

GEOSEA HOLDINGS LIMITED

Consolidated Financial Statements

Year Ended December 31, 2004



BDO Patel & Al Saleh
Chartered Accountants

GEOSEA HOLDINGS LIMITED

Consolidated financial statements for the year ended December 31, 2004

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بي دي او بتيل و آل صالح
محاسبون قانونيون

ص ب ١٩٦١، دبي - ا.ع.م
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تليفاكس: ١٥١ ٢٢٧ ٠٤

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Report of the auditors to the shareholders of Geosca Holdings Limited

We have audited the accompanying consolidated financial statements of GeoSea Holdings Limited ("the Company") for the year ended December 31, 2004 set out on pages 3 to 13. These financial statements consolidate the assets, liabilities and operations of the Company and its subsidiaries (SeaBird Exploration Group – "the Group") of which the following are audited by other auditors:

SeaBird Management AS
GeoBird Management AS

Responsibilities of management and auditors

The consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management in the preparation of the consolidated financial statements. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of SeaBird Exploration Group at December 31, 2004, the results of its operations, the changes in shareholders' funds and its cash flows for the quarter then ended, in accordance with International Financial Reporting Standards.

Our report dated September 7, 2005 has been reissued with this addendum to take into account adjustments relating to property plant and equipment which came to light in 2005 and also to disclose that 2003 figures have since been audited.

BDO PATEL & AL SALEH
Chartered Accountants
Dubai
Brace Roger Bengé
Reg. No. 390

March 22, 2006

GEOSEA HOLDINGS LIMITED

Consolidated balance sheet at December 31, 2004

	Note	USD	2003 USD
Non current assets			
Property, plant and equipment	4	10,800,751	4,538,309
Investment in shares	5	191,314	-
		<u>10,992,065</u>	<u>4,538,309</u>
Current assets			
Trade and other receivables	6	3,203,774	1,995,736
Due from related parties	7	7,836,715	5,753,286
Bank balances and cash	8	523,181	232,751
		<u>11,563,670</u>	<u>7,981,773</u>
Current liabilities			
Trade and other payables	9	5,639,369	4,984,057
Loans - current portion	10	1,488,837	4,775,140
		<u>7,128,206</u>	<u>9,759,197</u>
Net current assets/(liabilities)		<u>4,435,464</u>	<u>(1,777,424)</u>
Non current liabilities			
Loans	10	(291,330)	(990,523)
Net assets		<u><u>15,136,199</u></u>	<u><u>1,770,362</u></u>
Shareholders' funds			
Share capital	11	50,000	50,000
Shareholders' current account		56,328	(20,125)
Revaluation reserve	12	9,327,517	-
Retained earnings		5,906,115	1,740,594
Currency translation reserve		(203,761)	(107)
		<u>15,136,199</u>	<u>1,770,362</u>

The consolidated financial statements have been approved by the Directors on March 22, 2006 and are signed by

Director:

The notes on pages 7 to 13 form part of these consolidated financial statements.

GEOSEA HOLDINGS LIMITED

Consolidated income statement for the year ended December 31, 2004

	Note	USD	2003 USD
Charter hire		16,080,894	9,903,698
Charter hire and operating expenses		(5,268,899)	(3,904,123)
Depreciation		(2,610,697)	(3,204,527)
Net operating income		8,201,298	2,795,048
Other income	13	5,035,080	1,262,041
		13,236,378	4,057,089
Administration and general expenses	14	8,756,380	6,103,785
Finance cost	15	314,477	388,560
		9,070,857	6,492,345
Net profit/(loss) for the year		4,165,521	(2,435,256)

The notes on pages 7 to 13 form part of these consolidated financial statements.

GEOSEA HOLDINGS LIMITED

Consolidated statement of changes in shareholders' funds for the year ended December 31, 2004

	Share capital USD	Shareholders' current accounts USD	Revaluation reserve USD	Retained earnings USD	Currency translation reserve USD	Total USD
Balance at January 1, 2003	50,000	(20,125)	-	4,175,850	-	4,205,725
Net loss for the year	-	-	-	(2,435,256)	-	(2,435,256)
Net movements in currency translation reserve	-	-	-	-	(107)	(107)
Balance at December 31, 2003	50,000	(20,125)	-	1,740,594	(107)	1,770,362
Net profit for the year	-	-	-	4,165,521	-	4,165,521
Addition to revaluation reserve	-	-	9,327,517	-	-	9,327,517
Net movements in shareholders' current accounts	-	76,453	-	-	-	76,453
Net movements in currency translation reserve	-	-	-	-	(203,654)	(203,654)
Balance at December 31, 2004	50,000	56,328	9,327,517	5,906,115	(203,761)	15,136,199

The notes on pages 7 to 13 form part of these consolidated financial statements.

GEOSEA HOLDINGS LIMITED

Consolidated statement of cash flows for the year ended December 31, 2004

	USD	2003 USD
Cash flows from operating activities		
Net profit/(loss) for the year	4,165,521	(2,435,256)
Adjustments for :		
Depreciation	2,610,697	3,204,527
Interest expense	314,477	388,560
Profit on disposal of property, plant and equipment	(3,831,813)	-
Operating profit before working capital changes	3,258,882	1,157,831
Decrease in long term receivable	-	212,653
(Increase)/decrease in trade and other receivables	(1,208,038)	426,610
Increase in due from related parties	(2,083,429)	(3,167,408)
Increase in trade and other payables	655,312	864,773
Increase in due to related parties	-	2,732,922
Increase in margin deposits under lien	(374,124)	-
Cash generated from operations	248,603	2,227,381
Interest paid	(314,477)	(388,560)
<i>Net cash (used in)/from operating activities</i>	(65,874)	1,838,821
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,258,809)	(1,013,010)
Proceeds from disposal of property, plant and equipment	5,545,000	-
Increase in investments	(191,314)	-
<i>Net cash from/(used in) investing activities</i>	4,094,877	(1,013,010)
Cash flows from financing activities		
Decrease in short term loan	(3,985,496)	(543,685)
Net movements in shareholders' current accounts	76,453	-
Net movements in currency translation reserve	(203,654)	-
<i>Net cash used in financing activities</i>	(4,112,697)	(543,685)
Net (decrease)/increase in cash and cash equivalents	(83,694)	282,126
Cash and cash equivalents at beginning of the year	232,751	(49,375)
Cash and cash equivalents at end of the year (Note 16)	149,057	232,751

The notes on pages 7 to 13 form part of these consolidated financial statements.

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004

1 Status and activity

Geosea Holdings Limited ("the Company") is a limited liability company incorporated in British Virgin Islands.

The Company is the holding company and through its subsidiaries the Company is chartering seismic exploration vessels. The principal place of business of the Company is located at Road Town Tortola, British Virgin Island. The Company is a subsidiary of Bartica Company Limited, registered in Cyprus.

The accompanying financial statements represent the activities of Geosea Holdings Limited and its subsidiaries for the year ended December 31, 2004. These financial statements were authorised for issue by the Board of Directors on March 22, 2006.

These financial statements are presented in US Dollars (USD).

2 Basis for consolidation

These financial statements consolidate the assets, liabilities and operations of the Company and the following group units in which the Company has an investing/controlling interest:

Company	Country of incorporation	Percentage of shareholding
Arna Shipping Limited	Malta	100%
Velodyne Shipping Limited	Cyprus	100%
Dimas Navigation Limited	Cyprus	100%
Silver Queen Maritime Limited	Cyprus	100%

3 Significant accounting policies

These financial statements are prepared under the historical cost convention except for the revaluation of a vessel and related equipment and in accordance with accounting standards and interpretations issued by the International Accounting Standards Board. The significant accounting policies adopted are as follows:

Revenue recognition

Charter revenue represents the invoiced value of the charter of the vessel, under the related agreements.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. During the year Silver Queen Maritime Limited upgraded its seismic equipment and the vessel was revalued by an independent ship valuer.

Depreciation

Depreciation was provided consistently on the straight line basis so as to write off the cost of the vessel over four years. After revaluation, the management decided to write off the vessel and the seismic equipment of Silver Queen Maritime Limited over 10 years.

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004 (*Continued*)

2 Significant accounting policies (continued)

Impairments

The carrying amounts of the Company's assets are reviewed annually at each balance sheet date to determine whether the assets have been impaired during the year. Where an asset has been impaired, the recoverable amount of the asset is determined. Where the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The resultant impairment loss is recognized as an expense in the income statement.

Investment in shares

Investments in shares are stated at market value determined as at the balance sheet date as required by IAS 39.

Financial assets

The Company's financial assets consist of cash, due from related parties, trade and other receivables. Cash consists of cash on hand and cash held on current account. Due from related parties, trade and other receivables are stated at cost less impairment losses.

Financial liabilities

The Company's financial liabilities consist of trade and other payables, due to related parties and a loan. The trade and other payables and due to related parties are stated at their cost and the loan is recorded at the proceeds received. All interest and borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in the income statement.

Foreign currency transactions

Transactions in foreign currencies during the year are converted into US Dollars at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies are translated to US Dollars at the rates of exchange ruling at the balance sheet date. All gains and losses on exchange are taken to the income statement.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash and bank balances excluding margin deposits under lien.

4 Property, plant and equipment

Property, plant and equipment represent the cost and revaluation of the vessel and seismic equipment on board the vessel. Movements in property, plant and equipment are given on page 13.

5 Investment in shares

These shares are quoted at market value at the balance sheet date.

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004 (Continued)

6 Trade and other receivables

	USD	2003 USD
Trade receivables	1,938,993	1,358,059
Prepayments and other receivables	1,264,781	637,677
	<u>3,203,774</u>	<u>1,995,736</u>

The carrying amount of trade and other receivables approximates to its fair value.

7 Related party transactions

The Company has, in the ordinary course of business, entered into financial transactions with concerns, which fall within the definition of "related parties" as defined in International Accounting Standard No. 24. These related parties are under common control of the directors of the Company. The balances due from/to such parties, which have been disclosed separately in the financial statements, are unsecured, interest free and are repayable on demand.

The significant related party transactions during the year are as follows:

	USD	2003 USD
Service charges	902,126	876,000
Directors' remuneration	818,000	-
	<u>902,126</u>	<u>876,000</u>

8 Bank balances and cash

	USD	2003 USD
Cash in hand and current accounts with banks	149,057	232,751
Margin money with banks	374,124	-
	<u>523,181</u>	<u>232,751</u>

9 Trade and other payables

	USD	2003 USD
Trade payables	4,537,117	4,069,160
Accruals and other payables	1,102,252	914,897
	<u>5,639,369</u>	<u>4,984,057</u>

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004 (Continued)

10 Loan

This represents loans obtained from the customers to upgrade a vessel. The loan carries an interest rate of 1.5% per annum. Interest and loan repayments will start in 2005. The installments due within twelve months from the balance sheet date have been classified as current liabilities. The Company repaid the bank loan during the year.

11 Share capital

	USD	2003 USD
Authorised, issued and paid up capital :		
50,000 shares of USD 1 each	50,000	50,000

12 Revaluation reserve

This represents the reserve created out of revaluing the vessel of one of the subsidiaries by an independent valuer. This reserve is not available for distribution.

13 Other income

	USD	2003 USD
Profit on sale of vessels	3,831,813	-
Commission	60,000	-
Exchange gain	230,960	311,551
Other	912,307	950,490
	<u>5,035,080</u>	<u>1,262,041</u>

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004 (Continued)

14 Administration and general expenses

	USD	2003 USD
Crew salaries and benefits	4,923,444	4,492,987
Directors' remuneration	818,000	-
Service charges	902,126	876,000
Ship upgrading	37,470	-
Legal and professional	830,289	37,374
Software maintenance	40,175	-
Provision for bad debts	335,891	118,727
Communications	154,948	8,754
Travelling	135,766	-
Bank charges	238,447	75,537
Office	155,294	-
Other	184,530	494,406
	<u>8,756,380</u>	<u>6,103,785</u>

15 Finance costs

	USD	2003 USD
Interest on bank loans	165,007	280,512
Other interest	149,470	108,048
	<u>314,477</u>	<u>388,560</u>

16 Cash and cash equivalents

	USD	2003 USD
Bank balances and cash	523,181	232,751
Margin money under lien	(374,124)	-
	<u>149,057</u>	<u>232,751</u>

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004 *(Continued)*

17 Financial instruments

Fair value

The management believes that the fair values of the financial assets and liabilities are not significantly different from their carrying amounts at the balance sheet date.

Interest rate risk

The Company is exposed to interest rate risk from its interest-bearing liabilities. The interest on loan incurs interest at 1.5% p.a.

Credit risk

The Company is exposed to credit risk from its financial assets which comprise principally fixed deposits, bank balances, trade and other receivables and amounts due from related parties. The credit risk on trade receivables and related parties are subjected to credit evaluations. The maximum amount of credit risk which the Company is exposed to at the balance sheet date is USD 15,301,804 (previous year USD 11,135,243) which represents the carrying amounts of the Company's financial assets.

18 Comparative figures

Previous year's figures, which were unaudited, have been regrouped or reclassified wherever necessary to make them comparable to those of the current year.

GEOSEA HOLDINGS LIMITED

Notes forming part of the consolidated financial statements for the year ended December 31, 2004 (Continued)

Schedule of property, plant and equipment

	Seismic vessel owned	Seismic vessel chartered	Mechanical and navigation	Data equipment	Seismic and office equipment	Total
	USD	USD	USD	USD	USD	USD
Cost						
At January 1, 2004	13,233,822	1,107,374	88,250	101,041	794,777	15,325,264
Additions	1,145,220	-	-	-	113,589	1,258,809
Disposals	(6,922,416)	-	-	-	-	(6,922,416)
	<u>7,456,626</u>	<u>1,107,374</u>	<u>88,250</u>	<u>101,041</u>	<u>908,366</u>	<u>9,661,657</u>
Revaluation at December 31, 2004	10,000,000	-	-	-	-	10,000,000
At December 31, 2004	<u>10,000,000</u>	<u>1,107,374</u>	<u>88,250</u>	<u>101,041</u>	<u>908,366</u>	<u>12,205,031</u>
Depreciation						
At January 1, 2004	9,696,644	899,369	5,516	6,315	179,111	10,786,955
Charge for the year	2,296,728	130,631	11,030	1,598	170,710	2,610,697
On disposals	(5,319,316)	-	-	-	-	(5,319,316)
At December 31, 2004	<u>6,674,056</u>	<u>1,030,000</u>	<u>16,546</u>	<u>7,913</u>	<u>349,821</u>	<u>8,078,336</u>
Net book value						
At December 31, 2004	<u>10,000,000</u>	<u>77,374</u>	<u>71,704</u>	<u>93,128</u>	<u>558,545</u>	<u>10,800,751</u>
At December 31, 2003	<u>3,537,178</u>	<u>208,005</u>	<u>82,734</u>	<u>94,726</u>	<u>615,666</u>	<u>4,538,309</u>