Second Quarter Report 2013

Q2 2013

SeaBird Exploration

2013 Summary observations for the second quarter

- Revenues for the quarter were $40.2 million, a decrease of 17% compared to the comparable period in 2012 and down 17% relative to Q1 2013.

- Contract revenues for the period were $36.2 million, down 17% from Q2 2012 and down 25% from Q1 2013.

- Multi-client revenues were $4.0 million, a decrease of 22% from $5.1 million reported in Q2 2012 and up from $0.1 million reported in Q1 2013.

- Significant increase in investment in new multi-client surveys; multi-client activity during the period increased from 4% of vessel capacity in quarter one to 22% of vessel capacity in quarter two.

- Contract surveys during the second quarter represented 57% of vessel capacity compared to 84% during quarter one; due to increased multi-client surveys, preparation of Geo Pacific for initial project and fleet repositioning.

- EBITDA was $3.7 million compared to $17.2 million for Q2 2012 and $11.1 million for Q1 2013.

- EBIT for the quarter was negative $2.4 million compared to $7.7 million for Q2 2012 and $5.1 million for Q1 2013.

- Vessel utilization for the period was 79%.

$40.2 million revenues for the second quarter

Significant increase in multi-client investment; 22% of Q2 vessel capacity

Contents

$4.0
million multi-client revenues, principally related to new surveys

Northern achieved seismic vessel notation as part of our ongoing program with DNV

79%
vessel utilization

Zero
lost time injury frequency (LTIF) rate for the quarter

Highlights for the second quarter

Operational review

Revenues and earnings for the second quarter were down from the first quarter as the company actively increased investment in multi-client surveys, prepared the Geo Pacific for its first project and repositioned a number of vessels following the completion of existing contracts.

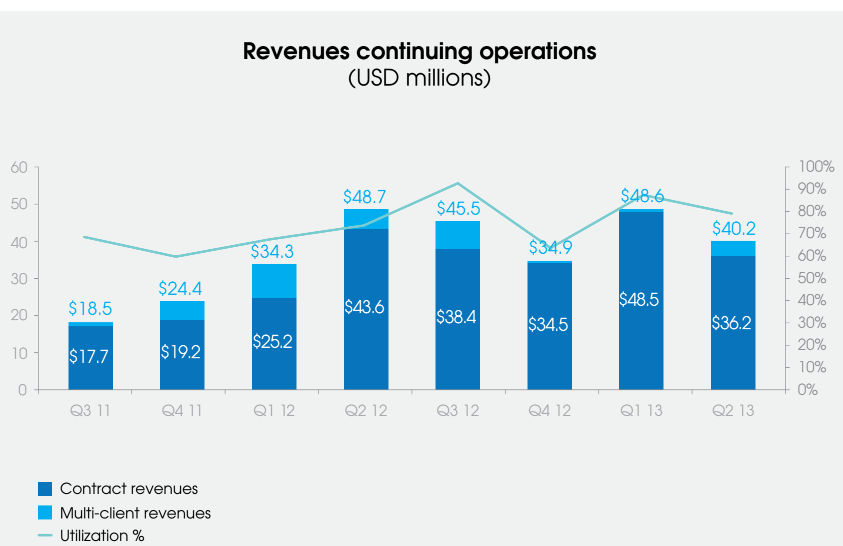
During the second quarter, SeaBird completed its three thousand kilometer multi-client project in the Caribbean and commenced two additional multi-client surveys, an expanded five thousand kilometer project in Namibia and a six thousand kilometer project in the Barents Sea. Multi-client activity during the period increased from 4% of vessel capacity in quarter one to 22% of vessel capacity in quarter two.

We will continue our multi-client focus and will generally partner with other industry participants. We anticipate attractive returns from our multi-client investments. However, until the multi-client library reaches critical mass, revenues and EBITDA may be impacted.

The Geo Pacific commenced its first survey in mid-May. The delayed start date was primarily a result of extended sea trials. While the vessel operated successfully throughout the remainder of the quarter, the later than expected production start contributed negatively to EBITDA for the period. Additionally, a number of start-up issues resulted in above-average technical down-time. These issues are being addressed and going forward we expect to have the vessel perform in line with the rest of the fleet. Nevertheless, the increased technical down-time also impacted earnings.

However, the Geo Pacific completed its first survey on schedule and was immediately mobilized for its second project which is expected to keep the vessel occupied through the end of the third quarter.

Contract revenues for the second quarter were down compared to the prior period. Contract surveys during the second quarter represented 57% of vessel capacity compared to 84% during quarter one. The reduced contract survey utilization rate is in part a result of two vessels being dedicated to multi-client projects during the period. In addition, fleet repositioning accounted for 15% of vessel capacity for the second quarter. This includes the time allocated to mobilize the Geo Pacific for its first job as well as the repositioning of Voyager and Aquila following their Southern Asia Pacific campaigns. Harrier was also repositioned to Northern Europe and subsequently commenced work in the Barents Sea.



During the second quarter we had two yard stays, representing 6% of vessel capacity for the period.

Utilization for the second quarter was 79%, down from 88% in the first quarter.

Operational performance was solid during the period. Technical downtime for the fleet for the second quarter was 5% and the company's lost time injury frequency (LTIF) rate for the quarter was zero.

The company has achieved early compliance with the new Maritime Labour Convention standards ratified in 2012. Moreover, during the quarter, Northern achieved seismic vessel notation as part of our ongoing program with DNV.

Health, safety, security, environment and quality (HSSEQ) successfully completed a number of client prequalification audits as well as follow-up audits for ISO 9001/14001 and OHSAS 18001. Several HSSEQ initiatives were commenced during the quarter as a part of the company's continuous focus to improve internal processes.

Regional overview

In the second quarter, geographic revenues were strongest in North and South America (NSA) where we saw a significant increase in activity. Revenues in Asia Pacific (APAC) and Europe, Africa and Middle East (EAME) were down from the first quarter mainly due to vessel repositioning and increased multi-client focus.

NSA sales of $20.4 million represented 51% of total revenues. The significant increase in NSA revenues was in large part a result of Geo Pacific's first survey in the Caribbean. In addition, we had two vessels active in the region throughout the quarter.

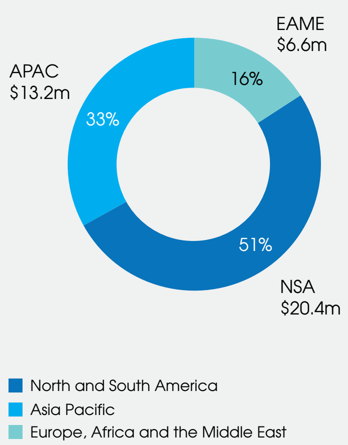
Sales in APAC of $13.2 million accounted for 33% of total revenues. Revenues in the region were down compared to the first quarter as Aquila completed its projects in Australia in May and mobilized for its new contract

Highlights for the second quarter

in South East Asia, commencing its new survey in early July. Additionally, Voyager completed its Australia and New Zealand campaign in April and transited to South East Asia for its next survey, commencing this project in June.

Sales in EAME of $6.6 million accounted for 16% of total revenues. Revenues were reduced compared to the first quarter as Northern completed its survey in Africa in late May and Osprey and Harrier operated in the region on multi-client projects.

Q2 Revenues by region
(USD millions)



Outlook

Global industry demand in the quarter continued to be strong albeit vessel repositioning in certain geographies caused time delays. Most significantly, we had two vessels in the Asia Pacific region during the second quarter which required more time than estimated to reengage following the completion of their surveys. However, both vessels are currently active and we are seeing solid demand in the APAC region.

In spite of continued robust seismic market demand in all our core regions, we do expect that vessel repositioning from time to time will impact utilization. That being said, going into the third quarter, vessel utilization across the fleet was strong.

Day rates for both 2D and niche 3D seismic contract surveys remained solid in the second quarter. During the period we experienced stable to improving pricing trends in all geographies. We are not seeing any signs indicating a changing pricing environment and we expect day rates to remain firm for the foreseeable future.

The increased focus on multi-client investment is continuing and we will be developing attractive multi-client opportunities throughout our geographic focal areas.

Financial review

Key financial figures

KEY FIGURES – CONTINUING OPERATIONS					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's (except for EPS)	2013	2012	2013	2012	2012
Revenues	40,187	48,711	88,758	82,962	163,331
EBITDA	3,680	17,196	14,799	20,055	38,559
EBIT	(2,386)	7,739	2,689	(957)	4,151
Profit/(loss)	(3,466)	291	(2,000)	(12,214)	(18,183)
Earnings per share (diluted)	(0.09)	0.01	(0.05)	(0.48)	(0.56)
Cash flow operating activities	10,813	5,009	18,702	10,520	19,905
Capital expenditures	(3,744)	(7,027)	(10,523)	(8,285)	(15,008)
Total assets	199,457	202,242	199,457	202,242	197,371
Net interest bearing debt	86,942	96,869	86,942	96,869	87,406
Equity ratio	25.8%	22.1%	25.8%	22.1%	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 $3.5 million for the second quarter 2013 (net profit $0.3 million same period in 2012).

The loss for the first half of 2013 was $2.0 million, compared to a loss of $12.2 million in 2012.

Revenues were $40.2 million in Q2 2013 ($48.7 million). The decreased revenues are primarily due to increased multi-client activity, reduced contract utilization and lower multi-client sales during the quarter.

Revenues for the first half of 2013 were $88.8 million compared with $83.0 million for 2012.

Cost of sales was $31.9 million in Q2 2013 ($27.6 million). The increase is mainly due to the chartering of the Geo Pacific, fleet composition and operating in higher cost geographical regions relative to the same period in 2012. The cost increase was offset by increased multi-client activity for the quarter and a subsequent capitalization of expenses.

For the first half of 2013, cost of sales was $65.0 million, up from $54.8 million in 2012.

SG&A was $4.9 million in Q2 2013, up from $4.0 million in Q2 2012. The increase is principally due to higher consultancy costs related to the ongoing tax review and the costs associated with the bond refinancing review.

SG&A for the first half of 2013 were $9.6 million compared with $8.9 million for 2012.

EBITDA was $3.7 million in Q2 2013 ($17.2 million). EBITDA for the first half of 2013 was $14.8 million compared with $20.1 million for 2012.

Depreciation and amortization were $6.1 million in Q2 2013 ($9.5 million). The decrease is predominantly due to increased multi-client activity and a corresponding increase in capitalized depreciation, along with lower multi-client sales amortization for the period.

Depreciation and amortization decreased from $21.0 million in the first half of 2012 to $12.1 million in 2013.

Interest expense was $3.0 million in Q2 2013 ($3.1 million).

For the first half of 2013, interest expense was $6.0 million, down from $6.1 million in 2012.

Other financial items, net expense, of positive $0.5 million in Q2 2013 (positive $0.2 million). The change is mainly due to currency fluctuations.

For the first half of 2013 other financial items, net expense, were positive $0.4 million compared with negative $0.3 million for 2012.

Income tax benefit was $1.5 million in Q2 2013 (expense of $4.6 million). The decrease in tax cost is mainly due to the reassessment of a number of historical tax provisions, along with a reduction in corporate and withholding taxes directly related to the tax jurisdiction the vessels operated within during Q2 2013.

For the first half of 2013, income tax benefit was $0.9 million compared to a tax expense of $4.8 million recorded in 2012.

Capital expenditures were $3.7 million in Q2 2013 ($7.0 million). Major capital cost items for the quarter included the engine overhaul of the Harrier Explorer, docking of the Northern Explorer and purchasing of seismic and other equipment across the fleet.

Multi-client investment was $5.5 million for the quarter ($1.2 million), which is related to the Snospurv Norway and Namibia multi-client surveys.

Net loss from discontinued operations was $0.3 million for Q2 2013 (gain of $2.3 million). Discontinued operations represent the remaining contractual obligations of the ocean bottom node (OBN) business which was divested in Q4 2011.

For the first half of 2013, net loss from discontinued operations was $0.8 million, compared to a net profit of $7.5 million reported in 2012.

Liquidity and financing

Cash and cash equivalents at the end of the period were $13.8 million ($6.7 million), of which $0.2 million was restricted in connection with bank guarantees, deposits and the bond service account. Net cash from operating activities was positive $10.8 million in Q2 2013 (positive $5.0 million).

During the quarter, the company completed a review of alternatives to refinance its SBX03 bond. The company concluded that the terms of the existing bond are more favorable than the terms currently available in the market.

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 $85.9 million and is recognized in the books at amortized cost of $76.1 million per Q2 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 of $2.6 million was paid during Q2 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 $13.3 million per Q2 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 Q2 2013 in relation to the convertible loan.

- The lease of Hawk Explorer is recognized in the books as a finance lease at $11.3 million per Q2 2013. Installments of $0.9 million against the Hawk lease principal and $0.3 million against the interest portion were paid during Q2 2013 ($0.8 million and $0.4 million in 2012, respectively).

Net interest-bearing debt was $86.9 million at the end of Q2 2013 ($96.9 million).

Accrued interest for Q2 2013 was $0.2 million ($0.1 million).

The company was in compliance with all covenants as of 30 June 2013.

Important events in the first half of the year

During the first half of 2013, the Geo Pacific was dry-docked and upgraded for increased power output and modified to reduce drag. The vessel performed successful sea trials and commenced its maiden survey in mid-May in the Caribbean.

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

Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2013, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the company's consolidated assets, liabilities, financial position and results of operations. We also confirm that, to the best of our knowledge, the first half 2013 report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major related parties transactions.

The Board of Directors and Chief Executive Officer
SeaBird Exploration Plc
15 August 2013

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION			
	As of 30 June		As of 31 December
All figures in USD 000's	2013	2012	2012
	(Unaudited)	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	130,494	134,407	130,774
Multi-client library	5,958	9,649	3,384
Goodwill	1,267	1,267	1,267
	137,719	**145,323**	**135,425**
Current assets			
Inventories	5,816	4,530	3,920
Trade receivables	22,973	32,893	33,069
Other current assets	19,196	12,816	10,213
Cash and cash equivalents	13,753	6,680	14,744
	61,738	**56,919**	**61,946**
Total assets	**199,457**	**202,242**	**197,371**
EQUITY			
Shareholders' equity			
Paid in capital	182,645	166,720	180,761
Equity component of convertible loan	6,296	6,296	6,296
Currency translation reserve	(854)	(468)	(180)
Share options granted	8,829	7,910	8,495
Retained earnings	(145,391)	(135,750)	(142,571)
	51,525	**44,708**	**52,801**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	92,632	95,934	94,299
Provision for end of service benefit	955	998	848
	93,587	**96,932**	**95,147**
Current liabilities			
Trade and other payables	33,745	40,516	27,325
Loans and borrowings	8,063	7,615	7,851
Tax liabilities	12,537	12,471	14,247
	54,345	**60,602**	**49,423**
Total liabilities	**147,932**	**157,534**	**144,570**
Total equity and liabilities	**199,457**	**202,242**	**197,371**

CONSOLIDATED INTERIM STATEMENT OF INCOME

All figures in USD 000's	Quarter ended 30 June 2013 (Unaudited)	Quarter ended 30 June 2012 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Year ended 31 December 2012 (Audited)
Revenues	40,187	48,711	88,758	82,962	163,331
Cost of sales	(31,927)	(27,583)	(64,985)	(54,756)	(103,711)
Cost of multi-client sales	–	–	–	–	(5,056)
Selling, general and administrative expenses	(4,935)	(3,999)	(9,551)	(8,891)	(16,843)
Other income (expenses), net	355	67	577	740	838
Earnings before interest, tax, depreciation and amortization (EBITDA)	**3,680**	**17,196**	**14,799**	**20,055**	**38,559**
Depreciation and amortization	(6,066)	(9,457)	(12,110)	(21,012)	(34,408)
Earnings before interest and taxes (EBIT)	**(2,386)**	**7,739**	**2,689**	**(957)**	**4,151**
Interest expense	(3,040)	(3,066)	(5,990)	(6,147)	(12,391)
Other financial items, net	479	172	381	(272)	(1,072)
Profit/(loss) before income tax	**(4,947)**	**4,845**	**(2,920)**	**(7,376)**	**(9,312)**
Income tax	1,481	(4,544)	920	(4,838)	(8,871)
Profit/(loss) continuing operations	**(3,466)**	**291**	**(2,000)**	**(12,214)**	**(18,183)**
Net profit/(loss) discontinued operations (note 1)	(348)	2,269	(820)	7,522	6,668
Profit/(loss) for the period	**(3,814)**	**2,560**	**(2,820)**	**(4,692)**	**(11,515)**
Profit/(loss) attributable to					
Shareholders of the parent	(3,814)	2,560	(2,820)	(4,692)	(11,515)
Earnings per share					
Basic	(0.10)	0.10	(0.07)	(0.18)	(0.36)
Diluted	(0.10)	0.10	(0.07)	(0.18)	(0.36)
Earnings per share from continued operations					
Basic	(0.09)	0.01	(0.05)	(0.48)	(0.56)
Diluted	(0.09)	0.01	(0.05)	(0.48)	(0.56)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2013	2012	2013	2012	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit/(loss)	**(3,814)**	**2,560**	**(2,820)**	**(4,692)**	**(11,515)**
OTHER COMPREHENSIVE INCOME					
Net movement in currency translation reserve and other changes	(465)	(291)	(340)	(259)	32
Total other comprehensive income, net of tax	**(465)**	**(291)**	**(340)**	**(259)**	**32**
Total comprehensive income	**(4,279)**	**2,269**	**(3,160)**	**(4,951)**	**(11,483)**
Total comprehensive income attributable to					
Shareholders of the parent	(4,279)	2,269	(3,160)	(4,951)	(11,483)
Total	**(4,279)**	**2,269**	**(3,160)**	**(4,951)**	**(11,483)**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY			
	Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2013	2012	2012
	(Unaudited)	(Unaudited)	(Audited)
Opening balance	**52,801**	**49,302**	**49,302**
Profit/(loss) for the period	(2,820)	(4,692)	(11,515)
Increase/(decrease) in share capital	1,884	–	14,041
Share options granted	334	357	941
Net movements in currency translation reserve and other changes	(674)	(259)	32
Ending balance	**51,525**	**44,708**	**52,801**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2013	2012	2013	2012	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax	(4,947)	4,845	(2,920)	(7,376)	(9,312)
Adjustments for					
Depreciation, amortization and impairment	6,066	9,457	12,110	20,899	34,296
Unrealized exchange (gain)/loss	(378)	145	(467)	232	419
Amortization of interest	2,589	2,437	5,114	4,888	10,053
Paid income tax	(971)	(242)	(971)	(263)	(1,067)
Earned on employee stock option plan	35	146	332	356	941
(Increase)/decrease in inventories	(126)	(1,130)	(1,896)	(944)	(335)
(Increase)/decrease in trade and other receivables	13,298	(10,720)	2,378	(8,014)	(6,404)
(Increase)/ decrease in due from related parties	–	–	–	427	427
Increase/(decrease) in trade and other payables	(4,753)	71	5,022	315	(9,113)
Net cash from operating activities	**10,813**	**5,009**	**18,702**	**10,520**	**19,905**
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(3,744)	(7,027)	(10,523)	(8,285)	(15,008)
Multi-client investment	(3,705)	(1,193)	(3,883)	(4,226)	(6,556)
Net cash used in investing activities	**(7,449)**	**(8,220)**	**(14,406)**	**(12,511)**	**(21,564)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares	–	–	1,884	–	14,041
Receipts from borrowings	–	–	–	–	–
Repayment of borrowings	(2,946)	(849)	(3,858)	(1,675)	(5,464)
Interest paid	(2,636)	(2,695)	(2,636)	(2,695)	(5,505)
Net movement in currency fluctuations	(501)	(290)	(677)	(258)	31
Net cash from financing activities	**(6,083)**	**(3,834)**	**(5,287)**	**(4,628)**	**3,103**
Net (decrease)/increase in cash and cash equivalents	**(2,719)**	**(7,045)**	**(991)**	**(6,620)**	**1,444**
Cash and cash equivalents at beginning of the period	**16,472**	**13,725**	**14,744**	**13,300**	**13,300**
Cash and cash equivalents discontinued operations	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at end of the period	**13,753**	**6,680**	**13,753**	**6,680**	**14,744**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2013	2012	2013	2012	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	248	1,020	823	14,469	15,800
Cost of sales	(269)	(704)	(983)	(6,891)	(8,037)
Selling, general and administrative expenses	(13)	(214)	(76)	(1,415)	(1,556)
Other income (expenses), net	30	2,267	122	2,267	2,367
Earnings before interest, tax, depreciation and amortization (EBITDA)	**(4)**	**2,369**	**(114)**	**8,430**	**8,574**
Earnings before interest and taxes (EBIT)	**(4)**	**2,369**	**(114)**	**8,430**	**8,574**
Interest expense	–	–	–	(191)	(191)
Profit/(loss) before income tax	**(4)**	**2,369**	**(114)**	**8,239**	**8,383**
Income tax	(344)	(100)	(706)	(717)	(765)
Profit/(loss) discontinuing operations	**(348)**	**2,269**	**(820)**	**7,522**	**7,618**
Gain/(loss) on sale of OBN business	–	–	–	–	(950)
Net profit/(loss) from discontinued operations	(348)	2,269	(820)	7,522	6,668
Profit/(loss) attributable to					
Shareholders of the parent	(348)	2,269	(820)	7,522	6,668

Selected notes and disclosures

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

Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Oslo Stock Exchange. The condensed interim consolidated financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012. The consolidated financial statements for the year ended 31 December 2012 and quarterly reports are available at www.sbexp.com. The financial statements as of Q2 2013, as approved by the Board of Directors 15 August 2013, are unaudited.

Significant accounting principles

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

Risk factors

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

Segment information

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

Property, plant and equipment

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

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Costs of all repairs and maintenance are expensed as incurred.

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

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

Depreciation for Q2 2013 was $3.9 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 has introduced a new amortization category in the quarter 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.

Q2 2013 figures	USD million
Beginning balance Q2 2013	2.7
Capitalized cost	3.7
Capitalized depreciation	1.8
Amortization	(2.2)
Book value	**6.0**

Multi-client sales in Q2 2013 were $4.0 million ($5.1 million).

Discontinued operations

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

Share capital and share options

The total number of shares at 30 June 2013 is 43,925,972.

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

As at 30 June 2013, there are a total of 5,065,822 share options granted to 14 employees.

The employee options may be exercised with 1/3 of the options from 13 August 2013, 1/3 from 13 August 2014 and 1/3 from 13 August 2015. All options must be exercised by 1 November 2015, or, if resolved by the board of directors, at the latest on the date of the first quarterly report of the company after such date.

Taxes

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

Related party transactions

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

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

The company also charters the 3D vessel Geo Pacific from Fugro, through a subsidiary of Ordinat Shipping AS initially on a 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 Q2 2013 was $3.7 million ($1.8 million).

Going concern

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

CYPRUS – HEAD OFFICE
World Trade Center
Ariadne House 1st floor
333, 28th October Street
3106 Limassol
Cyprus
Tel: +357 2581 4416
Fax: +357 2581 4420

UNITED STATES
820 Gessner
Suite 1275
Houston, TX 77024
USA
Tel: +1 281 556 1666
Fax: +1 281 556 5315

UNITED ARAB EMIRATES
Al Shatha Tower
Dubai Media City
PO Box 500549
Dubai
United Arab Emirates
Tel: +971 4 427 1700
Fax: +971 4 429 0644

SINGAPORE
1 Fullerton Road
#02-01 One Fullerton
Singapore 049213
Tel: +65 6832 5593
Fax: +65 6725 0949

NORWAY
Cort Adelers gate 16
N-0254 Oslo
PO Box 1302 Vika
N-0112 Oslo
Norway
Tel: +47 2240 2700
Fax: +47 2240 2701

WWW.SBEXP.COM

SeaBird Exploration

Designed and produced by www.tothepoint.co.uk