# First Quarter Report 2013

Q1 2013

SeaBird Exploration

# 2013 Summary observations for the first quarter

- Revenues for the quarter were $48.6 million, an increase of 42% compared to the comparable period in 2012 and up 39% relative to Q4 2012.
- Contract revenues for the period were $48.5 million, up 92% from Q1 2012 and up 41% from Q4 2012.
- Multi-client revenues were $0.1 million, a decrease of 99% from $9.1 million reported in Q1 2012 and a decrease of 75% from $0.4 million reported in Q4 2012.
- EBITDA was $11.1 million compared to $2.9 million for Q1 2012 and $6.8 million for Q4 2012.
- EBITDA adjusted for operating expenses relating to the Geo Pacific would have been approximately $16.0 million.
- EBIT for the quarter was $5.1 million compared to negative $8.7 million for Q1 2012 and $0.9 million for Q4 2012.
- The company completed the private placement repair issue of 1,500,000 new shares; total gross proceeds of NOK 11.3 million ($2.0 million).
- The multi-streamer 3D vessel Geo Pacific was successfully upgraded and performed sea trials during the quarter. SeaBird announced Geo Pacific's first contract in the Caribbean, which will commence in Q2 2013.
- Available vessel utilization for the period was 88%.

**39%**
increase in revenues from Q4 2012

Adjusted EBITDA for the period of
**$16.0 million**

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41%
increase in contract revenues from the prior period

Announcement of Geo Pacific's first contract

88%
vessel utilization

# Highlights for the first quarter

## Operational review

Continued strength throughout the operation resulted in a solid first quarter for SeaBird, that included substantial start-up costs associated with the chartering of the Geo Pacific and that normally is affected by seasonal weakness. Day rates remained firm and utilization was robust. Demand from seismic companies was strong but we also continue to see solid demand from oil companies.

During the quarter, the Geo Pacific was dry-docked and upgraded for increased power output and modified to reduce drag. The vessel performed successful sea trials with increased speed in preparation of the announced contract in the Caribbean commencing in Q2 2013. The EBITDA contribution from the Geo Pacific was negative $4.9 million for the quarter as the vessel was being prepared for its initial contract. We have seen healthy market interest for the vessel to date and are looking at a number of follow-on contract options in Central America, North-West Europe and Africa after the initial contract in the Caribbean is completed. Demand in the niche 3D seismic market has remained firm and the Voyager Explorer together with the Geo Pacific will continue to service this market.

Multi-client sales were minimal during the quarter. The limited size of the company's multi-client portfolio is likely to result in significant fluctuation in multi-client sales going forward. The company is committed to selectively increase its investment in multi-client surveys to better balance supply and demand in the contract market as well as to capitalize on multi-client investment opportunities with attractive risk reward characteristics. During the quarter, SeaBird recommenced a 2D multi-client survey covering approximately 3,000 km offshore Barbados in co-operation with MultiClient Geophysical ASA, which is the final part of a survey started in 2012. SeaBird also recently announced a new 2D multi-client project offshore Namibia in partnership with GeoPartners Ltd. This acquisition program is approximately 4,700 km and will commence in Q2 2013. Additionally, SeaBird is in partner discussions on several new multi-client projects.

During the quarter, we saw continued demand in the source market. The company is currently bidding for several new short-term contracts for 2013 and expects interest in this segment to increase going forward. The source market continues to be a key focus for SeaBird and a natural extension of the company's core business. In addition to being a natural fit with SeaBird's fleet, the source market also improves the company's ability to further optimize crew, vessel and seismic equipment utilization.

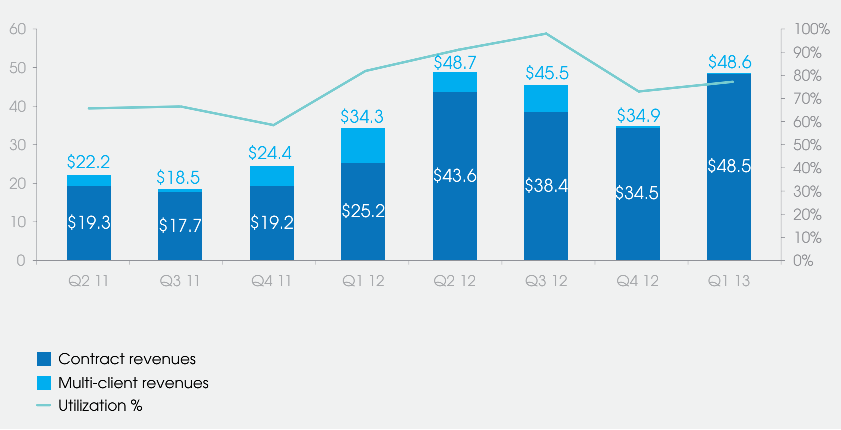
First quarter vessel utilization for the available fleet was 88%. This excludes the Geo Pacific which was being upgraded during the period as well as the Kondor Explorer which is in dry dock. The reported utilization is a significant increase compared to the same period in 2012 as well as the prior period. During the first quarter, the company also completed two dockings for engine overhauls.

From an operational viewpoint, technical downtime was less than 4% during the quarter. This is below industry norms and in spite of a number of vessels operating within challenging environments. The 3D campaigns in Australia and New Zealand were particularly successful in terms of both client satisfaction and a technical downtime of less than 2%.

The organization has been further strengthened in Q1 2013 with the addition of experienced 3D sales, operations and offshore employees, supporting the expansion of SeaBird's fleet and position in the niche 3D market.

SeaBird delivered another quarter of solid health, safety, security, environment and quality (HSSEQ) results. The company's lost time injury frequency (LTIF) rate was zero for Q1 2013 and confirms the high level of HSSEQ culture and system implementation within the company. Our continued focus on improving best practices not only resulted in industry-leading safety results but also delivered best-in-class performance. Reported client satisfaction has been strong, with notable commendations from major customers. During the quarter, SeaBird commenced an effort to analyze past performance with an intention to further improve the HSSEQ processes and defining 2013 HSSEQ targets.

**Revenues continuing operations**
(USD millions)



# Highlights for the first quarter

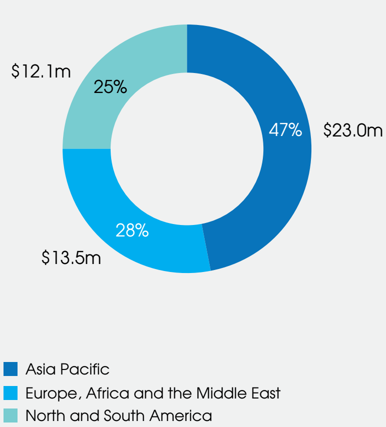
## Regional overview

In the first quarter, geographic revenues were strong across all our operating regions – Europe, Africa and Middle East (EAME), North and South America (NSA) and Asia Pacific (APAC). The North Sea seasonal weakness kept EAME revenues at a moderate level, while revenues in the APAC region increased further compared with Q4 2012 as a result of attractive day rates and high utilization.

Sales in EAME of $13.5 million accounted for 28% of total revenues. The level of revenues was higher than Q4 2012, but still lower compared to prior periods as a result of the North Sea seasonal effect. During the quarter, SeaBird completed a long-offset 2D survey off the coast of South Africa. Another South African survey has been extended and will keep the company active in the area for the main part of Q2 2013. The company also commenced a 2D survey in West Africa.

NSA sales of $12.1 million represented 25% of total revenues. The majority of revenues earned in this region were derived from two long-term 2D contracts in South America. During the quarter, the company negotiated an early termination of the current contract on the Harrier Explorer and subsequently contracted the vessel to a multi-client survey in the region.

**Revenue by region**
(USD millions)




Sales in APAC of $23.0 million accounted for 47% of total revenues. A significant portion of these revenues are attributable to SeaBird's 3D multi-contract campaign for several New Zealand and Australian oil companies. Moreover, we continued with a large 2D survey in Australia which we commenced in 2012. Additionally, we performed a short-term source vessel contract in the region during the period.

## Outlook

Market demand was strong in the first quarter and we continue to see solid activity in both the 2D and niche 3D seismic markets. We expect the current market environment to remain through 2013 and we see demand staying strong in all of our operating regions. The client mix of oil companies together with seismic companies is expected to continue. SeaBird's HSSEQ accreditations and systems ensure that the company is qualified to work for all industry participants.

Day rates have remained strong through the first quarter and we see no signs of this abating. We would expect rates to stay at current levels and possibly increase to the extent vessel availability remains constrained.

Backlog is expected to stay relatively stable. However, given the short-term nature of many of our contracts, we may see fluctuations in backlog from time to time. Moreover, while we complete work under existing long-term contracts, backlog under these agreements will be reducing, but may subsequently be replaced with new agreements at the end of the contract period.

We expect to commence additional work in the multi-client space and we will generally be doing this in cooperation with one or more partners.

The source market demand is continuing to show positive developments. Day rates are attractive albeit contract terms are still relatively short.

# Financial review

## Key financial figures

| KEY FIGURES – CONTINUING OPERATIONS | Quarter ended 31 March | | Year ended 31 December |
|---|---|---|---|
| All figures in USD 000's (except for EPS) | 2013 | 2012 | 2012 |
| | | | |
| Revenues | 48,571 | 34,251 | 163,331 |
| EBITDA | 11,119 | 2,859 | 38,559 |
| EBIT | 5,075 | (8,696) | 4,151 |
| Profit/(loss) | 1,466 | (12,506) | (18,183) |
| Earnings per share (diluted) | 0.04 | (0.06) | (0.56) |
| | | | |
| Cash flow operating activities | 7,889 | 5,509 | 19,905 |
| Capital expenditures | (6,779) | (1,257) | (15,008) |
| | | | |
| Total assets | 213,366 | 197,402 | 197,371 |
| Net interest bearing debt | 85,936 | 90,933 | 87,406 |
| Equity ratio | 26.2% | 21.4% | 26.8% |

Note: all figures are from continuing operations. See note 1 for discontinued operations.

# Financial review

## Financial comparison

All figures below relate to continuing operations unless otherwise stated. For discontinued operations, see note 1.

The company reports a profit of $1.5 million for the first quarter 2013 (loss of $12.5 million same period in 2012).

Revenues were $48.6 million in Q1 2013 ($34.3 million). The increased revenues are mainly due to increased contract day rates and higher fleet utilization, offset by lower multi-client revenues.

Cost of sales was $33.1 million in Q1 2013 ($27.2 million). The increase is primarily due to the chartering of the Geo Pacific and the higher operating costs associated with surveys in the Australasian region relative to other regions. The cost increase was offset by MCG multi-client prefunding of the Barbados survey ($1.2 million).

SG&A was $4.6 million in Q1 2013, down from $4.9 million in Q1 2012. The decrease is principally due to the organizational restructure and cost savings initiative implemented during 2012. As part of an ongoing tax review, the company has evaluated it tax domicile and structure. During the quarter, $0.3 million of consultancy costs related to this exercise have been recognized as selling, general and administrative expenses.

EBITDA was $11.1 million in Q1 2013 ($2.9 million).

Depreciation and amortization were $6.0 million in Q1 2013 ($11.6 million). The decrease is predominantly due to lower multi-client sales amortization for the period.

Interest expense was $3.0 million in Q1 2013 ($3.1 million).

Other financial items, net expense, of negative $0.1 million in Q1 2013 (loss of $0.4 million). The change is mainly due to currency fluctuations.

Income tax expense was $0.6 million in Q1 2013 (expense of $0.3 million). The increase is mainly due to increased profits for subsidiaries required to file within the Norwegian tax jurisdiction.

Capital expenditures were $6.8 million in Q1 2013 ($1.3 million). Major capital cost items for the quarter included the docking and upgrade of the Geo Pacific, engine overhauls for the Voyager Explorer and Hawk Explorer and purchasing of seismic equipment across the fleet.

Multi-client investment was $0.2 million for the quarter ($3.0 million), which is related to the 2D Barbados multi-client survey.

Net loss from discontinued operations was $0.5 million for Q1 2013 (gain of $5.3 million). Discontinued operations represent the remaining contractual obligations of the ocean bottom node (OBN) business which was divested in Q4 2011.

## Liquidity and financing

Cash and cash equivalents at the end of the period were $16.5 million ($13.7 million), of which $2.8 million was restricted in connection with bank guarantees, deposits and the bond service account. Net cash from operating activities was positive $7.9 million in Q1 2013 (positive $5.5 million).

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.

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 $77.2 million per Q1 2013. 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 $12.9 million per Q1 2013. The convertible loan matures 30 September 2014 and has no principal amortization. Interest on the convertible loan is paid annually. No interest was paid during Q1 2013 in relation to the convertible loan.

- The lease of Hawk Explorer is recognized in the books as a finance lease at $12.2 million per Q1 2013. Installments of $0.9 million against the Hawk lease principal and $0.4 million against the interest portion were paid during Q1 2013 ($0.8 million and $0.4 million in 2012, respectively).

Net interest-bearing debt was $85.9 million at the end of Q1 2013 ($90.9 million).

Accrued interest for Q1 2013 was $1.4 million (Nil).

The company was in compliance with all covenants as of 31 March 2013.

**The Board of Directors and Chief Executive Officer**
SeaBird Exploration Plc
2 May 2013

# Financial review

| CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION | | | |
|---|---|---|---|
| | As of 31 March | | As of 31 December |
| All figures in USD 000's | 2013 | 2012 | 2012 |
| | (Unaudited) | (Unaudited) | (Audited) |
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 132,338 | 133,083 | 130,774 |
| Multi-client library | 2,733 | 12,868 | 3,384 |
| Goodwill | 1,267 | 1,267 | 1,267 |
| | **136,338** | **147,218** | **135,425** |
| **Current assets** | | | |
| Inventories | 5,690 | 5,248 | 3,920 |
| Trade receivables | 44,800 | 20,620 | 33,069 |
| Other current assets | 10,066 | 10,591 | 10,213 |
| Cash and cash equivalents | 16,472 | 13,725 | 14,744 |
| | **77,028** | **50,184** | **61,946** |
| **Total assets** | **213,366** | **197,402** | **197,371** |
| EQUITY | | | |
| **Shareholders' equity** | | | |
| Paid in capital | 182,645 | 166,720 | 180,761 |
| Equity component of convertible loan | 6,296 | 6,296 | 6,296 |
| Currency translation reserve | (354) | (178) | (180) |
| Share options granted | 8,794 | 7,764 | 8,495 |
| Retained earnings | (141,577) | (138,310) | (142,571) |
| | **55,804** | **42,292** | **52,801** |
| LIABILITIES | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 94,453 | 101,108 | 94,299 |
| Provision for end of service benefit | 921 | 1,141 | 848 |
| | **95,374** | **102,249** | **95,147** |
| **Current liabilities** | | | |
| Trade and other payables | 39,246 | 41,584 | 27,325 |
| Loans and borrowings | 7,955 | 3,550 | 7,851 |
| Tax liabilities | 14,987 | 7,727 | 14,247 |
| | **62,188** | **52,861** | **49,423** |
| **Total liabilities** | **157,562** | **155,110** | **144,570** |
| **Total equity and liabilities** | **213,366** | **197,402** | **197,371** |

| CONSOLIDATED INTERIM STATEMENT OF INCOME | | | |
|---|---|---|---|
| | Quarter ended 31 March | | Year ended 31 December |
| All figures in USD 000's | 2013 | 2012 | 2012 |
| | (Unaudited) | (Unaudited) | (Audited) |
| Revenues | 48,571 | 34,251 | 163,331 |
| Cost of sales | (33,058) | (27,173) | (103,711) |
| Cost of multi-client sales | – | – | (5,056) |
| Selling, general and administrative expenses | (4,616) | (4,892) | (16,843) |
| Other income (expenses), net | 222 | 673 | 838 |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **11,119** | **2,859** | **38,559** |
| Depreciation and amortization | (6,044) | (11,555) | (34,408) |
| Impairment | – | – | – |
| **Earnings before interest and taxes (EBIT)** | **5,075** | **(8,696)** | **4,151** |
| Interest expense | (2,950) | (3,081) | (12,391) |
| Other financial items, net | (98) | (444) | (1,072) |
| Change in fair value of conversion rights | – | – | – |
| **Profit/(loss) before income tax** | **2,027** | **(12,222)** | **(9,312)** |
| Income tax | (561) | (284) | (8,871) |
| **Profit/(loss) continuing operations** | **1,466** | **(12,506)** | **(18,183)** |
| Net profit/(loss) discontinued operations (note 1) | (472) | 5,254 | 6,668 |
| **Profit/(loss) for the period** | **994** | **(7,252)** | **(11,515)** |
| | | | |
| **Profit/(loss) attributable to** | | | |
| Shareholders of the parent | 994 | (7,252) | (11,515) |
| **Earnings per share** | | | |
| Basic | 0.03 | (0.03) | (0.36) |
| Diluted | 0.03 | (0.03) | (0.36) |
| **Earnings per share from continued operations** | | | |
| Basic | 0.04 | (0.06) | (0.56) |
| Diluted | 0.04 | (0.06) | (0.56) |

**CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

| All figures in USD 000's | Quarter ended 31 March 2013 (Unaudited) | Quarter ended 31 March 2012 (Unaudited) | Year ended 31 December 2012 (Audited) |
|---|---|---|---|
| **Profit/(loss)** | **994** | **(7,252)** | **(11,515)** |
| OTHER COMPREHENSIVE INCOME | | | |
| Net movement in currency translation reserve and other changes | 125 | 32 | 32 |
| **Total other comprehensive income, net of tax** | **125** | **32** | **32** |
| **Total comprehensive income** | **1,119** | **(7,220)** | **(11,483)** |
| Total comprehensive income attributable to | | | |
| Shareholders of the parent | 1,119 | (7,220) | (11,483) |
| **Total** | **1,119** | **(7,220)** | **(11,483)** |

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

| All figures in USD 000's | Quarter ended 31 March 2013 (Unaudited) | Quarter ended 31 March 2012 (Unaudited) | Year ended 31 December 2012 (Audited) |
|---|---|---|---|
| **Opening balance** | **52,801** | **49,302** | **49,302** |
| Profit/(loss) for the period | 994 | (7,252) | (11,515) |
| Increase/(decrease) in share capital | 1,884 | – | 14,041 |
| Share options granted | 299 | 210 | 941 |
| Net movements in currency translation reserve and other changes | (174) | 32 | 32 |
| **Ending balance** | **55,804** | **42,292** | **52,801** |

| CONSOLIDATED INTERIM STATEMENT OF CASH FLOW | | | |
|---|---|---|---|
| | Quarter ended 31 March | | Year ended 31 December |
| All figures in USD 000's | 2013 | 2012 | 2012 |
| | (Unaudited) | (Unaudited) | (Audited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before income tax | 2,027 | (12,222) | (9,312) |
| Adjustments for | | | |
| Depreciation, amortization and impairment | 6,044 | 11,555 | 34,296 |
| Unrealized exchange (gain)/loss | (89) | 86 | 419 |
| Amortization of interest | 2,525 | 2,451 | 10,053 |
| Paid income tax | – | (21) | (1,067) |
| Earned on employee stock option plan | 299 | 210 | 941 |
| (Increase)/decrease in inventories | (1,770) | 186 | (335) |
| (Increase)/decrease in trade and other receivables | (10,920) | 2,705 | (6,404) |
| (Increase)/ decrease in due from related parties | – | 427 | 427 |
| Increase/(decrease) in trade and other payables | 9,773 | 132 | (9,113) |
| **Net cash from operating activities** | **7,889** | **5,509** | **19,905** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditures | (6,779) | (1,257) | (15,008) |
| Multi-client investment | (178) | (3,033) | (6,556) |
| **Net cash used in investing activities** | **(6,957)** | **(4,290)** | **(21,564)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of ordinary shares | 1,884 | – | 14,041 |
| Receipts from borrowings | – | – | – |
| Repayment of borrowings | (912) | (826) | (5,464) |
| Interest paid | – | – | (5,505) |
| Net movement in currency fluctuations | (176) | 32 | 31 |
| **Net cash from financing activities** | **796** | **(794)** | **3,103** |
| **Net (decrease)/increase in cash and cash equivalents** | **1,728** | **425** | **1,444** |
| **Cash and cash equivalents at beginning of the period** | **14,744** | **13,300** | **13,300** |
| **Cash and cash equivalents discontinued operations** | **-** | **-** | **-** |
| **Cash and cash equivalents at end of the period** | **16,472** | **13,725** | **14,744** |

| NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS | | | |
|---|---|---|---|
| | Quarter ended 31 March | | Year ended 31 December |
| All figures in USD 000's | 2013 | 2012 | 2012 |
| | (Unaudited) | (Unaudited) | (Audited) |
| Revenues | 575 | 13,449 | 15,800 |
| Cost of sales | (714) | (6,187) | (8,037) |
| Selling, general and administrative expenses | (63) | (1,201) | (1,556) |
| Other income (expenses), net | 92 | – | 2,367 |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **(110)** | **6,061** | **8,574** |
| Depreciation and amortization | – | – | – |
| Impairment | – | – | – |
| **Earnings before interest and taxes (EBIT)** | **(110)** | **6,061** | **8,574** |
| Interest expense | – | (190) | (191) |
| Other financial items, net | – | – | – |
| **Profit/(loss) before income tax** | **(110)** | **5,871** | **8,383** |
| Income tax | (362) | (617) | (765) |
| **Profit/(loss) discontinuing operations** | **(472)** | **5,254** | **7,618** |
| Gain/(loss) on sale of OBN business | – | – | (950) |
| **Net profit/(loss) from discontinued operations** | (472) | 5,254 | 6,668 |
| | | | |
| **Profit/(loss) attributable to** | | | |
| Shareholders of the parent | (472) | 5,254 | 6,668 |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# Selected notes and disclosures

SeaBird Exploration Plc is a limited liability company. The company's address is World Trade Centre, Ariadne House, 1st floor, 333, 28th October Street, 3106, Limassol, Cyprus. The company also has offices in Dubai (United Arab Emirates), Oslo (Norway), Houston (USA), Singapore and St Petersburg (Russia). The company is listed on the Oslo Stock Exchange under the ticker symbol "SBX".

## Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Oslo Stock Exchange.
The condensed interim consolidated financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012. The consolidated financial statements for the year ended 31 December 2012 and quarterly reports are available at www.sbexp.com. The financial statements as of Q1 2013, as approved by the Board of Directors 2 May 2013, are unaudited.

## Significant accounting principles

The accounting policies used for preparation of the condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for 2012 unless otherwise stated.

## Risk factors

The information in this report may constitute forward-looking statements. These statements are based on various assumptions made by the company, many of which are beyond its control and all of which are subject to risks and uncertainties. Risk factors include but are not limited to the demand for our seismic services, the high level of competition in the 2D/3D market, changes in governmental regulations, adverse weather conditions, and currency and commodity price fluctuations. For further description of relevant risk factors, we refer to the Annual Report 2012. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

## Segment information

All seismic vessels and operations are conducted and monitored within the company as one business segment.

## Property, plant and equipment

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. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognized as a separate asset, if 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. Costs of all repairs and maintenance are expensed as incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

Depreciation for Q1 2013 was $5.1 million ($4.1 million).

## Multi-client library

Costs directly incurred in acquiring, processing and otherwise completing multi-client seismic surveys are capitalized to the multi-client library in the period in which they are incurred.

The multi-client library is amortized over a maximum period of three years. The amortization charge for a particular project is increased by a percentage of any sales achieved in the period until the original cost has been fully amortized. In Q1 2013, a rate of 100% of sales has been applied to all multi-client library surveys. Profit is therefore only recognized in the income statement once the original costs of acquiring the data have been fully recovered.

| Q1 2013 figures | USD million |
|---|---|
| Beginning balance Q1 2013 | 3.4 |
| Capitalized cost | 0.2 |
| Capitalized depreciation | – |
| Amortization | (0.9) |
| **Book value** | **2.7** |

Multi-client sales in Q1 2013 were $0.1 million ($9.1 million).

## Discontinued operations

On 8 December 2011, the company closed the share and purchase agreement with Fugro Norway AS related to Fugro's acquisition of SeaBird Technologies AS and Seabed Navigation Co Ltd, which collectively held all of the company's rights and assets related to the OBN business. As of Q4 2011, the OBN business is accounted for as discontinued operations. See note 1 to the consolidated income statement for the income statement for discontinued operations. Goodwill and patent technology related to the OBN business were realized as part of the transaction.

# Selected notes and disclosures

## Share capital and share options

The total number of shares at 31 March 2013 is 43,925,972.

The 1% unsecured convertible loan with Perestroika (face value $14.9 million) is convertible into common shares at a conversion price of $5.99 per share.

As at 31 March 2013, there are a total of 5,065,822 share options granted to 14 employees. As part of the share option plan $0.3 million has been recognized as selling, general and administrative expenses during Q1 2013.

On 16 April 2013, the company resolved to align all employee option exercise periods. All employee options may now be exercised with 1/3 of the options from 13 August 2013, 1/3 from 13 August 2014 and 1/3 from 13 August 2015. All options must be exercised by 1 November 2015, or, if resolved by the board of directors, at the latest on the date of the first quarterly report of the company after such date. All other terms for employee options remain unchanged.

## Taxes

SeaBird Exploration Plc is subject to taxation in Norway and Cyprus, 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.

## Related party transactions

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

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 company also charters 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. Mr. Økland did not participate in the company's deliberations and resolution in regards to this matter.

The amount of charter hire recognized in cost of sales to related parties during Q1 2013 was $3.6 million ($1.8 million).

## Going concern

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.

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