

ABOUT SEABIRD EXPLORATION

SeaBird Exploration PLC (“the Company” or “SBX”) and its subsidiaries (together “the Group” or “SeaBird”) is a global provider of marine acquisition for 2D/3D and 4D seismic data, and associated products and services to the oil and gas industry. SeaBird specialises in high quality operations within the high end of the source vessel and 2D market, as well as in the shallow/deep water 2D/3D/4D market. Main focus for the SeaBird is proprietary seismic surveys (contract seismic). 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.

SBX was originally incorporated in British Virgin Islands (“BVI”) as a limited liability company. Management and control of the Company was moved to Cyprus during 2008 and the Company re-domiciled from BVI to Cyprus on 18 December 2009. The primary business address of the Company is 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The Group has an operating office in Dubai (United Arab Emirates), and representative offices in Oslo (Norway), Houston (USA), Singapore, and St. Petersburg (Russia). SeaBird Exploration PLC is listed on the Oslo Stock Exchange since April, 2006, with the tickersymbol “SBX”.

HIGHLIGHTS

A letter of intent was entered into between SeaBird and Fugro Norway on 3 October 2011 for the sale of the Ocean Bottom Node ("OBN") business, and the transaction was completed on 8 December 2011. The transaction also included two SeaBird vessels on time charter to Fugro; one for 3 years firm (Munin Explorer – source) and one for 1 year firm with 1 plus 1 year optional (Harrier Explorer – 2D), an OBN transition service agreement for a period of 6 months with an option for another 6 months, and a maritime management agreement for 2 years with a 2 year automatic extension for the Hugin Explorer.

In conjunction with this transaction, a financial restructuring of SeaBird took place. The restructuring was approved by the secured and unsecured creditors and provided for the full repayment of all outstanding borrowings to the secured creditors and a partial redemption of the unsecured creditors, followed by a consolidation of the remaining bond holdings in SBX01, SBX02 and PGS CLA into a new bond (SBX03).

The PGS co-operation agreement for deep water node seismic was brought to an end upon completion of the restructuring and closing of the Fugro transaction.

An Extraordinary General Meeting (EGM) was held on 9 December 2011 whereby three new Directors were appointed and five Directors were discharged, which means that the Board now consists of five members. The EGM additionally resolved to increase the share capital to 500,000,000 shares.

Also on 9 December 2011 the Board of SeaBird announced that it had resolved to issue 139,363,892 new shares through a private placement. The new shares were subscribed for at a price of NOK 0.25 per share. Total gross proceeds from the private placement amounted to NOK 34.8 million (approximately USD 6 million). Following the registration of the new shares, the Company has 314,259,723 shares outstanding.

BOARD OF DIRECTORS REPORT

SeaBird Exploration PLC is a limited liability company domiciled in Cyprus as of 18 December 2009, providing marine 2D/3D and 4D seismic data, source vessels, and associated products and services to the oil and gas industry.

Operating activities

The Ocean Bottom Node ("OBN") operation was idle in January 2011, before commencing a short survey in the North Sea ahead of docking/classification. The Rosebank II job commenced in April and completed in July 2011. Thereafter, the ONGC contract started in October 2011 and was completed in January 2012. The reduced utilisation of the OBN operations has adversely affected the 2011 results of the Group.

The 2D fleet performed well during 2011, but continued to be affected by the low 2D contract market.

The Macondo incident in the Gulf of Mexico ("GoM") resulted in cancellations or postponements of wide azimuth surveys. Consequently there was no demand for SeaBird source support vessels in GoM. A limited interest in multi-client surveys was experienced in the GoM, creating only 4-5 vessel months' work with significant idle time in between.

The Austral-Asian market was firm during 2011. However, although utilisation was good, this was the result of short surveys of 3 to 6 weeks in direct continuance rather than long-term contracts. At certain times during 2011 and as dictated by market conditions, vessels were warm stacked to reduce costs.

The 2D contract market still reflects short term survey durations, however for SeaBird the Munin Explorer is now fixed on time charter terms until Q1 2015 and the Harrier Explorer until Q1 2013.

In May 2011 a frame agreement was entered into with Spectrum ASA, with the intention of employing 2D vessels on longer term surveys for Spectrum on time charter terms. The economic value of the agreement is USD 23 million over 3 years, with 50% within the first year (to May 2012). This will additionally increase utilisation of Hawk Explorer and Northern Explorer. As part of this frame agreement, SeaBird took over the bareboat operation of the 2D/3D vessel GGS Atlantic from May 2011. This vessel carried out 2D surveys until October 2011 and has been stacked in Norway for the remainder of 2011 and beginning of 2012. The vessel will be redelivered to its owners in Q3 2012 if market conditions do not improve.

For the 3D market, in June 2011 a decision was taken to cold stack the 2-streamer vessel Geo Mariner which was due for a periodical dry-dock and special survey. Market conditions did not justify the expenditure for overhaul and upgrading and the vessel was laid up.

However, the shallow/deep 3D market for vessels with lower streamer capacity (4 to 6 streamers) was seen as a good potential and consequently a bareboat charter arrangement was made for the Voyager Explorer, which was rigged and came into operation in Q3 2011. This vessel has been consistently employed in both 2D and 3D configuration since delivery and with good revenue levels.

Overall, 2011 was a difficult year in the 2D sector. To the extent possible, SeaBird aimed at fixing surveys on contracts, or multi-client where economically viable, or stacking vessels to reduce costs.

EMPLOYEES

At year-end 2011, Seabird had a total of 580 employees, of which approximately 495 were crew members and the remainder were on-shore staff.

During December 2011, a process was initiated to reorganise Seabird following the sale of the OBN business.

A partial realisation of these initiatives has been achieved in Q1 2012 whereby the onshore staffs have been reduced from 84 to 61. Further efficiency initiatives in order to reduce overhead cost are in process and progressing into Q2 2012.

Training and development

The crew management system has become an established tool for recording personal data, crew competencies and certificates. The Employee Self Service ("ESS") was launched in January 2011 and now allows all permanent employees to self-check their competency data and personal data via a secure server.

Improved controls have been put in place for sub-contractor management, these ranges from revised induction processes / check lists to on-board familiarization check lists.

For specific projects where a large third party crew has been engaged (e.g. operations in Australia), specific on-board training initiatives have been put in place using our roving HSSEQ advisors. This has ensured consistency in processes and deliverables to promote HSSEQ culture and prevent injuries and other losses.

Plans are in place to rationalize the training programs to provide cost benefits whilst still maintaining adequate competencies but especially addressing improved risk management with e.g. small boats as this is an area of concern going forward.

HEALTH, SAFETY, SECURITY, ENVIRONMENT AND QUALITY (HSSEQ)

Health

Personal Health:

There have been a few, generally minor, instances with crew being taken onshore to check out their impaired condition. This experience has led to increased focus on board, in order to eliminate or mitigate root causes of instances experienced.

There is a trend in Australia and New Zealand of increased Medevac's for more subtle diagnosis. The lesson learned has been to implement extra layers of control for the approval of Medevac so as to diffuse any onboard politics.

Occupational Health:

The controls in place have proven to be sufficient for the hazard categories and risk profile of SeaBirds operations. The instances this past year and mitigations in place have reduced occupational injuries and illnesses to an all-time low. The proactive measures have been continual awareness, onboard training, monitoring of KPI's, increase of supervisory mitigations and the like so that a new person is not left alone or unsupervised.

Safety

SeaBirds Management systems have shown to be highly effective in showing compliance with maritime standards, including Maritime ISM codes, Independent ISO principles, IAGC and OGP guidance from oil and gas industry as well as SeaBird internal standards. These have been audited frequently by external sources as part of certification and pre-qualification by oil companies.

Security

SeaBird has worked extensively in 2011 in varying levels and locations of medium to high security risks. Once awarded a project in a high risk location there are now extensive security competency in-house which has proven to be effective in avoiding attacks and not incurring any incident elsewhere, be it in India, East or West Africa or Asia.

This competency and improved controls are widespread from shore to ship and has resulted in commendations by security experts for our preventive contingency plans and skills.

Environment

This is an area that is generally well covered due for the most part of our activities being inboard, however all outboard activities e.g. Lidan or ROV have been extensively supervised, and/or investigated to minimise all potential's.

The company has a number of initiatives to minimise environmental impact by reducing e.g. paper or plastics, replacement of oils with environmental friendly types or better pre-deployment and maintenance, and will continue to look for opportunities.

Quality

The Company will focus on process description in the next year so that we have a more Q-focused perspective for improved controls, compliance and consistency.

Corporate Responsibility (CR)

The Company is involved with various Industry initiatives to keep abreast of all the legislation and any regulatory concerns.

FINANCIAL INFORMATION

The OBN business was divested during Q4 2011 and represents the discontinued operations item in the consolidated income statement. As a result the following discussion relates to continued operations unless otherwise stated.

SeaBird reported consolidated revenues of USD 81.7 million for continuing operations for the year ended 31 December 2011, down from USD 93.6 million in 2010. The reduction in revenues of USD 11.9 million, or 13%, relates mainly to lower utilisation of the 2D/3D fleet. This has been partly offset by an increase in multiclient sales in 2011.

Following the divestment of the OBN business, SeaBird will concentrate on the business activities of its 2D and 3D 4-6-streamer fleet.

Charter hire and operating expenses decreased by 5% to USD 67.6 million in 2011 down from USD 71.4 million in 2010. The main reason for the decrease is the lower utilisation and an increase in capitalisation to the multiclient library. The decrease has been partly offset by GGS Atlantic and Voyager being added to the fleet.

Selling, general and administrative expenses were USD 24.5 million in 2011 compared with USD 19.0m in 2010, mainly due to an increase of USD 2 million in bad debts written off.

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") were negative USD 9.4 million for the year 2011, down from USD 4.5 million in 2010.

Depreciation decreased by 22% to USD 32.9 million in 2011, mainly due to impairment of vessels and equipment at the end of 2010 and again at Q3 2011 giving a lower base for depreciation in during 2011.

Impairment increased by USD 43.8 million in 2011, this was the result of a periodic valuation being carried out at the end of Q3 resulting in impairment of USD 62.6 million to the vessel fleet (owned) and related seismic equipment, of which USD 49.2 million was charged to the income statement and USD 13.4 million against revaluation reserve in equity.

Earnings before interest and taxes ("EBIT") increased from negative USD 48.1 million in 2010 to negative USD 96.6 million in 2011, mainly due to the increased impairment loss recognised in Q3 2011.

Interest expenses increased to USD 18.5 million in 2011, from USD 10.6 million in 2010, mainly due to the PGS convertible loan agreement and higher interest rates due to restructuring.

Other financial items show a gain of USD 0.3 million in 2011, compared to a loss of USD 1.5 million in 2010.

Income tax expenses decreased from USD 4.7 million in 2010 to USD 2.6 million in 2011, referring mainly to withholding tax in various jurisdictions around the world where SeaBird vessels have been operating.

Consolidated loss from continued operations for 2011 was USD 120.4 million compared to a loss of USD 67.6 million for 2010. Profit from discontinued operations net of income tax was USD 28.7 million in 2011 (2010: USD 11.7 million) and net loss for 2011 was USD 91,643 (2010: USD 55,936). This represented basic earnings per share of negative USD 0.49 (2010: negative USD 0.35). Basic earnings per share for continuing operations were negative USD 0.65 (2010 USD 0.43).

LIQUIDITY AND FINANCE

At 31 December 2011, cash and cash equivalents amounted to USD 13.3 million, compared to USD 1.1 million at the end of 2010. The higher cash balance is predominantly due to proceeds gained from the sale of the OBN business and accompanying restructure of debt.

Capital expenditures were USD 17.0 million in 2011 compared to USD 12.0 million in 2010. Major capital cost items refer to rigging of the Voyager Explorer to a full four-streamer vessel, and classification costs for the Harrier Explorer. SeaBird completed several financing activities in 2011 including issuance of a convertible loan to PGS, a private placement, divestment of the OBN business and various other transactions. The capital expenditure was financed by the available cash in the Company.

Net interest-bearing debt at 31 December 2011 was USD 107.7 million, down from USD 172.2 million at 31 December 2010, mainly due to the debt restructuring that took place in 2011, whereby the proceeds from the sale of the OBN business were used to repay approximately 31.4% of each of the following facilities: bond SBX01, bond SBX02, PGS convertible loan and Perestroika convertible loan.

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., with instalments of USD 2 million being payable every six months starting from December 2012 up until final maturity in December 2015. After the partial redemption, the Perestroika convertible loan continues under the same terms as before the debt restructuring.

As of 31 December 2011, short term credit facilities and current portion of long term debt amounts to USD 21.5 million. The major part of this refers to a credit facility from Fugro that was provided to cover working capital needed for the ONGC contract in Q4 2011. As of 31 December 2011 the draw down was USD 18 million.

GOING CONCERN CONSIDERATIONS

These consolidated financial statements are prepared under a going concern assumption. At 31 December 2011, SeaBird had a cash balance of USD 13.3 million. At 31 December 2011, current assets were USD 64.4 million compared to current liabilities of USD 69.3 million. The Group's shortfall of working capital is approximately negative USD 4.9 million at 31 December 2011, but will be reduced to the extent that the Group is able to enter new contracts during the next twelve months.

The Group is currently contemplating several new contracts for the fleet of seismic vessels. So far in 2012, the market has improved with both more activity and higher day-rates. SeaBird expects this trend to last for the remainder of 2012, and as a consequence, the utilisation of the total vessel fleet will be higher than the two previous years and in this way improve the cash flow of the Group. Current backlog is approximately USD 120 million. It is anticipated that working capital needs will be funded through cash from operations as well as potential sales of geophysical data in the ordinary course of business and capital markets transactions.

For further details see note 2.24.

SUBSEQUENT EVENTS

On 6 February 2012 a change was announced whereby Tim Isden was replaced as CEO by Mr. Dag Reynolds, who is expected to assume the position by latest 1 May 2012. As an interim measure Mr. Jan-Eivind Fondal has taken the position of CEO until Mr. Reynolds takes over his duties.

On 11 February 2012 the ONGC contract was successfully completed and the handover of the OBN division to Fugro took place. SeaBird will continue to assist Fugro under a service agreement until Q2 2012, and the previously announced time charter agreements and management agreement are in full force and effect.

On 13 February 2012 multiclient sales of USD 6.3 million were announced, partly from late sales and partly from the financial realisation of non-core assets.

A number of contracts were announced February 2012 under the 2011 frame agreement with Spectrum ASA and other clients were announced, improving backlog for the SeaBird fleet significantly in 2012.

OUTLOOK

Following the divestment of the OBN division, SeaBird will concentrate on the business activities of its 2D and 3D 4-6 streamer fleet.

Although still some idle time was experienced during 2011, the general market is believed to be improving in 2012. SeaBird is well placed to be a front runner in this sector, having an excellent track record of performance, and prequalified with major oil companies for surveys in all areas. SeaBird does not rely on multi-client surveys to increase utilisation, but will contract on such basis if the economics are preferable to idle time.

SeaBird has identified which competences and capabilities are needed post the OBN sale. Accordingly, SeaBird will restructure the operational set-up of personnel and offices whilst still maintaining safety and efficiency across the company fleet.

RESOLUTION

Resolution

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements were prepared under the historical cost convention, as modified by the revaluation of vessels and seismic equipment's (property plant and equipment), available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss. The consolidated financial statements are based on the going concern assumption.

To the best of the Directors' knowledge, no subsequent events have occurred since 31 December 2011 that would alter the accounts as presented for 2011.

Finally, the Board would like to offer its sincere appreciation to all employees within SeaBird for all the efforts that were made during a turbulent year for the global seismic industry.

The Board of Directors and Chief Executive Officer
SeaBird Exploration PLC
20 March 2012

Henrik A Christensen (sign.)
Chairman

Melvin Teigen (sign.)
Director

Jon Olav Økland (sign.)
Director

Per Inge Remmen (sign.)
Director

Kjell H Mathiassen (sign.)
Director

Jan-Eivind Fondal (sign.)
CEO

Financial Information

	Consolidated statement of financial position	5	Segment information
	Consolidated statement of income		
	Consolidated statement of comprehensive income	6	Property, plant and equipment
	Consolidated statement of changes in equity	7	Intangible assets
	Consolidated statement of cash flow	8	Income tax expense and deferred tax assets
	Notes to the consolidated financial statements:	9	Multiclient library
1	General information	10	Derivative financial assets
2	Summary of significant accounting policies:	11	Trade receivables
2.1	Basis of preparation	12	Other current assets
2.2	Consolidation	13	Inventories
2.3	Segment reporting	14	Cash and cash equivalents
2.4	Foreign currency translation	15	Assets classified as held for sale
2.5	Property, plant and equipment	16	Share capital and share options
2.6	Capital work in progress	17	Trade and other payables
2.7	Intangible assets	18	Loans and borrowings
2.8	Impairment of non-financial assets	19	Other financial items, net
2.9	Non-current assets held for sale	20	Other income (expenses), net
2.10	Multiclient library	21	Expenses by nature
2.11	Financial assets	22	Employee benefit expense
2.12	Derivative financial instruments and hedging activities	23	Interest expense
2.13	Inventories	24	Earnings per share
2.14	Trade receivables	25	Dividends per share
2.15	Cash and cash equivalents	26	Business combinations
2.16	Share capital / Paid in Capital	27	Commitments and contingencies
2.17	Loan and borrowings	28	Leases
2.18	Current and deferred income tax	29	Related-party transactions
2.19	Employee benefits	30	Subsequent events
2.20	Provisions	31	Financial instruments
2.21	Revenue recognition		
2.22	Leases		
2.23	Dividend distribution		
2.24	Going concern assumption		
3	Risk factors and financial risk management		
3.1	Financial risk factors		
3.2	Other risk factors		
3.3	Capital risk management		
3.4	Fair value estimation		
4	Critical accounting estimates and judgements		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in USD 1,000	Note	As of 31 December	
		2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	137,008	276,347
Multiclient library	9	16,602	5,998
Capital work in progress	6	-	1,277
Goodwill	7	1,267	8,996
Patent technology	7	-	3,816
Deferred tax asset	8	-	13,756
Total non-current assets		154,877	310,190
Current assets			
Inventories	13	4,680	4,103
Trade receivables	11	31,251	40,467
Other current assets	12	14,750	2,655
Due from related parties	29	427	427
Cash and cash equivalents	14	13,300	1,135
Total current assets		64,408	48,787
TOTAL ASSETS		219,285	358,977

EQUITY			
Shareholders equity			
Paid in capital	16	166,720	161,113
Equity component of convertible loan		6,296	-
Revaluation reserve		-	17,714
Currency translation reserve		(212)	380
Share options granted	16	7,554	7,593
Retained earnings		(131,056)	(53,863)
TOTAL EQUITY		49,302	132,937
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	99,567	137,280
Fair value of conversion rights	18	-	6,506
Other long-term liabilities		1,157	918
Total non-current liabilities		100,724	144,704
Current liabilities			
Trade and other payables	17	47,794	45,414
Loans and borrowings	18	21,465	35,922
Total current liabilities		69,259	81,336
TOTAL LIABILITIES		169,983	226,040
TOTAL EQUITY AND LIABILITIES		219,285	358,977

On 20 March 2012 the Board of Directors of SeaBird Exploration PLC authorised these consolidated financial statements for issue.

Henrik A Christensen (sign.)
Chairman

Per Inge Remmen (sign.)
Director

Kjell Mathiassen (sign.)
Director

Jan-Eivind Fondal (sign.)
CEO

Jon Olav Økland (sign.)
Director

Melvin Teigen (sign.)
Director

CONSOLIDATED STATEMENT OF INCOME

<i>All figures in USD 1,000</i>	Note	Year ended 31 December		
		2011	2010	2009
Revenues	5	81,722	93,643	111,887
Charter hire and operating expenses	21	(67,649)	(71,402)	(78,435)
Selling, general and admin expenses	21	(24,476)	(19,000)	(19,628)
Other income (expenses), net	20	1,021	1,260	808
Earnings before interest, tax, depreciation and amortisation (EBITDA)		(9,382)	4,501	14,632
Depreciation and amortisation	6,9	(32,855)	(42,133)	(29,110)
Impairment	6,7,15	(54,315)	(10,506)	(1,709)
Earnings before interest and taxes (EBIT)		(96,552)	(48,138)	(16,187)
Interest expense	23	(18,474)	(10,601)	(13,518)
Other financial items, net	19	274	(1,473)	(7,560)
Change in fair value of conversion rights	19	(3,014)	(2,716)	-
Profit (loss) before income tax		(117,766)	(62,928)	(37,265)
Income tax	8	(2,600)	(4,659)	(3,812)
Profit/(loss) from continuing operations		(120,366)	(67,587)	(41,077)
Discontinued operations				
Profit from discontinued operations (net of income tax)	26	28,724	11,651	(20,694)
Profit/(loss) for the period		(91,642)	(55,936)	(61,771)
Profit/(loss) attributable to:				
Shareholders of the parent		(91,642)	(55,936)	(61,771)
Earnings per share:				
- basic	24	(0.49)	(0.35)	(0.41)
- diluted	24	(0.49)	(0.35)	(0.40)
Earnings per share continuing operations				
- basic	24	(0.65)	(0.43)	(0.28)
- diluted	24	(0.65)	(0.43)	(0.27)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/(loss)	(91,642)	(55,936)	(61,771)
Other comprehensive income			
Net movement in currency translation reserve and other changes	72	(427)	6,142
Changes in revaluation reserve	(13,373)	(14,500)	-
Total other comprehensive income, net of tax	(13,301)	(14,927)	6,142
Total comprehensive income	(104,943)	(70,863)	(55,629)
Total comprehensive income attributable to:			
Shareholders of the parent	(104,943)	(70,863)	(55,629)
Total	(104,943)	(70,863)	(55,629)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>All figures in USD 1,000</i>	Paid in capital	Equity component of convertible loan	Share options granted	Revaluation reserve	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2010	161,113	-	7,158	38,050	(3,763)	807	203,365
Comprehensive income for the year							
Profit	-	-	-	-	(55,936)	-	(55,936)
Impairment of vessels	-	-	-	(14,500)	-	-	(14,500)
Transfer of revaluation reserve	-	-	-	(5,836)	5,836	-	-
Currency translation reserve	-	-	-	-	-	(427)	(427)
Total comprehensive income for the year	-	-	-	(20,336)	(50,100)	(427)	(70,863)
Contributions by and distributions to owners							
Share issue	-	-	-	-	-	-	-
Equity component of convertible loan	-	-	-	-	-	-	-
Share option granted/cancelled	-	-	435	-	-	-	435
Total contributions by and distributions to owners	-	-	435	-	-	-	435
31 December 2010	161,113	-	7,593	17,714	(53,863)	380	132,937
Balance at 1 January 2011	161,113	-	7,593	17,714	(53,863)	380	132,937
Comprehensive income for the year							
Profit	-	-	-	-	(91,642)	-	(91,642)
Impairment of vessels	-	-	-	(13,373)	-	-	(13,373)
Transfer of revaluation reserve	-	-	-	(4,341)	4,341	-	-
Currency translation reserve	-	-	-	-	664	(592)	72
Total comprehensive income for the year	-	-	-	(17,714)	(86,637)	(592)	(104,943)
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

CONSOLIDATED STATEMENT OF CASH FLOW

		Year ended 31 December	
<i>All figures in USD 1,000</i>	Note	2011	2010
Cash flows from operating activities			
Profit/(loss) before income tax		(117,766)	(62,928)
Adjustments for:			
Depreciation, amortization and impairment		87,170	52,640
Unrealized exchange (gain) /loss		-	671
Change in fair value of conversion rights		3,014	2,716
Gain on extinguishment of debt		(11,015)	-
Amortisation of interest		4,968	446
Paid income tax		-	(2,452)
Gain from sale of PPE		-	-
Provision for employees' end of service gratuities		239	324
Earned on employee Stock Option Plan		(39)	435
(Increase)/decrease in inventories		(924)	129
(Increase)/decrease in trade and other receivables		(38,383)	(6,596)
(Increase)/decrease from divested companies		24,556	7,260
(Increase)/ decrease in due from related parties		-	10
Increase/(decrease) in trade and other payables		(16,382)	6,200
Net cash from operating activities		(64,562)	(1,145)
Cash flows from investing activities			
Capital expenditures		(12,024)	(5,593)
Net cash inflow on disposal of subsidiaries	26	121,358	-
Net cash used in investing activities		109,334	(5,593)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		5,607	-
Currency fluctuation in borrowings		722	(457)
Receipts from borrowings		150,433	19,676
Repayment of borrowings		(204,953)	(25,421)
Equity component of convertible bond loan		15,791	-
Net movement in currency fluctuations		(207)	(315)
Net cash from financing activities		(32,607)	(6,517)
Net (decrease)/increase in cash and cash equivalents		12,165	(13,255)
Cash and cash equivalents at beginning of the period		1,135	14,234
Cash and cash equivalents from discontinued operations		-	156
Cash and cash equivalents at end of the period	14	13,300	1,135

1. General information

SeaBird Exploration PLC ("the Company" or "SBX") and its subsidiaries (together "the Group" or "SeaBird") is a global provider of marine acquisition for 2D /3D and 4D seismic data, and associated products and services to the oil and gas industry. SeaBird specialises in high quality operations within the high end of the source vessel and 2D market, as well as in the shallow/deep water 2D/3D/4D market. Main focus for the Seabird is proprietary seismic surveys (contract seismic). 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.

SBX was incorporated in British Virgin Islands ("BVI") as a limited liability company. Management and control of the Company was moved to Cyprus during 2008 and the Company re-domiciled from BVI to Cyprus on 18 December 2009. The primary business address of the Company is 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The Group has an operating office in Dubai (United Arab Emirates), and representative offices in Oslo (Norway), Houston (USA), Singapore, and St. Petersburg (Russia). SeaBird Exploration PLC is listed on the Oslo Stock Exchange since April, 2006.

At 31 December 2011, fleet list of the Group is as follows:

Voyager Explorer

GGs Atlantic

Harrier Explorer

Aquila Explorer

Osprey Explorer

Munin Explorer (bareboat charter with purchase option)

Kondor Explorer (bareboat charter with right of first refusal)

Northern Explorer

Hawk Explorer (finance lease)

Geo Mariner

Additionally managed by the Group:

Hugin Explorer

Seismic operations are generally weather sensitive and as a result of this, there are typically seasonal differences in the day rates and vessel utilization. The Group strives to maximize day rates and earnings by positioning vessels in less weather sensitive areas during the less favourable seasons, such as monsoon or winter seasons in harsh areas. Furthermore, seismic operations are dependent on the political situation, market conditions of oil and gas and the number of vessels available at any time in the market. The current market situation and outlook is uncertain because of the global financial crisis and weak and volatile oil price.

The accompanying consolidated financial statements represent the activities of SeaBird Exploration Plc and its subsidiaries for the year ended 31 December 2011. These consolidated financial statements were authorised for issue by the Board of Directors on 20 March 2012.

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 Group 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 revaluation of vessels and seismic equipment (property, plant and equipment), 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 judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

During the current year the Company and the Group 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 2011. This adoption did not have a material effect on the accounting policies of the Company or the Group.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these

accounting standards in future periods will not have a material effect on the financial statements of the Company or the Group.

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:

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 2011. 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

Amendments

IFRS Interpretations Committee

- *IFRS 7 (Amendment) Financial Instruments: Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)*

(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).*
- *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

- *Amendments to IAS 1, "Presentation of Financial Statements" (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).*
- *Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (effective for annual periods beginning on or after 1 July 2011).*
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*
- *IFRS 19 "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).*

New IFRICs

- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2014).*

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the Group.

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 recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between SeaBird companies are eliminated. Unrealised 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 Group has no minority interests.

2.3 Segment reporting

A segment is a distinguishable component of the Group 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 Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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 the Group's 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 recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) 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 (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 recognised 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 recognised 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 and seismic equipment designated for source and 2D-operation are carried at fair value, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset. The vessels and seismic equipment are revalued annually to their fair value based on value in use calculations (see section 4b).

Vessel and seismic equipment (including nodes) designated for seabed operation and office equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to

the Group 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.

Increases in the carrying amount arising on revaluation of vessels and seismic equipment are credited to revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the re-valued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'revaluation reserves' to 'retained earnings'.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost or re-valued amounts 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

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 capitalised 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.

Details of the bases used in fair valuing vessels are given in note 4 (b).

2.6 Capital work in progress

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

Borrowing costs are capitalised. 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 Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised 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 amortisation. Amortisation is calculated using the straight-line method to allocate the cost of Patent Technology 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 amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

If as a result of annual fair value calculations in respect of vessels and seismic equipment, there is an indication of impairment, the impairment loss is firstly recognised in revaluation reserve, and any excess is charged to the statement of comprehensive income. Any reversal of a prior period impairment loss is reversed against any loss taken to the statement of comprehensive income.

2.9 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.10 Multiclient library

The Multiclient library consists of seismic data surveys to be licensed to customers on a nonexclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalised to the Multiclient library.

All multiclient libraries are subject to amortisation over a maximum period of 3 years starting in the quarter after project completion. Further the Group classifies its multiclient libraries at the outset into one of two categories. "Category 1" which is subject to an additional amortisation 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 multiclient libraries are subject to annual impairment reviews based on expectations of estimated future cashflows.

2.11 Financial assets

2.11.1 Classification

The Group 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 categorised 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 Group'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.

2.11.2 Recognition and measurement

Regular purchases and sales of investments are recognised on trade-date – the date on which SeaBird commits to purchase or sell the asset. Investments are initially recognised 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 recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised 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 recognised 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 recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised 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 recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised 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.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising 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 Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities (fair value hedge);
- (b) hedges of a particular risk associated with a recognised 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 Group 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 Group 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. The Group had no fair value hedges recognised in the balance sheet at 31 December 2009 or 2008.

(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 recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other gains/(losses) – net.

Amounts accumulated in equity are recycled 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 recognised 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 recognised in the income statement within sales. The gain or loss relating to the ineffective portion is recognised 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 recognised 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 recognised when the forecast transaction is ultimately recognised 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. The Group had no cash flow hedges recognised at 31 December 2009 or 2008.

(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 recognised in equity. The gain or loss relating to the ineffective portion is recognised 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. The Group had no net investment hedges recognised at 31 December 2009 or 2008.

(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 recognised immediately in the income statement within other financial items, net.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 reorganisation, 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 recognised in the income statement within 'selling, general and admin 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 admin expenses' in the income statement.

2.15 Cash and cash equivalents

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

2.16 Share capital / Paid in capital

Ordinary share capital, 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.

2.17 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 Group determines the classification of its financial liabilities at initial recognition. The financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The subsequently measurement of the financial liabilities depends on their classification.

The Group'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 recognised initially at fair value, net of transaction costs incurred. Interest-bearing debts and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 recognised under financial items. The conversion right on the convertible bond denominated in Norwegian Kroner is measured at fair value at each reporting date.

(c) Trade payables

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

2.18 Current and deferred income tax

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

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

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.

2.19 Employee benefits

(a) Pension obligations

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

(b) Share-based compensation

The Group operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised 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 recognises 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 Labour Law 1980) and 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:

First 5 years - 21 days basic salary/year; and

6th year and onwards - 30 days basic salary/year

2.20 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised 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 recognised 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 recognised 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 recognised as interest expense.

2.21 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 recognised 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.

2.22 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 where SeaBird has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised 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 recognised 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.

2.23 Dividend distribution

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

2.24 Going concern assumption

These consolidated financial statements are prepared under a going concern assumption. At 31 December 2011, SeaBird had a cash balance of USD 13.3 million. At 31 December 2011, current assets were USD 64.4 million compared to current liabilities of USD 69.3 million.

The Group's shortfall of working capital is approximately negative USD 4.9 million at 31 December 2011, but will be reduced to the extent that the Group is able to enter new contracts during the next twelve months.

Following the financial restructuring closed in December 2011, SeaBird has one bond loan and one convertible loan outstanding, and an additional short term credit facility from Fugro. The bond loan has an outstanding amount of USD 89.9 million, with bi-annually instalments of USD 2 million until final maturity on 19 December 2015. The USD 14.9 million unsecured Perestroika convertible loan has a maturity at 22 September 2014, and has no instalments due before the loan matures (PIK-loan).

The Group is currently contemplating several new contracts for the fleet of seismic vessels. So far in 2012, the market has improved with both more activity and higher dayrates. SeaBird expects this trend to last for the remainder of 2012, and as a consequence, the utilisation of the total vessel fleet will be higher than the two previous years and in this way improve the cash flow of the Group. Current backlog is approximately USD 120 million. It is anticipated that working capital needs will be funded through cash from operations as well as potential sales of geophysical data in the ordinary course of business and capital markets transactions.

Based on the above and the information available on the date of these financial statements, the Company is confident that the above mentioned improvement in the market conditions for the business, the effect of the refinancing in December 2011 and potentially bank facilities will be successful in enabling SeaBird to meet its financial commitments through 2012. This is, however, based on several assumptions made in the forecast, including for example assumptions related to operations, markets and customer payment behaviour.

Should the above measures prove insufficient to secure SeaBird as a going concern, alternative sources of financing, including bank facilities, new bond loan, equity issue, asset sales, and/or decrease in discretionary capital expenditures will be evaluated and pursued.

Failure to achieve such measures or achieve its projected cash flows would result in the Group being unable to meet its liabilities as they fall due and to continue as a going concern. In such event the Group would be unable to realise the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values, and goodwill and intangibles would be written off as their carrying values largely represent their values in use.

Also the contractual amount of liabilities to the bondholders is significantly higher than the carrying value which reflects the fair value of the below market interest rate at which it was granted.

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 Group's overall risk management focuses on the unpredictability of financial markets and monitor and

control risks with a potential significant negative effect for the Group and evaluate to minimize the risk if the cost of doing so is acceptable. The Group uses derivative financial instruments to hedge certain risk exposures from time to time.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group'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 Group's risk management framework. The Audit Committee oversees how management monitors and manage risk and review the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Market risk

(i) Foreign exchange risk

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

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognised 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 the years 2009-2011.

(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

At 31 December 2011, SeaBird had two customers constituting 62% of the trade receivables. SeaBird has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Despite this, SeaBird provided for loss on receivables for the second customer (see note 11 and 29 for further details). No assurance can be given for further losses beyond the provision made.

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 Group'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 dynamic nature of the underlying businesses and the significant investment program in 2006 to 2008, SeaBird has been aiming to maintain flexibility in funding by a mixture of debt and equity financing. At 31 December 2011, SeaBird had a cash balance of USD 13.3 million. See section 2.24 for further details.

(d) Cash flow and fair value interest rate risk

As SeaBird has no significant interest-bearing assets beyond operating cash and cash equivalents, the Group'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 Group to cash flow interest rate risk. Interest-bearing debt issued at fixed rates expose the Group to fair value interest rate risk. As of 31 December 2011, the bond loan constitutes 62 % of total debt while the convertible loan from Perestroika, Hawk lease and Fugro Credit facility constitutes 9 %, 14 % and 15 % respectively. All the outstanding debts as of 31st Dec 2011 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 Group to meet any of the covenants or undertakings could result in all outstanding amounts under the different debt arrangements becoming immediately due for payment. In addition, security rights granted to the lenders could be enforced. If outstanding debts were declared due for immediate payment, there would be no assurances that SeaBird would be able to meet its obligations, and there are no assurances that SeaBird would be able to obtain alternative financing, either on a timely basis or at all. Any breach of existing covenants and undertakings with a subsequent claim for repayment of all debts outstanding would thus have a material adverse effect on the Group's financial position and is likely to have a material adverse effect on the value of the Shares and the Group'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 Group's business operations. If any of the following risks actually materialise, 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, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas 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 SeaBird'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. Furthermore, overcapacity in the seismic market would have a negative effect on the operating results of the Group. The 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. Furthermore, overcapacity in the seismic market could have a negative effect on the prices for SeaBird's services.

SeaBird has a strategy of exposing 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 Group.

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 Group. 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 and 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 Group's operating results and financial position. If e.g. 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 the SeaBird's reputation.

The Company is domiciled and tax resident in Cyprus, and has subsidiaries in Cyprus, the UAE, Malta, U.S.A., Panama and Norway operating on various continental shelves. The overall tax liability will depend on where the source of revenues are and/or where profits are accumulated and subject to taxation, as the different jurisdictions have very differing tax regimes and taxation rates. The taxation rules to which SeaBird is subject are of a complicated nature, and differences in interpretation between SeaBird and the relevant tax authority may lead to SeaBird being subject to unexpected claims for unpaid taxes or sanctions as a consequence of breach of applicable tax legislation. The tax liability may also depend on the tax residence of the shareholders (and in certain instances indirect shareholders) of the Company, which may vary from time to time as the shares are subject to trading.

3.3 Capital risk management

SeaBird has from the beginning of 2006 invested almost USD 350 million in a significant expansion of the fleet. The investment program initiated in 2005 is now finalised and paid and SeaBird has no further significant committed investments, except normal replacements and equipment upgrades. As of 31 December 2010, the short term credit facilities and current portion of long term debt amounts to USD 32.8 million. This consists mainly in ordinary debt repayments on various credit facilities and long-term loans.

At 31 December 2011, SeaBird had a cash balance of USD 13.3 million. The cash situation is monitored very closely and SeaBird might have to secure other sources of financing. See section 2.24 for further details.

3.4 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 judgements

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 recognised in the period in which the estimates are revised and in any future periods affected. Judgements 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 Group's estimates of useful lives and plans for depreciation are based on investment considerations and on experience of technical and economical 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) Revaluation of vessels

In assessing value in use of vessels, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (11.17%) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Future operating expenses for the fleet are based on an assumption of 2012 being on a similar level as 2011, and thereafter a growth reflecting an assumed inflation of 2.5%. Future revenues for the fleet are based on an assumption of 2012 rates being on a similar level to 2011, but with higher utilisation. The higher utilization is supported to some extent by the improved backlog. For 2013 and

2014 the revenues are maintained at 2012 levels, for 2015 a 7.5% increase in revenue rates is forecast and thereafter and until useful life of the vessels an annual increase of 5% has been included.

Impairment tests based on value in use calculations (discounted future cash-flows) resulted in impairment of USD 62.6 million for the vessels and related seismic equipment, of which USD 13.4 million was recognised against revaluation reserves in equity and USD 49.2 million recognised in income statement. Because of the difficulties in assessing the value of vessels on an open market sale basis in current market circumstances, Seabird has relied solely on value-in-use calculations in assessing the fair value of its vessels.

(c) Estimated impairment of equipment, goodwill and patent technology

Impairment is tested regularly, in accordance with the accounting policy stated in Note 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).

(d) 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.

(e) 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 recognised 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 recognised.

(f) Share-based payments

The Group 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 and dividend yield and making assumptions about them.

(g) 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

Primary reporting format – business segments

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

Secondary reporting format – geographical segments

	2011	2010	2009
Revenue			
Europe, Africa & Middle East (EAME)	41,364	36,170	45,611
North & South America (NSA)	8,973	25,822	11,291
Far East (FE)	31,385	31,651	54,985
Total	81,722	93,643	111,887
Operating Profit /EBIT			
Europe, Africa & Middle East (EAME)	(48,870)	(18,593)	(6,599)
North & South America (NSA)	(10,601)	(13,274)	(1,634)
Far East (FE)	(37,081)	(16,271)	(7,954)
Total	(96,552)	(48,138)	(16,187)
Segment Assets			
Europe, Africa & Middle East (EAME)	219,285	358,977	426,675
North & South America (NSA)	-	-	-
Far East (FE)	-	-	-
Total	219,285	358,977	426,675
Capital Expenditure			
Europe, Africa & Middle East (EAME)	17,041	11,971	33,349
North & South America (NSA)	-	-	-
Far East (FE)	-	-	-
Total	17,041	11,971	33,349

A substantial portion of the property and equipment is mobile due to the Group's world-wide operation. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues or operating profits 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 and operating profit (EBIT) are 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 vessel	Office equipment	Total
At 1 January 2010							
Cost or valuation	6,899	94,608	274,373	46,567	29,315	3,111	454,873
Accumulated impairments	(6,899)	-	(9,000)	-	-	-	(15,899)
Accumulated depreciation and amortisation	-	(18,206)	(60,105)	(9,984)	(10,858)	(2,027)	(101,180)
Net book amount	-	76,402	205,268	36,583	18,457	1,084	337,794
Year ended 31 December 2010							
Opening net book amount	-	76,402	205,268	36,583	18,457	1,084	337,794
Effect of movements in exchange rates	-	(285)	(3,591)	903	2,688	285	-
Transfer to Property, plant and equipment	-	(172)	-	-	-	-	(172)
Additions	1,277	736	8,550	281	560	567	11,971
Disposals (net)	-	-	-	-	-	-	-
Impairments	-	-	(25,156)	-	-	-	(25,156)
Depreciation and amortisation *)	-	(12,853)	(24,573)	(3,781)	(4,823)	(783)	(46,813)
Closing net book amount	1,277	63,828	160,499	33,986	16,882	1,153	277,624
At 31 December 2010							
Cost or valuation	8,176	94,888	279,332	47,751	32,563	3,963	466,672
Accumulated impairments	(6,899)	-	(34,156)	-	-	-	(41,055)
Accumulated depreciation and amortisation	-	(31,060)	(84,677)	(13,765)	(15,681)	(2,810)	(147,993)
Net book amount	1,277	63,828	160,499	33,986	16,882	1,153	277,624
Year ended 31 December 2011							
Opening net book amount	1,277	63,828	160,499	33,986	16,882	1,153	277,624
Reclassification	-	(4,930)	3,357	110	(497)	1,960	-
Effect of movements in exchange rates	(227)	-	-	-	-	(173)	(400)
Transfer to Property, plant and equipment	-	-	-	-	-	-	-
Additions	3,164	1,922	10,360	811	502	282	17,041
Disposals (net)	(4,214)	(48,495)	-	-	(157)	(2,004)	(54,870)
Impairments**)	-	-	(46,873)	(8,676)	(7,066)	-	(62,615)
Depreciation and amortisation *)	-	(12,325)	(19,272)	(3,784)	(3,919)	(472)	(39,772)
Closing net book amount	-	-	108,071	22,447	5,745	746	137,008
At 31 December 2011							
Cost or valuation	6,899	43,385	293,049	48,672	32,411	4,028	428,444
Accumulated impairments	(6,899)	-	(81,028)	(8,675)	(7,066)	-	(103,668)
Accumulated depreciation and amortisation	-	(43,385)	(103,950)	(17,550)	(19,600)	(3,282)	(187,767)
Net book amount	-	-	108,071	22,447	5,745	746	137,008

*) Depreciation and amortisation attributable to continued operations: USD 27,358 (USD 33,004 in 2010).

Depreciation and amortisation attributable to discontinued operations: USD 12,414 (USD 13,809 in 2010).

Compensation from third party, for items that were lost or given up, amounts to USD 0 in 2011 and USD 0 in 2010.

**) Vessels and seismic equipment designated for source and 2D/3D-operation are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation. The external independent appraisals are supported by internal value in use calculations. These vessels and seismic equipment were last valued by external independent appraisals at 30 September 2011. This resulted in impairment of USD 62.6 million for the vessel fleet (owned) and related seismic equipment, of which USD 49.2 million was charged to the income statement and USD 13.4 million against revaluation reserve in equity. Value in use calculations performed at year-end 2011 support the carrying values of vessels and seismic equipment. Vessel-related and seismic equipment (including nodes operation) designated for seabed operation (OBN) and office equipment are stated at historical cost less depreciation.

If the seismic vessels and seismic equipment were stated on the historical cost basis, the amounts would be as follows:

	2011	2010
Cost	369,308	408,847
Accumulated impairments	(103,670)	(41,055)
Accumulated depreciation	(128,630)	(107,882)
Net book amount	137,008	259,910

7. Intangible assets

Cost	Goodwill	Patent technology	Total
Balance at 1 January 2010	8,996	4,412	13,408
Acquisition through business combinations	-	-	-
Balance at 31 December 2010	8,996	4,412	13,408
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

Amortisation and impairment losses

Balance at 1 January 2010	-	(358)	(358)
Amortisation for the year	-	(238)	(238)
Impairment loss	-	-	-
Balance at 31 December 2010/1 January 2011	-	(596)	(596)
Amortisation for the year	-	-	-
Impairment loss	(5,073)	-	(5,073)
Disposals of subsidiaries - discontinued operations		596	596
Balance at 31 December 2011	(5,073)	-	(5,073)

Carrying amounts

At 1 January 2010	8,996	4,054	13,050
At 31 December 2010/1 January 2011	8,996	3,816	12,812
At 31 December 2011	1,267	-	1,267

In May 2006, Seabird acquired the remaining 50% of the associate Sana Navigation Co Ltd, the operating company of the Northern Explorer. The excess value of the business was calculated at USD 1.3 million. The excess value represents the value of the organisation in the management company and the management agreement which, in accordance with IFRS, are classified as goodwill.

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 USD 1.3 million. The excess value represents valuation of assembled work force and organisation which, in accordance with IFRS, are classified as goodwill.

Impairment tests of goodwill

For the purpose of impairment testing, goodwill in SeaBird Technologies AS is allocated to the Group's cash-generating unit (CGU) identified as the operations of SeaBed. GeoBird and Sana operations are integrated into the overall management of the fleet. Hence the cash generated from these services cannot be identified separately.

The recoverable amount of a CGU is determined based on value-in-use calculations by discounting the future pretax 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 a five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% reflecting the expected average inflation for the remaining lease period of the vessel.

A pre-tax discount rate of 10% 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 values assigned to the key assumptions represent management's assessment of future trends in the seismic industry and are based on both external sources and internal sources (historical data). The recoverable amount of the CGU justifies the carrying amount of the unit (including goodwill) per 31 December 2011.

8. Income tax expense and deferred tax assets

SeaBird is subject to taxation in Cyprus where the majority of the companies are based, of which some are qualifying for the tonnage tax regime. Also, SeaBird has subsidiaries in various countries which are subject to local taxes. Due to operation on various continental shelves, SeaBird is also subject to taxation in various jurisdictions with increasingly complex tax legislation. In the future, SeaBird expects to a larger degree to be subject to income taxes in jurisdictions of operation which will increase the income tax expense. SeaBird is also evaluating historic tax exposures related to certain projects already completed which might increase the reported tax expense. Deferred tax asset relates to the tax losses carried forward for SeaBird Technologies AS and deferred tax asset for this company is presented at nominal value as required by IAS 12 representing 28% of historic tax losses. The company is now classified as discontinued operations.

	2011	2010	2009
Current tax			
Current period	6,989	9,528	5,174
Adjustment for prior periods		-	(35)
Total current tax	6,989	9,528	5,139
Deferred tax			
Origination and reversal of temporary differences	-	-	1,164
Total deferred tax	-	-	1,164
Total income tax expense	6,989	9,528	6,303
Attributable to continued operations	2,600	4,659	3,812
Attributable to discontinued operations	4,389	4,869	2,491

Deferred tax asset

Deferred tax assets 1 January 2010	13,875
Exchange rate effect on opening balance	(119)
Tax losses carry-forward	-
Deferred tax asset 31 December 2010 – to be recovered after more than 12 months	13,756
Exchange rate effect on opening balance	-
Tax losses carry-forward	-
Disposal of subsidiaries	(13,756)
Deferred tax asset 31 December 2011 – to be recovered after more than 12 months	-

9. Multiclient library

The components of the Multiclient library are summarised as follows:

	2011	2010
At 1 January	5,998	4,791
Cash investments	16,100	10,773
Capitalised depreciation	2,954	2,989
Amortisation*)	(8,450)	(12,555)
At 31 December	16,602	5,998

*) Amortisation attributable to continued operations: USD 8,450 (USD 12,117 in 2010).
Amortisation attributable to discontinued operations: USD 0 (USD 438 in 2010).

Amortisation expense for the year ended 31 December 2011 includes USD 4.6 million in minimum amortisation, net. For the year ended 31 December 2010, the minimum amortisation totalled USD 5.3 million, of which USD 4.5 million in minimum amortisation and impairments of USD 0.8 million.

In 2011, an amortisation rate of 100% of sales has been applied to all Multiclient library surveys, except for the GoM Well Tie survey where a rate of 0% has been applied. With the exception of the GoM Well Tie survey, profit has therefore only been recognised in the income statement once the original costs of acquiring the data have been fully recovered. In 2010, an amortisation rate of 100% of sales was applied to all Multiclient library surveys. Total sales were USD 9.8 million in 2011 (USD 7.4 million).

The net carrying value of the Multiclient library, by the year in which the surveys were completed, is summarised as follows:

	2011	2010
Completed during 2009	-	1,498
Completed during 2010	1,013	4,500
Completed during 2011	15,589	-
Completed surveys	16,602	5,998

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

During 2012	6,693
During 2013	6,012
During 2014	3,897
Net carrying value of the Multiclient library per 31 December 2011	16,602

10. Derivative financial assets

SeaBird has not entered into any derivative financial instruments in the years 2009-2011.

11. Trade receivables

	2011	2010
Trade receivables	42,245	47,092
Less: provision for impairment of receivables	(10,994)	(6,625)
Trade receivables – net	31,251	40,467

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments. The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 31. The Group has recognised a final loss of USD 0 for the year ended 31 December 2011 (2009: USD 161).

The net provision for impairment of receivables has been increased by USD 4,370 in 2011. (2010: USD 1,525).

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

	2011	2010
Accrued income	7,840	-
Prepaid expenses	3,026	2,015
Prepaid interest	-	367
Other current assets	3,884	273
Total other current assets	14,750	2,655

13. Inventories

	2011	2010
Bunker fuel	4,680	3,084
Nodes batteries	-	1,019
Total inventories	4,680	4,103

The opening balance at 1 January 2011 of USD 3,084 related to bunker fuel has been recognised as expense in 2011 (2010: USD 3,392).

14. Cash and cash equivalents

	2011	2010
Cash at bank and in hand	13,300	1,135

The effective average interest rate on short-term bank deposits was nil in 2011 (2010: 0.21%).
Cash and cash equivalents include USD 3,504 of restricted cash at 31 December 2011 (2010: USD 699).

15. Assets classified as held for sale

USD 1.7 million classified as trade receivable per 31 December 2008 was transferred to Assets held for sale in the first quarter of 2009 due to receiving a streamer with an estimated fair value of USD 1.7 million as settlement for the receivable instead of cash. In the beginning of second quarter of 2009, after pursuing sale to potential customers, it became evident that the carrying value was impaired to USD 0. Later in the second quarter of 2009, the streamer was disposed at a sales price of USD 1, rather than continuing to incur significant storage costs.

16. Share capital and share options

	Number of shares
At 1 January 2010	174,895,831
New shares issued in 2010	-
At 31 December 2010 Basic	174,895,831
New shares issued in 2011	139,363,892
At 31 December 2011 Basic	314,259,723
At 31 December 2011 Diluted	314,259,723

On 9 December 2011 the Board of SeaBird resolved to issue 139,363,892 new shares through a private placement at a price of NOK 0.25. The total number of shares at 31 December 2011 is 314,259,723. According to the Articles of Association, the Company's authorised capital is 500,000,000 shares of par value USD 0.01 each.

The Perestroika convertible loan is not included in the dilutive outstanding options calculation as it is 'out of the money'.

SeaBird uses stock options as an incentive for key employees. Under the incentive scheme, representing up to 5,000,000 options, of which a total of 3,415,000 share options were initially granted in May 2008 to SeaBird's management and key personnel. The options have an exercise price at NOK 13.00, which represents the average closing price for the SBX share on the Oslo Stock Exchange at the date of the grant 28 May 2008. Another 150,000 options have been granted subsequently, with an exercise price of NOK 10.40. During 2011, options of 810,000 were cancelled due to employees leaving the group. Outstanding options under this scheme as at 31 December 2011 are therefore 1,845,000.

1/3 of the options granted under the May 2008 plan 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 four years of grant date. Calculated value of the options is expensed over the option period.

May 2008 Plan		Outstanding options		Vested options	
Exercise price	Outstanding options per 31.12.2011	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options 31.12.2011	Weighted Average Exercise Price
0,00 - 12,00	-	-	-	-	-
12,00 - 15,00	1,845,000	0.41	13.00	1,845,000	13.00
15,00 -	-	-	-	-	-
Total	1,845,000	0.41	13.00	1,845,000	13.00

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2011, is presented in equity as Share options granted. Outstanding options at 31 December 2011 is representing in total 1,845,000 shares.

No new options have been granted in 2011.

Share based payments effect on the Group's profit or loss amounts to USD 93 for 2011 and USD 435 for 2010 (see note 22).

On 20 February 2012, the Company announced that Mr. Dag Reynolds (SeaBird's new CEO, expected to join the Company on or about 1 May 2012) was granted 30,000,000 share options at a strike price of NOK 0.25 (equaling the average share price on the trading day 6 February 2012 + 10% approx.). The share options are exercisable with 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.

17. Trade and other payables

	2011	2010
Trade payables	21,879	25,389
Advance from customers	1,568	-
Accrued expenses and other payables	24,347	20,025
Total trade and other payables	47,794	45,414

18. Loans and borrowings

	Effective interest rate/ Maturity	2011	2010
Non-current			
Capital lease obligations (Note 28)	11,3%/2014	13,156	16,621
Bond loan - SBX02	Nibor + 4.50%	-	68,301
Bond loan - SBX03	6%/2015	75,008	-
Bank loans and other interest-bearing debt, secured	Libor + 4%	-	35,354
Convertible loan from Perestroika, unsecured	1%/2013	11,403	17,004
Total Non-current interest bearing loans and borrowings		99,567	137,280

Current

Capital lease obligations (Note 28)	11,3%/2014	3,465	3,101
Bond loan 1	Nibor + 4.25%	-	13,447
Bank loans and other interest-bearing debt, secured	Libor + 4%	-	9,374
Bank loans and other interest-bearing debt, unsecured	Libor + 4.50%	-	10,000
Credit facility from Fugro, secured	6%/2012	18,000	-
Total current interest bearing loans and borrowings		21,465	35,922
Total interest-bearing loans and borrowings		121,032	173,202
Fair value of conversion rights		-	6,506

Bond loan 1 - SBX01

The bond loan SBX01 was raised in two tranches in July and October 2007 for a total of NOK 200 million (value at NOK 79 million as of 31 December 2010 – USD value 13.45 million). The loan was restructured and partially paid off at discount during March and April 2009 through private placement and new bank debt. The gain on restructuring of bond loan in 2009 was 6.225 million. The bond loan is part of the financial restructuring carried out in 2011, see section Bond loan 3 - SBX03 below.

Bond loan 2

The bond loan SBX02 was raised in one tranche in February 2008 for a total of NOK 400 million. The bondholders approved an amendment and restructuring at a bondholders' meeting held on 8 February 2011. The bond loan is part of the financial restructuring carried out in 2011, see section Bond loan 3 - SBX03 below.

Bank loans and other interest-bearing debt

Bank loans secured by first and second priority mortgages of Osprey Explorer, Aquila Explorer, Harrier Explorer, Northern Explorer and Geo Mariner, and certain other security were repaid in full as part of the financial restructuring carried out in 2011, see section Bond loan 3 - SBX03 below.

Convertible loan from Perestroika

In September 2010, Seabird Exploration PLC entered into an agreement for issuance of a NOK 120 million convertible, non-transferable loan in favour of Perestroika AS as lender with three years maturity. The Loan may be converted into a maximum of 35,820,895 shares in SeaBird, at any time up to 23rd August 2014 at a price of NOK 3.35 per share. If the parties agree, accrued interest may also be converted into shares in the company at the same conversion price. 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 3 - SBX03 below. Current principal outstanding is USD 14.9 million. After the partial redemption, the Perestroika convertible loan continues under the same terms as before the debt restructuring.

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 draw down from Fugro was USD 18 million. The facility will be settled during first half of 2012.

Bond loan 3 - SBX03

In connection with 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 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. and maturity in December 2015. Repayment of SBX03 will be through 6 equal instalments of USD 2 million (first time on 19 December 2012) during the term of the loan and a balloon repayment at maturity of USD 77.9 million. First interest payment falls due on 19 June 2012. After that, interest falls due at the same dates as instalments. 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 amortised cost until it is extinguished on redemption.

19. Other financial items, net

	2011	2010	2009
Interest income on bank deposits	-	41	1
Net foreign exchange gain/(loss)	(1,608)	(251)	(13,973)
Gain on restructuring of bond loan	11,015	-	6,225
Advisors' fees restructuring of loans	(7,030)	-	-
Other financial income/(expense)	(2,103)	(1,263)	187
Change in fair value of conversion rights	(3,014)	(2,716)	-
Total other financial items	(2,740)	(4,189)	(7,560)

20. Other income (expenses), net

	2011	2010	2009
Profit (loss) on sale of property, plant and equipment	82	-	(28)
Equipment rental charges	-	-	836
Other income	939	1,260	-
Total other income (expense)	1,021	1,260	808

21. Expenses by nature

	2011	2010	2009
Charter hire	6,037	5,747	3,624
Crew	32,525	36,766	31,014
Seismic and marine expenses	23,461	27,669	33,962
Other operating expenses	5,626	1,220	9,835
Total charter hire and operating expenses	67,649	71,402	78,435
Staff cost and Directors' remuneration	12,659	9,386	8,091
Legal and professional	2,234	3,056	5,475
Provision for bad debts	4,544	2,114	2,084
Travelling	490	972	917
Office rent and sundry office expenses	4,417	3,442	3,057
Other expenses	132	30	4
Total selling, general and administrative expenses	24,476	19,000	19,628

22. Employee benefit expense

	2011	2010	2009
Crew salaries and benefits	20,435	23,374	22,975
Staff cost	13,308	11,804	12,711
Directors' remuneration	336	296	289
Total employee benefit expense	34,079	35,474	35,975
Including accrued costs relating to Employees stock options plan	93	435	783
Average number of employees	558	530	566

23. Interest expense

	2011	2010	2009
Finance lease borrowings	1,990	2,308	2,590
Bond loans	14,085	5,991	7,039
Bank loans	2,399	2,302	3,889
Total interest expense	18,474	10,601	13,518

24. Earnings per share

Basic

Basic earnings per share are 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).

	2011	2010	2009
Profit/(Loss) attributable to equity holders of the Company	(91,643)	(55,936)	(61,771)
Weighted average number of ordinary shares in issue	186,510	158,280	148,971
Basic earnings per share (\$ per share)	(0.49)	(0.35)	(0.41)
Weighted average number of diluted shares	186,510	158,280	153,828
Basic earnings per share (\$ per share)	(0.49)	(0.35)	(0.40)

Basic earnings per share

From continuing operations	(0.65)	(0.43)	(0.28)
From discontinued operations	0.15	0.07	(0.14)
Total basic earnings per share	(0.49)	(0.35)	(0.41)

Diluted earnings per share

From continuing operations	(0.65)	(0.43)	(0.27)
From discontinued operations	0.15	0.07	(0.13)
Total basic earnings per share	(0.49)	(0.35)	(0.40)

25. Dividends

No dividend was distributed for 2009 and 2010 and no dividend will be distributed for the year ended 31 December 2011.

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 USD 16 million was allocated to capital work in progress and property, plant and equipment (USD 4.0 million), patent technology (USD 4.4 million), deferred tax asset (USD 6.1 million) and various other assets and liabilities (net liabilities of around USD 2.0 million). The excess value of the business was calculated at USD 2.7 million, representing the value of the organisation 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 (see details in note 16).

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 the Group'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 USD 125,000,000 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. This purchase price paid for the 11 % stake was deducted from the total purchase price for 100% of the two companies at closing.

STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS

<i>All figures in USD 1,000</i>	Year ended 31 December		
	2011	2010	2009
Revenues	60,815	103,383	49,738
Charter hire and operating expenses	(53,078)	(63,494)	(47,506)
Selling, general and admin expenses	(5,421)	(7,067)	(5,746)
Other income (expenses), net	-	-	209
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2,316	32,822	(3,305)
Depreciation and amortisation	(12,414)	(14,485)	(12,889)
Impairment	-	-	-
Earnings before interest and taxes (EBIT)	(10,098)	18,337	(16,194)
Interest expense	(1,494)	(665)	(364)
Other financial items, net	(1,924)	(1,152)	(1,645)
Change in fair value of conversion rights	-	-	-
Profit (loss) before income tax	(13,516)	16,520	(18,203)
Income tax	(4,389)	(4,869)	(2,491)
Profit/(loss) from discontinued operations	(17,905)	11,651	(20,694)

Gain on sale of OBN business	46,629	-	-
Profit/(loss) for the period	28,724	11,651	(20,694)
Profit/(loss) attributable to:			
Shareholders of the parent	28,724	11,651	(20,694)
Earnings per share discontinued operations			
- basic	0.15	0.07	(0.14)
- diluted	0.15	0.07	(0.13)

CONSOLIDATED STATEMENT OF DISCONTINUED CASH FLOW

<i>All figures in USD 1,000</i>	2011	2010
Net cash from operating activities	5,361	6,369
Net cash from investing activities	(4,851)	(6,378)
Net cash from financing activities	(536)	(116)
Net cash inflow (outflow)	(26)	(125)

GAIN ON SALE

	2011	2010
Gross proceeds	125,000	-
Working capital adjustment	(870)	-
Transaction cost	(2,772)	-
Net proceeds	121,358	-

NET ASSETS DISPOSED:

	2011	2010
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	-
Net assets disposed	74,729	-
Gain on sale	46,629	-

27. Commitments and contingencies

Bid bond outstanding of USD 2,061 as of 31 December 2011 (Performance bond USD 234 in 2010), which also forms part of restricted cash disclosed in note 14.

28. Leases

Financial lease commitments:

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

	2011	2010	2009
No later than 1 year	5,106	5,092	5,092
Later than 1 year and no later than 5 years	14,981	20,087	20,179
Later than 5 years	-	-	-
Total financial lease commitments	20,087	25,179	25,271

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	
	2011	2010	2011	2010
No later than 1 year	5,106	5,092	3,465	3,102
Later than 1 year and no later than 5 years	14,981	20,087	13,156	16,621
Later than 5 years	-	-	-	-
	20,087	25,179	16,621	19,723
Less: future finance charges	(3,466)	(5,456)	-	-
Present value of minimum lease payment	16,621	19,723	16,621	19,723

	2011	2010
Included in the consolidated financial statements as:		
- current borrowings	3,465	3,102
- non-current borrowings	13,156	16,621
	16,621	19,723

Operating lease commitments:

The Group 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:

	2011	2010	2009
No later than 1 year	14,978	19,257	19,121
Later than 1 year and no later than 5 years	21,924	15,749	35,006
Later than 5 years	-	-	-
Total operating lease commitments	36,902	35,006	54,127

Lease rentals amounting to USD 24,250 (2010: USD 20,410 2009: USD 20,243) relating to operating leases are included in the income statement for the year ended 31 December 2011.

29. Related-party transactions

Following the resignation from his position as CEO of the Company in February 2012, Mr. Tim Isden is no longer considered to be a related party to SeaBird. Mr. Isden was, however, prior to such date a related party pursuant in accordance with IAS 24.

Current account with Bartica, ref. section ii) below, is presented as receivable from related parties. Bartica is a company wholly owned by Mr. Tim Isden.

The following transactions were carried out with related parties:

i) Key management compensation

	2011	2010	2009
Salaries and other short-term employee benefits	1,969	1,780	1,731
Bonus payments	-	-	-
Post employment benefits	267	-	735
Total key management compensation	2,236	1,780	2,466

Key management is defined as Tim Isden (Chairman until May 2009 and CEO from December 2007), Alexander Holst (Legal Counsel from March 2006), Geir Olsen (CFO from 1 January 2007 until 13 March 2009), Kai Solberg-Hansen (CFO from 13 March 2009 until 17 August 2011), Erik Hansen (CFO from 17 August 2011 until 13 October 2011) and Thor Higræff (COO from 1 June 2009).

Mr. Isden has received total salary, bonuses and other benefits of USD 475 for 2011. He has no share options as of 31 December 2010 and own directly and indirectly 1.7% of the outstanding shares (see further specification below).

ii) Year- end balances

	2011	2010
Due from related parties	427	427
Due to related parties	-	-

The current account with Bartica is unsecured, carries no interest and was settled as part of Mr. Isden's exit settlement.

iii) Loans to related parties

The group has no loans to related parties.

iv) Commitments and contingencies to related parties

The group has neither commitments nor contingencies to related parties.

v) Shareholding

Management (as defined 31 December 2011 under iii) and the Board, as of 31 December 2011, held the following shares on own account)

Name	Title	Shares*)	Options	Total
Tim Isden	Board Member/CEO	5,360,000	-	5,360,000
Kjell Mathiassen	Board member	14,425,000	-	14,425,000
Alexander Holst	Legal Counsel	1,000	325,000	326,000
Thor Higræff	COO	-	250,000	250,000
John Olav Økland	Board Member	69,451,200	-	69,451,200

*) 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.

30. Subsequent events

On 6 February 2012, Mr. Tim Isden stepped down from his position as CEO with immediate effect and he left the Company end of February 2012. Mr. Dag Reynolds has been appointed as new CEO of SeaBird. Mr. Reynolds will assume the position with effect no later than 1 May 2012. Mr. Jan-Eivind Fondal, previously a member of the Board of Directors of the Company, will assume the position as interim CEO from 6 February 2012 and until Mr. Reynolds assumes the position.

On 20 February 2012, the Company announced that Mr. Dag Reynolds (SeaBird's new CEO, expected to join the Company on or about 1 May 2012) was granted 30,000,000 share options at a strike price of NOK 0.25 (equaling the average share price on the trading day 6 February 2012 + 10% approx.). The share options are exercisable with 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.

With effect from 28 February 2012, as an organising measure upon completion of client service contracts committed prior to OBN divestiture commitment, the Company acquired title to 100% of the shares in Seabed Navigation Company Ltd. from Fugro Norway AS for a consideration of USD 22.7 million. Additionally, debt in Seabed Navigation Company Ltd to other SeaBird companies amounting to USD 27.9 million was acquired by the Company from Fugro Norway AS. On the same date, marine and seismic equipment in Seabed Navigation Company Ltd was acquired by Fugro Norway AS for consideration of USD 50.6 million.

On 11 February 2012 the ONGC contract was successfully completed and the handover of the OBN division to Fugro took place. SeaBird will continue to assist Fugro under a service agreement until Q2 2012, and the previously announced time charter agreements and management agreement are in full force and effect.

On 13 February 2012 multiclient sales of USD 6.3 million were announced, partly from late sales and partly from the financial realisation of non-core assets.

A number of contracts were announced February 2012 under the 2011 frame agreement with Spectrum ASA and other clients were announced, improving backlog for the SeaBird fleet significantly in 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	2011	2010
Loans and receivables:			
Trade receivables	11	31,251	40,467
Due from related parties	29	427	427
Other current assets	12	14,750	2,655
Total loans and receivables		46,428	43,549
Cash and cash equivalents	14	13,300	1,135
Total credit risk		59,728	44,684

Impairment losses

The aging of trade receivables at the reporting date was:

	2011		2010	
	Gross	Impairment	Gross	Impairment
Note past due	19,435	-	8,523	-
Past due 0-30 days	4,959	-	17,159	-
Past due 31-120 days	1,873	-	4,588	-
More than 120 days	15,978	10,994	16,822	6,625
Total impairment losses	42,245	10,994	47,092	6,625

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

	2011	2010
Balance at 1 January	6,625	5,099
Impairment loss recognised(net)	4,369	1,526
Balance at 31 December	10,994	6,625

The Group have generally few and large customers; hence individual evaluations for impairment are done for all overdue receivables. The main part of the increase in provision for loss in 2011 is related to a survey the Geo Mariner completed in February 2009 where we currently have total invoices outstanding of USD 6.7 million (after providing for loss in 2009 and 2010). Following recent discussions, we expect to recover USD 3 million outstanding and have provided for a loss of around USD 3.7 million as of 31 December 2011 (1.7 million in 2010 and 2.1 million in 2009). Also we expect to recover USD 1.4 million from Petrodel Resources for work done by Munin Explorer in 2009 and recorded impairment of 0.3 million USD as of 31 December 2011.

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 Group's short, medium and long term funding and liquidity requirements. The Group 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 summarised the maturity profile of the Group'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 borrowings	-	21,465	86,411	107,876
Capital lease obligations	-	3,465	13,156	16,621
Interest payment	-	4,480	19,849	24,329
Trade and other payables	-	47,794	-	47,794
Total liquidity risk	-	77,204	119,416	196,620

The table below summarised the maturity profile of the Group's financial liabilities at 31 December 2010 on contractual undiscounted payments:

	On Demand	12 Months	1 to 5 Years	Total
Interest-bearing loans borrowings	-	32,821	120,659	153,480
Capital lease obligations	-	3,101	16,621	19,722
Interest payment	-	12,834	27,310	40,144
Trade and other payables	-	45,414	-	45,414
Total Group's financial liabilities	-	94,170	164,590	258,760

See note 17 and 18 for further information.

Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2011:

	EURO	NOK	AUD	GBP	COP	NGN	Other*)
Trade receivables	10,496	-	-	-	-	-	-
Trade and other payables	2,532	6,324	1,798	589	916,594	5,112	2,118
Gross balance sheet exposure	13,028	6,324	1,798	589	916,594	5,112	2,118

*) USD Equivalents

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
USD				
EURO 1	1.3950	1.3272	1.2950	1.3253
AUD 1	1.0375	-	1.0176	-
NOK 1	0.1789	0.1654	0.1687	0.1707
GBP 1	1.6060	1.5456	1.5456	1.5471

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro and GBP. The single most significant item is trade receivables from Persia Petroleum Services. 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

	2011	2010
Fixed rate financial liabilities- Bond loans:		
SBX03	75,008	-
Short term credit facility from Fugro	18,000	-
Variable rate financial liabilities (other loans):		
LIBOR based USD loans	-	54,728
NIBOR based NOK loans	-	81,748
Total interest rate risk	93,008	136,476

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro and GBP. The single most significant item is trade receivables from Persia Petroleum Services. Sensitivity of operating cost and revenues depends on the mix of contracts and the related cost structure and is therefore difficult to quantify.

In addition cash and cash equivalents of USD 13,300 at 31 December 2011 and USD 1,135 at 31 December 2010 are interest bearing assets with variable rates.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group 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.

Notes to the consolidated financial statements
(All figures in USD 1,000)

	100 bp increase	100 bp decrease
Variable rate instruments	1,786	(1,786)

Fair value versus carrying amounts

SeaBird has reviewed the fair value of financial assets and liabilities compared to carrying amount at 31 December 2011. In general, this evaluation shows no material difference.

Notes to the consolidated financial statements
(All figures in USD 1,000)

	100 bp increase	100 bp decrease
Variable rate instruments	1,786	(1,786)

Fair value versus carrying amounts

SeaBird has reviewed the fair value of financial assets and liabilities compared to carrying amount at 31 December 2011. In general, this evaluation shows no material difference.



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Independent Auditor's Report

To the Members of Seabird Exploration Plc

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Seabird Exploration Plc (the "Company") and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position sheet as at 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 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 financial statements 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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.



Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Seabird Exploration Plc and its subsidiaries as at 31 December 2011, and of its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2.24 to the financial statements which indicates that as at 31 December 2011 the Group's current liabilities exceeded its current assets by \$4.9m. The Group also incurred a loss of \$120.4m on continuing operations for the year ended 31 December 2011. These conditions, along with other matters set forth in note 2.24 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Report on Other Legal and Regulatory 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 Company's consolidated 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 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 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

27 March 2012