Fourth Quarter Report 2013

Q42013

SeaBird Exploration

2013 Summary observations for the fourth quarter

- Revenues for the quarter were $37.2 million, an increase of 7% compared to the comparable period in 2012 and down 28% relative to Q3 2013.
- Contract revenues for the period were $32.1 million, down 7% from Q4 2012 and down 36% from Q3 2013.
- Multi-client revenues were $5.1 million, up from $0.4 million reported in Q4 2012 and an increase of 183% from $1.8 million reported in Q3 2013.
- Contract surveys during the fourth quarter represented 53% of vessel capacity compared to 82% during the third quarter; the decrease is mainly due to lower vessel utilization across the fleet and higher vessel repositioning relative to the prior period.
- EBITDA was $3.9 million compared to $6.8 million for Q4 2012 and $13.2 million for Q3 2013.
- EBIT for the quarter was negative $4.6 million compared to $0.9 million for Q4 2012 and $6.7 million for Q3 2013.
- Vessel utilization for the period was 56%.

$37.2
million revenues for the quarter

$3.9
million EBITDA for quarter

Contents

\$5.1 million multi-client revenues, a significant increase from the prior period

Geo Pacific mobilized for a significantly prefunded 2,600 km^2 3D multi-client program in West Africa

56% vessel utilization

Completed private placement of 12.0 million shares

Key highlights

Preliminary year end 2013 observations

- Revenues for 2013 were $177.8 million, an increase of 9% compared to 2012.
- Contract revenues for 2013 were $166.8 million, up 18% from 2012.
- Multi-client revenues were $11.0 million, a decrease of 49% from $21.7 million reported in 2012.
- EBITDA was $31.9 million compared to $38.6 million for 2012.
- EBIT for 2013 was $4.9 million compared to $4.2 million for the prior year.
- Vessel utilization for 2013 was 77%.

Operational review

Fourth quarter revenues and earnings were down from the previous quarter in light of reduced utilization across the fleet. In addition to normal seasonal variances, global demand for 2D, niche 3D and source seismic surveys was substantially weaker than prior quarters during the year.

Multi-client sales were significantly higher in the fourth quarter.
The increase in multi-client revenues was a result of stronger late sales.

A substantial portion of multi-client revenues for the period related to earlier surveys which collectively have limited remaining book value. Approximately 30% of multi-client sales for the quarter related to surveys completed in 2013.

Multi-client utilization was 3% for the period compared to 4% in the third quarter. During the quarter, the Harrier Explorer completed a one thousand five hundred kilometer survey in the North Sea which commenced during the third quarter. In the fourth quarter, the Geo Pacific mobilized for a two thousand six hundred square kilometer 3D multi-client program in West Africa. This survey is anticipated to be completed in the second quarter of 2014.

Contract revenues for the fourth quarter were down compared to the prior period. The weaker contract sales were a result of lower demand across all our geographic focus areas. Contract surveys during the fourth quarter represented 53% of vessel capacity compared to 82% for quarter three.

Although the fourth quarter is typically a slower period for the industry, demand during the period was below normal. In addition, contract postponements resulted in lower than expected contract utilization. In the Asia Pacific region, a 3D contract for Voyager Explorer which was expected to commence in the fourth quarter was cancelled.

During the quarter, the Geo Pacific finished the second of two surveys in the Caribbean. The Aquila Explorer completed a maintenance docking midway through the quarter in preparation for its deployment to Australasia. During the docking, a propulsion upgrade was also completed. Yard stays represented 3% of vessel capacity for the period.

Vessel utilization for the fourth quarter was 56%, down from 86% in the third quarter. Operational performance of the fleet was solid, with technical downtime below 4% for the quarter.

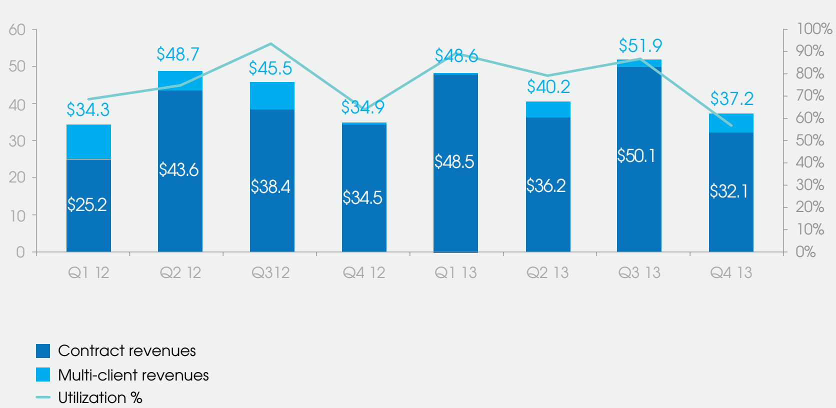
The company's continuing commitment to health, safety, security, environment and quality (HSSEQ) remained a core focus during the quarter. The lost time injury frequency (LTIF) for the year was 0.23. Measures continue to be implemented as part of SeaBird's lessons learnt principle for operational improvement.

Regional overview

Fourth quarter revenues were down compared to the prior period in both the Asia Pacific (APAC) and North and South America (NSA) regions. Revenues in APAC and NSA were impacted by reduced demand as well as repositioning. Comparatively, revenues in Europe, Africa and the Middle East (EAME) strengthened.

Sales in APAC of $13.4 million accounted for 36% of total revenues. APAC revenues were down compared to the third quarter as Voyager Explorer finished a 3D survey in the Philippines at the beginning of November and was unutilized for the remainder of the quarter. Aquila Explorer completed two 2D surveys in the region in the first half of the quarter and subsequently underwent a docking in preparation for its Australasia program. The vessel was in

Revenues continuing operations
(USD millions)



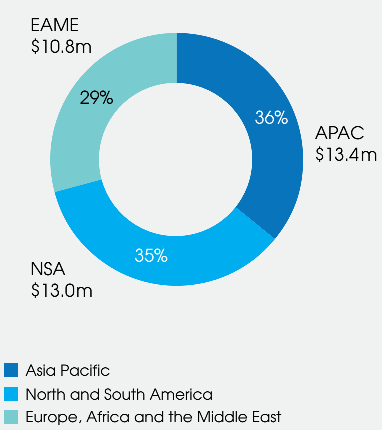
Key highlights

transit towards the end of the quarter; en route for a contract with a major oil company offshore New Zealand.

NSA sales of $13.0 million represented 35% of total revenues. The decrease in NSA revenues was mainly due to the repositioning of the Geo Pacific to West Africa after completing its survey in October. In addition, Osprey Explorer completed a 2D survey in the region in early November and remained unutilized for the rest of the quarter.

Sales in EAME of $10.8 million accounted for 29% of total revenues. Revenues increased compared to the third quarter as Harrier Explorer and Northern Explorer were both active in this region during the fourth quarter.

Q4 Revenues by region
(USD millions)



Outlook

In spite of the slow-down experienced in the fourth quarter, we are currently seeing a moderate improvement in global seismic demand. Nevertheless, we expect that the market softness is likely to have an impact on earnings in the first part of 2014. Pricing has remained firm in all regions and we would largely expect this to remain stable through the first half of the year.

EAME has seen an increase in demand following the generally slower winter period. With one vessel currently active in the North Sea and three vessels mobilizing to Africa, EAME will be a key region in the first half of 2014.

The prolonged environmental approval processes for surveys in Australia and New Zealand have delayed vessel deployment and contract startups within this region. However, we anticipate continued solid demand in this geography.

Multi-client late sales were strong in the fourth quarter and we expect to capitalize further on our existing library in 2014. However, timing of multi-client sales is difficult to predict. Furthermore, we continue to see a more challenging environment for obtaining prefunding for new surveys.

The company views multi-client investment as a core part of its operation and will capitalize on multi-client investment opportunities with attractive risk reward characteristics. We are actively reviewing opportunities in the multi-client sector.

Financial review

Key financial figures

KEY FIGURES – CONTINUING OPERATIONS	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's (except for EPS)	2013	2012	2013	2012
Revenues	37,178	34,901	177,805	163,331
EBITDA	3,911	6,778	31,930	38,559
EBIT	(4,578)	870	4,850	4,151
Profit/(loss)	(8,669)	(5,381)	(6,688)	(18,183)
Earnings per share (diluted)	(0.18)	(0.17)	(0.15)	(0.56)
Cash flow operating activities	(200)	(1,255)	25,937	19,905
Capital expenditures	(1,537)	(4,179)	(17,079)	(15,008)
Total assets	188,851	197,371	188,851	197,371
Net interest bearing debt	87,115	87,406	87,115	87,406
Equity ratio	30.5%	26.8%	30.5%	26.8%

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

Financial comparison

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

The company reports a net loss of $8.7 million for Q4 2013 (net loss $5.4 million in the same period in 2012).

Revenues were $37.2 million in Q4 2013 ($34.9 million). The increased revenues are primarily due to fleet composition and higher multi-client sales in Q4 2013, partly offset by greater vessel repositioning during the quarter resulting in lower contract revenues.

Cost of sales was $28.5 million in Q4 2013 ($24.4 million). The increase is mainly due to fleet composition with the chartering of the Geo Pacific at the end of 2013, partly offset by lower vessel utilization.

SG&A was $5.1 million in Q4 2013, up from $4.1 million in Q4 2012. The increase is principally due to an increase in employee numbers in line with an increased fleet size and higher consultancy costs.

EBITDA was $3.9 million in Q4 2013 ($6.8 million).

Depreciation and amortization were $8.5 million in Q4 2013 ($5.9 million). The increase is predominantly due to the de-recognition of a number of cyclical assets as part of an overall review of property plant and equipment carried out during the quarter.

Interest expense was $3.1 million in Q4 2013 ($3.2 million).

Other financial items, net expense, of negative $0.7 million in Q4 2013 (negative $0.4 million). The change is mainly due to currency fluctuations.

Income tax expense was $0.2 million in Q4 2013 (expense of $2.7 million). The decrease in tax cost is primarily due to the reassessment of selected historical tax provisions carried out in Q4 2013.

Capital expenditures were $1.5 million in Q4 2013 ($4.2 million). The majority of the capital cost incurred during the quarter related to the dry docking of Aquila Explorer. The remaining portion related to the purchase of routine seismic and other equipment across the fleet.

Multi-client investment was $1.4 million in Q4 2013 (2012: Nil), which related to the completion of a survey in the North Sea, along with the commencement of a new 3D multi-client survey in West Africa during Q4 2013.

Net profit from discontinued operations was $3.9 million for Q4 2013 (loss of $0.6 million). Discontinued operations represent the remaining contractual obligations of the ocean bottom node (OBN) business which was divested in Q4 2011. The profit from discontinued operations is due to the reassessment of selected historical tax provisions carried out in Q4 2013.

Financial review

Liquidity and financing

Cash and cash equivalents at the end of the period were $12.2 million ($14.7 million), of which $0.4 million was restricted in connection with deposits and the bond service account. Net cash from operating activities was negative $0.2 million in Q4 2013 (negative $1.3 million).

The company has one bond loan, one convertible loan and the Hawk Explorer finance lease.

- The 6% secured bond loan has a face value of $83.9 million and is recognized in the books at amortized cost of $76.0 million per Q4 2013. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million that started 19 December 2012. Interest and principal amounting to $4.6 million was paid during Q4 2013 in relation to the bond loan.

- The 1% unsecured convertible loan with Perestroika has a face value of $14.9 million and is recognized in the books at amortized cost of $14.0 million per Q4 2013. The convertible loan matures 30 September 2014 and has no principal amortization. Interest on the convertible loan is paid annually. No interest was paid during Q4 2013 in relation to the convertible loan.

- The lease of Hawk Explorer is recognized in the books as a finance lease at $9.3 million per Q4 2013. Installments of $1.0 million against the Hawk lease principal and $0.3 million against the interest portion were paid during Q4 2013 ($0.9 million and $0.4 million in Q4 2012, respectively). During the third quarter, the company announced that it will exercise its option under the current charter agreement to purchase the vessel and related equipment for $6.5 million. The vessel and equipment will be delivered at the end of the lease term 31 August 2014 against settlement of the purchase price.

The company completed a private placement of 12.0 million new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 3.00 per share. Total gross proceeds from the private placement were NOK 36.0 million ($ 5.9 million).

During the quarter, SeaBird extended the bareboat charter for the Munin Explorer from 1 November 2014 to 31 October 2019. In connection with the bareboat extension, the charter rate is being reduced from USD 20,271 per day to USD 12,000 per day, commencing 1 February 2014. The charter rate will escalate with 2% per year throughout the charter period, in accordance with the original agreement.

Management is currently reviewing the possible refinancing alternatives open to the company.

Net interest-bearing debt was $87.1 million at the end of Q4 2013 ($87.4 million).

Accrued interest for Q4 2013 was $0.1 million ($0.1 million).

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

The Board of Directors and Chief Executive Officer
SeaBird Exploration Plc
25 February 2014

Henrik A Christensen
Chairman

Kitty Hall
Director

Kjell H Mathiassen
Director

Melvin Teigen
Director

John Olav Økland
Director

Dag Reynolds
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION		
	As of 31 December	
All figures in USD 000's	2013	2012
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	122,829	130,774
Multi-client library	7,067	3,384
Goodwill	1,267	1,267
Long-term investment	82	-
	131,245	**135,425**
Current assets		
Inventories	4,367	3,920
Trade receivables	24,712	33,069
Other current assets	16,372	10,213
Cash and cash equivalents	12,155	14,744
	57,606	**61,946**
Total assets	**188,851**	**197,371**
EQUITY		
Shareholders' equity		
Paid in capital	189,125	180,761
Equity component of convertible loan	6,296	6,296
Currency translation reserve	(392)	(180)
Share options granted	1,097	8,495
Retained earnings	(138,495)	(142,571)
	57,631	**52,801**
LIABILITIES		
Non-current liabilities		
Loans and borrowings	72,008	94,299
Provision for end of service benefit	1,103	848
	73,111	**95,147**
Current liabilities		
Trade and other payables	24,719	27,325
Loans and borrowings	27,262	7,851
Tax liabilities	6,128	14,247
	58,109	**49,423**
Total liabilities	**131,220**	**144,570**
Total equity and liabilities	**188,851**	**197,371**

Financial review

CONSOLIDATED INTERIM STATEMENT OF INCOME

All figures in USD 000's	Quarter ended 31 December 2013 (Unaudited)	Quarter ended 31 December 2012 (Unaudited)	Year ended 31 December 2013 (Unaudited)	Year ended 31 December 2012 (Audited)
Revenues	37,178	34,901	177,805	163,331
Cost of sales	(28,531)	(24,366)	(128,036)	(103,711)
Cost of multi-client sales	-	-	-	(5,056)
Selling, general and administrative expenses	(5,090)	(4,055)	(19,377)	(16,843)
Other income (expenses), net	354	298	1,538	838
Earnings before interest, tax, depreciation and amortization (EBITDA)	**3,911**	**6,778**	**31,930**	**38,559**
Depreciation and amortization	(8,489)	(5,908)	(27,080)	(34,408)
Impairment	-	-	-	-
Earnings before interest and taxes (EBIT)	**(4,578)**	**870**	**4,850**	**4,151**
Interest expense	(3,143)	(3,172)	(12,040)	(12,391)
Other financial items, net	(741)	(426)	(829)	(1,072)
Change in fair value of conversion rights	-	-	-	-
Profit/(loss) before income tax	**(8,462)**	**(2,728)**	**(8,019)**	**(9,312)**
Income tax	(207)	(2,653)	1,331	(8,871)
Profit/(loss) continuing operations	**(8,669)**	**(5,381)**	**(6,688)**	**(18,183)**
Net profit/(loss) discontinued operations (note 1)	3,865	(640)	3,045	6,668
Profit/(loss) for the period	**(4,804)**	**(6,021)**	**(3,643)**	**(11,515)**
Profit/(loss) attributable to				
Shareholders of the parent	(4,804)	(6,021)	(3,643)	(11,515)
Earnings per share				
Basic	(0.10)	(0.19)	(0.08)	(0.36)
Diluted	(0.10)	(0.19)	(0.08)	(0.36)
Earnings per share from continued operations				
Basic	(0.18)	(0.17)	(0.15)	(0.56)
Diluted	(0.18)	(0.17)	(0.15)	(0.56)

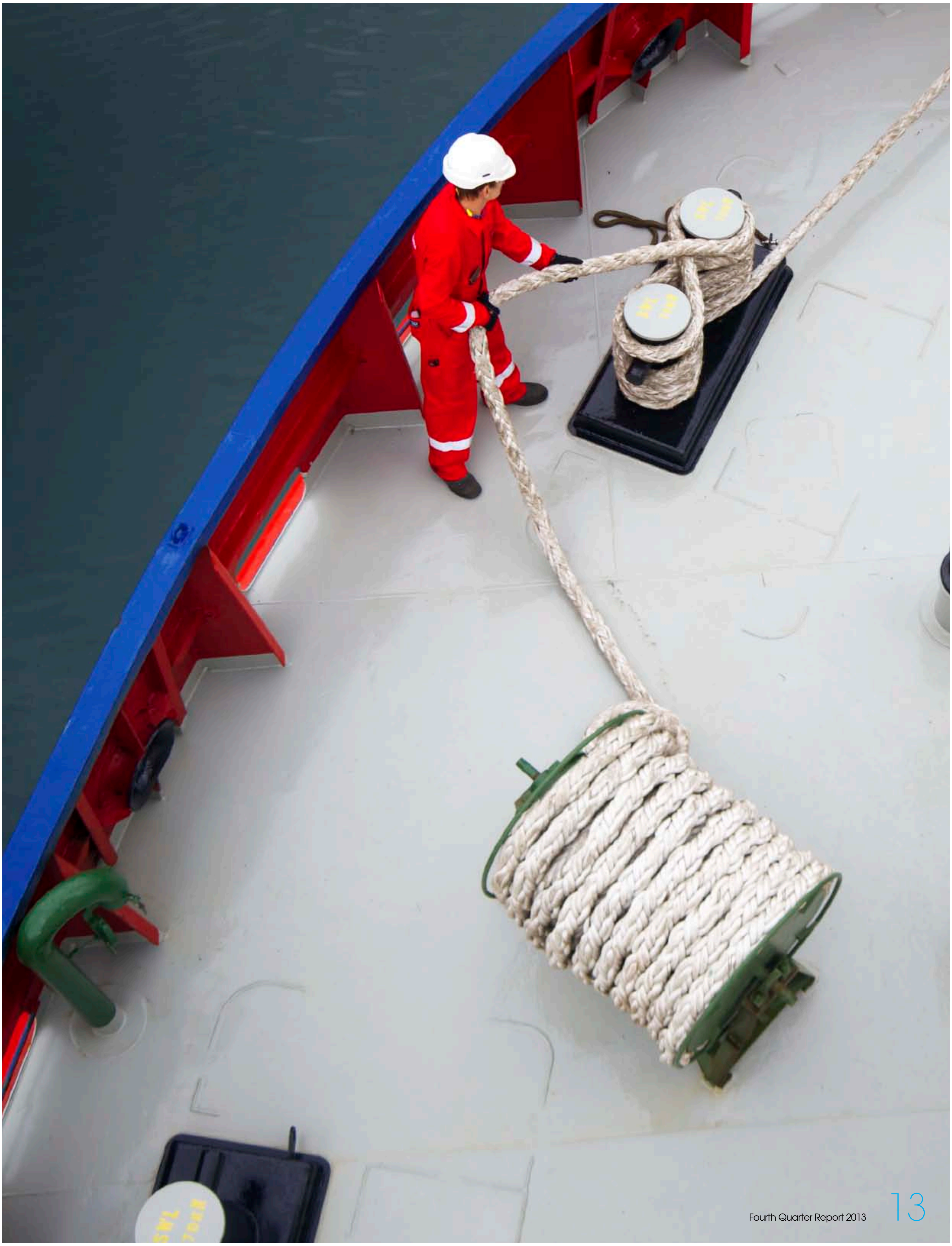
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME				
	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit/(loss)	**(4,804)**	**(6,021)**	**(3,643)**	**(11,515)**
OTHER COMPREHENSIVE INCOME				
Net movement in currency translation reserve and other changes	360	(126)	109	32
Total other comprehensive income, net of tax	**360**	**(126)**	**109**	**32**
Total comprehensive income	**(4,444)**	**(6,147)**	**(3,534)**	**(11,483)**
Total comprehensive income attributable to				
Shareholders of the parent	(4,444)	(6,147)	(3,534)	(11,483)
Total	**(4,444)**	**(6,147)**	**(3,534)**	**(11,483)**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY		
	Year ended 31 December	
All figures in USD 000's	2013	2012
	(Unaudited)	(Audited)
Opening balance	**52,801**	**49,302**
Profit/(loss) for the period	(3,643)	(11,515)
Increase/(decrease) in share capital	8,364	14,041
Share options granted	541	941
Net movements in currency translation reserve and other changes	(432)	32
Ending balance	**57,631**	**52,801**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

All figures in USD 000's	Quarter ended 31 December 2013 (Unaudited)	Quarter ended 31 December 2012 (Unaudited)	Year ended 31 December 2013 (Unaudited)	Year ended 31 December 2012 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before income tax	(8,462)	(2,728)	(8,019)	(9,312)
Adjustments for				
Depreciation, amortization and impairment	8,489	5,797	27,080	34,296
Unrealized exchange (gain)/loss	(561)	(111)	(1,277)	419
Amortization of interest	2,630	3,956	10,333	10,053
Paid income tax	(1,844)	(357)	(3,321)	(1,067)
Earned on employee stock option plan	129	413	541	941
(Increase)/decrease in inventories	497	180	(446)	(335)
(Increase)/decrease in trade and other receivables	14,782	3,046	4,839	(6,404)
(Increase)/ decrease in due from related parties	-	-	-	427
Increase/(decrease) in trade and other payables	(15,860)	(11,451)	(3,793)	(9,113)
Net cash from operating activities	**(200)**	**(1,255)**	**25,937**	**19,905**
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	(1,537)	(4,179)	(17,079)	(15,008)
Multi-client investment	(1,449)	-	(6,307)	(6,556)
Long-term investment	-	-	(83)	-
Net cash used in investing activities	**(2,986)**	**(4,179)**	**(23,469)**	**(21,564)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares	6,480	14,041	8,364	14,041
Receipts from borrowings	-	-	-	-
Repayment of borrowings	(3,010)	(2,907)	(7,851)	(5,464)
Interest paid	(2,575)	(2,696)	(5,355)	(5,505)
Net movement in currency fluctuations	453	(137)	(215)	31
Net cash from financing activities	**1,348**	**8,301**	**(5,057)**	**3,103**
Net (decrease)/increase in cash and cash equivalents	**(1,838)**	**2,867**	**(2,589)**	**1,444**
Cash and cash equivalents at beginning of the period	**13,993**	**11,877**	**14,744**	**13,300**
Cash and cash equivalents discontinued operations	**-**	**-**	**-**	**-**
Cash and cash equivalents at end of the period	**12,155**	**14,744**	**12,155**	**14,744**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS				
	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	-	583	823	15,800
Cost of sales	(180)	(319)	(1,163)	(8,037)
Selling, general and administrative expenses	(10)	(51)	(86)	(1,556)
Other income (expenses), net	90	93	212	2,367
Earnings before interest, tax, depreciation and amortization (EBITDA)	**(100)**	**306**	**(214)**	**8,574**
Depreciation and amortization	-	-	-	-
Impairment	-	-	-	-
Earnings before interest and taxes (EBIT)	**(100)**	**306**	**(214)**	**8,574**
Interest expense	-	-	-	(191)
Other financial items, net	-	-	-	-
Profit/(loss) before income tax	**(100)**	**306**	**(214)**	**8,383**
Income tax	3,965	4	3,259	(765)
Profit/(loss) discontinuing operations	**3,865**	**310**	**3,045**	**7,618**
Gain/(loss) on sale of OBN business	-	(950)	-	(950)
Net profit/(loss) from discontinued operations	3,865	(640)	3,045	6,668
Profit/(loss) attributable to				
Shareholders of the parent	3,865	(640)	3,045	6,668



Selected notes and disclosures

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

Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Oslo Stock Exchange. The condensed interim consolidated financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012. The consolidated financial statements for the year ended 31 December 2012 and quarterly reports are available at www.sbexp.com. The financial statements as of Q4 2013, as approved by the board of directors 25 February 2014, are unaudited.

Significant accounting principles

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

Risk factors

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

Segment information

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

Property, plant and equipment

As of 1 January 2012, the company changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. Under IAS 8, this change has been retrospectively applied to prior comparative accounting periods. Management believes that this method provides more reliable and relevant information that is more easily verified and free from management judgment and impacts due to the cyclical nature of the seismic industry. Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Costs of all repairs and maintenance are expensed as incurred.

During the fourth quarter, a review of property plant and equipment was undertaken. As a result a number of cyclical assets have been derecognized. This review had a net negative effect of $1.5 million in the profit and loss statement.

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

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

Depreciation for Q4 2013 was $7.5 million.

Multi-client library

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

The company introduced a new amortization category in Q2 2013 to conform to seismic industry accounting practices. "Category 1" libraries (the new category) are subject to minimum amortization of 20% in the first year, 20% in the second year, 20% in the third year, 20% in the fourth year and 20% in the fifth year. Each project is placed into one of ten sales amortization categories with amortization rates of 90%, 85%, 80%, 75%, 70%, 65%, 60%, 55%, 50% or 45%. "Category 2" multi-client libraries are amortized over the shorter of 3 years or the life of the survey.

Multi-client sales in Q4 2013 were $5.1 million ($0.4 million).

Q4 2013 figures	USD million
Beginning balance Q4 2013	6.6
Capitalized cost	1.4
Capitalized depreciation	0.1
Amortization	(1.0)
Book value	**7.1**

Discontinued operations

On 8 December 2011, the company closed the share and purchase agreement with Fugro Norway AS related to Fugro's acquisition of SeaBird Technologies AS and Seabed Navigation Company Limited, which collectively held all of the company's rights and assets related to the OBN business. As of

Selected notes and disclosures

Q4 2011, the OBN business is accounted for as discontinued operations. See note 1 to the consolidated income statement for the income statement for discontinued operations. Goodwill and patent technology related to the OBN business were realized as part of the transaction.

Share capital and share options

On 19 December 2013, the company completed a private placement of 12,000,000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 3.00 per share. Total gross proceeds from the private placement were NOK 36.0 million ($5.9 million).

The total number of shares at 31 December 2013 is 57,581,246.

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

As at 31 December 2013, there are a total of 3,343,888 share options granted to 13 employees.

On 4 November 2013, employees in SeaBird Exploration exercised their rights to purchase from the company 1,655,268 shares in SeaBird Exploration Plc at a pre-agreed price. Each such share was issued at the applicable strike price of such option previously announced. The total exercise price for all shares issued was NOK 5.1 million. This transaction represented 1/3 of the options that were exercisable from 13 August 2013.

The remaining options granted may be exercised with 1/3 from 13 August 2014 and 1/3 from 13 August 2015. All options must be exercised by 1 November 2015, or, if resolved by the board of directors, at the latest on the date of the first quarterly report of the company after such date.

Taxes

SeaBird Exploration Plc is subject to taxation in Norway and the majority of its subsidiaries in Cyprus.
The company is also subject to taxation in various other jurisdictions because of its global operations. The company is continuing to evaluate its historical tax exposures which might change the reported tax expense.

Related party transactions

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

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

During the quarter, SeaBird extended the bareboat charter for the Munin Explorer from 1 November 2014 to 31 October 2019. In connection with the bareboat extension, the charter rate is being reduced from USD 20,271 per day to USD 12,000 per day, commencing 1 February 2014. The charter rate will escalate with 2% per year throughout the charter period, in accordance with the original agreement. The reduction in charter rate for the remainder of the current charter period will result in cumulative savings for the company of approximately $2.3 million.

The company also charters the 3D vessel Geo Pacific from Fugro, through a subsidiary of Ordinat Shipping AS initially on a three-year bareboat charter with four one-year options to extend the contract between the company and the subsidiary of Ordinat Shipping AS. Furthermore, SeaBird has purchase options on the vessel in year three and, to the extent the lease is extended, year four.

The amount of charter hire recognized in cost of sales to related parties during Q4 2013 was $3.7 million ($1.8 million).

Going concern

As at 31 December 2013, the company does not have sufficient working capital to cover present requirements for a period of at least twelve months.
In September 2014, the convertible loan from Perestroika with a nominal value of $14.9 million matures.
In addition, SeaBird will acquire Hawk Explorer for $6.5 million in August 2014 (the $6.5 million purchase price for Hawk Explorer is reported as debt on the balance sheet as of 31 December 2013). The company estimates that the cash flow from operations will not be sufficient to cover these two items. The financing of these two obligations must be from other sources and needs to be concluded before the two maturity dates.

The company is pursuing several alternatives which it believes would bridge the shortfall, including refinancing/renegotiation of existing debt facilities, other sources of financing and/or an equity issue. If such initiatives are unsuccessful and/or the company fails to meet its projected cash flow, there will be a significant adverse effect on the company.
The company will be unable to meet its liabilities as they fall due and to continue as a going concern.

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