Annual Report






2012

SeaBird Exploration

2012 Highlights

Management and operational improvements substantially enhanced 2012 performance.

$163.3m
revenues for 2012, an increase of 100% compared to 2011

$54.6m
gross margin, versus $14.1 million in 2011

$16.8m
SG&A in 2012 compared to $24.5 million in 2011

$38.6m
EBITDA compared to negative $9.4 million for 2011

75%
utilization for 2012, up from 62% for 2011

SeaBird at a glance

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment.

The company is also a leading provider of niche 3D and source vessel solutions. SeaBird concentrates on contract seismic surveys, but is also actively engaged in the multi-client sector.

The company is uniquely positioned with its industry-leading health, safety, security, environment and quality (HSSEQ) culture and accreditations. Operational excellence ensures best-in-class performance. SeaBird's focus on technological development ensures continuous service improvement.

Contents

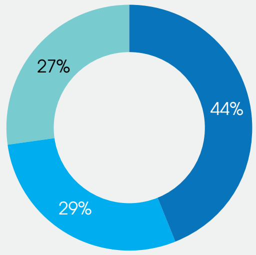
Market activity improved significantly across all regions in 2012.

2012 Highlights

	2012	2011
Revenues	163,331	81,722
Gross margin	54,564	14,073
SG&A	(16,843)	(24,476)
EBITDA	38,559	(9,382)
EBIT	4,151	(92,210)
Profit/(loss)	(18,183)	(116,025)
Capital expenditures	(15,008)	(12,024)
Total debt	102,150	121,032
Net interest bearing debt	87,406	107,732
Equity ratio	26.8%	22.5%
Number of countries operated in	22	21
Employees	462	580
Utilization	75%	62%

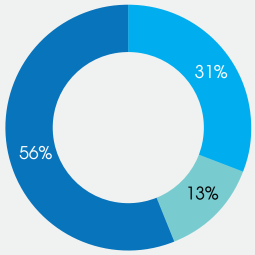
All figures in $000 (except for equity ratio, country data, employee data and utilization)

Revenue by region 2012



- Europe, Africa and the Middle East
- North and South America
- Asia Pacific

Revenue by client type 2012



- Seismic companies
- Oil companies
- Multi-client

CEO statement
An interview with Dag Reynolds

"We are very bullish about our prospects."

2012 has been a big transition year for the company. What changed?
As you may recall, the company had been through some very challenging times going into 2012. As a result, we commenced a major corporate restructuring effort at the beginning of the year. Core to the restructuring was a focus on how to enhance profitability, develop a clear business strategy and improve the company's leadership structure.

It is important to note that from an operational standpoint, SeaBird has had a longstanding history of excellence. Customer satisfaction with our services has always been exceptional and the company has developed its global market leadership position as a result of its solid performance. That being said, the company was clearly facing some major issues and our finances were unreasonably stretched.

So what happened?
Well, first of all, it is necessary to recognize that the very strong team of employees we have onshore and offshore made all the difference in the world. Without the unwavering support of the team, it would have been impossible to accomplish what we have done so far. The loyalty to the company and the willingness to stick with us as we worked on repositioning the business has been unparalleled. In addition, we must highlight the very strong relationships we have had with our core vendors and customers. The working relationships with both these groups have been outstanding and we very much appreciate their tremendous support. With respect to the management side of the business, we made a number of changes throughout the year. We added several new key people and we also changed the internal organizational structure. Following these changes, we have established a more unified and streamlined management structure. We have also significantly increased the depth of the management group. While there is always more to be done, I think we have come a long way and we are clearly seeing the results.

Regarding profitability, we have been vigilant in taking control of the cost side of the equation. It has been a difficult challenge, but I believe we are both leaner and stronger today than we ever were before.

All this said, we are now beginning to see what this company is capable of doing. We have recorded some very strong results in a short time and we are very bullish about our prospects. Our finances are looking significantly better and we are positioned to take on the next chapter. We have, of course, had the good fortune of having the market with us and based on what we can see today; this looks to be the case for 2013 as well.

You mentioned a new strategy. What are you thinking about here?
SeaBird has always been known for its leadership position in the 2D space. However, with the developments in the larger seismic market, we have seen a number of new growth areas for the company. We took on the 3D vessel Voyager Explorer in 2011 as we saw the market opportunity in the shallow water segment. Since deploying the vessel, we have seen a continuous amount of work in this market. However, we have also seen a broader segment of the 3D market open up to us; more complex 3D surveys as well as smaller 3D surveys which are natural for the type of vessels we operate. It was on the backdrop of this that we took on the 3D vessel Geo Pacific at the end of 2012. The Geo Pacific is our second 3D vessel and we are now well positioned to expand our efforts in this niche 3D market. We also have the option to convert the Aquila Explorer to operate in both the 2D and 3D markets. This option gives us plenty of capacity as we continue to expand our market share.

The source vessel market is also a natural growth area for SeaBird. The rapid expansion in the ocean bottom seismic market will create a growing demand for source capacity. Our vessels are a solid fit for this market segment and our global coverage makes us a natural partner to work with. Moreover, the growing demand for undershoots, wide azimuth surveys or surveys with extra-long offset is also increasing the request for source capacity.

Lastly, we have the multi-client market. We have always been a player in this space, but our approach has not allowed us to yield the kind of returns we should have. We are actively changing this approach and have developed a sounder strategy for how to attack this market.

All in all, the scale of the markets we are natural players in and our market-leading position in these segments promise well for an active growth story going forward.

You have previously mentioned technology as a driver. What are you doing on this front?
There has been a significant amount of new technology developed for the 3D market and we are all improving our services accordingly. However, with respect to the 2D market, the amount of innovation has been more limited. As the market leader in this space, we believe this is an area where we can provide our customers something unique and differentiated. We have been working on a number of specific technological improvements and most recently we have been evaluating our innovative 20 km cable solution which will provide a whole new set of options in the 2D sector. We are still at the testing stage, but we are getting very positive feedback from our customers. This type of innovation is something we will continue to explore in an effort to provide our customers with a superior product offering.

It certainly seems like there have been a number of positive developments over the past year. What do you see as challenges going forward?
As you mention, we have come a long way. However, there is still much to be done. I believe we have addressed a number of the big issues, but there is a fair amount of improvements still to be implemented. In addition, we have grown the company substantially over the past year and we see significant growth opportunities going forward. To take advantage of these expansion opportunities, we need to ensure that we have the right balance sheet. We have made some big strides in improving our finances, but we know there is more to be done. Lastly, market risk will always be there. However, we see a continued strong market and 2013 appears to be a solid year.

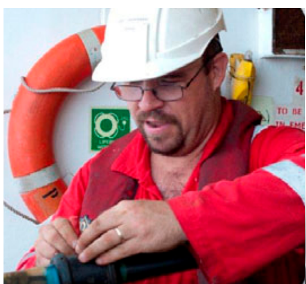
HSSEQ is no accident

SeaBird has developed an industry-leading health, safety, security, environment and quality (HSSEQ) set of systems and culture. Our HSSEQ processes are integral to all the company's decision making – onshore as well as offshore. Through the proactive application of our HSSEQ systems, we:

- safeguard our people, assets and the environment;
- assess and manage risk;
- improve operational quality and performance; and
- maximize economic returns.

3.9%
technical downtime for 2012

0
lost time injury frequency (LTIF) rate for 2012



0.98
total recordable incident rate (TRIR) for 2012, well below industry norms

In addition to improving our performance, SeaBird's HSSEQ systems ensure that we qualify to operate globally for major oil companies as well as other key industry participants. At present, SeaBird holds industry-leading quality and safety accreditations, including ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Occupational health and safety).

The company's advanced HSSEQ processes resulted in a year of solid safety performance in 2012. During the year, the company reported a lost time injury frequency rate of zero and a total recordable incident rate of 0.98.

Operational performance was also strengthened by the continuous HSSEQ focus. SeaBird reported another year of best-in-class performance with an average of 3.9% technical downtime for the fleet.

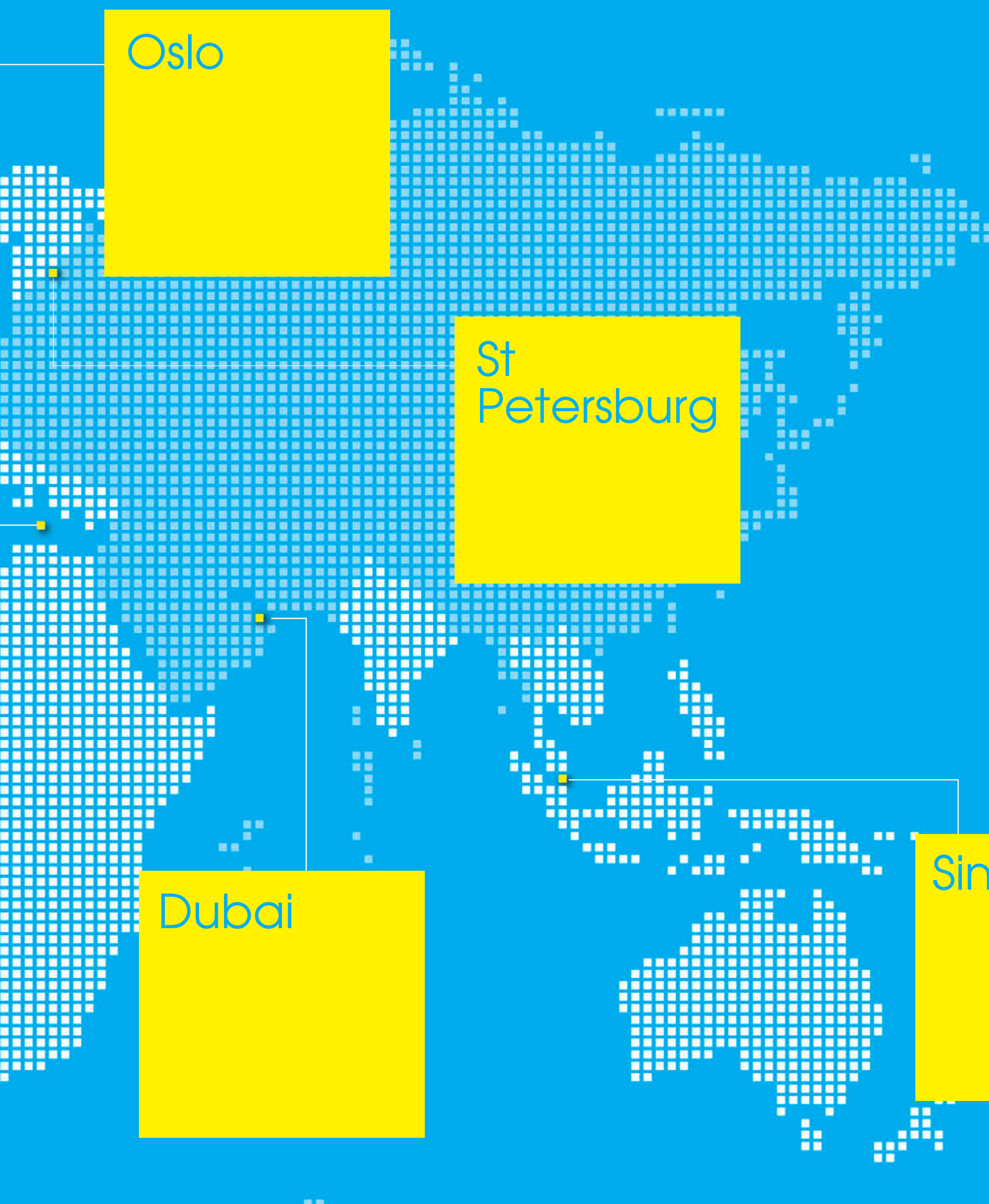
During the year, SeaBird increasingly focused the HSSEQ systems on addressing business risks in the front office. A number of new procedures have been implemented to improve decision making and overall performance. The company is continuing to review its processes in this area and expect to see further improvements through 2013.

"Idea Explorer" was successfully launched in 2012 and provides an easily accessible platform for our employees to make suggestions on how to improve our operational excellence. Management continuously reviews these suggestions and evaluates how these can be implemented in order to gain operational improvements and cost savings.

Geographic focus and market drivers

The company operates globally and is active in most regions of the world. However, given the focus on exploration in new hydrocarbon provinces, a significant portion of seismic investment is directed towards frontier markets.

- 9 vessels
- Global operation
- Qualified to work with oil majors
- Significant experience with complex and challenging environments



The expansion of economies globally, combined with rising living standards, increasing urbanization and robust population growth is expected to drive oil and gas exploration and production for the foreseeable future. Current oil prices make exploration in all geographies attractive and we have seen a steady rise in investment over the past several years. The growing demand for hydrocarbons has not only resulted in increasing overall spending, but has also been driving the substantial increase in frontier market exploration. Asia Pacific, Africa and Latin America are expected to be among the fastest growing regions.

Seismic industry demand has historically been closely correlated with exploration and production investment. The increase we have experienced in exploration spending has translated into solid seismic market growth. With the favorable expected spending trends in the oil and gas sector, we anticipate that the seismic market will continue to see strong growth.

Interaction with the capital markets

The SeaBird share

The company performance improved significantly in 2012. The corporate, combined with a strong seismic market, were the key drivers for the solid operating results. The SeaBird stock price was NOK 2.18 per share at the close of 2 January 2012, which was the lowest closing price for the year. The stock price reached a high for the year of NOK 9.10 on 27 November 2012. At 31 December 2012, the SeaBird stock price closed at NOK 8.30.

The total return for the SeaBird share was 281% for 2012. The company did not pay any dividends to shareholders during the year.

2012 share price development (NOK)

SeaBird equity issuance

SeaBird completed a private placement of 11,000,000 new shares directed towards Norwegian and international institutional investors in November 2012. The new shares were issued at a subscription price of NOK 7.50 per share with total gross proceeds of NOK 82.5 million ($14.7 million). The proceeds from the private placement were scheduled to be used for investment in seismic equipment, a 3D upgrade of Aquila Explorer as well as to strengthen the company's balance sheet and liquidity position.

A repair issue for an additional 1,500,000 new shares at a subscription price of NOK 7.50 per share was completed in February 2013. The repair issue was targeted towards shareholders who did not have the opportunity to participate in the original private placement. Total gross proceeds from this subsequent offering were NOK 11.3 million ($2.0 million).

Scheduled dates

3 MAY 2013
First quarter 2013

22 MAY 2013
Annual general meeting

16 AUG 2013
Second quarter 2013

31 OCT 2013
Third quarter 2013

20 largest shareholders 1 April 2013

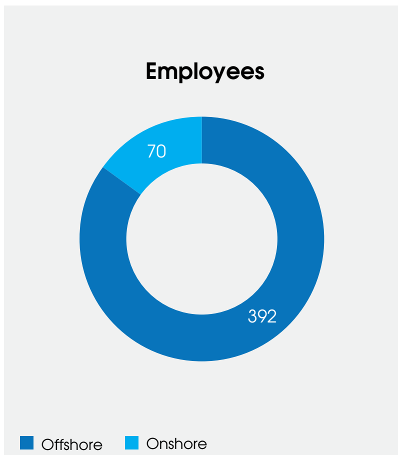
Investor	No. of shares	% of total
ORDINAT SHIPPING AS	6,945,120	15.8%
MONS HOLDING AS	3,697,617	8.4%
PERESTROIKA AS	3,078,147	7.0%
MP PENSJON PK	2,163,156	4.9%
HOLTA INVEST AS	1,700,000	3.9%
MATHIASSEN KJELL HJALMAR	1,442,500	3.3%
BAROKK INVEST AS	1,250,000	2.8%
VERDIPAPIRFONDET DNB SMB	1,072,281	2.4%
GOLDMAN SACHS & CO - SECURITY	903,680	2.1%
REGNI AS	855,962	1.9%
TVETERAAS EIENDOMSSELSKAP A/S	800,000	1.8%
SANDNES INVESTERING AS	610,000	1.4%
TANJA A/S	558,000	1.3%
KATH AS	550,070	1.3%
BAKKEVIG BJØRN	516,000	1.2%
GLAAMENE INDUSTRIER AS	499,257	1.1%
MOHN EKATERINA	490,834	1.1%
VERDIPAPIRFONDET DNB	467,038	1.1%
LEIKVOLLBAKKEN AS	429,000	1.0%
THE NORTHERN TRUST C IRISH CLIENTS	374,477	0.9%
TOTAL NUMBER OWNED BY TOP 20	**28,403,139**	**64.7%**
TOTAL NUMBER OF SHARES	**43,925,972**	**100.0%**

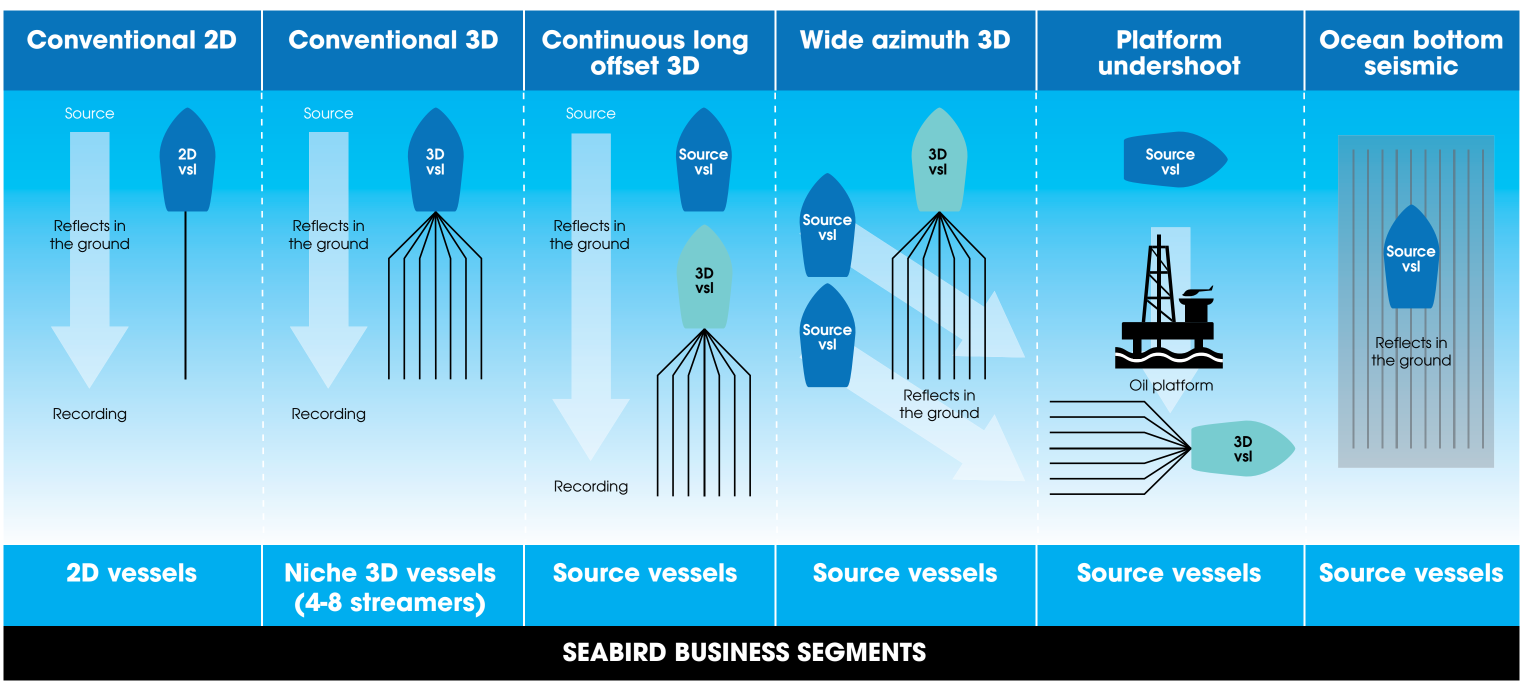
Operations and strategic focus

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment.

The company is also a leading provider of niche 3D and source vessel solutions. SeaBird concentrates on contract seismic surveys, but is also actively engaged in the multi-client sector. The company provides global coverage via its 9 seismic vessels; six 2D vessels, two 3D vessels and one source vessel.

The company is headquartered in Cyprus and also operates out of five regional offices in Dubai (United Arab Emirates), Oslo (Norway), Houston (USA), Singapore and St Petersburg (Russia). As of 31 December 2012, the company had 462 employees.





2D market

The growing worldwide energy demand has resulted in a significant increase in oil and gas exploration and production. Much of the current energy exploration spending is being focused on the development of frontier markets. This trend has resulted in a meaningful increase in demand for seismic services, and in particular 2D surveys for the development of unexplored areas. In addition, improved technology and the interest in developing previously uneconomic fields in established markets have also increased seismic demand.

The 2D market has shown substantial improvement in 2012 and these market conditions have continued into 2013. SeaBird operates in the 2D seismic market with six dedicated vessels and the size of the fleet allows the company to effectively cover all geographic regions. The company has historically been a leader in this market segment. However, SeaBird has increasingly been gaining market share as other major industry players have refocused their fleets to target larger 3D surveys. We expect this trend to continue and that SeaBird will further solidify its leadership position in the 2D segment.

3D niche market

SeaBird has been expanding its focus on the 3D niche market. This market is primarily serviced by 4-8 streamer vessels and targets smaller geographic areas, challenging operating environments and shallow water surveys. As industry competitors have increasingly focused their fleet on larger multi-streamer vessels, the available capacity for smaller and more specialized 3D surveys has been reduced. SeaBird's core competencies are a natural fit with this market.

The company chartered the 3D vessel Voyager Explorer in 2011 to focus on shallow water surveys. The Voyager has experienced high utilization rates since we first took it on and market demand has proved to be significantly broader than only shallow water. We are seeing continuous demand for smaller area surveys as well as highly complex surveys. Due to the solid market demand, we chartered the Geo Pacific at the end of 2012. With the Geo Pacific, we now have two vessels fully dedicated to this growing specialty market. In addition, we are also reviewing a possible conversion of the Aquila Explorer which could be reconfigured to be used in both the 2D as well as the niche 3D markets.

Source market

Recent industry developments have been driving an increase in demand for seismic source capacity. The scale and continuous growth of the ocean bottom seismic market is a key driver behind this trend. In addition, the mounting demand for wide azimuth and long offset surveys as well as reservoir monitoring is also resulting in a growing need for source capacity. At the same time, there is a reduction in overall source vessel capacity as seismic companies are refocusing their fleet towards larger vessels.

SeaBird's fleet is well positioned to address the growth in the seismic source market. The company currently has one vessel specifically targeting this sector. In addition, the company's 2D and 3D vessels are naturally suited for seismic source operations. We have been seeing an increase in source vessel requests and expect this trend to continue.

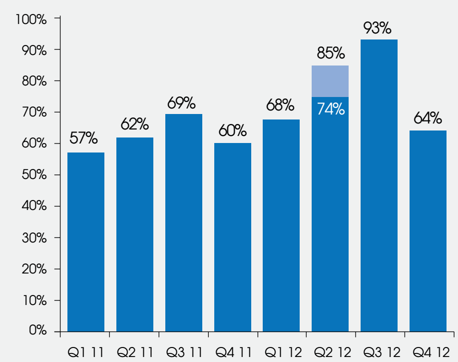
Multi-client market

Multi-client investment has become an increasingly significant part of the seismic market. Investing in multi-client surveys is a core strategy of the seismic vessel operating business and optimizes vessel utilization and revenue generation. The multi-client business is an important part of SeaBird's overall strategy and a natural expansion opportunity for the company. We intend to continue to invest in this segment, but the company will generally invest in multi-client surveys together with other multi-client companies.

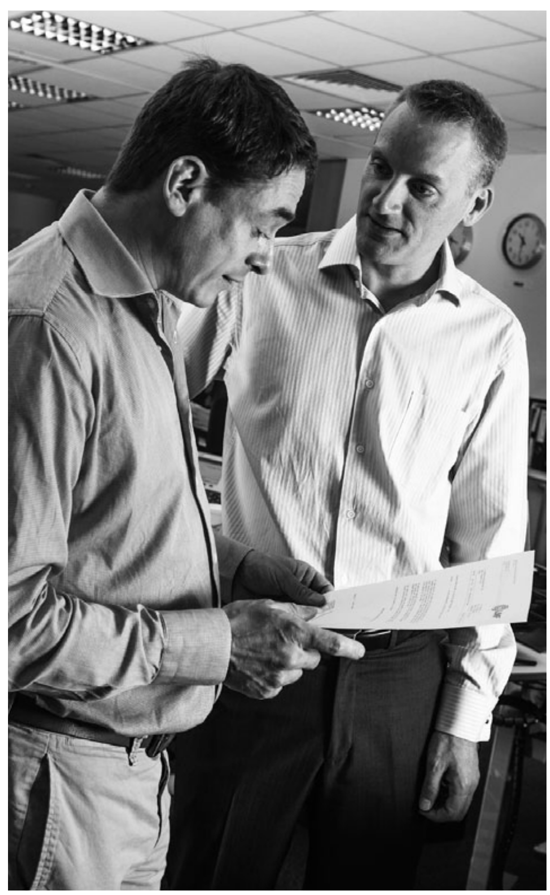
Vessel utilization

SeaBird's vessel utilization was 75% for 2012, up from 62% for 2011. The increase during 2012 was a result of the improving market conditions we experienced during the year.

Vessel utilization



Note: In Q2 2012, vessel utilization for the period was 74% (excluding GGS Atlantic, utilization was 85%).



"2012 has been a year of transformation; we are now positioned for growth."

CFO statement

Fiscal 2012 was a transition year for the company. Following the divestiture of the ocean bottom node business and the financial restructuring at the end of 2011, we started the year by initiating a series of steps to optimize our core business.

We implemented a number of cost cutting efforts which reduced the company's selling, general and administrative expenses from $24.5 million in 2011 to $16.8 million in 2012. We also started an effort to reduce purchasing costs and consolidate core vendor relationships.

During the year, we commenced an in-depth analysis of operating expenses. This analysis will enhance our understanding of variable expenses and improve our ability to respond to periods of reduced fleet utilization. Of equal importance, a more detailed understanding of our expenses will shed light on additional areas for cost improvement. As a part of managing expense risk, we have also made a conscious effort to balance our fleet between short and long-term contracts to the extent possible.

The efforts to improve our cost structure are at a beginning phase and there is still much work to be done. Furthermore, this is an on-going process which needs to be a permanent part of the operation going forward.

We initiated a review of systems and processes at the beginning of the year and started the implementation of a series of changes. To improve control systems and also to provide timely access to financial information, we started the installation of a new enterprise resource planning (ERP) system. This effort is still on-going and full implementation is expected in 2013. We also initiated a complete tax review to both revisit historical taxes as well as to restructure how the company operates globally in a more tax efficient manner. There is a significant amount of work to be done in this area, but we should have a much improved operating structure by the end of 2013. We also commenced an effort to establish a unified global banking structure so we can more seamlessly operate in all our geographic regions.

On the organizational side, the company made a series of substantial changes. These changes have helped streamline the operation and provide a stronger management structure. We have had a net reduction in people, but have increased our management leverage and bench strength. In the process, we have added a number of new people to the organization and we have also restructured a number of positions. This effort is not completed and we will continue to look at opportunities to strengthen our team.

In light of the solid market demand in our niche 3D segment, we took on the 3D vessel Geo Pacific at the end of 2012. The Voyager Explorer performed very well for us in 2012 and the Geo Pacific is a further investment into this market sector. We will continue to look at fleet options and will increasingly favor a more asset light approach.

We invested modestly in the multi-client segment during the year as we underwent a restructuring of how we wanted to manage our efforts in this market. Going forward, we will look to increase our investment in multi-client surveys.

During 2012, the company faced a series of substantial financial challenges. The company's working capital position was strained and covenant restrictions in the company's publicly listed bond provided limited flexibility. While the balance sheet still needs further improvement, we believe we have addressed a significant amount of the financial problems.

To improve financial flexibility, the company tapped the equity market with a share offering in November 2012 and also completed a subsequent repair issue targeted at investors who were not able to participate in the first transaction. These transactions raised combined gross proceeds of NOK 93.8 million ($16.7 million). A portion of the proceeds will be used to invest in additional assets, with the remainder being allocated to general corporate purposes.

In light of the improved operating performance and the increased following of the company, the SeaBird stock price has responded well. Liquidity in the stock is still limited and has caused some challenges for investors to acquire shares. The financial improvements have also resulted in a significant increase in the trading price of the company's listed bond, which at current trading levels provide yield in line with the peer group.

Group management

DAG REYNOLDS
Chief Executive Officer
Position held from 2012

Mr. Reynolds has more than 25 years of experience from the offshore industry. He spent 9 years with PGS before joining SeaBird Exploration in 2005 as CEO. He was instrumental in building up the company and listing it on the Oslo Stock Exchange in 2006. Mr. Reynolds retired at the end of 2007 and co-founded Spring Energy AS, a small independent oil company. Mr. Reynolds held the position as Executive Vice President Sales with EMGS AS from January 2010 until joining SeaBird again in April 2012.

KJELL MANGERØY
VP Business Development
Position held from 2008

Mr. Mangerøy has held the position as VP Business Development in the company since February 2008. Prior to the appointment of VP Business Development, he held the position as VP Operations since 2006. Before joining SeaBird he held the position of Business Development Manager (Africa) for PGS from 2001 to 2006 based in London and from 1995 to 2001 he held the position of Operations Manager in PGS based in Oslo. From 1985 to 1995 he worked for CGG on board vessels as Party Chief and later as Operations Manager based in London for 3 years before opening an office for CGG in Stavanger in 1992. From 1976 to 1985 he held various positions in several seismic and survey companies before joining CGG. Mr. Mangerøy has extensive experience from 35 years in the seismic industry. Mr. Mangerøy is a Norwegian citizen and resides in Dubai.

NILS C. HAUGESTAD
Chief Financial Officer
Position held from 2012

Mr. Haugestad has held the position as Chief Financial Officer of the company since 1 April 2012. Mr. Haugestad has over 20 years' experience in investment banking, principal investments and corporate strategy. He came from the position as Chief Executive Officer and founding partner of Fokus Capital Ltd. Prior to this, Mr. Haugestad was Chief Operating Officer of Evolvence Capital Ltd. Mr. Haugestad has previously held a number of positions in New York with Citigroup, Citicorp Venture Capital, Credit Suisse, RBC Capital Markets and UBS. Mr. Haugestad holds a Bachelor of Science degree from the Wharton School, University of Pennsylvania and a Master of Business Administration degree from Harvard Business School.

BABAK JABBARI
VP Operations
Position held from 2012

Mr. Jabbari has held the position as VP Operations in the company since February 2012. Before this appointment, he held a number of senior positions in SeaBird Exploration and GeoBird Management. He has also been a founder and director of trading companies in Sweden and the UAE. Mr. Jabbari has 20 years of offshore experience and is an advisor to offshore insurance underwriting companies as well maritime security firms. Mr. Jabbari holds a Bachelor of Science degree in Marine Engineering from Kalmar Maritime Academy and has also studied energy engineering at Uppsala University.

ALEXANDER HOLST
General Counsel
Position held from 2006

Mr. Holst acts as General Counsel for the company through SeaBird Exploration Norway AS, where he has been employed since March 2006. He holds a law degree from the University of Oslo, Norway. Prior to joining SeaBird Exploration, from 1995 to 2006, Mr. Holst served as Senior Legal Counsel with Petroleum Geo-Services ASA and its group of companies, and as legal counsel with Schlumberger seismic division Geco and Geco-Prakla from 1989 to 1994. He is a Norwegian citizen and resides in Oslo, Norway. He has more than 20 years experience from the seismic industry.

GRAHAM STARK
VP HSSEQ
Position held from 2011

Mr. Stark has held the position as VP HSSEQ since July 2011. He holds an MSc in occupational health and safety management (OH&S). He also holds internationally recognized certification in management system design, ISO/OHSAS/ aerospace auditing and behavioral science. His background is in mechanical engineering, with formal credentials gained at the Royal School of Military Engineering. Mr. Stark has worked in the oil and gas industry for 32 years in all areas of up, mid and downstream operations, with the last 14 years being specifically in HSSEQ roles for leading E & P companies. Mr. Stark has been with SeaBird since 2007 and has been involved with SeaBird's design and implementation of the company's management system and accreditation. He also serves on the board of directors for the IAGC.

Board of directors

HENRIK A CHRISTENSEN
Chairman
Joined 2011

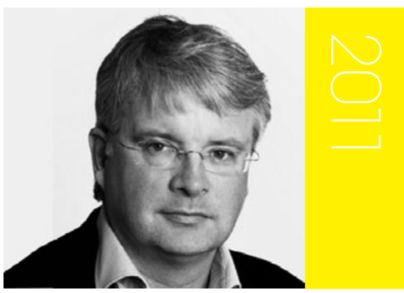
Mr. Christensen was appointed as director and chairman of the company in an EGM held on 9 December 2011. He is educated at the faculty of law with the University of Oslo. Mr. Christensen currently holds the position as an attorney at law with Ro, Sommernes law firm, a position which he has held from 1989–1994 and 2004–present (Partner from 1993). In 1994–2004 he was an attorney at law and partner with the law firm Wiersholm. Mr. Christensen is a Norwegian citizen and resides in Oslo, Norway.

KJELL H. MATHIASSEN
Director
Joined 2005

Mr. Mathiassen is one of the founders of SeaBird. He is educated as Maritime Chief Engineer Tromsø 1962–64, Norwegian Navy Engineer Horten 1965 and Polymer Process Engineer Porsgrunn 1975–1977. He has significant experience from the marine, offshore and seismic industry. His track record includes Cross Ship Repair (owner and director 1992–1996), SeaTankers/ Fredriksen Group (Director Technical Services 1982–1992), Gotaas Larsen (Fleet Maritime Superintendent 1978–1982), as well as various onboard work as serving engineering officer. Mr. Mathiassen has experience as Technical Director from international shipping industries and uses his experience to develop ships for conversion and is a technical advisor to the Marine Manager. Mr. Mathiassen is a Norwegian citizen and resides in Norway.

KITTY HALL
Director
Joined 2012

Mrs. Hall was appointed as a director of the company in a general meeting held on 15 May 2012. She has a BSc in Geology from the University of Leeds and an MSc in Stratigraphy from Birkbeck College, University of London. She has more than thirty years experience from the upstream oil industry including twenty-five years as Chief Executive of specialist geophysical contractors ARKeX Ltd (2004–2010) and ARK Geophysics Ltd (1986–2004), together with experience as a board member for both public and private service companies. Mrs. Hall is a British citizen and resides in UK.



MELVIN TEIGEN
Director
Joined 2009

Mr. Teigen was appointed as director of the company in a general meeting held on 14 May 2009. He holds a bachelor degree from Agder Distriktshøyskole (1979–1982) and a Master in Business and Economics degree from the Norwegian School of Management (BI), Norway (1984–1986). Mr. Teigen currently holds the position of CEO of Corporate Solutions AS. He is a Norwegian citizen and resides in Oslo, Norway.

JOHN OLAV ØKLAND
Director
Joined 2011

Mr. Økland was appointed as director of the company in an EGM held on 9 December 2011. Mr. Økland is a Master Mariner educated at Bergen Maritime Høgskole (85/86). Mr. Økland has approximately 25 years of working experiences from the fishing/shipping industry in various roles. He is one of the founders and co-owner of Ordinat Shipping AS, Havsula Invest AS, Økland Fiskebåtrederi AS and Rederiet Økland AS. The companies hold fishing/shipping offshore vessels. Mr. Økland is a Norwegian citizen and resides in Spain.

Corporate governance

Comprehensive report for the year 2012
At SeaBird our corporate governance policy guides the way we undertake our business at every level. In addition, the company has also always placed great emphasis on the ethical responsibilities of employees as the basis for their day-to-day actions.

1. Implementation and report on corporate governance

This report on corporate governance is provided by the board of directors in accordance with the Norwegian Code of Practice for Corporate Governance as last amended 23 October 2012 and the listing rules of Oslo Stock Exchange publicly available at www.nues.no. This report also fulfils the requirement in Directive D190-2007-04 2012 of the Cyprus SEC.

The company has defined its key corporate values in a series of policies, including ethical guidelines. Corporate social responsibility has not been formulated into a specific guideline, however most elements are embedded in the extensive HSSEQ policy and culture applied in the company.

2. Business

The business activities permitted by the company's constitutional documents are set out in the memorandum of association article 3.1;

"To carry on or undertake any commercial activity relating to providing oil and gas exploration, production and participation, seismic data services onshore, transition zones and offshore, and general offshore energy related services and whatever else may be considered incidental or conductive thereto, including but not limited to, acting as a holding company to companies engaging in such activities; investing in other companies engaged in any of aforementioned activities; buying, selling or other otherwise dealing with acquiring property in the oil and gas industry; mortgaging, borrowing or charging its assets or acting as guarantor in connection with undertaking or any of the activities whether for itself or any affiliate or third parties".

The company's current objectives and principal strategies are to globally provide marine acquisition for 2D, 3D and 4D seismic data and associated services to the oil and gas industry: by offering to our clients an unrelenting focus on health, safety, security, environment and quality (HSSEQ); by dealing fairly with employees, clients, shareholders, suppliers and all other stakeholders; and by providing innovation and technical excellence in the efficient and cost effective collection of high-quality seismic data.

The memorandum and articles of association of the company may be amended by a resolution of the shareholders, however, in case of an intended amendment of the objects of the company contained in the memorandum of association, the resolution should be taken by a three fourths majority of the votes cast at the general meeting and should additionally be approved by the district court of Limassol.

3. Equity and dividends

The company is committed to having an appropriate level of equity capital. The company has published its intention not to pay dividend to its shareholders at present.

The company's authorized share capital is in the amount of USD 5,150,000 and is set out in the memorandum of association. Subject to any resolution of the shareholders, the board of directors may issue shares without any limitation in purpose and time. This is the customary practice in Cyprus, the company's country of origin.

The company may, subject to the provisions of Cyprus law and its articles of association, purchase its own shares, following approval by the shareholders of the company (requiring three fourths majority votes cast at the general meeting), such purchase however may not result in the company holding more than 10% of its issued share capital.

4. Equal treatment of shareholders and transactions with close associates

There is only one class of shares in the company.

On 27 November 2012, the company had a private placement directed to a limited number of institutional investors and current large shareholders of the company totalling 11,000,000 shares at a price of NOK 7.50. At the same time all current shareholders, excluding those holding more than 299, 999 shares, were invited to participate in a subsequent offering in February 2013 of 1,500,000 shares at the same price of NOK 7.50.

In May 2012, the company purchased a limited number of its own shares to manage a reverse split of 10:1 that took effect on 5 June 2012. These shares were purchased in the market at Oslo Børs.

None of the group companies have minority shareholders, other than where a minimum is required to facilitate local legislation requirements for more than one shareholder, and such minority shares are then held in trust.

At the end of 2012, the company chartered a vessel from Geo Pacific AS, a company indirectly owned by a large shareholder of the company, Ordinat Shipping AS, who is represented at the board by Mr. John Olav Økland. The transaction was the best offer received in competition with offers from other parties and therefore no valuation from an independent third party was obtained. The director in question, Mr. John Olav Økland, did not participate in the company's deliberations and resolution. The company has provisions in its instructions and guidelines for directors and management to report conflict of interest in a transaction or business activities.

5. Freely negotiable shares

The shares in the company are freely transferable, and the company's articles of association contain no restrictions on transferability or ownership.

6. General meetings

The annual general meeting of the company (and any meeting for the passing of a special resolution) is called 21 days ahead of the meeting by a notice on the company's website and with a calling notice sent to each shareholder. Proxy votes are permitted and there is no requirement for notice of attendance. The shareholders' meetings are opened and led by the chairman of the board, or, in the chairman's absence, by any one of the directors present, pursuant to the company's articles of association.

DNB Bank ASA, as the registered shareholder to the company, distribute their request for proxy instructions to the general meeting when the company's calling notice is made public. The calling notice clearly advises the procedure for participating in the shareholders' meeting, the routines for proxy vote and has the required forms attached. Without undue delay the same information is posted on the company's website.

One director was present at the annual general meeting on 15 May 2012. The company's auditor is invited to the annual general meeting, but was not present. Neither was any member of the nomination committee.

7. Nomination committee

The company has a nomination committee elected by the general meeting, which since the last annual general meeting has consisted of Mr. Thomas Aanmoen, Mr. Birger Nergaard and Mr. Kjell Mathiassen. The nomination committee elects its chairperson and makes a recommendation on the compensation of the board of directors and of the nomination committee members to the general meeting.

The nomination committee is not regulated in the articles of association or memorandum of association.

One nomination committee member, Mr. Kjell Mathiassen, is not independent of the board, being a major shareholder who also serves as a member of the board and as an officer of the company; however Mr. Mathiassen is a member of the nomination committee at the explicit request of larger shareholders. While serving on the nomination committee, Mr. Mathiassen has been re-elected as a director. The chairperson of the committee, Mr. Thomas Aanmoen, and Mr. Birger Nergaard are both considered to be independent. Recommendations for new members of the nomination committee are made by the committee itself, and not by the board of directors.

The nomination committee provides a written report of nominated candidates together with justification for their candidacy, ahead of the annual general meeting. Their report is distributed with the calling notice for the general meeting to all shareholders.

The members of the nomination committee are made known by a public release following the election at the annual general meeting.

8. Corporate assembly and board of directors: composition and independence

The company has no requirement for a corporate assembly.

The annual report of the company provides information on the expertise and the capacities of the directors. The board of directors consists of 5 members of whom 3 members are independent of major shareholders, executive management and material business partners. Subject to any resolution of the shareholders to the contrary, the board may elect the chairperson of the board. Each director holds office until the expiration of his or her term and is normally elected for a two year term.

Directors of the board are encouraged to own shares in the company.

9. The work of the board of directors

The board resolved a plan for its activity for 2012 with an emphasis on the company's objectives, strategy and implementation.

Terms of reference are in place for the CEO and the board, their different roles and the interaction between them. The board does not have an elected or appointed deputy chairman. The articles of association, however, have applicable procedures for board meetings when the chairman is absent.

The board of directors has been established the audit committee. The audit committee consists of independent directors Mr. Melvin Teigen and Mrs. Kitty Hall. The board did not perform a specific self-assessment during 2012, but this has taken place in early 2013. During the year the company corporate governance policy has been updated and improved by the board of directors.

10. Risk management and internal control

The company has developed internal control and risk assessment procedures appropriate to managing major projects, financial reporting and in the field of HSSEQ. The board receives frequent reports and assesses risk systems and controls regularly. The board of directors has focused on developing and improving the internal control and risk assessment for the financial reporting to higher standards throughout the year.

11. Remuneration of the board of directors

The compensation of the directors is fixed by the annual general meeting upon the recommendation of the nomination committee. Annual fees paid do not reflect on particular skills and efforts made by each individual director, but reflect on the nomination committee's view of the skills and efforts of the board as a collective body. There are no stock options or other incentives linked to share performance granted to the directors.

To the extent consultancy services are provided to the company by any director, the board has approved this in advance.

The compensation to directors is included in the annual report.

12. Remuneration of executive management

There are no requirements by applicable law for the company to have guidelines for remunerating its executive management.

The company has a share option program and through this ensures the alignment of executive management with shareholders. Details on the share option program are presented in the annual report in the notes to the financial statements.

13. Information and communication

The guidelines applied in the company for financial reporting to the market as well as other information requires openness and equal treatment of all shareholders as guiding principles.

The financial calendar is issued annually and posted at the Oslo Børs as well as on the company website under investor relations, where previously published information and information sent to shareholders also can be found.

The board has established guidelines for contact with shareholders other than through the general meeting.

14. Take-overs

The guiding principles for the board's dealings in a takeover bid situation have been set out, in accordance with principles of corporate governance and shareholder interests. No takeover situations have occurred during the report year.

15. Auditors

The company's auditor presents an annual plan for the audit of the company to the board and the audit committee. The auditor attends the meetings when the board of directors discuss the annual accounts and results. The auditors meet annually and if and when required, with the board of directors alone without management present.

The use of services by the auditor for other than auditing has been limited and has only been done upon pre-approval of the board of directors. On this basis, the board has so far not seen any reason to establish separate guidelines for the management's use of the auditor's service or request a confirmation of independence from the auditor.

The remuneration paid to the auditor is reported to the annual general meeting.

Board of directors' report

Highlights 2012

- Revenues for 2012 were \$163.3 million, an increase of 100% compared to 2011.
- Contract revenues for 2012 were \$141.6 million, up 97% from 2011.
- Multi-client revenues were \$21.7 million, an increase of 121% from \$9.8 million reported in 2011.
- EBITDA was \$38.6 million compared to negative \$9.4 million for 2011.
- EBIT for 2012 was \$4.2 million compared to negative \$92.2 million for the prior year.
- Vessel utilization for 2012 was 75% compared to 62% in 2011.

Operating activities
The market has showed a substantial improvement since 2011 with a high level of global demand for seismic services. During the year, we have seen a substantial increase in frontier market surveys. We have also experienced a solid mix of demand from both oil companies as well as seismic multi-client operators. The growing industry activity has resulted in rising market prices for all of our services.

Market demand in the 2D sector has been robust and strengthened throughout the year. We have also experienced significant demand growth in the niche 3D segment where we continued to see new opportunities. In light of the growing demand in this sector, the company chartered the Geo Pacific at the end of 2012. The charter is for a three-year period with four one-year extensions. The Geo Pacific will be SeaBird's second 3D vessel and is capable of towing 6-8 streamers. The vessel is an important supplement to SeaBird's expansion plans to further develop the company's service offering.

The source market continues to be a key focus for SeaBird and a natural extension of its core business. During the year we saw growing demand for capacity in this sector and we expect this trend to continue.

SeaBird reported strong multi-client sales for 2012. Multi-client sales were largely related to surveys performed in earlier periods. Multi-client investment for the year was limited but we do see the multi-client segment as a key area for growth going forward and are committed to increase our investment in the sector. In addition to providing attractive investment returns, multi-client surveys also enable us to better optimize vessel scheduling.

In 2012, SeaBird had a mix of long-term and short-term contracts. The company will attempt to maintain a balance between longer and shorter contracts going forward. In August, the company also announced a new framework agreement with Spectrum ASA for the acquisition of 2D seismic data with a total estimated value of \$30 million over 48 months.

From an operational standpoint, SeaBird's continued focus on health, safety, security, environment and quality (HSSEQ) remains at the forefront of our business. During the year, a campaign of HSSEQ system training was implemented to reduce recordable incidents and further strengthen our HSSEQ culture. Our continued focus on improving practices not only resulted in industry-leading safety results but also delivered another year of excellent operational performance with very low technical downtime.

Financial review

The consolidated financial statements of SeaBird Exploration Plc as well as the unconsolidated financial statements for the parent company alone are prepared in accordance with International Financial Reporting Standards.

Fiscal 2012 saw a marked improvement in terms of revenues and EBITDA. Revenues were $163.3 million in 2012, representing a 100% increase compared to revenues earned in 2011. The majority of our revenues were earned from contracts with oil companies and other seismic companies. Contract revenues for 2012 are up 97% from 2011. Revenues earned from multi-client sales in 2012 increased by 121% relative to the prior period.

Cost of sales was $103.7 million in 2012 ($67.6 million). The increase is primarily due to fleet composition and higher utilization.

SG&A was $16.8 million in 2012, down from $24.5 million in 2011. The decrease is principally due to the organizational restructuring and the cost savings initiatives implemented during 2012.

2012 saw EBITDA increase by $48.0 million from negative $9.4 million in 2011 to positive $38.6 million.

Depreciation and amortization were $34.4 million in 2012 ($28.5 million) an increase of 21% due to higher multi-client sales amortization. Interest expense was $12.4 million in 2012 ($18.5 million). The decrease is a result of the financial restructuring completed in 2011.

Income tax expense was $8.9 million in 2012 ($2.6 million). The increase in 2012 is mainly due to the increase in revenues as well as the company operating in higher tax jurisdictions during 2012 relative to 2011. In addition, an internal tax review was performed, resulting in an additional tax accrual of $1.8 million for taxes in Norway for the years 2011 and 2012.

The company reports a loss from continuing operations of $18.2 million for 2012 (loss of $116.0 million in 2011).

Capital expenditures were $15.0 million in 2012 ($12.0 million). This was due to an increased number of dockings, class renewals and equipment upgrades completed during 2012.

Net profit from discontinued operations was $6.7 million for 2012 compared to $28.7 million in 2011. Discontinued operations represent the remaining contractual obligations of the ocean bottom node (OBN) business which was divested in Q4 2011.

Cash and cash equivalents at the end of the period were 14.7 million ($13.3 million), of which $0.7 million was restricted in connection with bank guarantees, deposits and the bond service account.

Following the financial restructuring completed in December 2011, the company has one bond loan, one convertible loan and the Hawk Explorer finance lease.

- The 6% secured bond loan has a face value of $87.9 million and is recognized in the books at amortized cost of $76.4 million at year-end 2012. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million starting 19 December 2012.
- The 1% unsecured convertible loan with Perestroika has a face value of $14.9 million and is recognized in the books at amortized cost of $12.6 million per year end 2012. The convertible loan matures 30 September 2014 and has no principal amortization.
- The lease of Hawk Explorer is recognized in the books as a finance lease at $13.2 million per year-end 2012.

Net interest-bearing debt was $87.4 million at the end of 2012 ($107.7 million).

During 2012, the company completed a private placement of new common shares. The transaction was completed on 28 November 2012 generated gross proceeds of NOK 82.5 million ($14.7 million).

The company was in compliance with all covenants as of 31 December 2012.

Corporate governance

Our corporate governance policy guides the way we undertake our business. The basis of SeaBird's corporate governance culture revolves around ensuring open and honest communication with all stakeholders. It also addresses the implementation of appropriate risk assessment and internal control systems. The company's corporate governance policies are set out in the corporate governance section of this annual report.

Subsequent events

Following the equity offering completed in November 2012, the company issued 1,500,000 new shares at a subscription price of NOK 7.50 per share. Gross proceeds from this transaction were NOK 11.3 million ($2.0 million). The transaction closed on 13 February 2013 and was targeted towards shareholders who did not have the opportunity to participate in the private placement of 2012.

Outlook

The strong market demand we have experienced during 2012 is expected to continue in 2013. We see solid demand for all our services and in all our operating regions. The frontier markets will continue to be a core focus, but we are also seeing growing demand in established markets. Day rates have been improving through 2012 and we see evidence that the markets are testing higher levels.

Resolution

The financial statements for the company have been prepared in accordance with International Financial Reporting Standards. They were prepared under the historical cost convention and are based on the going concern assumption.

To the best of the directors' knowledge, no subsequent events have occurred since 31 December 2012 that would alter the accounts as presented for 2012.

Finally, the board would like to offer its sincere appreciation to all employees within SeaBird for all the efforts that were made during the year.

The board of directors
SeaBird Exploration Plc – 18 April 2012

Henrik A Christensen Chairman

Melvin Teigen Director

John Olav Økland Director

Kitty Hall Director

Kjell H Mathiassen Director

Consolidated financial accounts 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in $000's	Note	As of 31 December 2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	6	130,774	137,008
Multi-client library	9	3,384	16,602
Goodwill	7	1,267	1,267
		135,425	**154,877**
CURRENT ASSETS			
Inventories	13	3,920	4,680
Trade receivables	11	33,069	31,251
Other current assets	12	10,213	14,750
Due from related parties	29	–	427
Cash and cash equivalents	14	14,744	13,300
		61,946	**64,408**
Total assets		**197,371**	**219,285**
EQUITY			
Shareholders' equity			
Paid in capital	16	180,761	166,720
Equity component of convertible loan		6,296	6,296
Currency translation reserve		(180)	(212)
Share options granted	16	8,495	7,554
Retained earnings		(142,571)	(131,056)
		52,801	**49,302**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	94,299	99,567
Provision for end of service benefit		848	1,157
		95,147	**100,724**
CURRENT LIABILITIES			
Trade and other payables	17	27,325	38,374
Loans and borrowings	18	7,851	21,465
Tax liabilities		14,247	9,420
		49,423	**69,259**
Total liabilities		**144,570**	**169,983**
Total equity and liabilities		**197,371**	**219,285**

On 18 April 2013, the board of directors of SeaBird Exploration Plc authorized these consolidated financial statements for issue.

Henrik A Christensen
Chairman

Kitty Hall
Director

Kjell H Mathiassen
Director

Melvin Teigen
Director

John Olav Økland
Director

CONSOLIDATED STATEMENT OF INCOME

All figures in $000's	Note	2012	2011	2010
		Year ended 31 December		
Revenues	5	163,331	81,722	93,643
Cost of sales	21	(103,711)	(67,649)	(71,402)
Cost of multi-client sales	9	(5,056)	–	–
Selling, general and administrative expenses	21	(16,843)	(24,476)	(19,000)
Other income (expenses), net	20	838	1,021	1,260
Earnings before interest, tax, depreciation and amortization (EBITDA)		**38,559**	**(9,382)**	**4,501**
Depreciation and amortization	6, 9	(34,408)	(28,513)	(36,298)
Impairment	6, 7, 15	–	(54,315)	(10,506)
Earnings before interest and taxes (EBIT)		**4,151**	**(92,210)**	**(42,303)**
Interest expense	23	(12,391)	(18,475)	(10,601)
Other financial items, net	19	(1,072)	274	(1,473)
Change in fair value of conversion rights	19	–	(3,014)	(2,716)
Profit/(loss) before income tax		**(9,312)**	**(113,425)**	**(57,093)**
Income tax	8	(8,871)	(2,600)	(4,659)
Profit/(loss) continuing operations		**(18,183)**	**(116,025)**	**(61,752)**
Net profit/(loss) discontinued operations	26	6,668	28,724	11,651
Profit/(loss) for the period		**(11,515)**	**(87,301)**	**(50,101)**
PROFIT/(LOSS) ATTRIBUTABLE TO				
Shareholders of the parent		(11,515)	(87,301)	(50,101)
EARNINGS PER SHARE				
Basic	24	(0.36)	(4.68)	(3.17)
Diluted	24	(0.36)	(4.68)	(3.17)
EARNINGS PER SHARE FROM CONTINUED OPERATIONS				
Basic	24	(0.56)	(6.22)	(3.90)
Diluted	24	(0.56)	(6.22)	(3.90)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Note	2012	2011	2010
		Year ended 31 December		
Profit/(loss)		**(11,515)**	**(87,301)**	**(50,101)**
OTHER COMPREHENSIVE INCOME				
Net movement in currency translation reserve and other changes		32	72	(427)
Total other comprehensive income, net of tax		**32**	**72**	**(427)**
Total comprehensive income		**(11,483)**	**(87,229)**	**(50,528)**
Total comprehensive income attributable to				
Shareholders of the parent		(11,483)	(87,229)	(50,528)
Total		**(11,483)**	**(87,229)**	**(50,528)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in $000's	Paid in capital	Equity component of convertible loan	Share options granted	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2011	**161,113**	**-**	**7,593**	**(53,863)**	**380**	**115,223**
COMPREHENSIVE INCOME FOR THE YEAR						
Profit	–	–	–	(87,301)	–	(87,301)
Currency translation reserve	–	–	–	664	(592)	72
Total comprehensive income for the year	**-**	**-**	**-**	**(86,637)**	**(592)**	**(87,229)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS						
Share issue	5,607	–	–	–	–	5,607
Equity component of convertible loan	–	6,296	–	9,444	–	15,740
Share option granted/cancelled	–	–	(39)	–	–	(39)
Total contributions by and distributions to owners	**5,607**	**6,296**	**(39)**	**9,444**	**-**	**21,308**
31 December 2011	**166,720**	**6,296**	**7,554**	**(131,056)**	**(212)**	**49,302**
Balance at 1 January 2012	**166,720**	**6,296**	**7,554**	**(131,056)**	**(212)**	**49,302**
COMPREHENSIVE INCOME FOR THE YEAR						
Profit	–	–	–	(11,515)	–	(11,515)
Currency translation reserve	–	–	–	–	32	32
Total comprehensive income for the year	**-**	**-**	**-**	**(11,515)**	**32**	**(11,483)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS						
Share issue	14,041	–	–	–	–	14,041
Equity component of convertible loan	–	–	–	–	–	–
Share option granted/cancelled	–	–	941	–	–	941
Total contributions by and distributions to owners	**14,041**	**-**	**941**	**-**	**-**	**14,982**
31 December 2012	**180,761**	**6,296**	**8,495**	**(142,571)**	**(180)**	**52,801**

CONSOLIDATED STATEMENT OF CASH FLOW

All figures in $000's	Note	Year ended 31 December 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(9,312)	(113,425)
Adjustments for			
Depreciation, amortization and impairment		34,296	82,829
Unrealized exchange (gain)/loss		419	–
Change in fair value of conversion rights		–	3,014
Gain on extinguishment of debt		–	(11,015)
Amortization of interest		10,053	4,968
Paid income tax		(1,067)	–
Earned on employee stock option plan		941	(39)
(Increase)/decrease in inventories		(335)	(924)
(Increase)/decrease in trade and other receivables		(12,960)	(38,383)
(Increase)/decrease from divested companies		–	24,556
(Increase)/decrease in due from related parties		427	–
Increase/(decrease) in trade and other payables		(9,113)	(16,143)
Net cash from operating activities		**13,349**	**(64,562)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(15,008)	(12,024)
Net cash flow on disposal of subsidiaries		–	121,358
Net cash used in investing activities		**(15,008)**	**109,334**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		14,041	5,607
Currency fluctuation in borrowings		–	722
Receipts from borrowings		–	150,433
Repayment of borrowings		(10,969)	(204,953)
Equity component of convertible bond loan		–	15,791
Net movement in currency fluctuations		31	(207)
Net cash from financing activities		**3,103**	**(32,607)**
Net (decrease)/increase in cash and cash equivalents		**1,444**	**12,165**
Cash and cash equivalents at beginning of the period	**14**	**13,300**	**1,135**
Cash and cash equivalents discontinued operations		**-**	**-**
Cash and cash equivalents at end of the period		**14,744**	**13,300**

1. General information

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. SeaBird specializes in high quality operations within the high end of the 2D and source vessel market, as well as the niche 3D market. SeaBird concentrates on contract seismic surveys, but is also actively engaged in the multi-client sector. The main success criteria for the company are an unrelenting focus on health, safety, security, environment and quality (HSSEQ), combined with efficient collection of high quality seismic data.

A predecessor of the company was incorporated in the British Virgin Islands as a limited liability company in 2000. The company was re-domiciled to Cyprus on 18 December 2009. SeaBird has been listed on the Oslo Stock Exchange since April 2006, under the ticker symbol "SBX".

The primary business address of the company is 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus. The company also has offices in Dubai (United Arab Emirates), Oslo (Norway), Houston (USA), Singapore, and St. Petersburg (Russia).

The company has reviewed its tax domicile and will evaluate its residence and tax domicile going forward, which may result in further changes in its tax and corporate structure.

At 31 December 2012, SeaBird's fleet is as follows:

Aquila Explorer

Geo Pacific (bareboat charter with purchase option)

Harrier Explorer

Hawk Explorer (finance lease)

Kondor Explorer (bareboat charter)

Munin Explorer (bareboat charter)

Northern Explorer

Osprey Explorer

Voyager Explorer (bareboat charter)

SeaBird additionally manages the maritime operations of Hugin Explorer

The accompanying consolidated financial statements represent the activities of SeaBird for the year ended 31 December 2012. These consolidated financial statements were authorized for issue by the board of directors on 18 April 2013.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the long term investment, and financial assets held for trading at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

ADOPTION OF NEW AND REVISED IFRSs

During the current year the company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(I) STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU

New standards

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).

Amendments

IFRS Interpretations Committee

- Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 12 "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).
- Amendments to IAS 19 "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).
- Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 7 (Amendment) Financial Instruments: Disclosures "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).

New IFRICs

- IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

(II) STANDARDS AND INTERPRETATIONS NOT ADOPTED BY THE EU

New standards

- IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition (effective for annual periods beginning on or after 1 January 2013).

Amendments

- Amendments to IAS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- Improvements to IFRSs 2009 2011issued in May 2012 (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IFRS 1 – Government loans (effective for annual periods beginning on or after 1 January 2013).
- IFRS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).
- Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

The board of directors expect that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

As of 1 January 2012, the company changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. Under IAS 8, this change has been retrospectively applied to prior comparative accounting periods, which is disclosed in note 32.

2.2 Consolidation

(A) SUBSIDIARIES

Subsidiaries are all entities over which SeaBird has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether SeaBird controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to SeaBird. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by SeaBird. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of SeaBird's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between SeaBird companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by SeaBird.

(B) TRANSACTIONS AND MINORITY INTERESTS

The company has no minority interests.

2.3 Segment reporting

A segment is a distinguishable component of the company that is engaged in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the company's business and geographical segments. The company's primary format for segment reporting is based on the business segments contract seismic and multi-client seismic.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

2.4 Foreign currency translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of SeaBird's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the company's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(C) SEABIRD COMPANIES

The results and financial position of all the SeaBird entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(I) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(II) income and expenses for each income statement are translated at average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(III) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly vessels and seismic equipment on board owned or chartered vessels. Vessels, seismic equipment designated for source and 3D/2D operation and office equipment are carried at historical cost, less subsequent depreciation. Impairment of vessels and seismic equipment is evaluated annually based on value in use calculations (see section 4B).

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

As of 1 January 2012, the company changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model, please see note 32. Management believes that this method provides more reliable and relevant information that is more easily verified and free from management judgment and impacts due to the cyclical nature of the seismic industry.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated remaining useful lives, as follows:

- Seismic vessels 10 to 15 years
- Seismic equipment 8 to 15 years
- Office equipment 4 years

The vessels are depreciated from the date they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Costs for special periodic and class renewal surveys (dry-docking) are capitalized and depreciated over the estimated period between surveys. Other maintenance and repair costs are expensed as incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Capital work in progress

Property, plant and equipment under construction or under conversion are capitalized at the lower of cost or market value. Elements of cost, include costs that are directly attributable to the conversion project but not administration and other general overhead costs.

Borrowing costs are capitalized. This applies to both borrowing costs directly attributable to the acquisition and to costs related to funds that are borrowed for general purposes to the extent that funds are used for obtaining qualifying assets.

2.7 Intangible assets

(A) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(B) PATENT TECHNOLOGY (INTELLECTUAL PROPERTY RIGHTS)

Acquired patent technology (intellectual property rights) are shown at historical cost. Patent technology has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life (20 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Multi-client library

The multi-client library consists of seismic data surveys to be licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the multi-client library.

All multi-client libraries are subject to amortization over a maximum period of 3 years starting in the quarter after project completion. Further, SeaBird classifies its multi-client libraries at the outset into one of two categories. "Category 1" libraries are subject to an additional amortization charge equal to any sale made in the quarter. "Category 2" libraries do not carry any additional charge as these libraries are expected to be more profitable.

All multi-client libraries are subject to annual impairment reviews based on expectations of estimated future cash flows.

2.10 Financial assets

2.10.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(A) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(B) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The company's loans and receivables comprise 'trade receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.13 and 2.14).

(C) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.10.2 Recognition and measurement

Regular purchases and sales of investments are recognized on trade-date – the date on which SeaBird commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and SeaBird has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other financial items – net' in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when SeaBird's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), SeaBird establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

SeaBird assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement.

Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.13.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The company designates certain derivatives as either:

(A) hedges of the fair value of recognized assets or liabilities (fair value hedge);

(B) hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge); or

(C) hedges of a net investment in a foreign operation (net investment hedge).

The company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedge item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(A) FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(B) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within other gains/(losses) – net.

Amounts accumulated in equity are recognized in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognized in the income statement within sales. The gain or loss relating to the ineffective portion is recognized in the income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory, or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

(C) NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other gains/(losses) – net'.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(D) DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement within other financial items, net.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises fuel, lube, spare parts and other direct costs and related production overheads. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that SeaBird will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within 'selling, general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling, general and administrative expenses' in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bond service accounts, performance bonds, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.15 Share capital / Paid in capital

Ordinary share capital is calculated at a nominal value as originally established, and additional paid in capital are classified as equity.

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

Where and if any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity holders.

2.16 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. The financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The subsequent measurement of the financial liabilities depends on their classification.

The company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

(A) INTEREST-BEARING DEBTS AND BORROWINGS

Interest-bearing debts and borrowings are recognized initially at fair value, net of transaction costs incurred. Interest-bearing debts and borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Interest-bearing debts and borrowings are classified as current liabilities unless SeaBird has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(B) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities at fair value through profit or loss are carried in the income statement at fair value with changes in fair value recognized under financial items.

(C) TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by SeaBird and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(A) PENSION OBLIGATIONS

SeaBird companies operate various pension schemes. The schemes are generally funded through payments to insurance companies, determined by periodic actuarial calculations. The pension schemes are in general defined contribution plans. A defined contribution plan is a pension plan under which SeaBird pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, SeaBird pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(B) SHARE-BASED COMPENSATION

SeaBird operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for SeaBird equity instruments (options). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(C) TERMINATION BENEFITS

As regards employees in United Arab Emirates ("UAE"), accumulated period of employees' end of service gratuities are recorded as a provision. The provision recorded (as required by UAE Labor Law 1980) is based on the provision that all foreign workers are allowed to receive their end of service benefit from the employer as per the following rates based on their length of service:

Employed for less than 1 year – no gratuity;

Employed between 1-3 years – 7 days for each year of employment (1/3 of the limited contract amount);

Employed between 3-5 years – 14 days for each year of employment (2/3 of the limited contract amount);

Employed longer than 5 years – 21 days for each year up to 5 years, and 30 days for each year after 5 years (same as for limited contract holders). Maximum limit is of 2 years' worth of salary.

2.19 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when SeaBird has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of SeaBird's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within SeaBird.

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Multi-client revenue is recognized once the end-user has received access to the data and is recognized on the basis of the proportion the project is completed relative to the total services to be provided. Multi-client prefunding is recognized as revenues when the clients are an end user of the data and prefunding from survey partner companies is treated as a reduction in capital investment. Sales of whole multi-client libraries are treated as revenues and the corresponding book value of the multi-client library that is sold is charged against cost of sales.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

SeaBird leases certain property, plant and equipment. Leases of property, plant and equipment, for which SeaBird has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment, and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

SALE AND LEASEBACK TRANSACTIONS

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset.
The lease payment and the sale price are usually interdependent because they are negotiated as a package.
The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved.
If the leaseback is a finance lease, the transaction is a means whereby the lessor provides finance to the lessee, with the asset as security. For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognized immediately. For finance leases, no such adjustment is necessary unless there has been impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with IAS 36. If no impairment is required, the carrying amount is depreciated over the useful life of the asset.

2.22 Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in SeaBird's financial statements in the period in which the dividends are approved by the company's shareholders.

2.23 Going concern assumption

These consolidated financial statements are prepared under a going concern assumption. The company's management is of the opinion that it has sufficient working capital for the coming twelve months. The company's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the company is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

3. Risk factors and financial risk management

3.1 Financial risk factors

SeaBird's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management focuses on the unpredictability of financial markets and monitors and controls risks with a potential significant negative effect for the company and evaluates to minimize the risks if the cost of doing so is acceptable. The company uses derivative financial instruments to hedge certain risk exposures from time to time.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and procedures for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these consolidated statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The audit committee oversees how management monitors and manages risk and review the adequacy of the risk management framework in relation to the risks faced by SeaBird.

(A) MARKET RISK

(I) Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Norwegian kroner, Euro, British Pound, Swedish krona and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the company use from time to time various foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. SeaBird has not entered into any foreign exchange contracts in 2012, but has had long term liabilities denominated in Norwegian Kroner in previous accounting periods.

(II) Price risk

SeaBird is exposed to commodity (bunker fuel) price risk. As SeaBird in general has a fairly short order backlog for contracts where SeaBird is carrying the risk of bunker fuel prices, this risk has not historically been mitigated by forward commodity contracts. SeaBird might from time to time evaluate commodity contracts to mitigate such risk in the future.

(B) CREDIT RISK

SeaBird has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Still, the company faces the risk of non-payment from customers.

SeaBird seeks to limit the amount of credit exposure to any financial institution and is only investing in liquid securities with counterparties with strong credit ratings.

The company's policy is to provide financial guarantees only to wholly-owned subsidiaries or performance guarantees and similar in the normal course of business.

(C) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of available debt funding and the ability to close out market positions. Due to the cyclical nature of the seismic industry, SeaBird has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

(D) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As SeaBird has no significant interest-bearing assets beyond operating cash and cash equivalents, the company's income and operating cash flows are substantially independent of changes in market interest rates.

SeaBird's interest rate risk arises from long-term and short-term interest-bearing debt. Interest-bearing debt issued at variable rates expose the company to cash flow interest rate risk. Interest-bearing debt issued at fixed rates expose the company to fair value interest rate risk. As of 31 December 2012, the bond loan constitutes 75% of total debt while the convertible loan from Perestroika and the Hawk lease constitutes 12% and 13%, respectively. All the outstanding debts as of 31 December 2012 were issued at fixed interest rates.

(E) RISKS RELATED TO DEBT ARRANGEMENTS

SeaBird's current and future debt arrangements may include covenants and undertakings of a general, financial and technical nature and such debt arrangements may contain cross-default provisions. Failure by the company to meet any of the covenants or undertakings could result in all outstanding amounts under the different debt arrangements becoming immediately due for payment, which could potentially have a material adverse effect on the company's financial position and the value of the shares and the company's operations and results.

3.2 Other risk factors

SeaBird is subject to various other risk factors. The risks described below are not exhaustive as additional risks not presently known to SeaBird or which SeaBird currently deems immaterial may also impair the company's business operations. If any of the following risks actually materialize, SeaBird's business, financial position and operating results could be materially and adversely affected.

SeaBird is exposed to the economic cycle, as changes in the general economic situation could affect demand for the SeaBird's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies. Capital expenditures, and in particular exploration and development expenditures, by oil and gas companies can be negatively affected by a number of factors including, but not limited to, decreases in oil and gas prices, fluctuations in production levels and disappointing exploration results. Low oil prices typically lead to a reduction in capital expenditures these companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by these companies may reduce the demand for the SeaBird's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for SeaBird's services will generally lag oil and gas price increases.

SeaBird's operating income/loss and operating results can vary from month to month. Its operating income is difficult to forecast due to changes in oil companies' E&P (exploration and production) budgets and expenditures, the competitive environment, efficiency in operations, adverse weather conditions and other general economic and market conditions. Changes in oil prices and exploration and production budgets could materially affect the business and operating results. Unanticipated difficulties in pursuing SeaBird's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

The market for SeaBird's products and services is competitive. SeaBird may face competition from certain companies within the seismic industry, and many of these companies may have greater resources than SeaBird itself. Generally, overcapacity in the seismic market would have a negative effect on the operating results of the company, and the possible failure of SeaBird to maintain competitive offering of equipment and services could have a material adverse effect on its business, operating results or financial condition.

SeaBird has a strategy of contracting its vessels both towards the long-term market as well as the more volatile spot market. There can be no guarantee that SeaBird will be able to secure contracts at such rates and utilization rates that are needed. In addition, SeaBird may experience significant off-hires between charters. Furthermore, disputes under the charter parties may occur, which can result in responsibility and losses for the company.

Operations in international markets are subject to risks inherent in international business activities, including, in particular, general economic conditions in each such country, overlapping differing tax structures, managing an organization spread over various jurisdictions, unexpected changes in regulatory requirements, complying with a variety of foreign laws and regulations.

SeaBird's business depends on contracts with customers regarding collection and sale/licensing of geophysical data. Each contract normally involves a substantial value or consideration to the company. Furthermore, some of the contracts are governed by the law of the operations' area, which may create both legal and practical difficulties in case of a dispute or conflict. SeaBird also operates in regions where the ability to protect contractual and other legal rights may be limited compared to regions with more well-established markets.

There will always be operational risks involved in performing offshore seismic surveys. This includes among others unexpected failure or damage to vessels and technical equipment, work accidents or adverse weather conditions. These risks can cause personal injury, prevent surveys to be performed as scheduled, other business interruptions, property and equipment damage, pollution and environmental damage. SeaBird may be subject to claims as a result of these hazards. SeaBird seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines. However, there will always be some exposure to technical and operational risks, with unforeseen problems leading to unexpectedly high operating costs, substantial losses, additional investments, etc., which may have a material negative effect on the company's operating results and financial position. If for example a vessel is rendered a total loss, the charter party will be void and SeaBird will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt SeaBird's reputation.

SeaBird is subject to taxation in Cyprus and Norway, as are the majority of its subsidiaries. The company is also subject to taxation in various other jurisdictions because of its global operations. SeaBird faces the risk that its tax filings are challenged and may be subject to unexpected claims for unpaid taxes or sanctions as a consequence of breach of applicable tax legislation.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by SeaBird is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. SeaBird uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to SeaBird for similar financial instruments.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

(A) ESTIMATING USEFUL LIVES, DECOMPOSITION, RESIDUAL VALUE AND COST OF REMOVAL OF VESSELS AND EQUIPMENT

The company's estimates of useful lives and plans for depreciation are based on investment considerations and on experience of technical and economic life of similar assets. Expected useful life and residual values of the vessels can change according to environmental requirements, wear and tear, corporate strategy, etc. A different decomposition of vessels and equipment may lead to different depreciations. However, management does not consider such effects to be material.

(B) ESTIMATED IMPAIRMENT OF MULTI-CLIENT SURVEYS, VESSELS, EQUIPMENT, GOODWILL AND PATENT TECHNOLOGY

Impairment is tested regularly, in accordance with the accounting policy stated in Note 2.5 , 2.7 and 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require management to make estimates of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 7).

(C) INCOME TAXES

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(D) ESTIMATES FOR FINANCIAL ASSETS

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(E) SHARE-BASED PAYMENTS

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield and making assumptions about them.

(F) FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the income statement cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. SEGMENT INFORMATION

All our seismic services and operations are conducted and monitored as one business segment.

Primary reporting format – business segments

All figures in USD 000's	2012	2011	2010
REVENUE			
Contract	141,618	71,901	85,929
Multi-client	21,713	9,821	7,714
Total	**163,331**	**81,722**	**93,643**

Secondary reporting format – geographical segments

All figures in $000's	2012	2011	2010
REVENUE			
Europe, Africa & Middle East (EAME)	71,723	41,364	36,170
North & South America (NSA)	48,243	8,973	25,822
Asia Pacific (APAC)	43,365	31,385	31,651
Total	**163,331**	**81,722**	**93,643**
SEGMENT ASSETS			
Europe, Africa & Middle East (EAME)	197,371	219,285	358,977
North & South America (NSA)	–	–	–
Asia Pacific (APAC)	–	–	–
Total	**197,371**	**219,285**	**358,977**
CAPITAL EXPENDITURE			
Europe, Africa & Middle East (EAME)	15,008	17,041	11,971
North & South America (NSA)	–	–	–
Asia Pacific (APAC)	–	–	–
Total	**15,008**	**17,041**	**11,971**

A substantial portion of the property and equipment is mobile due to SeaBird's world-wide operation. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the period.

Geographic distribution of assets is based upon location of physical ownership. Goodwill is presented in the same geographic area as the underlying acquired assets. The geographic distribution of revenues is based upon location of performance. Capital expenditures are based on the location of the company that is making the investment.

6. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Seismic equipment and nodes for seabed operations	Seismic vessel and equipment (owned)	Seismic vessel and equipment (leased)	Seismic equipment on chartered vessels	Office equipment	Total
AT 1 JANUARY 2011							
Cost or valuation	8,176	94,888	221,507	47,751	32,563	3,963	408,848
Accumulated impairments	(6,899)	–	(19,656)	–	–	–	(26,555)
Accumulated depreciation and amortization	–	(31,060)	(59,067)	(13,765)	(15,681)	(2,810)	(122,383)
Net book amount	**1,277**	**63,828**	**142,784**	**33,986**	**16,882**	**1,153**	**259,910**

6. PROPERTY, PLANT AND EQUIPMENT	Capital work in progress	Seismic equipment and nodes for seabed operations	Seismic vessel and equipment (owned)	Seismic vessel and equipment (leased)	Seismic equipment on chartered vessels	Office equipment	Total
YEAR ENDED 31 DECEMBER 2011							
Opening net book amount	1,277	63,828	142,784	33,986	16,882	1,153	259,910
Reclassification	–	(4,930)	(168)	110	3,028	1,960	–
Effect of movements in exchange rates	(227)	–	–	–	–	(173)	(400)
Transfer to property, plant and equipment	–	–	–	–	–	–	–
Additions	3,164	1,922	6,072	811	4,790	282	17,041
Disposals (net)	(4,214)	(48,495)	–	–	(157)	(2,004)	(54,870)
Impairments	–	–	(33,529)	(8,676)	(7,066)	–	(49,271)
Depreciation and amortization †	–	(12,325)	(14,508)	(3,784)	(4,313)	(472)	(35,402)
Closing net book amount	**-**	**-**	**100,651**	**22,447**	**13,164**	**746**	**137,008**
AT 31 DECEMBER 2011							
Cost or valuation	6,899	43,385	227,411	48,672	40,224	4,028	370,619
Accumulated impairments	(6,899)	–	(53,185)	(8,676)	(7,066)	–	(75,826)
Accumulated depreciation and amortization	–	(43,385)	(73,575)	(17,549)	(19,994)	(3,282)	(157,785)
Net book amount	**-**	**-**	**100,651**	**22,447**	**13,164**	**746**	**137,008**
YEAR ENDED 31 DECEMBER 2012							
Opening net book amount	–	–	100,651	22,447	13,164	746	137,008
Reclassification	–	–	(174)	59	236	(22)	99
Effect of movements in exchange rates	–	–	–	–	–	–	–
Transfer to property, plant and equipment	–	–	–	–	–	–	–
Additions	–	–	10,142	99	4,059	608	14,908
Disposals (net)	–	–	(1,551)	–	–	–	(1,551)
Impairments	–	–	–	–	–	–	–
Depreciation and amortization †	–	–	(12,405)	(2,521)	(4,352)	(412)	(19,690)
Closing net book amount	**-**	**-**	**96,663**	**20,084**	**13,107**	**920**	**130,774**
AT 31 DECEMBER 2012							
Cost or valuation	6,899	43,385	235,828	48,830	44,519	4,614	384,075
Accumulated impairments	(6,899)	–	(53,185)	(8,676)	(7,066)	–	(75,826)
Accumulated depreciation and amortization	–	(43,385)	(85,980)	(20,070)	(24,346)	(3,694)	(177,475)
Net book amount	**-**	**-**	**96,663**	**20,084**	**13,107**	**920**	**130,774**

† Depreciation and amortization attributable to continued operations: $34,408 ($28,513 in 2011).
Depreciation and amortization attributable to discontinued operations: $0 ($12,414 in 2011).

Compensation from third parties, for items that were lost or given up, amounts to $0 in 2012 and $0 in 2011.

As of 1 January 2012, the company changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. Under IAS 8, this change has been retrospectively applied to prior comparative accounting periods. Management believes that this method provides more reliable and relevant information that is more easily verified and free from management judgment and impacts due to the cyclical nature of the seismic industry. Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Note 32 of these consolidated financial statements details the effect of the restatement performed.

7. INTANGIBLE ASSETS	Goodwill	Patent technology	Total
Balance at 1 January 2011	8,996	4,412	13,408
Acquisition through business combinations	–	–	–
Disposals of subsidiaries – discontinued operations	(2,656)	(4,412)	(7,068)
Balance at 31 December 2011	**6,340**	**-**	**6,340**
Balance at 1 January 2012	6,340	–	6,340
Acquisition through business combinations	–	–	–
Disposal of subsidiaries – discontinued operations	–	–	–
Balance at 31 December 2012	**6,340**	**-**	**6,340**
AMORTIZATION AND IMPAIRMENT LOSSES			
Balance at 1 January 2011	–	(596)	(596)
Disposal of subsidiaries – discontinued operations	–	596	596
Impairment loss	(5,073)	–	(5,073)
Balance at 31 December 2011	**(5,073)**	**-**	**(5,073)**
Amortization for the year	–	–	–
Impairment loss	–	–	–
Disposals of subsidiaries – discontinued operations	–	–	–
Balance at 31 December 2012	**(5,073)**	**-**	**(5,073)**
CARRYING AMOUNTS			
At 1 January 2011	8,996	3,816	12,812
At 31 December 2011/1 January 2012	**1,267**	**-**	**1,267**
At 31 December 2012	**1,267**	**-**	**1,267**

In January 2007, SeaBird acquired all shares in GeoBird Management Middle East FZ-LLC, a company situated in Dubai and being the company managing the maritime operations of SeaBird's vessels. The excess value of the business was calculated at $1.3 million. The excess value represents valuation of assembled work force and organization which, in accordance with IFRS, are classified as goodwill.

Impairment tests of goodwill
The recoverable amount of a Cash Generating Unit (CGU) is determined based on value-in-use calculations by discounting the future pre-tax cash flows generated from the continuing use of the unit and was based on the following key assumptions: Cash flows were projected based on financial budgets approved by management covering 2013. Revenue day-rates for 2014 were reduced by 5% for the first two years and thereafter a growth rate of 2.5% was applied. For cost day-rates a growth rate of 2.5% has been applied in each subsequent year.

A pre-tax discount rate of 10.76% was applied in determining the recoverable amount of the units. The discount rate was estimated based on an industry average weighted average cost of capital and reflects specific risks relating to the relevant segment of operation.

The recoverable amount of the CGU justifies the carrying amount of the unit (including goodwill) per 31 December 2012.

8. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS

SeaBird Exploration Plc is subject to taxation in Cyprus and Norway, as are the majority of its subsidiaries. The company is also subject to taxation in various other jurisdictions because of its global operations. The company is continuing to evaluate its historical tax exposures which might change the reported tax expense. As a part of a tax review, the company has made an additional tax accrual of $1.8 million for taxes in Norway for the years 2011 and 2012. The company will evaluate its tax domicile going forward which may result in further changes in its tax structure.

Current tax	2012	2011	2010
Current period	9,636	6,989	9,528
Adjustment for prior periods	–	–	–
Total current tax	**9,636**	**6,989**	**9,528**
Deferred tax	–	–	–
Total income tax expense	**9,636**	**6,989**	**9,528**
Attributable to continued operations	**8,871**	**2,600**	**4,659**
Attributable to discontinued operations	**765**	**4,389**	**4,869**

	2012	2011	2010
Group profit/(loss) before income tax from continuing operations	(9,312)	(113,425)	(57,093)
Tax arising at the rate of 28%	(2,607)	(31,759)	(15,986)
Tax effect of adjustments in Norway and losses in other jurisdictions	5,988	32,216	15,986
Corporate income tax in other jurisdictions	894	1,487	–
Withholding tax in other jurisdictions	4,596	656	4,659
Total tax expense attributable to continued operations	**8,871**	**2,600**	**4,659**

9. MULTI-CLIENT LIBRARY

The components of the multi-client library are summarized as follows:

	2012	2011
At 1 January	16,602	5,998
Cash investments	6,556	16,100
Capitalized depreciation	1,135	2,954
Cost of multi-client sales	(5,056)	–
Amortization†	(15,853)	(8,450)
At 31 December	**3,384**	**16,602**

† Amortization attributable to continued operations: $15,853 ($8,450 in 2011).
Amortization attributable to discontinued operations: $0 ($0 in 2011).

Amortization expense for the year ended 31 December 2012 includes $6.3 million of additional non-sales related amortization, net. For the year ended 31 December 2011, the additional non-sales related amortization totalled $4.6 million.

In 2012, an amortization rate of 100% of sales has been applied to all multi-client library surveys, except for the GoM Well Tie survey where a rate of 0% has been applied since the survey was sold in full and the cost was recognized as cost of sales. With the exception of the GoM Well Tie survey, profit has therefore only been recognized in the income statement once the original costs of acquiring the data have been fully recovered. Total sales were $21.7 million in 2012 (2011: $9.8 million).

The net carrying value of the multi-client library, by the year in which the surveys were completed, is summarized as follows:

9. MULTI-CLIENT LIBRARY

	2012	2011
Completed during 2010	–	1,013
Completed during 2011	–	15,589
Completed during 2012	3,384	–
Completed surveys	**3,384**	**16,602**

For information purposes, the following shows the hypothetical application of the company's minimum amortization requirements to the components of the existing multi-client library. These minimum amortization requirements are calculated as if there will be no future sales of these surveys.

During 2013	2,365
During 2014	766
During 2015	253
Net carrying value of the multi-client library per 31 December 2012	**3,384**

10. DERIVATIVE FINANCIAL ASSETS

SeaBird has not entered into any derivative financial instruments in the years 2009-2012.

11. TRADE RECEIVABLES

	2012	2011
Trade receivables	44,282	42,245
Less: provision for impairment of receivables	(11,213)	(10,994)
Trade receivables – net	**33,069**	**31,251**

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments. SeaBird's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 31. SeaBird has recognized a final loss of $0 for the year ended 31 December 2012 (2011: $0).

The net provision for impairment of receivables has been increased by $219 in 2012, due to currency fluctuations (2011: $4,370).

In general, vessels on time charter are prepaid, while vessels contracted to oil companies usually have payment terms of an average of 30 days.

12. OTHER CURRENT ASSETS

	2012	2011
Accrued income	5,479	7,840
Prepaid expenses	1,437	3,026
Other current assets	3,297	3,884
Total other current assets	**10,213**	**14,750**

13. INVENTORIES

	2012	2011
Bunker fuel	2,971	4,680
Spare parts	949	–
Total inventories	**3,920**	**4,680**

The opening balance at 1 January 2012 of $4,680 related to bunker fuel has been recognized as expense in 2012 (2011: $3,084).

14. CASH AND CASH EQUIVALENTS

	2012	2011
Cash at bank and in hand	**14,744**	**13,300**

The effective average interest rate on short-term bank deposits was $0 in 2012 (2011: $0). Cash and cash equivalents include $664 of restricted cash at 31 December 2012 (2011: $3,504).

15. ASSETS CLASSIFIED AS HELD FOR SALE

There are no assets classified as held for sale as at 31 December 2012 ($0 in 2011).

16. SHARE CAPITAL AND SHARE OPTIONS

	Number of shares
At 1 January 2011	17,489,583
New shares issued in 2011	13,936,389
At 31 December 2011 Basic	31,425,972
New shares issued in 2012	11,000,000
At 31 December 2012 Basic	**42,425,972**
At 31 December 2012 Diluted	**42,425,972**

On 15 May 2012, the annual general meeting of SeaBird resolved to consolidate the shares of the company so that 10 old shares converted into 1 new share.

On 28 November 2012, the company completed a private placement of 11,000,000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 7.50 per share. Total gross proceeds from the private placement were NOK 82.5 million ($14.7 million).

SeaBird uses stock options as an incentive for key employees. On 20 February 2012, as part of his employment contract Mr. Reynolds received 3,000,000 share options at a strike price of NOK 2.50 (equalling the average share price on the trading day 6 February 2012 plus approximately 10%). The share options are exercisable 1/3 from 16 February 2013 to 16 April 2013, 1/3 from 16 February 2014 to 16 April 2014 and 1/3 from 16 February 2015 to 16 April 2015. Furthermore, on 13 August 2012 a total of 2,065,822 share options were granted to a total of 13 employees. The options have an exercise price of NOK 3.95, which represents the closing price for the SeaBird (SBX) share on the Oslo Stock Exchange the last day before the grant, 10 August 2012. 1/3 of the options granted may be exercised one year after the grant date, 1/3 of the options granted may be exercised two years after the grant date and the remaining 1/3 of the granted options may be exercised three years after the grant. All options must be exercised within 1 November 2015.

16. SHARE CAPITAL AND SHARE OPTIONS

2012 Option plan	Outstanding options			Vested options	
Exercise price	Outstanding options per 31.12.2012	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2012	Weighted average exercise price
0,00 – 3,00	3,000,000	1.29	2.50	–	–
3,00 – 5,00	2,065,822	1.91	3.95	–	–
5,00 –	–	–	–	–	–
Total	**5,065,822**	**1.54**	**3.09**	**-**	**-**

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2012, is presented in equity as share options granted. Outstanding options at 31 December 2012 is representing in total 5,065,822 shares.

Share based payments effect on SeaBird's profit or loss amounts to $810 for 2012 and $93 for 2011 (see note 22).

The total value of share options granted is calculated using the Black-Scholes model, assuming that all the options will be exercised. The fair value determined at the grant date is expensed over the vesting period of the options. The calculation is based on:

- expected volatility of 60%
- weighted average exercise price of NOK 3.09
- three year option life
- no dividends are expected
- a risk free interest rate ranging from 1.35 to 1.78%

The expected volatility of the options are based on the implied volatility from exchange traded options on the company's shares, the historical volatility of the share price over the most recent period that corresponds with the expected life of the option, and the historical or implied volatility of similar entities. The expected life of the option is based on the maturity date and is not necessarily indicative of exercise pattern that may occur. The options include a service condition as the individuals participating in the plan must be employed by the company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

17. TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	18,692	21,879
Advance from customers	–	1,568
Accrued expenses and other payables	8,633	14,927
Total trade and other payables	**27,325**	**38,374**

18. LOANS AND BORROWINGS

	Effective interest rate/ Maturity	2012	2011
NON-CURRENT			
Capital lease obligations (Note 28)	10.87%/2014	9,305	13,156
Bond loan – SBX03	6%/2015	72,391	75,008
Convertible loan from Perestroika, unsecured	1%/2014	12,603	11,403
Total non-current interest bearing loans and borrowings		**94,299**	**99,567**
CURRENT			
Capital lease obligations (Note 28)	10.87%/2014	3,851	3,465
Bond loan – SBX03	6%/2015	4,000	–
Credit facility from Fugro, secured	6%/2012	–	18,000
Total current interest bearing loans and borrowings		**7,851**	**21,465**
Total interest bearing loans and borrowings		**102,150**	**121,032**

Convertible loan from Perestroika
In September 2010, SeaBird Exploration Plc entered into an agreement for issuance of a NOK 120.0 million convertible, non-transferable loan in favour of Perestroika AS as lender with three years maturity. In March 2011, the convertible loan was renegotiated with change in currency from NOK to USD and change in maturity date to September 2014. Part of the convertible loan was redeemed as part of the financial restructuring carried out in 2011, see section Bond loan – SBX03 below. Current principal outstanding is $14.9 million. After the partial redemption, the Perestroika convertible loan continues under the same terms as before the debt restructuring. The convertible loan is convertible into common shares at a conversion price of $5.99 per share.

Credit facility from Fugro
A credit facility from Fugro was established to cover working capital needed for the ONGC contract. As of 31 December 2011, the drawdown from Fugro was $18.0 million. The facility was settled during first half of 2012.

Bond loan – SBX03
In connection with the divestment of the OBN business, a financial restructuring of SeaBird's debt took place in December 2011, whereby the outstanding secured creditors, Standard Chartered Bank and Sparebanken 1 SMN/Glitnir, were repaid in full. The bond loans SBX01 and SBX02, the PGS convertible loan and the Perestroika convertible loan were repaid with approximately 31.4% for each of the mentioned facilities. The remaining balance of the bonds SBX01, SBX02 and PGS convertible loan were merged into a new senior secured bond loan (with inter alia 1st priority pledge in the vessels Northern Explorer, Osprey Explorer, Harrier Explorer and Aquila Explorer), SBX03, at an interest rate of 6% p.a. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million starting 19 December 2012, with a balloon repayment at maturity of $77.9 million. On issuance of the bond, the fair value was determined using a market rate for an equivalent bond; and classified as a financial liability measured at amortized cost until it is extinguished on redemption.

19. OTHER FINANCIAL ITEMS, NET

	2012	2011	2010
Interest income on bank deposits	–	–	41
Net foreign exchange gain/(loss)	(807)	(1,608)	(251)
Gain on restructuring of bond loan	–	11,015	–
Advisors' fees restructuring of loans	–	(7,030)	–
Other financial income/(expense)	(265)	(2,103)	(1,263)
Change in fair value of conversion rights	–	(3,014)	(2,716)
Total other financial items	**(1,072)**	**(2,740)**	**(4,189)**

20. OTHER INCOME (EXPENSES), NET

	2012	2011	2010
Profit/(loss) on sale of property, plant and equipment	(279)	82	–
Other income	1,117	939	1,260
Total other income (expense)	**838**	**1,021**	**1,260**

21. EXPENSES BY NATURE

	2012	2011	2010
Charter hire	15,032	6,037	5,747
Crew	40,613	32,525	36,766
Seismic and marine expenses	45,702	23,461	27,669
Other operating expenses	2,364	5,626	1,220
Total charter hire and operating expenses	**103,711**	**67,649**	**71,402**
Staff cost and directors' remuneration	11,777	13,305	9,890
Legal and professional	1,289	2,234	3,056
Provision for bad debts	425	4,544	2,114
Other expenses	3,352	4,393	3,940
Total selling, general and administrative expenses	**16,843**	**24,476**	**19,000**

There have been a number of reclassifications to comparative figures to ensure consistency with the current period.

22. EMPLOYEE BENEFIT EXPENSE

	2012	2011	2010
Crew salaries and benefits	20,159	20,867	23,374
Staff cost	11,033	13,308	11,804
Directors' remuneration	338	336	296
Total employee benefit expense	**31,530**	**34,511**	**35,474**
Including accrued costs relating to the employee stock option plan	810	93	435
Average number of employees	510	558	530

There have been a number of reclassifications to comparative figures to ensure consistency with the current period.

23. INTEREST EXPENSE

	2012	2011	2010
Finance lease borrowings	1,626	1,990	2,308
Bond loans	10,168	14,085	5,991
Bank loans	597	2,399	2,302
Total interest expense	**12,391**	**18,474**	**10,601**

24. EARNINGS PER SHARE

Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (Note 16).

	2012	2011	2010
Profit/(loss) attributable to equity holders of the company	(11,515)	(87,301)	(50,101)
Weighted average number of ordinary shares in issue	32,343	18,651	15,828
Basic earnings per share ($ per share)	(0.36)	(4.68)	(3.17)
Weighted average number of diluted shares	32,343	18,651	15,828
Basic earnings per share ($ per share)	(0.36)	(4.68)	(3.17)
BASIC EARNINGS PER SHARE			
From continuing operations	(0.56)	(6.22)	(3.90)
From discontinued operations	0.20	1.54	0.73
Total basic earnings per share	**(0.36)**	**(4.68)**	**(3.17)**
DILUTED EARNINGS PER SHARE			
From continuing operations	(0.56)	(6.22)	(3.90)
From discontinued operations	0.20	1.54	0.73
Total diluted earnings per share	**(0.36)**	**(4.68)**	**(3.17)**

25. DIVIDENDS

No dividend was distributed for 2010 and 2011 and no dividend will be distributed for the year ended 31 December 2012.

26. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Business combinations
In June 2006, SeaBird closed the acquisition of SeaBed (the OBN business). The total purchase price of $16.0 million was allocated to capital work in progress and property, plant and equipment ($4.0 million), patent technology ($4.4 million), deferred tax asset ($6.1 million) and various other assets and liabilities (net liabilities of $2.0 million). The excess value of the business was calculated at $2.7 million, representing the value of the organization and non-identifiable intangible assets, which, in accordance with IFRS, are classified as goodwill. Property, plant and equipment are presented at historical cost. Patent technology (intellectual property rights) is valued based on the cost method and is expected to have a remaining life time of 20 years from 2004.
The accounts have been consolidated from June 2006.

Part of the purchase price was financed through warrants (share options granted) to sellers and key personnel. The value of the options has been calculated and presented as equity under share options granted until divestment of SeaBed in December 2011.

Discontinued operations
On 18 November 2011, SeaBird entered into a share purchase agreement with Fugro Norway AS concerning the sale of SeaBird's shareholding in Fugro OBN Technologies AS (former SeaBird Technologies AS) and SeaBed Navigation Company Ltd, which collectively held all of SeaBird's rights and assets related to the OBN business. On 8 December 2011, the transaction was fulfilled and the rights, title and interest in the shares were transferred from SeaBird to Fugro against the agreed consideration.

The purchase price for 100% of the shares in each of Fugro OBN Technologies AS and SeaBed Navigation Company Ltd was $125.0 million on a cash and debt free basis, payable in cash. Fugro acquired on 3 October 2011 11% of the shares in Fugro OBN Technologies AS and SeaBed Navigation Company Ltd to improve the liquidity situation of SeaBird. The purchase price paid for the 11% stake was deducted from the total purchase price for 100% of the two companies at closing.

26. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Statement of income for discontinued operations

	Year ended 31 December		
All figures in $000's	2012	2011	2010
Revenues	15,800	60,815	103,383
Charter hire and operating expenses	(8,037)	(53,078)	(63,494)
Selling, general and administrative expenses	(1,556)	(5,421)	(7,067)
Other income (expenses), net	2,367	–	–
Earnings before interest, tax, depreciation and amortization (EBITDA)	**8,574**	**2,316**	**32,822**
Depreciation and amortization	–	(12,414)	(14,485)
Impairment	–	–	–
Earnings before interest and taxes (EBIT)	**8,574**	**(10,098)**	**18,337**
Interest expense	(191)	(1,494)	(665)
Other financial items, net	–	(1,924)	(1,152)
Change in fair value of conversion rights	–	–	–
Profit/(loss) before income tax	**8,383**	**(13,516)**	**16,520**
Income tax	(765)	(4,389)	(4,869)
Profit/(loss) from discontinued operations	**7,618**	**(17,905)**	**11,651**
Gain/(loss) on sale of OBN business	(950)	46,629	–
Profit/(loss) for the period	**6,668**	**28,724**	**11,651**
PROFIT/(LOSS) ATTRIBUTABLE TO			
Shareholders of the parent	6,668	28,724	11,651
EARNINGS PER SHARE DISCONTINUED OPERATIONS			
– basic	0.20	1.54	0.73
– diluted	0.20	1.54	0.73

Statement of discontinued cash flow

All figures in $000's	2012	2011
Net cash from operating activities	18,000	5,361
Net cash from investing activities	–	(4,851)
Net cash from financing activities	(18,000)	(536)
Net cash inflow/(outflow)	**-**	**(26)**

Gain/(loss) on sale

	2012	2011
Gross proceeds	–	125,000
Working capital adjustment	–	(870)
Transaction cost	–	(2,772)
Net proceeds	**-**	**121,358**

26. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Net assets disposed:

	2012	2011
Deferred tax asset	–	13,443
Property, plant and equipment	–	50,499
Capital work in progress	–	4,214
Long term investment	–	29
Inventories	–	1,095
Trade receivables	–	69
Other current assets	–	290
Cash and cash equivalents	–	130
Trade and other payables	–	(7,107)
Due to related parties	–	5,591
Exchange on settlement	–	4
Goodwill on group level	–	2,656
Patents on group level	–	3,816
Adjustment related to buyback transaction	950	–
Net assets disposed	**950**	**74,729**
Gain/(loss) on sale	**(950)**	**46,629**

27. COMMITMENTS AND CONTINGENCIES

Except as disclosed in note 14, the company has no commitments or contingencies as of 31 December 2012 (2011: Bid and performance bonds outstanding of $2,061).

28. LEASES

Financial lease commitments:
The future aggregate minimum lease payments under non-cancellable financial leases are as follows:

	2012	2011	2010
No later than 1 year	5,092	5,106	5,092
Later than 1 year and no later than 5 years	9,890	14,981	20,087
Later than 5 years	–	–	–
Total financial lease commitments	**14,982**	**20,087**	**25,179**

Reconciliation between the future minimum lease payments at the balance sheet date and their present value:

	Minimum lease payments		Present value of minimum lease payment	
	2012	2011	2012	2011
No later than 1 year	5,092	5,106	3,851	3,465
Later than 1 year and no later than 5 years	9,890	14,981	9,305	13,156
Later than 5 years	–	–	–	–
	14,982	**20,087**	**13,156**	**16,621**

28. LEASES

	Minimum lease payments		Present value of minimum lease payment	
	2012	2011	2012	2011
Less: future finance charges	(1,826)	(3,466)	–	–
Present value of minimum lease payment	**13,156**	**16,621**	**13,156**	**16,621**

	2012	2011
Included in the consolidated financial statements as:		
– current borrowings	3,851	3,465
– non-current borrowings	9,305	13,156
	13,156	**16,621**

Operating lease commitments:
SeaBird leases various vessels and seismic equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012	2011	2010
No later than 1 year	20,053	14,978	19,257
Later than 1 year and no later than 5 years	26,469	21,924	15,749
Later than 5 years	–	–	–
Total operating lease commitments	**46,522**	**36,902**	**35,006**

Lease rentals amounting to $15,814 (2010: $20,410; 2011: $24,250) relating to operating leases are included in the income statement for the year ended 31 December 2012.

The Hawk Explorer lease has a $6.5 million purchase option with an exercise date of 31 August 2014.

Geo Pacific is chartered on a four month time charter that is intended to be converted into a three-year bareboat charter with four one-year options to extend the contract between the company and the subsidiary of Ordinat Shipping AS. Furthermore, SeaBird will also have purchase options on the vessel in year three and, to the extent the lease is extended, year four.

29. RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

I) Key management compensation

	2012	2011	2010
Salaries and other short-term employee benefits	2,309	1,969	1,780
Bonus payments	–	–	–
Post employment benefits	1,116	267	–
Total key management compensation	**3,425**	**2,236**	**1,780**

Key management is defined as Dag Reynolds (CEO from April 2012), Tim Isden (Chairman until May 2009 and CEO from November 2007 to February 2012), Alexander Holst (Legal Counsel from March 2006), Kai Solberg-Hansen (CFO from 13 March 2009 until 17 August 2011), Erik Hansen (CFO from 17 August 2011 until 13 October 2011), Thor Higraff (COO from 1 June 2009 to February 2012), Babak Jabbari (VP Operations from February 2012), Kjell Mangerøy (VP Business Development from February 2008), Graham Stark (VP HSSEQ from July 2011) and Nils Haugestad (CFO from April 2012).

II) Year - end balances

	2012	2011
Due from related parties	–	427
Due to related parties	–	–

29. RELATED-PARTY TRANSACTIONS

III) Loans to related parties
SeaBird has no loans to related parties.

IV) Commitments and contingencies to related parties
SeaBird has neither commitments nor contingencies to related parties.

V) Shareholding
Management (as defined 31 December 2012 under i) and the board, as of 31 December 2012, held the following shares on own account):

Name	Title	Shares†	Options	Total
Dag Reynolds	CEO	–	3,000,000	3,000,000
Kjell Mathiassen	Board member	1,485,500	–	1,485,500
John Olav Økland	Board member	6,945,120	–	6,945,120
Kitty Hall	Board member	40,000	–	40,000
Nils Haugestad	CFO	–	1,265,822	1,265,822
Alexander Holst	General Counsel	100	100,000	100,100
Kjell Mangerøy	VP Business Development	2,990	100,000	102,990
Babak Jabbari	VP Operations	–	100,000	100,000
Graham Stark	VP HSSEQ	–	50,000	50,000

† Direct includes shares held by spouses, dependent children or companies in which the person has such influence as referred to in the Norwegian Public Limited Liability Companies Act §1-3.

VI) Purchase of services
The company is leasing the Munin Explorer from Ordinat Shipping AS which is indirectly owned by John Olav Økland (22.8%) and the rest by the Økland family. Ordinat Shipping AS is a major shareholder and Mr. Økland is a member of the board of directors of SeaBird Exploration Plc. Ordinat Shipping AS was not a shareholder and Mr. Økland was not a board member at the commencement of the charter agreement.

The amount of charter hire paid for the Munin Explorer in 2012 was $7.2 million (2011: $7.0 million; 2010: $6.9 million).

At the end of the fourth quarter, the company chartered the 3D vessel Geo Pacific from Fugro, through a subsidiary of Ordinat Shipping AS initially on a four month time charter that is intended to be converted into a three-year bareboat charter with four one-year options to extend the contract between the company and the subsidiary of Ordinat Shipping AS. Furthermore, SeaBird will also have purchase options on the vessel in year three and, to the extent the lease is extended, year four.

All related party transactions have been entered into on an arm's length basis.

30. SUBSEQUENT EVENTS

Following the equity offering completed in November 2012, the company issued 1,500,000 new shares at a subscription price of NOK 7.50 per share. Gross proceeds from this transaction were NOK 11.3 million ($2.0 million). The transaction closed in February 2013 and was targeted towards shareholders who did not have the opportunity to participate in the private placement of 2012.

31. FINANCIAL INSTRUMENTS

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2012	2011
LOANS AND RECEIVABLES:			
Trade receivables	11	33,069	31,251
Due from related parties	29	–	427
Other current assets	12	10,213	14,750
Total loans and receivables		**43,282**	**46,428**
Cash and cash equivalents	14	14,744	13,300
Total credit risk		**58,026**	**59,728**

31. FINANCIAL INSTRUMENTS

Impairment losses

The aging of trade receivables at the reporting date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
Not past due	12,793	–	19,435	–
Past due 0–30 days	3,116	–	4,959	–
Past due 31–120 days	11,161	–	1,873	–
More than 120 days	17,212	11,213	15,978	10,994
Total	**44,282**	**11,213**	**42,245**	**10,994**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012	2011
Balance at 1 January	10,994	6,625
Impairment loss recognized (net)	219	4,369
Balance at 31 December	**11,213**	**10,994**

SeaBird has generally few and large customers; hence individual evaluations for impairment are done for all overdue receivables. There have been no further impairment losses recognized in 2012. Included within other current assets is an amount of $1.9 million held in deposit as a security for client contracts.

Liquidity Risk

Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of SeaBird's short, medium and long term funding and liquidity requirements. SeaBird manages liquidity risk by maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of available debt funding, and by continuously monitoring forecast and actual cash flows.

The table below summarized the maturity profile of SeaBird's financial liabilities at 31 December 2012 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	4,000	84,994	88,994
Capital lease obligations	–	3,851	9,305	13,156
Interest payment	–	6,642	10,147	16,789
Trade and other payables	–	27,325	–	27,325
Tax liabilities	–	14,247	–	14,247
Total financial liabilities	**-**	**56,065**	**104,446**	**160,511**

The table below summarized the maturity profile of SeaBird's financial liabilities at 31 December 2011 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	21,465	86,411	107,876
Capital lease obligations	–	3,465	13,156	16,621
Interest payment	–	4,480	19,489	23,969
Trade and other payables	–	38,374	–	38,374
Tax liabilities	–	9,420	–	9,420
Total financial liabilities	**-**	**77,204**	**119,056**	**196,260**

See note 17 and 18 for further information.

31. FINANCIAL INSTRUMENTS

Currency risk

SeaBird's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2012:

	EURO	NOK	AUD	GBP	DKK	NGN	SGD	Other†
Trade receivables	10,496	–	–	–	–	–	–	–
Trade and other payables	421	5,928	2,184	413	2,508	4,485	372	87
Gross balance sheet exposure	**10,917**	**5,928**	**2,184**	**413**	**2,508**	**4,485**	**372**	**87**

† USD equivalents

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
USD				
EURO 1	1.2873	1.3950	1.3218	1.2950
AUD 1	1.0359	1.0375	1.0374	1.0176
NOK 1	0.1720	0.1789	0.1796	0.1687
GBP 1	1.5843	1.6060	1.6168	1.5456

SeaBird operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro, AUD and GBP. Sensitivity of operating cost and revenues depends on the mix of contracts and the related cost structure and is therefore difficult to quantify.

Interest rate risk

	2012	2011
Fixed rate financial liabilities:		
SBX03	76,391	75,008
Perestroika convertible loan	12,603	11,403
Short term credit facility from Fugro	–	18,000
Total interest rate risk	**88,994**	**104,411**

In addition cash and cash equivalents of $14,744 at 31 December 2012 and $13,300 at 31 December 2011 are interest bearing assets with variable rates.

SeaBird does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and SeaBird does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

A change of 100 basis points in interest rate at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bp increase	100 bp decrease
Variable rate instruments	918	(918)

Fair value versus carrying amounts

SeaBird has reviewed the fair value of financial assets and liabilities compared to the carrying amount at 31 December 2012. In general, this evaluation shows no material difference.

32. RESTATEMENT OF COMPARATIVES

As of 1 January 2012, the company changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model, as outlined in note 2.5. Under IAS 8, this change has been retrospectively applied to prior comparative accounting periods. Management believes that this method provides more reliable and relevant information that is more easily verified and free from management judgment and impacts due to the cyclical nature of the seismic industry. As a result of the change in accounting policy, the company has made the following restatements for the comparative accounting periods:

Restatement 2011

Restatement of consolidated statement of income	FY 2011	Adjustment	Restated FY 2011
Depreciation and amortization	(32,855)	4,342	(28,513)

Restatement of other comprehensive income	FY 2011	Adjustment	Restated FY 2011
Changes in revaluation reserve	(13,373)	13,373	–

Restatement of earnings per share	FY 2011	Restated FY 2011
Basic	(6.50)	(6.22)
Diluted	(6.50)	(6.22)

Restatement 2010

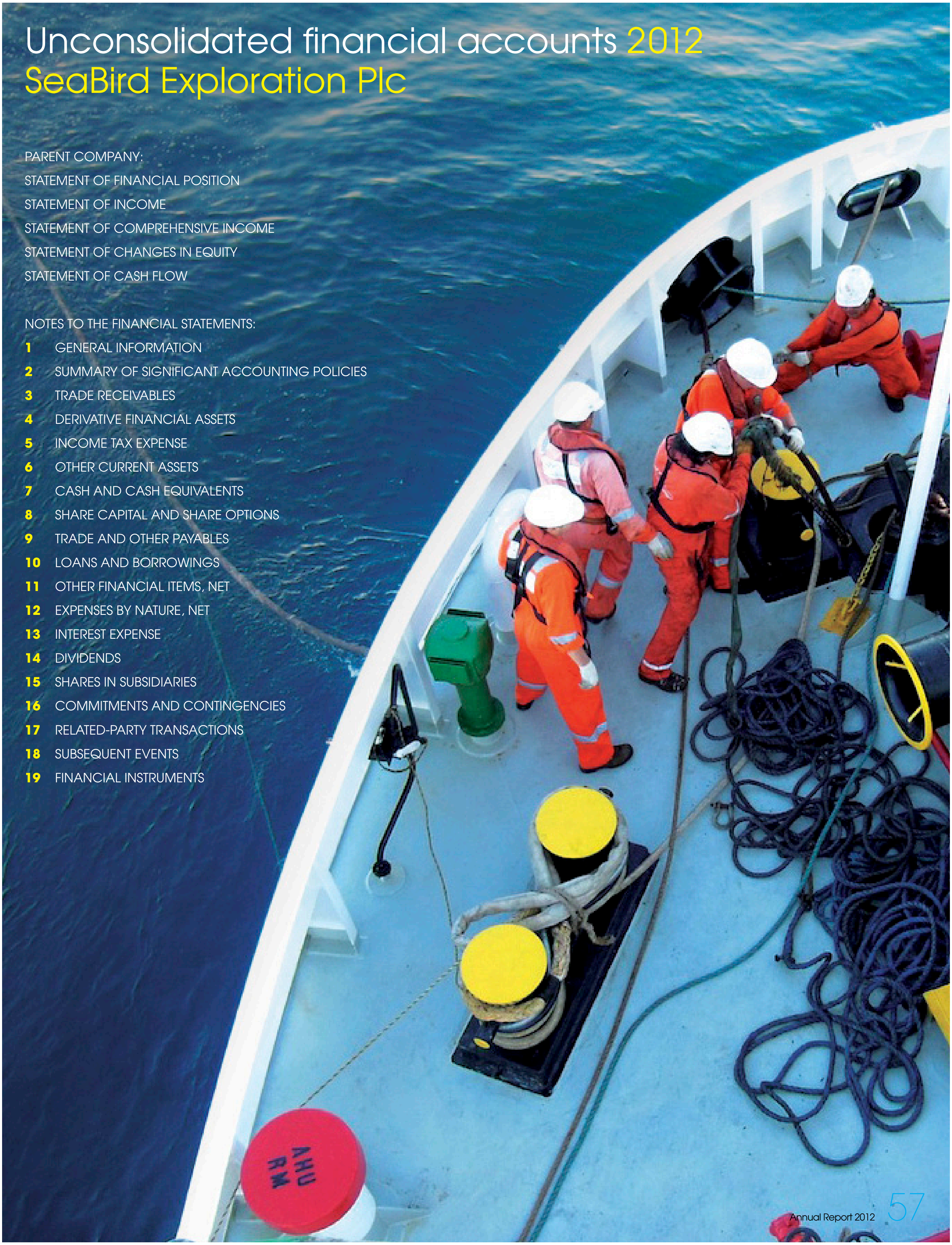
Restatement of consolidated statement of income	FY 2010	Adjustment	Restated FY 2010
Depreciation and amortization	(42,133)	5,835	(36,298)

Restatement of consolidated statement of financial position	FY 2010	Adjustment	Restated FY 2010
Property plant and equipment	276,347	(17,714)	258,633
Revaluation reserve	17,714	(17,714)	–
Total equity	**132,937**	**(17,714)**	**115,223**

Restatement of other comprehensive income	FY 2010	Adjustment	Restated FY 2010
Changes in revaluation reserve	(14,500)	14,500	–

Restatement of earnings per share	FY 2010	Restated FY 2010
Basic	(3.86)	(3.90)
Diluted	(3.86)	(3.90)

Unconsolidated financial accounts 2012
SeaBird Exploration Plc



PARENT COMPANY:

NOTES TO THE FINANCIAL STATEMENTS:

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

All figures in $000's	Note	As of 31 December 2012	2011
ASSETS			
Non-current assets			
Shares in subsidiaries	15	75,717	53,024
Total non-current assets		**75,717**	**53,024**
Current assets			
Trade receivables	3	–	1,397
Other current assets	6	26	102
Due from related parties	17	135,112	76,469
Cash and cash equivalents	7	1,549	65
Total current assets		**136,687**	**78,033**
Total Assets		**212,404**	**131,057**
EQUITY			
Shareholders equity			
Paid in capital	8	180,761	166,720
Equity component of convertible loan		6,296	6,296
Currency translation reserve		12	12
Share options granted	8	8,497	7,687
Retained earnings		(142,419)	(138,823)
Total Equity		**53,147**	**41,892**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	84,994	86,411
Other long-term liabilities		–	173
Total non-current liabilities		**84,994**	**86,584**
Current liabilities			
Trade and other payables	9	2,041	2,581
Due to related parties	17	68,222	–
Loans and borrowings	10	4,000	–
Total current liabilities		**74,263**	**2,581**
Total liabilities		**159,257**	**89,165**
Total equity and liabilities		**212,404**	**131,057**

On 18 April 2013, the board of directors of SeaBird Exploration Plc authorized these financial statements for issue.

Henrik A Christensen
Chairman

Kitty Hall
Director

Kjell H Mathiassen
Director

Melvin Teigen
Director

John Olav Økland
Director

PARENT COMPANY STATEMENT OF INCOME

		Year ended 31 December	
All figures in $000's	Note	2012	2011
Revenues		810	–
Selling, general and administrative expenses, net	12	(407)	(916)
Impairment	15,17	–	(89,959)
Earnings before interest, tax, depreciation and amortization (EBITDA)		**403**	**(90,875)**
Depreciation and amortization		–	–
Earnings before interest and taxes (EBIT)		**403**	**(90,875)**
Interest expense	13	(15,150)	(15,559)
Other financial items, net	11	12,937	13,975
Change in fair value of conversion rights	11	–	(3,014)
Income/(loss) from sale of OBN	11	–	(4,898)
Profit/(loss) before income tax		**(1,810)**	**(100,371)**
Income tax	5	(1,786)	–
Profit/(loss) for the year		**(3,596)**	**(100,371)**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
All figures in $000's	Note	2012	2011
Profit/(loss)		**(3,596)**	**(100,371)**
Other comprehensive income			
Net movement in currency translation reserve and other changes		–	–
Changes in revaluation reserve		–	–
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**(3,596)**	**(100,371)**
Total comprehensive income attributable to:			
Shareholders of the parent		(3,596)	(100,371)
Total		**(3,596)**	**(100,371)**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY						
All figures in $000's	Paid in capital	Equity component of convertible loan	Share options granted	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2011	**161,113**	**-**	**7,593**	**(47,947)**	**12**	**120,771**
Revaluation surplus	–	–	–	–	–	–
Currency translation difference	–	–	–	–	–	–
Net income/(loss) recognized directly in equity	–	–	–	–	–	–
Income for the year	–		–	(100,371)	–	(100,371)
Total recognized income/(loss) for the year	–	–	–	(100,371)	–	(100,371)
Share issue	5,607	–	–	–	–	5,607
Equity component of convertible loan	–	6,296	–	9,495	–	15,791
Share option granted/cancelled	–	–	94	–	–	94
Balance at 31 December 2011	**166,720**	**6,296**	**7,687**	**(138,823)**	**12**	**41,892**
Balance at 1 January 2012	**166,720**	**6,296**	**7,687**	**(138,823)**	**12**	**41,892**
Revaluation surplus	–	–	–	–	–	–
Currency translation difference	–	–	–	–	–	–
Net income/(loss) recognized directly in equity	–	–	–	–	–	–
Income for the year	–		–	(3,596)	–	(3,596)
Total recognized income/(loss) for the year	–	–	–	(3,596)	–	(3,596)
Share issue	14,041	–	–	–	–	14,041
Equity component of convertible loan	–	–	–	–	–	–
Share option granted/cancelled	–	–	810	–	–	810
Balance at 31 December 2012	**180,761**	**6,296**	**8,497**	**(142,419)**	**12**	**53,147**

PARENT COMPANY STATEMENT OF CASH FLOW			
		Year ended 31 December	
All figures in $000's	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(1,810)	(100,371)
Adjustments for:			
Gain on extinguishment of debt		–	(11,015)
Change in fair value of conversion rights		–	2,678
Gain/(loss) on sale of shares		–	4,898
Impairment		–	89,959
Amortization of interest		10,053	4,968
Paid income tax		–	–
Earned on employee stock option plan		810	94
(Increase)/decrease in trade and other receivables		1,473	(1,122)
(Increase)/decrease in due from related parties		(13,114)	(93,076)
Increase/(decrease) in trade and other payables		(2,499)	(3,801)
Net cash from operating activities		**(5,087)**	**(106,788)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		–	–
Shares in subsidiaries		–	125,000
Net cash used in investing activities		**-**	**125,000**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,041	5,607
Movements in borrowings		(7,470)	(40,404)
Equity component of convertible loan		–	15,791
Net movement in currency fluctuations		–	802
Net cash from financing activities		**6,571**	**(18,204)**
Net increase/(decrease) in cash and cash equivalents		**1,484**	**8**
Cash and cash equivalents at beginning of the period		**65**	**57**
Cash and cash equivalents at end of the period	**7**	**1,549**	**65**

1. GENERAL INFORMATION

Country of incorporation

The company was incorporated in British Virgin Islands as a limited liability company. The company re-domiciled to Cyprus on 18 December 2009. The primary business address of the company is 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

Principal activities

The principal activity of the company, which is unchanged from last year, is ownership of companies operating within the seismic industry, including providing financing to subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SeaBird Exploration Plc has prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies are consistent with those applied in the consolidated financial statements.

For the discussion of risk factors, financial risk management, and critical accounting estimates and judgments; please refer to note 3 and 4 of the consolidated financial statements.

Shares in subsidiaries (see Note 15) are stated at cost less any provision for impairment.

3. TRADE RECEIVABLES

	2012	2011
Trade receivables	–	1,397
Less: provision for impairment of receivables	–	–
Trade receivables – net	**-**	**1,397**

4. DERIVATIVE FINANCIAL ASSETS

SeaBird has not entered into any derivative financial instruments in the years 2009-2012.

5. INCOME TAX EXPENSE

Current tax	2012	2011
Current period	1,786	–
Adjustment for prior periods	–	–
Total current tax	**1,786**	**-**

	2012	2011
Profit/(loss) before income tax	(1,810)	(100,371)
Tax arising at the rate of 28%	(507)	(28,104)
Tax effect of tax adjustments in Norway and losses in other jurisdictions	2,293	28,104
Corporate income tax in other jurisdictions	–	–
Withholding tax in other jurisdictions	–	–
Total tax expense	**1,786**	**-**

6. OTHER CURRENT ASSETS

	2012	2011
Prepaid expenses	26	102
Total other current assets	**26**	**102**

7. CASH AND CASH EQUIVALENTS

	2012	2011
Cash at bank and in hand	**1,549**	**65**

The effective average interest rate on short-term bank deposits was $0 in 2012 (2011: $0). Cash and cash equivalents include $362 of restricted cash at 31 December 2012 (2011: $0).

8. SHARE CAPITAL AND SHARE OPTIONS

	Number of shares
At 1 January 2011	17,489,583
New shares issued in 2011	13,936,389
At 31 December 2011 Basic	31,425,972
New shares issued in 2012	11,000,000
At 31 December 2012 Basic	**42,425,972**
At 31 December 2012 Diluted	**42,425,972**

On 15 May 2012, the annual general meeting of SeaBird resolved to consolidate the shares of the company so that 10 old shares converted into 1 new share.

On 28 November 2012, the company completed a private placement of 11,000,000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 7.50 per share. Total gross proceeds from the private placement were NOK 82.5 million ($14.7 million).

SeaBird uses stock options as an incentive for key employees. On 20 February 2012, as part of his employment contract Mr. Reynolds received 3,000,000 share options at a strike price of NOK 2.50 (equalling the average share price on the trading day 6 February 2012 plus approximately 10%). The share options are exercisable 1/3 from 16 February 2013 to 16 April 2013, 1/3 from 16 February 2014 to 16 April 2014 and 1/3 from 16 February 2015 to 16 April 2015. Furthermore, on 13 August 2012 a total of 2,065,822 share options were granted to a total of 13 employees. The options have an exercise price of NOK 3.95, which represents the closing price for the SeaBird (SBX) share on the Oslo Stock Exchange the last day before the grant, 10 August 2012. 1/3 of the options granted may be exercised one year after the grant date, 1/3 of the options granted may be exercised two years after the grant date and the remaining 1/3 of the granted options may be exercised three years after the grant. All options must be exercised within 1 November 2015.

2012 Option plan	Outstanding options			Vested options	
Exercise price	Outstanding options per 31.12.2012	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2012	Weighted average exercise price
0,00 – 3,00	3,000,000	1.29	2.50	–	–
3,00 – 5,00	2,065,822	1.91	3.95	–	–
5,00 –	–	–	–	–	–
Total	**5,065,822**	**1.54**	**3.09**	**-**	**-**

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2012, is presented in equity as share options granted. Outstanding options at 31 December 2012 was 5,065,822 shares.

Share based payments effect on the profit or loss amounts to $810 for 2012 and $93 for 2011 (see note 17).

The total value of share options granted is calculated using the Black-Scholes model, assuming that all the options will be exercised. The fair value determined at the grant date is expensed over the vesting period of the options. The calculation is based on:
- expected volatility of 60%
- three year option life
- a risk free interest rate ranging from 1.35 to 1.78%
- weighted average exercise price of NOK 3.09
- no dividends are expected

The expected volatility of the options are based on the implied volatility from exchange traded options on the company's shares, the historical volatility of the share price over the most recent period that corresponds with the expected life of the option, and the historical or implied volatility of similar entities. The expected life of the option is based on the maturity date and is not necessarily indicative of exercise pattern that may occur.

The options include a service condition as the individuals participating in the plan must be employed by the company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

9. TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	123	2,544
Accrued interest expense	81	–
Accrued expenses and other payables	1,837	37
Total trade and other payables	**2,041**	**2,581**

10. LOANS AND BORROWINGS

	Effective interest rate/Maturity	2012	2011
NON-CURRENT			
Bond loan – SBX03	6%/2015	72,391	75,008
Convertible loan from Perestroika	1%/2014	12,603	11,403
Total non-current interest bearing loans and borrowings		**84,994**	**86,411**
CURRENT			
Bond loan – SBX03	6%/2015	4,000	–
Total current interest bearing loans and borrowings		**4,000**	**-**
Total interest-bearing loans and borrowings		**88,994**	**86,411**

Convertible loan from Perestroika

In September 2010, SeaBird Exploration Plc entered into an agreement for issuance of a NOK 120.0 million convertible, non-transferable loan in favour of Perestroika AS as lender with three years maturity. In March 2011, the convertible loan was renegotiated with change in currency from NOK to USD and change in maturity date to September 2014. Part of the convertible loan was redeemed as part of the financial restructuring carried out in 2011, see section Bond loan – SBX03 below. Current principal outstanding is $14.9 million. After the partial redemption, the Perestroika convertible loan continues under the same terms as before the debt restructuring. The convertible loan is convertible into common shares at a conversion price of $5.99 per share.

Bond loan - SBX03

In connection with the divestment of the OBN business, a financial restructuring of SeaBird's debt took place in December 2011, whereby the outstanding secured creditors, Standard Chartered Bank and Sparebanken 1 SMN/Glitnir, were repaid in full. The bond loans SBX01 and SBX02, the PGS convertible loan and the Perestroika convertible loan were repaid with approximately 31.4% for each of the mentioned facilities. The remaining balance of the bonds SBX01, SBX02 and PGS convertible loan were merged into a new senior secured bond loan (with inter alia 1st priority pledge in the vessels Northern Explorer, Osprey Explorer, Harrier Explorer and Aquila Explorer), SBX03, at an interest rate of 6% p.a. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million starting 19 December 2012, with a balloon repayment at maturity of $77.9 million.
On issuance of the bond, the fair value was determined using a market rate for an equivalent bond; and classified as a financial liability measured at amortized cost until it is extinguished on redemption.

11. OTHER FINANCIAL ITEMS, NET

	2012	2011
Intercompany borrowings	12,972	11,319
Net foreign exchange gain/(loss)	(37)	(287)
Other financial income/(expense)	2	2,943
Change in fair value of conversion rights	–	(3,014)
Income/(loss) from sale of OBN	–	(4,898)
Total other financial items	**12,937**	**6,063**

12. EXPENSES BY NATURE, NET

	2012	2011
Staff cost and directors' remuneration	713	746
Share option expense	810	93
Legal and professional	846	230
Expenses recharged to group companies	(1,984)	(175)
Other expenses	22	22
Total selling, general and administrative expenses, net	**407**	**916**

There have been a number of reclassifications to comparative figures to ensure consistency with the current period.

13. INTEREST EXPENSE

	2012	2011
Interest on bank borrowings, bond loans and leases	10,168	15,559
Interest on intercompany borrowings	4,982	–
Total interest expense	**15,150**	**15,559**

14. DIVIDENDS

No dividend was distributed for 2010 and 2011 and no dividend will be distributed for the year ended 31 December 2012.

15. SHARES IN SUBSIDIARIES

Company	Country of incorporation	Shareholding and voting rights
Arna Shipping Ltd	Cyprus	100%
Munin Navigation Company Ltd	Cyprus	100%
Harrier Navigation Company Ltd	Cyprus	100%
Sana Navigation Company Ltd	Cyprus	100%
Hawk Navigation Company Ltd	Cyprus	100%
Osprey Navigation Co. Inc	Cyprus	100%
Aquila Explorer Inc	Cyprus	100%
Raven Navigation Company Ltd	Cyprus	100%
Silver Queen Maritime Ltd	Malta	100%
Seaship Holding Services Ltd	Cyprus	100%
SeaBird Exploration FZ-LLC	Dubai	100%
Baruka Management Ltd	Cyprus	100%
SeaBird Exploration Norway AS	Norway	100%
GeoBird Management AS	Norway	100%
SeaBird Exploration Americas Inc	USA	100%
Oreo Navigation Company Ltd	Cyprus	100%
SeaBed Navigation Company Ltd	Cyprus	100%
SeaBird Exploration Asia Pacific PTE. Ltd.	Singapore	100%
GeoBird Management M.E. FZ-LLC	Dubai	100%

15. SHARES IN SUBSIDIARIES

Impairment of shares in subsidiaries:

	2012	2011
Arna Shipping Ltd	–	2
Munin Navigation Company Ltd	–	2,702
Harrier Navigation Company Ltd	–	–
Sana Navigation Company Ltd	–	–
Hawk Navigation Company Ltd	–	13,002
Osprey Navigation Co. Inc	–	10
Aquila Explorer Inc	–	10
Raven Navigation Company Ltd	–	379
Silver Queen Maritime Ltd	–	–
Seaship Holding Services Ltd	–	50
SeaBird Exploration FZ-LLC	–	–
Baruka Management Ltd	–	–
SeaBird Exploration Norway AS	–	171
GeoBird Management AS	–	–
SeaBird Exploration Americas Inc	–	–
Oreo Navigation Company Ltd	–	–
SeaBed Navigation Company Ltd	–	–
SeaBird Exploration Asia Pacific PTE. Ltd.	–	–
GeoBird Management M.E. FZ-LLC	–	1,073
Total impairment	**-**	**17,399**

16. COMMITMENTS AND CONTINGENCIES

Except as disclosed in note 7, the company has no commitments or contingencies as of 31 December 2012 ($0 in 2011)

17. RELATED - PARTY TRANSACTIONS

I) Purchase of services and expenses recharged to group companies
Expenses amounting to $1,984 were recharged to group companies during 2012 (2011: $175).

II) Key management personnel compensation

	2012	2011
Salaries and other short-term employee benefits	407	745
Share options expense for employees	810	93
Post employment benefits	165	–
	1,382	**838**

17. RELATED - PARTY TRANSACTIONS

III) Loans to related parties

	2012	2011
Loans to companies within SeaBird Group:		
At beginning of year	76,469	102,150
Additional loans/(loans repaid during year)	118,231	35,560
Interest charged	12,972	11,319
Impairment of group receivables	(72,560)	(72,560)
At end of year	**135,112**	**76,469**

The above loan is provided at 6.3% weighted average interest rate (8.8% in 2011) interest rate and is repayable on demand.

IV) Loans from related parties

	2012	2011
Loans from companies within SeaBird Group:		
At beginning of year	–	–
Additional loans/(loans repaid during year)	63,240	–
Interest charged	4,982	–
At end of year	**68,222**	**-**

The above loan is provided at 6.3% weighted average interest rate (8.8% in 2011) interest rate and is repayable on demand.

V) Commitments and contingencies

The company has neither commitments nor contingencies to related parties.

VI) Shareholding

Management and the board, as of 31 December 2012, held the following shares on own account.

Name	Title	Shares†	Options	Total
Dag Reynolds	CEO	–	3,000,000	3,000,000
Kjell Mathiassen	Board member	1,485,500	–	1,485,500
John Olav Økland	Board member	6,945,120	–	6,945,120
Kitty Hall	Board member	40,000	–	40,000
Nils Haugestad	CFO	–	1,265,822	1,265,822
Alexander Holst	General Counsel	100	100,000	100,100
Kjell Mangerøy	VP Business Development	2,990	100,000	102,990
Babak Jabbari	VP Operations	–	100,000	100,000
Graham Stark	VP HSSEQ	–	50,000	50,000

† Direct includes shares held by spouses, dependent children or companies in which the person has such influence as referred to in the Norwegian Public Limited Liability Companies Act §1-3.

18. SUBSEQUENT EVENTS

Following the equity offering completed in November 2012, the company issued 1,500,000 new shares at a subscription price of NOK 7.50 per share. Gross proceeds from this transaction were NOK 11.3 million ($2.0 million). The transaction closed in February 2013 and was targeted towards shareholders who did not have the opportunity to participate in the private placement of 2012.

19. FINANCIAL INSTRUMENTS

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2012	2011
Loans and receivables:			
Due from related parties	17	135,112	76,469
Trade receivables	3	–	1,397
Other current assets	6	26	102
Total loans and receivables		**135,138**	**77,968**
Cash and cash equivalents	7	1,549	65
Total credit risk		**136,687**	**78,033**

Liquidity risk
Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity requirements. The company manages liquidity risk by maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of available debt funding, and by continuously monitoring forecast and actual cash flows.

The table below summarized the maturity profile of the company's financial liabilities at 31 December 2012 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	4,000	84,994	88,994
Capital lease obligations	–	–	–	–
Interest payment	–	5,412	9,552	14,964
Trade and other payables	–	2,041	–	2,041
Total financial liabilities	**-**	**11,453**	**94,546**	**105,999**

The table below summarized the maturity profile of the company's financial liabilities at 31 December 2011 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	–	86,411	86,411
Capital lease obligations	–	–	–	–
Interest payment	–	–	–	–
Trade and other payables	–	2,544	–	2,544
Total financial liabilities	**-**	**2,544**	**86,411**	**88,955**

19. FINANCIAL INSTRUMENTS

Currency risk

The company's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2012:

	EURO	NOK	GBP	Other†
Trade receivables	–	–	–	–
Trade and other payables	26	506	1	–
Gross balance sheet exposure	**26**	**506**	**1**	**-**

† USD equivalents

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
USD				
EURO 1	1.287	1.395	1.322	1.295
AUD 1	1.036	1.038	1.037	1.018
NOK 1	0.172	0.179	0.180	0.169
GBP 1	1.584	1.606	1.617	1.546

The company and its subsidiaries operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro and GBP.

Interest rate risk	2012	2011
Fixed rate financial liabilities:		
SBX03	76,391	75,008
Perestroika convertible loan	12,603	11,403
Total interest rate risk	**88,994**	**86,411**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

A change of 100 basis points in interest rate at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bp increase	100 bp decrease
Variable rate instruments	876	(876)

Fair value versus carrying amounts

The company has reviewed the fair value of financial assets and liabilities compared to carrying amount at 31 December 2012. In general, this evaluation shows no material difference.

T +357 22495707
F +357 22495717
info@bdo.com.cy

Antonis Zenios Tower
1 Erehthiou Street, Engomi
POBox 25277 Nicosia 2413
Cyprus
www.bdo.com.cy

Independent auditor's report

To the members of SeaBird Exploration Plc

Report on the consolidated financial statements and the separate financial statements of SeaBird Exploration Plc

We have audited the accompanying consolidated financial statements of SeaBird Exploration Plc and its subsidiaries ("the group"), and the separate financial statements of SeaBird Exploration Plc ("the company"), which comprise the consolidated statement of financial position and the statement of financial position of the company as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows, and the statements of comprehensive income, changes in equity and cash flows of the company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements
The board of directors is responsible for the preparation of consolidated and separate financial statements of the company that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated and separate financial statements of the company based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the company.
- The consolidated and the separate financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated and the separate financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the board of directors is consistent with the consolidated and the separate financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said directive, and it forms a special part of the report of the board of directors.

Other matter

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Terence Kiely
Certified Public Accountant and Registered Auditor, for and on behalf of

BDO Ltd
Certified Public Accountants (CY) and Registered Auditors
Nicosia, Cyprus
18 April 2013

Statement of directors and other responsible persons

Statement of the members of the board of directors and other responsible persons of the company for the financial statements

In accordance with Article 9, sections (3) (C) and (7) of the Transparency Requirements (Securities for Trading on regulated Market) Law of 2007 of the Republic of Cyprus ("Law"), we the members of the board of directors and the other responsible persons for the consolidated financial statements of SeaBird Exploration Plc for the year ended 31 December 2012 confirm that, to the best of our knowledge:

(A) the accompanying annual consolidated financial statements:

- (I) were prepared in accordance with the International Financial Reporting Standards, and in accordance with the provisions of Article 9, section (4) of the Law, and
- (II) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of SeaBird Exploration Plc and the businesses that are included in the consolidated accounts as a total, and

(B) the directors' report gives a fair review of the developments and the performance of the business as well as the financial position of SeaBird Exploration Plc and the businesses that are included in the consolidated accounts as a total, together with a description of the principal risks and uncertainties that they are facing.

Members of board of directors:

Henrik A Christensen Chairman

Melvin Teigen Director

John Olav Økland Director

Kitty Hall Director

Kjell H Mathiassen Director

Management:

Dag Reynolds Chief Executive Officer

Nils Haugestad Chief Financial Officer

18 April 2013

Designed and produced by www.tothepoint.co.uk

CYPRUS – HEAD OFFICE
World Trade Center
Ariadne House 1st floor
333, 28th October Street
3106 Limassol
Cyprus

Tel: +357 2581 4416
Fax: +357 2581 4420

UNITED ARAB EMIRATES
Al Shatha Tower
Dubai Media City
PO Box 500549
Dubai
United Arab Emirates

Tel: +971 4 427 1700
Fax: +971 4 429 0644

NORWAY
Cort Adelers gate 16
N-0254 Oslo

PO Box 1302 Vika
N-0112 Oslo
Norway

Tel: +47 2240 2700
Fax: +47 2240 2701

UNITED STATES
1155 Dairy Ashford
Suite 206
Houston, TX 77079
USA

Tel: + 1 281 556 1666
Fax: +1 281 556 5315

SINGAPORE
1 Fullerton Road
#02-01 One Fullerton
Singapore 049213

Tel: +65 6832 5593
Fax: +65 6725 0949

WWW.SBEXP.COM

SeaBird Exploration