share premium and other paid-in equity	**221 951**	152 793	182 381
Other reserves	**277**	-192	-172
Retained earnings	**-193 356**	-138 545	-179 988
Total equity	**28 871**	**14 056**	**2 222**
LIABILITIES			
Non-current liabilities			
Employee benefit obligations	**5 479**	4 933	5 085
Borrowings	**22 907**	3 603	22 989
Total non-current liabilities	**28 385**	**8 536**	**28074**
Current liabilities			
Trade payables	**12 290**	13 463	12 752
Current tax liability	**1 965**	1 817	948
Provisions	**-**	3 154	774
Other short term liabilities	**10 804**	11 783	12 980
Borrowings	**25 557**	33 738	59 223
Total current liabilities	**50 617**	**63 955**	**86 677**
Total liabilities	**79 002**	**72 491**	**114 751**
Total equity and liabilities	**107 874**	**86 547**	**116 972**

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in USD 1 000	**Quarter ended 31 March 2011 Unaudited**	Quarter ended 31 March 2010 Unaudited	Year ended 31 December 2010 Audited
Net cash flow from operating activities:			
Income/(loss) before income tax	**-12 714**	-13 677	-56 276
Adjustments for:			
Withholding tax expenses	**-503**	29	-1 160
Total taxes paid	**708**	-321	1 128
Depreciation and ordinary amortisation	**3 444**	5 223	18 431
Multi-client amortisation	**-**	345	4 083
Loss/(profit) on sale of fixed asset	**-**	-	115
Non-cash portion of pension expense	**393**	-529	-377
Cost of share-based payment	**230**	211	1 793
Change in trade receivables	**2 310**	2 324	-10 710
Change in inventories	**-1 485**	-439	-1 146
Change in trade payables	**-462**	-1 107	-1 818
Change in other working capital	**-3 820**	-5 235	-4 194
Change in fair value of conversion rights and currency convertible bonds	**4 983**	19	23 754
Amortisation of interest	**1 891**	424	5 965
Net cash flow from operating activities	**-5 025**	**-12 733**	-20 412
Investing activities:			
Purchase of property, plant and equipment	**-2 685**	46	-3 347
Purchase of intangible assets	**-**	-11	-834
Proceeds from sale of assets	**-**	-	286
Investment in multi-client library	**-**	-823	-9 979
Cash used in investing activities	**-2 685**	**-880**	-13 874
Financial activities:			
Financial lease payments - principal	**-433**	-1 306	-3 931
Proceeds from bonds	**-**	-	20 000
Proceeds from issuance of ordinary shares	**159**	2 843	30 849
Payment of interest on bonds	**-1 007**	-559	-2 660
Cash provided by financial activities	**-1 281**	**978**	**44 258**
Net increase in cash	**-8 991**	**-12 635**	**9 972**
Cash balance beginning of period	**39 550**	29 578	29 578
Cash balance end of period	**30 559**	16 943	39 550
Increase in cash	**-8 991**	**-12 635**	**9 972**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in USD 1 000	Share capital, share premium and other paid-in equity	Other reserves	Retained earnings	Total equity
Balance at 31 December 2009 (Audited)	**149 739**	**-218**	**-124 780**	**24 741**
Currency translation differences	-	26	-	**26**
Loss for the period	-	-	-13 765	**-13 765**
Total comprehensive income	**-**	**26**	**-13 765**	**-13 739**
Cost of share-based payment	211	-	-	**211**
Cost of private placement	-243	-	-	**-243**
Proceeds from shares issued - private placement and options exercised	3 086	-	-	**3 086**
Balance at 31 March 2010 (Unaudited)	**152 793**	**-192**	**-138 545**	**14 056**
Currency translation differences	-	-8	-	**-8**
Loss for the period	-	-	-4 704	**-4 704**
Total comprehensive income	**-**	**-8**	**-4 704**	**-4 712**
Cost of share-based payment	558	-	-	**558**
Cost of private placement	-1 427	-	-	**-1 427**
Proceeds from shares issued - private placement and options exercised	30 285	-	-	**30 285**
Balance at 30 June 2010 (Unaudited)	**182 210**	**-200**	**-143 249**	**38 761**
Currency translation differences	-	265	-	**265**
Loss for the period	-	-	-8 347	**-8 347**
Total comprehensive income	**-**	**265**	**-8 347**	**-8 082**
Cost of share-based payment	151	-	-	**151**
Cost of private placement	-913	-	-	**-913**
Proceeds from shares issued - private placement and options exercised	72	-	-	**72**
Balance at 30 September 2010 (Unaudited)	**181 521**	**65**	**-151 596**	**29 990**
Currency translation differences	-	46	-	**46**
Loss for the period	-	-	-55 208	**-55 208**
Total comprehensive income	**-**	**46**	**-55 208**	**-55 162**
Cost of share-based payment	1 793	-	-	**1 793**
Cost of rights issue	-2 715	-	-	**-2 715**
Proceeds from shares issued - private placement and options exercised	33 564	-	-	**33 564**
Balance at 31 December 2010 (Audited)	**182 381**	**-172**	**-179 988**	**2 222**
Currency translation differences	-	448	-	**448**
Loss for the period	-	-	-13 368	**-13 368**
Total comprehensive income	**-**	**448**	**-13 368**	**-12 920**
Cost of share-based payment	230	-	-	**230**
Equity component of convertible loan	32 568	-	-	**32 568**
Conversion of convertible loan	6 613	-	-	**6 613**
Proceeds from shares issued - private placement and options exercised	159	-	-	**159**
Balance at 31 March 2011 (Unaudited)	**221 951**	**276**	**-193 356**	**28 871**

Accounting principles

The Group has applied the same accounting standards and policies as in the Group's financial statements at 31 December 2010, and has implemented standards, interpretations and amendments which were effective from 1 January 2011.

Segment reporting

EMGS reports its sales revenue as one reportable segment. The sales revenues and related costs are incurred worldwide.

The amounts below show sales revenues reported by geographic region.

Amounts in USD 1 000	**Q1 2011 Unaudited**	Q1 2010 Unaudited	2010 Audited
Americas	**12.5**	5.0	25.6
Asia/Pacific	**5.1**	-	19.4
EAME	**4.0**	5.7	30.4
Total	**21.5**	**10.7**	**75.4**

Fair value of conversion rights

In 2009, Fugro N.V provided EMGS ASA a NOK 150 million secured convertible loan at the current conversion price of NOK 5.40. As the functional currency for EMGS was USD prior to 1 January 2011 and the conversion price is in NOK, the loan was subject to a "fair value adjustment" according to IFRS accounting rules. Functional currency in EMGS changed from USD to NOK on 1 January 2011 and the fair value component of the convertible loan was reclassified from liabilities to equity.

Statement of compliance
These condensed consolidated interim accounts have been prepared in accordance with IAS 34 and should be read in conjunction with the consolidated financial statements for the group for the year ending 31 December 2009. The group's financial statements are available upon request from the company's registered office in Trondheim or at emgs.com.

Disclaimer for forward-looking statements
This quarterly report includes and is based, inter alia, on forward-looking information and statements that are subject to risks and uncertainties that could cause actual results to differ. Such forward-looking information and statements are based on current expectations, estimates and projections about global economic conditions, the economic conditions of the regions and industries that are major markets for EMGS ASA and its subsidiaries. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates" or similar expressions. Important factors that could cause actual results to differ materially from those expectations include, among others, economic and market conditions in the geographic areas and industries that are or will be major markets for the EMGS's businesses, oil prices, market acceptance of new products and services, changes in governmental regulations, interest rates, fluctuations in currency exchange rates and such other factors as may be discussed from time to time. Although EMGS ASA believes that its expectations and the information in this report were based upon reasonable assumptions at the time when they were made, it can give no assurance that those expectations will be achieved or that the actual results will be as set out in this report. EMGS ASA nor any other company within the EMGS group is making any representation or warranty, expressed or implied, as to the accuracy, reliability or completeness of the information in the report, and neither EMGS ASA, any other company within the EMGS group nor any of their directors, officers or employees will have any liability to you or any other persons resulting from your use of the information in the report. EMGS ASA undertakes no obligation to publicly update or revise any forward-looking information or statements in the report.

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EMGS, the marine EM market leader, uses its proprietary electromagnetic (EM) technology to support oil and gas companies in their search for offshore hydrocarbons. EMGS supports each stage in the workflow, from survey design and data acquisition to processing and interpretation. The company's services enable integration of EM data with seismic and other geophysical and geological information to give explorationists a clearer and more complete understanding of the subsurface. This improves exploration efficiency, and reduces risks and the finding costs per barrel.

EMGS has conducted more than 500 surveys to improve drilling success rates across the world's mature and frontier offshore basins. The company operates on a worldwide basis with main offices in Trondheim and Stavanger, Norway; Houston, USA; and Kuala Lumpur, Malaysia.

Please visit *EMGS.COM* for the latest news and in-depth information about EMGS and EM technology.

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