



Spectrum ASA

1st Quarter Results 2010



seismic data
processing



multi-client
services



marine
acquisition

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Q1 2010 Summary

	<u>Q1 10</u>	<u>Q1 09</u>
Revenue	US\$6.7m	US\$13.59m
EBITDA	US\$0.44m	US\$2.31m
% EBITDA/Revenue	6.6%	17.0%
Cash flow from operating activities	US\$1.53m	US\$0.86m
Cash Balance	US\$21.2m	US\$6.57m

- A private placement of 6m shares at NOK 13.5 in Jan 2010 and a subsequent repair issue raised US\$17.3m after costs.
- Australian Seismic Brokers Pte Ltd was acquired on 31st Mar 2010 for an initial consideration of US\$ 1.45m, increasing to US\$ 1.96m dependant on achieving set revenue targets.
- Multi Client revenue was US\$2.0m (09:US\$ 3.5m) with early sales of US\$0.6m (09: US\$ Nil) and late sales of US\$1.4m (09: US\$3.5m) recognised. Multi Client reported a positive EBIT of US\$0.4m (09:US\$0.3m).
- Investment in multi-client libraries was US\$1.75m (09: US\$0.36m) during Q1.
- Excluding on-board processing data processing gross revenue of US\$2.26m highest since formation of group.
- Acquisition of a 6,500km proprietary contract in Columbia completed generating external revenue in Q1 of US\$3.7m (09: US\$6.1m).
- Utilisation for the GGS Atlantic in Q1 was 92.6% (09: 100%).
- Marine Acquisition contributed 50% of gross revenue in Q1 and was consequently allocated a larger proportion of the group's operating costs, leading to a reported EBIT loss of US\$0.6m. for this operating segment.

FIRST QUARTER REPORT FOR SPECTRUM ASA

Spectrum has three operating segments, licensing of multi-client seismic surveys "MC", seismic data processing "DP", and the planning, compilation and offshore seismic acquisition "MA"

INCOME STATEMENT

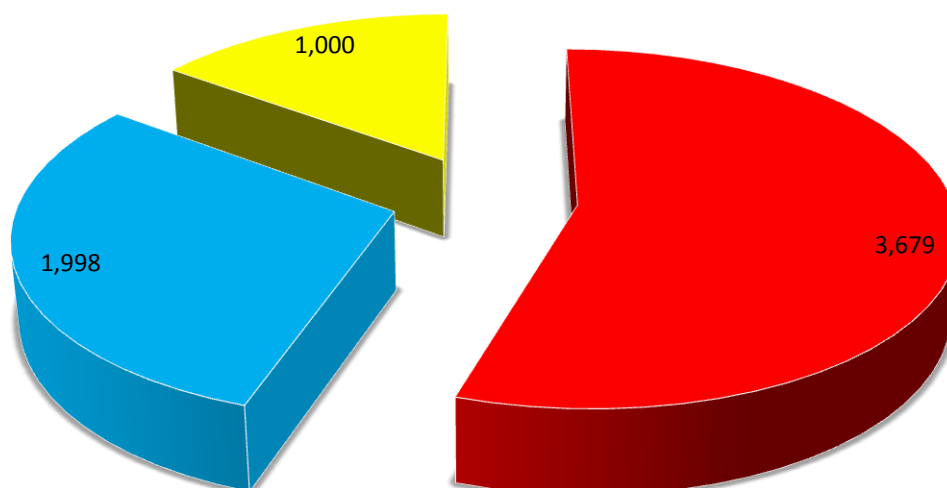
Group revenue (external) for the first quarter was US\$6.68m (09:US\$13.59m) which was below management expectations. The year on year reduction reflects 30% lower proprietary acquisition rates, completion of on the board processing contract and lower MC sales being achieved as Q1 09 benefitted from gas discoveries in the Eastern Mediterranean.

MC revenue suffered a decrease of US\$6.11m (75.3%) from the previous quarter to US\$2.00m (Q4 09:US\$8.11m) with early sales dropping to US\$0.64m following the completion of the acquisition stage of **Big Wave** Phase 2. DP revenue increased by 72.4% to US\$1.00m (Q4 09:US\$0.58m) reflecting increased workload and a more effective utilization of Spectrum's processing capacity. MA was able to make a positive contribution to revenue in the quarter of US\$3.68m (Q4 09:US\$0.82m) as the GGS Atlantic completed the proprietary acquisition contract in Colombia prior to mobilizing to the Gulf of Mexico to commence acquisition of the **Big Wave** Phase 4 survey.

Group EBITDA for Q1 of US\$0.44m (09:US\$2.31m) is disappointing and due mainly to poor MC sales in the quarter. The EBITDA for MC of US\$0.99m was partially offset by an EBITDA loss of US\$0.50m from Marine Acquisition due to the reduced rates that we were able to charge for proprietary acquisition activities in Q1. Operating costs of US\$6.24m were in line with management's expectations.

Q1 Revenue - External

(\$000's)



■ Marine Acquisition ■ Multi-client ■ Data Processing

BALANCE SHEET

The total assets of the company are US\$61.91m split between intangible assets of US\$23.87m, tangible assets of US\$2.36m, financial assets of US\$2.81m and current assets of US\$32.87m, these are funded by equity of US\$50.62m, long term liabilities of US\$1.44m and current liabilities of US\$9.85m. The increase in financial assets reflects the initial payment of US\$1.45m for the entire share capital in Australian Seismic Brokers Pte Ltd (page 6) made on 31st March 2010. The Purchase Price Allocation (PPA) has not been completed as closure of the acquisition was on the last day of Q1 and the requirement to assign a fair value to the multi client data libraries of ASB, which were historically not capitalized under their accounting policies. Additional consideration is due after 12 and 24 months dependant on predefined revenue targets being achieved and consequently the PPA reported in Q2 will be provisional.

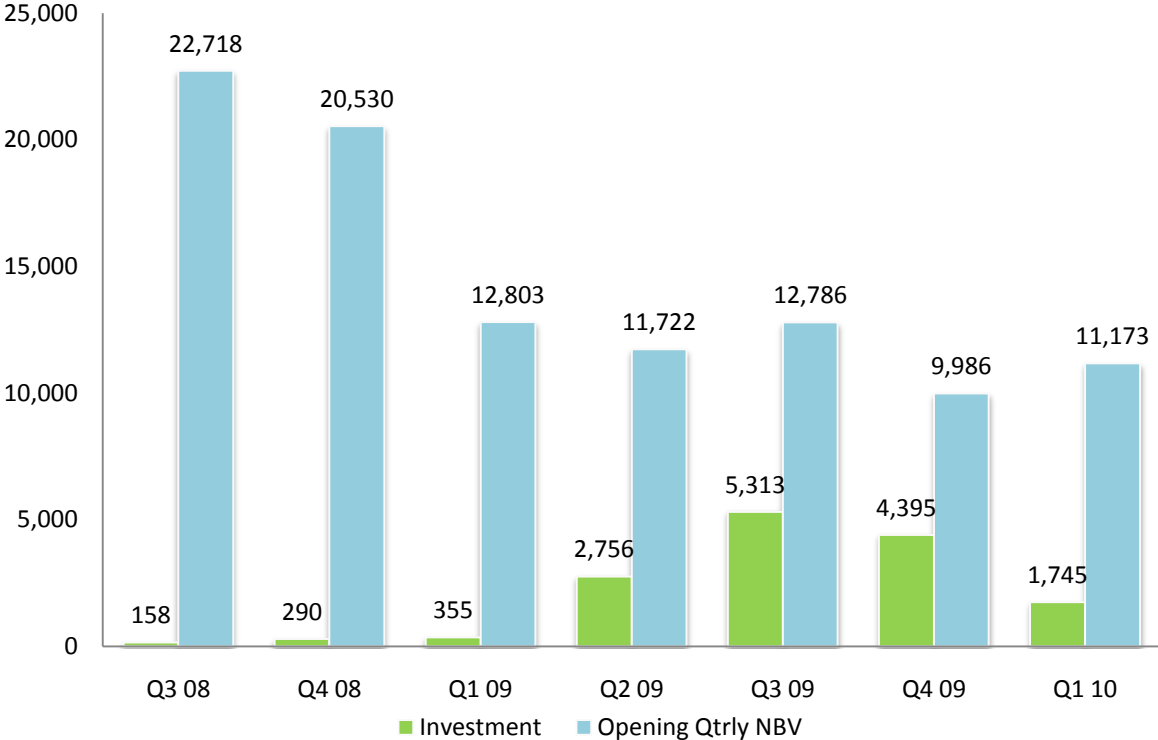
In the period there were additions to the multi-client library of US\$1.75m predominately relating to the **Big Wave** Phase 2, **Big Wave** Phase 4, Andaman Island and Madagascar surveys, but also some smaller data sets offset by amortisation of US\$0.58m. In the period the company did not make any provision for any additional impairment of goodwill or the seismic data libraries Tangible assets received an investment of US\$0.70m in the quarter being computer software together with equipment being purchased in advance of the 3D upgrade of the GGS Atlantic in Q2 (page 8), and depreciation of US\$0.35m resulted in a closing balance of US\$2.36m.

During Q1 there has been a significant decrease in accounts receivable from US\$7.87m to US\$5.72m as a result of a concerted effort to chase outstanding receivable balances and reduced sales in Q1. During March a long outstanding debt of US\$0.23m was received.

Excluding long term finance leases taken out against specific tangible assets, the company has no long term debt. The unrestricted cash balance increased in Q1 by US\$15.39m to US\$21.23m, largely as a result of the issue of 7.5 million shares during January and March. Management considers that it has sufficient liquidity to meet its ongoing operational obligations.

Other long term liabilities of US\$0.69m include accruals for the GGS Atlantic dry docking included in the planned maintenance program scheduled in Jan 2012 under the Bareboat charter agreement. Short term liabilities are US\$9.85m, increased from US\$8.62m at the end of Q4, representing accounts payable and accruals.

Investment in Multi client Libraries



MULTI-CLIENT SERVICES



Spectrum's multi-client library is composed of data and reports from many of the major oil producing and frontier regions of the world. Following the acquisition of ASB, the library now comprises in excess 400,000km of 2D data together with an extensive geoscan library. The library is replenished and continually enhanced with the addition of new projects and the reprocessing of older components.. There is currently over 68,000km of 2D data being processed within Spectrum's data processing centres and additional projects have received approval for processing once current projects have been released.

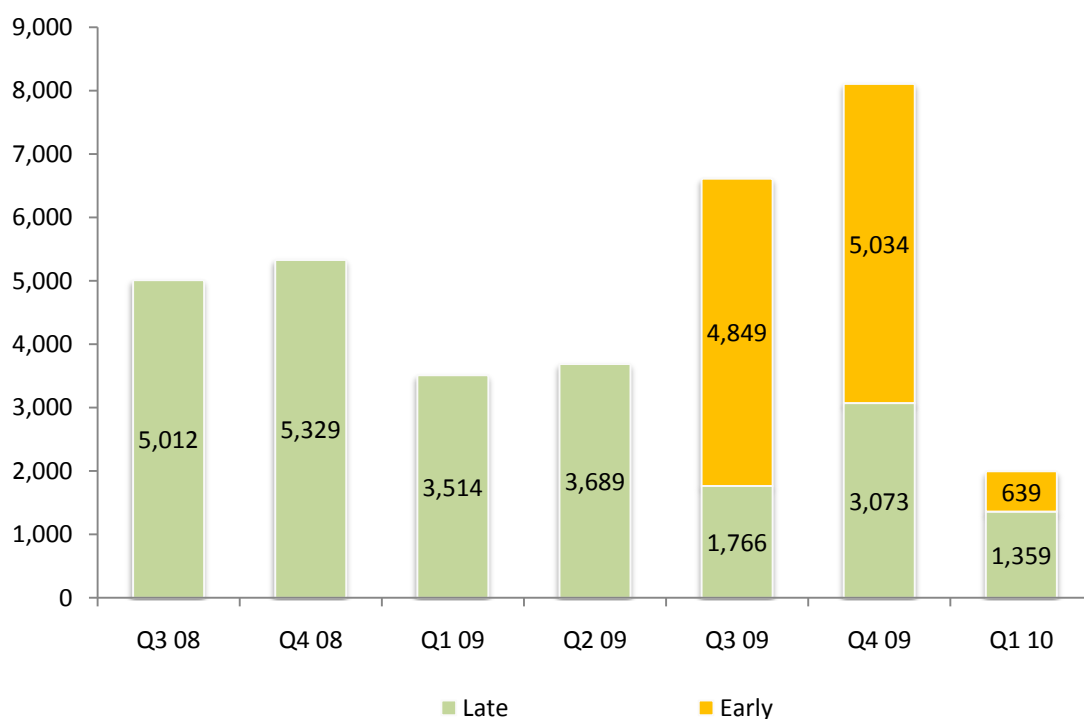
With the start of acquisition of **Big Wave** phase 4 in March, the **Big Wave** program in the Eastern Gulf of Mexico will extend to cover 65,000km. The data processing for Spectrum's **Big Wave** Phase 2 multi-client survey in the eastern Gulf of Mexico, including both Kirchhoff and Wave Equation pre stack depth migration (PSDM) is now 83% completed in Spectrum's Houston data processing, and the processing of the associated well tie seismic data is 24% complete at the end of Q1. The final data will be available to deliver to customers in Q2 2010. This project has enabled Spectrum to book early multi-client sales revenue of US\$0.60m in Q1. The data processing for the Andaman Islands multi-client survey is also expected to be completed in Q2.

In Q1 2010, late sales reached US\$1.36m (09:US\$3.51m) which were disappointing as certain opportunities did not close in the period. Revenue from Multi-client sales was 30% of total Spectrum Revenue in Q1 2010. Multi-Client revenue is cyclical in nature with first and third quarters historically showing the worst results. The low number of data libraries owned by Spectrum has also led to volatility in the company's revenue flow but this factor is expected to have less effect on revenue flows as new libraries are completed and made available to the market. The management of Spectrum expects multi-client revenue to continue to grow as the company continues to invest and develop the multi-client data library.

New key staff joined the Multi-client teams in the UK, US and Singapore offices in Q1 with the addition of Perth forms part of Spectrum's expansion strategy.

Multi-Client Revenue - Gross

(\$'000's)



Spectrum invested US\$1.75m (09: US\$0.36m) in the MC library during Q1 2009. Spectrum is planning to add over 100,000km of data to its multi client libraries in 2010 by investing US\$17-US\$20m in the data library which is more than 50% growth from the previous year.

Multi Client 2D Projects – Commenced 2010

	<u>Km's</u>	<u>Type</u>
Trinidad & Tobago Deep Water	12,470	Reprocessing
Big Wave Phase 4 - GoM	12,000	New acquisition
US East Coast	19,000	Reprocessing
Outer Shelf – Australia	7,700	Reprocessing
Revival - Australia	36,000	Reprocessing
	<u>87,170</u>	

Australian Seismic Brokers

Spectrum entered into an agreement on the 16th March to purchase Australian Seismic Brokers Pty Limited "ASB", increasing Spectrum's modern 2D Multi-Client data library in the Far East by over 150,000km. In addition ASB has one of the region's largest and most extensive well log data libraries and a substantial analogue library which will allow Spectrum ASB to identify additional new Multi-Client opportunities in the region. Under this agreement, Spectrum purchased 100% of the share capital and associated voting rights of ASB for a value of AUD 2.18m (USD 1.96m) or AUD 1.85 (USD 1.66) per share. The acquisition date for this transaction was the date of signing the purchase agreement, 31 March 2010 and the results will be consolidated from 1 April 2010.

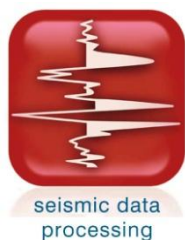
Accounting principles –

The revenue recognition on Pre-commitment (**early sales**) when Spectrum obtains pre-funding from customers before a seismic project is completed, the customer is normally entitled to a discounted price and/or is granted the opportunity to provide input into the project parameters. Early sales revenue is then recognized as the services are performed on a percentage progress basis provided all other revenue recognition criteria have been satisfied

The multi-client library comprises completed seismic surveys and projects under development that can be licensed to a number of customers. The multi-client library is capitalised at cost less accumulated impairment losses and amortisation. Amortisation is a percentage of the book value by comparing the value of actual revenue in the period to the total forecast revenue of each project. In addition, the Group has a minimum amortisation policy where the carrying amount one year after completion is at a maximum 60% of cost. This maximum level is reduced by 20% for each of the three subsequent years.

In accordance with its accounting practices Spectrum reviews its intangible assets and data libraries at 30th Sept and, as reported above, there has been no additional impairment provision in the quarter.

SEISMIC DATA PROCESSING



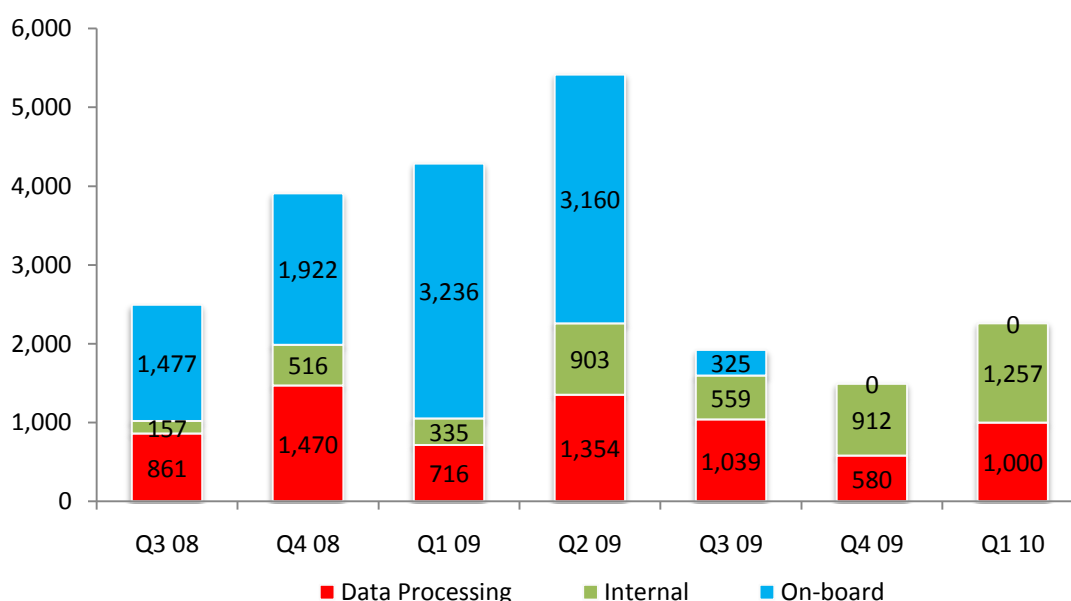
Seismic data processing services are provided from processing centers in UK, US, China, and Egypt. A further small data processing centre in Jakarta has been added through the acquisition of ASB. One of the core strengths of Spectrum is the experience of the processing geophysicists. Spectrum's seismic processing technology is based on carefully selected third party software complemented by Spectrum's SPA production processing platform, which is constantly being enhanced with new processing techniques. All centers are connected by a high speed Virtual Private Network which facilitates continuous support and new processing techniques from the primary computer centre in Houston.

External data processing revenue continues to be affected by the downturn in exploration activity and Spectrum has been successful in securing the data processing behind the marine acquisition of the GGS Atlantic in Columbia. There is some visibility of a slow increase in the level of bid activity, however there remains intense pressure on prices. Spectrum continues to increase its profile in all geographic markets and raise awareness of technical abilities both through internal resources and technical strategic partnerships. The Tsunami PSDM software has been selected as a key component of Spectrum's data processing software. This high end imaging software was rolled out within all data processing centers in Q4 2009 and Q1 2010 and will expand the range and technology of products available for the multi-client data libraries as well as provide a higher quality imaging service for contract processing.

The seismic data processing division contributed US\$1.00m (09:US\$3.95m) of revenue in the quarter. Between Q3 2008 to Q3 2009, on-board processing generated more than US\$10m of revenue for the company, which accounted for more than 56% of gross revenue for the seismic data processing division for this period. Excluding income from this source, however, Q1 has seen this operating segment has producing the highest revenues in the company's history. In addition a number of internal projects were processed for the multi-client team which had a market based internal revenue equivalent to US\$1.26m (09:US\$0.34m).

Although the profitability of the seismic data processing division has improved in Q1, it continues to be unsatisfactory and is being closely monitored by senior management. This intensified attention to the underperformance in data processing is focused on achieving cost reductions, efficiency improvements but most importantly to increase the capacity utilization. A combination of more aggressive and systematic marketing and an expected moderate improvement in the seismic market should lead to further increases in profitability during the remainder of 2010.

Data Processing Revenue - Gross (\$000's)



MARINE ACQUISITION



marine acquisition

The GGS Atlantic completed the acquisition of a proprietary 2D acquisition project offshore of Columbia in March. The original contract required the acquisition of 5,450km of data and was extended to 6,306km at the request of the customer. US\$3.68 in revenue was recognised for this project in Q1.

A further US\$0.61m of internal revenue was generated for the Marine Acquisition division as the GGS Atlantic mobilised to the Gulf of Mexico to commence acquisition of the **Big Wave** phase 4 survey, a 12,000km 2D survey which will require investment of up to US\$10m.

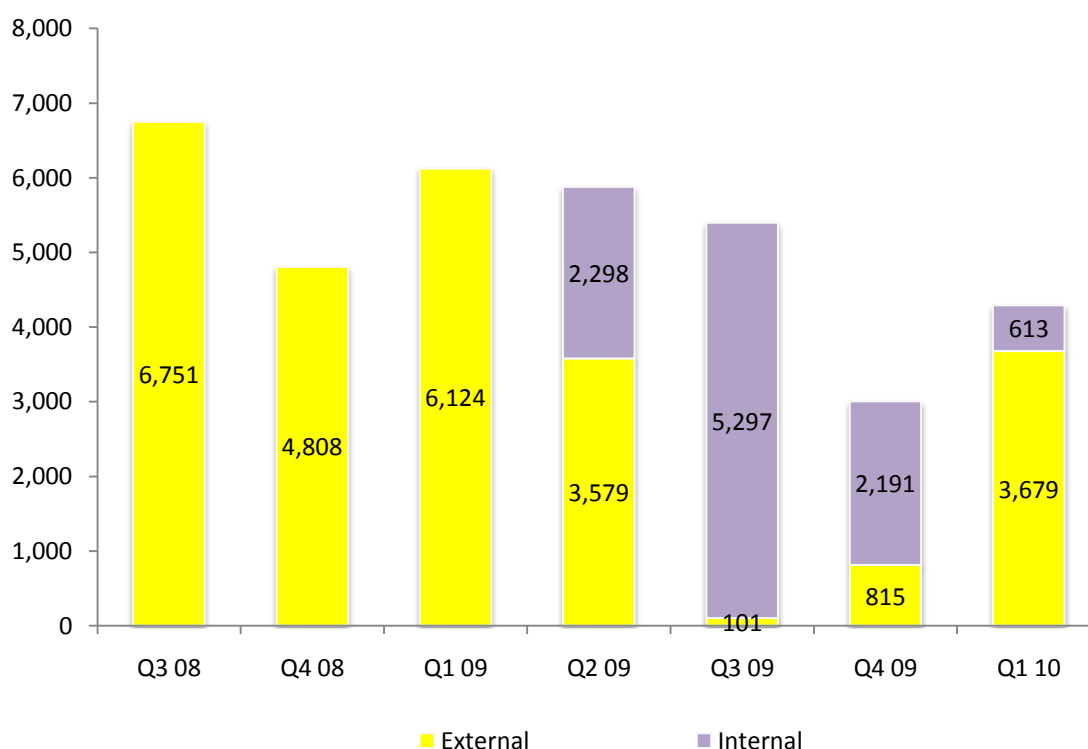
In late January 2010 the GGS Atlantic suffered additional problems with her starboard engine and had to return to port for 6 days to undergo additional repairs, she has subsequently returned to the survey area.

An EBITDA loss of US\$0.5m was recorded in the quarter due to the fact that Marine Acquisition revenue accounted for 50% of total gross revenue for the company in Q1 and a higher proportion of the operating costs were allocated to this operating segment.

The GGS Atlantic will be upgraded to a small footprint 3D seismic vessel in Q2 for a proprietary acquisition contract in offshore Trinidad. This will present new opportunities for utilising the vessel in future months in acquiring further proprietary 3D surveys. The total cost of this upgrade is expected to be US\$0.75m.

Spectrum recognises that despite an overall reduction in global seismic fleet capacity there is continued price pressure in the 2D Marine acquisition market with rates having fallen from the highs of Q4 2008. However there are some external projects being investigated and additional multi-client projects are being designed to fully utilise the GGS Atlantic in the remainder of 2010.

Marine Acquisition Revenue - Gross (\$'000's)



SUBSEQUENT EVENTS

The Annual General Meeting held on 21st May 2010 passed a resolution by which The Board of Directors were granted a power of attorney pursuant to the Public Limited Liability Companies act section 10-14 to increase the share capital of the Company with up to NOK 13,000,000 through one or more increases in the share capital. The power of attorney may be utilised in connection with issuance of shares as complete or partial settlement for, or financing, of mergers or in connection with acquisition of companies, businesses or assets. The power of attorney may also be used for the purpose of strengthening the financial ability of Spectrum to accomplish such transactions, and for the purpose of investments in Multi Client seismic studies.

FUTURE PROSPECTS

There seems to be an increasing level of activity in the seismic sector but even with a number of key factors remaining in a state of uncertainty, management remains cautiously optimistic for Q2 and further into 2010.

It remains Spectrum's long term strategy to develop its expertise in its core areas with continued investment in the identification of high quality data libraries, which increases both the depth of data library and geographical coverage together with enhancements to the data processing software and processing centers. In addition to the new projects already announced there are a number of opportunities reaching latter stages of evaluation, while some existing re-processing projects will be completed during 1H2010 adding to Spectrum's extensive worldwide library.

The capital raised in Q1 and the debt free balance sheet give Spectrum the opportunity to develop its strategic goals through both organic and inorganic means. However current market conditions dictate that a focus on cost controls and cash flow be maintained. The prevailing market conditions continue to be uncertain, however Spectrum have identified a number of strategic opportunities that should enable the company to gain added value within the seismic service market.

With its experience in evaluating targeted Multi-client opportunities and the short and medium term focus of securing additional projects for both data processing and the GGS Atlantic, the Board of Directors have reviewed the prospects for Spectrum and continue to adopt a cautious but positive outlook for the Group's future activities.

These condensed consolidated financial statements are prepared in accordance with the rules and regulations of the Oslo Axess Stock Exchange and International Financial Reporting Standard (IFRS) IAS 34, 'Interim Financial Reporting'. The accounting principles adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements. They are unaudited.

All statements in this earnings release other than statements of historical fact are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause Spectrum's actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

SPECTRUM ASA
Condensed Statement of Group Comprehensive Income
(unaudited)

(US\$000's)	Quarter ended 31.03.10	Quarter ended 31.03.09
Revenue	6,676	13,589
Operating expenses	6,241	11,279
EBITDA	435	2,310
Depreciation / amortisation	(929)	(1,723)
EBIT	(494)	587
Interest expense, net	(10)	(437)
Foreign exchange profit / (loss)	(244)	(1,056)
Share of profit / (loss) from associates	26	-
Other financial items	(20)	2
Profit / (Loss) before tax	(742)	(904)
Tax expense	-	(18)
Net Profit / (Loss) to equity holders	(742)	(922)
Other comprehensive income:		
Profit / (loss) on foreign currency exchange rates	279	1,171
Total Comprehensive income / (loss) for the period	(463)	249
Earnings per share	(0.03)	(0.11)
Diluted earnings per share	(0.03)	(0.11)
Basic shares outstanding average	23,688,479	8,106,452
Diluted shares outstanding average	23,688,479	8,106,452
Basic shares in issue at the end of the quarter	26,588,479	8,106,452
Diluted shares in issue at the end of the quarter	26,588,479	8,106,452

SPECTRUM ASA
Statement of Group Financial Position
(unaudited)

(US\$000's)	Quarter ended 31.03.10	Quarter ended 31.03.09
Assets		
Non-current assets		
Intangible assets		
Goodwill	9,364	8,356
Software	854	5,004
Deferred tax	1,336	-
Multi-client library, net	12,317	15,773
Total intangible assets	23,871	29,133
Tangible assets	2,362	4,982
Financial assets		
Investment in joint ventures	1,347	1,683
Other investments	1,468	-
Total financial assets	2,815	1,683
Total non-current assets	29,048	35,798
Current assets		
Inventory / Work in Progress	3,613	1,718
Accounts receivable	5,724	15,028
Other receivables	2,301	758
Total receivables and inventory	11,638	17,504
Cash and cash equivalents	21,227	6,565
Total current assets	32,865	24,069
Total assets	61,913	59,867
Shareholders' Equity and Liabilities		
Shareholders' equity		
Share capital	4,644	1,596
Share premium reserve	44,051	27,944
Retained earnings	3,377	-
Other equity reserves	(1,450)	(6,202)
Total equity	50,622	23,338
Liabilities		
Long term liabilities		
Deferred tax liability	454	3,176
Long term debt	300	23,002
Other liabilities	685	3,875
Total long term liabilities	1,439	30,053
Current liabilities		
Short term debt	868	646
Payable tax	6	(914)
Other liabilities	8,978	6,744
Total current liabilities	9,852	6,476
Total shareholders' equity and liabilities	61,913	59,867

Note: The category "Other Investments" includes the first payment of US\$ 1.446m as at 31st March 2010 for purchase of the share capital of ASB, Australian Seismic Brokers. This amount will be eliminated in Q2 when the Purchase Price Allocation for this acquisition has been completed.

SPECTRUM ASA
Condensed Statement of Group Cash Flows
(unaudited)

(US\$000's)	Quarter ended 31.03.10	Quarter ended 31.03.09
Cash flows from operating activities:		
Loss before tax	(742)	(922)
Depreciation and amortisation	926	1,723
Interest expense, net	11	437
Share of(profit) / loss of associated undertakings	(26)	-
Working capital changes	1,365	(380)
Net cash flow from operating activities	1,534	858
Cash flows from investing activities:		
Investment in subsidiary	(1,446)	-
Investment in multi-client library – new	(1,745)	(355)
Investment in tangible assets	(673)	(154)
Net cash flow from investing activities	(3,864)	(509)
Cash flows from financing activities:		
Issued share capital	17,983	-
Equity transaction costs	(673)	-
Interest paid (net)	-	(437)
Net cash flow from financing activities	17,310	(437)
Net change in cash and cash equivalents	14,980	(88)
Net foreign exchange diff (unrealised)	410	2,040
Cash & cash equivalents @ start of quarter	5,837	4,613
Cash and cash equivalents @ end of quarter	21,227	6,565

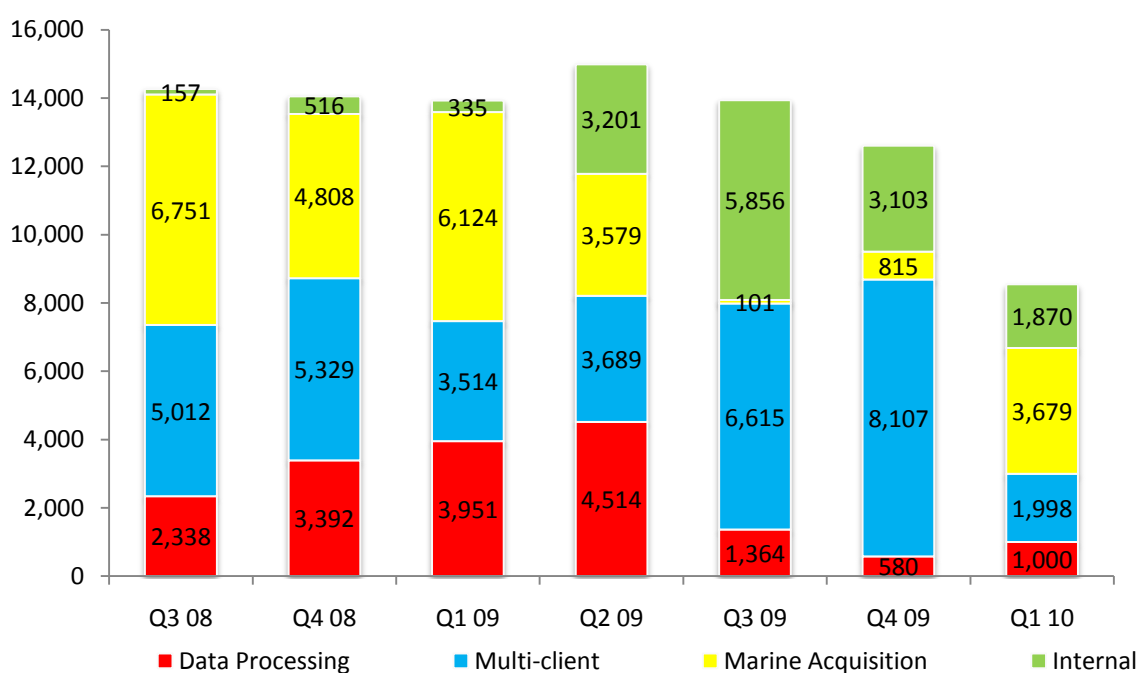
SPECTRUM ASA
Changes in Group Consolidated Equity
(unaudited)

(US\$000's)	Issued Capital	Share Premium	Retained Earnings	Other Capital Reserves	Total Equity
Balance @ 31 Dec 09	3,312	28,073	4,118	(1,728)	33,775
Share Issue	1,332	15,978	-	-	17,310
Profit / (Loss) for period	-	-	(742)	-	(742)
Other comprehensive income	-	-	-	279	279
Balance @ 31 Mar 10	4,644	44,051	3,376	(1,449)	50,622

Spectrum ASA Segmental Reporting

(US\$000's)	Quarter ended 31.03.10	Quarter ended 31.03.09
Revenue – Gross		
Seismic Data Processing	2,257	4,286
Multi-Client	1,998	3,514
Marine Acquisition	4,292	6,124
	8,547	13,924
Revenue – Net		
Seismic Data Processing	1,000	3,951
Multi-Client	1,998	3,514
Marine Acquisition	3,679	6,124
	6,677	13,589
EBITDA		
Seismic Data Processing	(52)	(444)
Multi-Client	989	1,489
Marine Acquisition	(502)	1,265
	435	2,310
EBIT		
Seismic Data Processing	(318)	(685)
Multi-Client	386	255
Marine Acquisition	(561)	1,017
	(493)	587

Revenue By Segment - Gross (\$000's)





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