Third Quarter Report

2014 Q3

SeaBird Exploration

2014
SUMMARY OBSERVATIONS FOR THE THIRD QUARTER

- Revenues for the quarter were $22.7 million, a decrease of 55% compared to Q3 2013 and down 49% relative to Q2 2014.
- Contract revenues for the period were $16.4 million, down 67% from Q3 2013 and a decrease of 60% from Q2 2014.
- Multi-client revenues were $6.3 million, up 250% from $1.8 million reported in Q3 2013 and an increase of 70% from $3.7 million reported in Q2 2014.
- EBITDA was negative $2.1 million compared to positive $13.2 million for Q3 2013 and positive $12.6 million for Q2 2014.
- EBIT for the quarter was negative $11.1 million compared to positive $6.7 million for Q3 2013 and negative $2.6 million for Q2 2014.
- Vessel utilization for the period was 65%. Contract surveys during the third quarter represented 35% of vessel capacity compared to 72% during the second quarter 2014. Multi-client surveys accounted for 30% of vessel capacity compared to 13% in the prior period.

$22.7m
revenues for the quarter

$ -2.1m
EBITDA for the quarter

$16.4m
contract revenues for the quarter

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

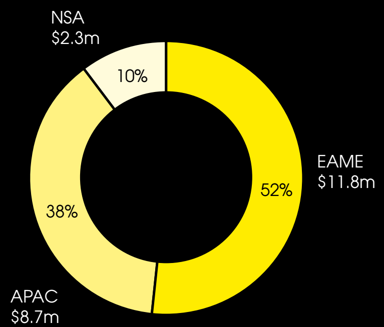
$6.3m
multi-client revenues for the period

65%
vessel utilization

CONTENTS

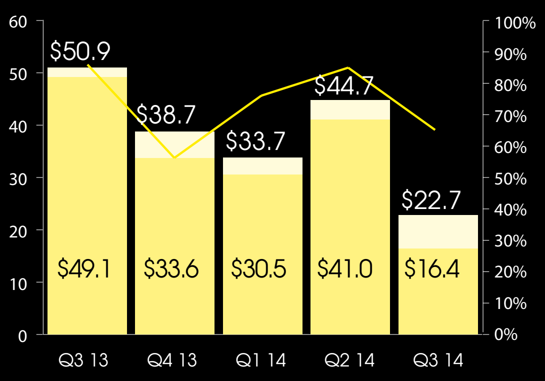
KEY HIGHLIGHTS

Q3 REVENUES BY REGION (USD MILLIONS)



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

REVENUES CONTINUING OPERATIONS (USD MILLIONS)



Contract revenues
Multi-client revenues
Utilization %

KEY HIGHLIGHTS

Operational review

Third quarter revenues decreased from the prior period as a result of a continuous softening in seismic market demand. The increased competition from 3D vessels entering the 2D and source markets also impacted utilization.

Vessel utilization was 65%, down from 85% in the second quarter. Operational performance for the quarter remained strong, with the exception of the technical issues encountered by the Geo Pacific in West Africa. Technical downtime for the overall fleet was 3%, down from 6% for Q2.

Contract surveys represented 35% of vessel capacity compared to 72% for the second quarter of 2014. Aquila Explorer completed two 2D surveys in Australia, while Osprey Explorer started a 2D survey in the Gulf of Mexico. Hawk Explorer completed a survey in the Middle East and remained off hire afterwards. Munin Explorer performed source operations in the North Sea during the period while Northern Explorer was idle. Geo Pacific commenced a new survey in Ghana at the end of the quarter. Voyager Explorer and Harrier Explorer worked nearly exclusively on multi-client surveys.

Multi-client sales increased significantly and represented 30% of vessel utilization for Q3 compared to 13% for Q2. Nearly half of the multi-client revenues related to prefunding for new surveys commenced in the period, which are in addition to partner contributions that are reported as a reduction in capitalized cost. Remaining multi-client revenues related to prefunding for Geo Pacific's West African survey and late-sales from the existing multi-client library. An additional impairment of $0.6 million was charged to Geo Pacific's multi-client survey.

Osprey Explorer completed its scheduled maintenance in Curacao in July. Yard stay represented 2% of vessel capacity during the quarter.

During the quarter the company extended the lease of the 3D vessel Voyager Explorer at a reduced rate of $13,200 per day. The firm period of the lease is two years, with another three yearly extension options. Additionally, the Hawk Explorer lease was renegotiated. Under the revised lease terms, the remaining principle will be repaid over 17 months from 1 September 2014 and the vessel with related equipment will be delivered to the company at the completion of the lease term.

The company delivered another quarter of solid health, safety, security, environment and quality (HSSEQ) results. The controls in place are still proving effective to maintain the Lost Time Injury Frequency (LTIF) rate at zero for the quarter. The methodology of ratifying these performance dynamics has been by focusing on compliance of established procedures, effective supervision and avoiding complacency. Furthermore, there has been a campaign to verify management system processes by increasing the audit frequency and type in order to identify areas of concern and seek opportunities for improvements.

Regional overview

Revenues were down in all of our geographic regions as a result of a global weakening in market demand.

Sales in Europe, Africa and the Middle East (EAME) of $11.8 million accounted for 52% of total revenues. The decrease in EAME revenues compared to the prior period was mainly due to lower contract utilization. Munin Explorer worked he region under its long-term charter agreement. Harrier Explorer completed a multi-client project in the North Sea and commenced a second multi-client survey in the region.

Asia Pacific (APAC) sales of $8.7 million accounted for 38% of total revenues. APAC revenues were down compared to the second quarter of 2014 due to the decline in seismic demand. Aquila Explorer completed two contract surveys in Australasia by mid-August and subsequently mobilized for a multi-client project in South East Asia. Voyager Explorer completed a 2D multi-client project within the same region.

Sales in North and South America (NSA) of $2.3 million represented 10% of total revenues. NSA revenues were down from the previous period as only one vessel was active in the region during the quarter. Osprey Explorer commenced a 12,000 km 2D contract survey in the Gulf of Mexico towards the end of August, following its scheduled maintenance. The vessel is expected to remain in the region for the foreseeable future.

Outlook

Global seismic market demand weakened substantially through the third quarter. In addition to a reduction in the volume of contract surveys, the large number of 3D vessels operating in the 2D and source markets also increased the pressure on the company's core business segments.

In light of the decline in oil prices, we expect oil companies to take a more cautious spending approach. This has impacted all of the company's business units. Moreover, we anticipate the financial uncertainty of the company to possibly delay new contract awards. However, we are seeing interest in longer-term 2D contract opportunities from select clients. Nevertheless, we expect the current market softness to impact earnings and utilization in the remaining part of 2014.

Given the challenging market situation, the company is actively looking at savings initiatives to reduce the company's cost level. As a part of this effort, we are also reviewing the lay-up of vessels until market demand recovers.

Longer-term, we expect that the scheduled exit of a number of 3D vessels currently operating in our markets will benefit the company.

Multi-client activity was increased in the third quarter and we commenced four new well-prefunded projects which also allowed us to improve fleet utilization. We continue to see multi-client activity as a key business area in the company, although we expect our late sales to remain erratic until the library is properly scaled.

FINANCIAL REVIEW

Financial review

Key financial figures

KEY FIGURES – CONTINUING OPERATIONS					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's (except for EPS and equity ratio)	2014	Restated 2013	2014	Restated 2013	Restated 2013
Revenues	22,729	50,939	101,175	138,546	177,270
EBITDA	(2,084)	13,211	20,664	27,723	31,620
EBIT	(11,079)	6,730	(11,275)	9,132	4,540
Profit/(loss)	(20,152)	3,972	(28,634)	1,685	(6,998)
Earnings per share (diluted)	(0.35)	0.09	(0.50)	0.04	(0.16)
Cash flow operating activities	14,312	7,434	42,412	26,480	27,178
Capital expenditures	(1,976)	(5,019)	(7,751)	(15,542)	(17,079)
Total assets	188,119	213,039	188,119	213,039	189,421
Net interest bearing debt	92,946	86,984	92,946	86,984	87,115
Equity ratio	16.1%	26.1%	16.1%	26.1%	30.4%

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 $20.2 million for Q3 2014 (net income of $4.0 million in the same period in 2013).

Revenues were $22.7 million in Q3 2014 ($50.9 million). The decreased revenues are primarily due to lower fleet utilization during the period.

Cost of sales was $19.8 million in Q3 2014 ($33.7 million). The decrease is predominantly due to increased capitalization of costs to the multi-client library and lower vessel utilization for the period.

SG&A was $5.1 million in Q3 2014, up from $4.7 million in Q3 2013. This is principally due to an increase in personnel related expenses associated with the office relocation. This has been partially offset by a reduction in consultancy costs and office travel expenses.

EBITDA was negative $2.1 million in Q3 2014 (positive $13.2 million).

Depreciation, amortization and impairment were $9.0 million in Q3 2014 ($6.5 million). The increase is predominantly due to an increase in multi-client sales amortization and impairment.

Finance expense was $8.1 million in Q3 2014 ($2.9 million). The increase is primarily due to the accelerated finance charge recognized as a result of the change in maturity of the SBX03 bond loan triggered by the breach of loan covenants.

Other financial items, net expense, of negative $0.3 million in Q3 2014 (negative $0.5 million).

Income tax expense was $0.7 million in Q3 2014 (tax benefit of $0.6 million).

Capital expenditures were $2.0 million in Q3 2014 ($5.0 million). The majority of the capital cost incurred during the quarter related to the purchase of seismic equipment to be utilized across the fleet. The remaining portion was related to the completion of the dry docking of Osprey Explorer.

Multi-client investment was $13.5 million in Q3 2014 ($1.0 million), which related to four 2D and one 3D multi-client projects.

Financial review

Liquidity and financing

Cash and cash equivalents at the end of the period were $10.0 million ($14.0 million), of which $3.5 million was restricted in connection with deposits. Net cash from operating activities was $14.3 million in Q3 2014 ($7.4 million).

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

- The 6% secured bond loan is recognized in the books at face value of $81.9 million per Q3 2014. The bond loan's stated maturity is 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million that started 19 December 2012. The loan which was previously recognized at amortized cost has been recognized at face value due to a breach of covenants and change in maturity.

- The 1% unsecured convertible loan with Perestroika AS is recognized in the books at face value of $14.9 million. Interest on the convertible loan of $0.1 million was paid during Q3 2014 while the company was unable to repay the convertible loan at maturity of 30 September 2014.

- The lease of Hawk Explorer is recognized in the books as a finance lease at $6.2 million per Q3 2014. Installments of $1.0 million against the Hawk lease principal and $0.2 million against the interest portion were paid during Q3 2014 ($1.0 million and $0.3 million in Q3 2013, respectively). During the third quarter 2014, the company extended the charter agreement and postponed the delivery of the vessel to February 2016.

Net interest-bearing debt was $92.9 million at the end of Q3 2014 ($87.0 million).

Accrued interest for Q3 2014 was $1.4 million ($1.3 million).

The company was in breach of covenants of the convertible loan from Perestroika as of 30 September as a result of the inability to repay the $14.9 million face value at maturity. Moreover, the company was in breach of several balance sheet ratio covenants and cross-default provisions in relation to the SBX03 bond agreement. The company continues the dialogue with equity holders and lenders regarding a long-term capital structure and expects them to remain supportive in this process. The company's accounts have been prepared on the basis of a going concern assumption. Reference is made to the Going Concern section in selected notes and disclosures for further details on the current financial position of the company.

The Board of Directors and Chief Executive Officer
SeaBird Exploration Plc
27 November 2014

Åge Korsvold
Chairman

Kitty Hall
Director

Kjell H Mathiassen
Director

Melvin Teigen
Director

Dag Reynolds
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION			
	As of 30 September		As of 31 December
All figures in USD 000's	2014 (Unaudited)	Restated 2013 (Unaudited)	Restated 2013 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	112,906	129,399	122,829
Multi-client library	21,088	6,568	7,067
Goodwill	1,267	1,267	1,267
Long-term investment	82	83	82
	135,343	**137,317**	**131,245**
Current assets			
Inventories	4,744	4,863	4,367
Trade receivables	16,538	27,116	24,712
Other current assets	21,477	29,751	16,942
Cash and cash equivalents	10,017	13,992	12,155
	52,776	**75,722**	**58,176**
Total assets	**188,119**	**213,039**	**189,421**
EQUITY			
Shareholders' equity			
Paid in capital	189,125	182,645	189,125
Equity component of convertible loan	6,296	6,296	6,296
Currency translation reserve	(407)	(845)	(392)
Share options granted	1,287	8,909	1,097
Retained earnings	(166,078)	(141,362)	(138,460)
	30,223	**55,643**	**57,666**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	2,014	73,060	72,008
Provision for end of service benefit	997	1,013	1,103
	3,011	**74,073**	**73,111**
Current liabilities			
Trade and other payables	47,677	43,684	25,254
Loans and borrowings	100,949	27,916	27,262
Tax liabilities	6,259	11,723	6,128
	154,885	**83,323**	**58,644**
Total liabilities	**157,896**	**157,396**	**131,755**
Total equity and liabilities	**188,119**	**213,039**	**189,421**

CONSOLIDATED INTERIM STATEMENT OF INCOME					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	22,729	50,939	101,175	138,546	177,270
Cost of sales	(19,819)	(33,665)	(67,905)	(97,812)	(127,823)
Selling, general and administrative expenses	(5,072)	(4,670)	(15,065)	(14,195)	(19,365)
Other income (expenses), net	78	607	2,459	1,184	1,538
Earnings before interest, tax, depreciation and amortization (EBITDA)	**(2,084)**	**13,211**	**20,664**	**27,723**	**31,620**
Depreciation	(4,292)	(5,834)	(15,184)	(14,910)	(22,321)
Amortization and impairment	(4,703)	(647)	(16,755)	(3,681)	(4,759)
Earnings before interest and taxes (EBIT)	**(11,079)**	**6,730**	**(11,275)**	**9,132**	**4,540**
Finance expense	(8,073)	(2,907)	(14,648)	(8,897)	(12,040)
Other financial items, net	(322)	(469)	(1,002)	(88)	(829)
Profit/(loss) before income tax	**(19,474)**	**3,354**	**(26,925)**	**147**	**(8,329)**
Income tax	(678)	618	(1,709)	1,538	1,331
Profit/(loss) continuing operations	**(20,152)**	**3,972**	**(28,634)**	**1,685**	**(6,998)**
Net profit/(loss) discontinued operations (note 1)	–	–	1,015	(820)	3,045
Profit/(loss) for the period	**(20,152)**	**3,972**	**(27,619)**	**865**	**(3,953)**
Profit/(loss) attributable to					
Shareholders of the parent	(20,152)	3,972	(27,619)	865	(3,953)
Earnings per share					
Basic	(0.35)	0.09	(0.48)	0.02	(0.09)
Diluted	(0.35)	0.09	(0.48)	0.02	(0.09)
Earnings per share from continued operations					
Basic	(0.35)	0.09	(0.50)	0.04	(0.16)
Diluted	(0.35)	0.09	(0.50)	0.04	(0.16)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit/(loss)	**(20,152)**	**3,972**	**(27,619)**	**865**	**(3,953)**
OTHER COMPREHENSIVE INCOME					
Net movement in currency translation reserve and other changes	46	89	176	(251)	109
Total other comprehensive income, net of tax	**46**	**89**	**176**	**(251)**	**109**
Total comprehensive income	**(20,106)**	**4,061**	**(27,443)**	**614**	**(3,844)**
Total comprehensive income attributable to					
Shareholders of the parent	(20,106)	4,061	(27,443)	614	(3,844)
Total	**(20,106)**	**4,061**	**(27,443)**	**614**	**(3,844)**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY			
	Nine months ended 30 September		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Audited)
Opening balance	**57,666**	**53,146**	**53,146**
Profit/(loss) for the period	(27,619)	865	(3,953)
Increase/(decrease) in share capital	–	1,884	8,364
Share options granted	190	414	541
Net movements in currency translation reserve and other changes	(14)	(666)	(432)
Ending balance	**30,223**	**55,643**	**57,666**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax	(19,474)	3,354	(26,925)	147	(8,329)
Adjustments for					
Depreciation, amortization and impairment	8,995	6,481	31,939	18,591	27,080
Unrealized exchange (gain)/loss	47	(249)	234	(716)	(1,277)
Accelerated finance charge of bond loan	5,102	–	5,102	–	–
Amortization of interest	2,447	2,589	7,678	7,703	10,333
Paid income tax	(442)	(241)	(1,609)	(1,477)	(3,321)
Earned on employee stock option plan	46	80	190	414	541
(Increase)/decrease in inventories	(628)	953	(377)	(943)	(446)
(Increase)/decrease in trade and other receivables	3,999	(11,391)	3,059	(7,863)	5,374
Increase/(decrease) in trade and other payables	14,220	5,858	23,121	10,624	(2,777)
Net cash from operating activities	**14,312**	**7,434**	**42,412**	**26,480**	**27,178**
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(1,976)	(5,019)	(7,751)	(15,542)	(17,079)
Multi-client investment	(13,467)	(975)	(28,324)	(4,858)	(6,307)
Long term investment	–	(83)	–	(83)	(83)
Net cash used in investing activities	**(15,443)**	**(6,077)**	**(36,075)**	**(20,483)**	**(23,469)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares	–	–	–	1,884	8,364
Receipts from borrowings	–	–	–	–	–
Repayment of borrowings	(1,040)	(983)	(5,110)	(4,841)	(7,851)
Interest paid	(375)	(144)	(3,350)	(3,124)	(6,596)
Net movement in currency fluctuations	–	9	(15)	(668)	(215)
Net cash from financing activities	**(1,415)**	**(1,118)**	**(8,475)**	**(6,749)**	**(6,298)**
Net (decrease)/increase in cash and cash equivalents	**(2,546)**	**239**	**(2,138)**	**(752)**	**(2,589)**
Cash and cash equivalents at beginning of the period	**12,563**	**13,753**	**12,155**	**14,744**	**14,744**
Cash and cash equivalents discontinued operations	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at end of the period	**10,017**	**13,992**	**10,017**	**13,992**	**12,155**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	–	–	161	823	823
Cost of sales	–	–	768	(983)	(1,163)
Selling, general and administrative expenses	–	–	(7)	(76)	(86)
Other income (expenses), net	–	–	170	122	212
Earnings before interest, tax, depreciation and amortization (EBITDA)	**-**	**-**	**1,092**	**(114)**	**(214)**
Depreciation	–	–	–	–	–
Amortization and impairment	–	–	–	–	–
Earnings before interest and taxes (EBIT)	**-**	**-**	**1,092**	**(114)**	**(214)**
Interest expense	–	–	–	–	–
Other financial items, net	–	–	–	–	–
Profit/(loss) before income tax	**-**	**-**	**1,092**	**(114)**	**(214)**
Income tax	–	–	(77)	(706)	3,259
Profit/(loss) discontinuing operations	**-**	**-**	**1,015**	**(820)**	**3,045**
Gain/(loss) on sale of OBN business	–	–	–	–	–
Net profit/(loss) from discontinued operations	**-**	**-**	**1,015**	**(820)**	**3,045**
Profit/(loss) attributable to					
Shareholders of the parent	–	–	1,015	(820)	3,045

SELECTED NOTES AND DISCLOSURES

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 2013. The consolidated financial statements for the year ended 31 December 2013 and quarterly reports are available at www.sbexp.com. The financial statements as of Q3 2014, as approved by the board of directors 27 November 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 2013 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 2013. 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.

Revenue recognition

As of 1 January 2014, the company changed its accounting policy on the recognition and measurement of revenue and cost related to seismic surveys. Revenues and costs are recognized in line with project duration starting from first shot point in the seismic survey and ending at demobilization. Under IAS 8, this change has been retrospectively applied to the prior comparative accounting period. Management believes that this method is more in line with current seismic industry practice and more appropriately matches revenue and costs throughout the life of the project. As a result of the change in accounting policy, the company has made the following restatements for the comparative accounting period:

RESTATEMENT Q3 2013	Q3 2013	Adj.	Restated Q3 2013
RESTATEMENT OF CONSOLIDATED STATEMENT OF INCOME			
Revenue	51,869	(930)	50,939
Cost of sales	(34,520)	855	(33,665)
Selling, general and administrative expenses	(4,735)	67	(4,670)
RESTATEMENT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Other current assets	27,622	2,129	29,751
Trade and other payables	41,603	2,081	43,684
Retained earnings	(141,410)	48	(141,362)
Total equity	**55,595**	**48**	**55,643**

RESTATEMENT FULL YEAR	FY 2013	Adj.	Restated FY 2013
RESTATEMENT OF CONSOLIDATED STATEMENT OF INCOME			
Revenue	177,805	(535)	177,270
Cost of sales	(128,036)	213	(127,823)
Selling, general and administrative expenses	(19,377)	12	(19,365)
RESTATEMENT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Other current assets	16,372	570	16,942
Trade and other payables	24,719	535	25,254
Retained earnings	(138,495)	35	(138,460)
Total equity	**57,631**	**35**	**57,666**

Selected notes and disclosures

Property, plant and equipment

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 Q3 2014 was $4.3 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 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 100%, 95%, 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 library	USD million
Beginning balance	10.7
Capitalized cost	13.5
Capitalized depreciation	1.6
Impairment	(0.6)
Amortization	(4.1)
Net book value Q3 2014	**21.1**

Multi-client sales in Q3 2014 were $6.3 million ($1.8 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 Company Limited, which collectively held all of the company's rights and assets related to the OBN business (accounted for as discontinued operations). See note 1 to the consolidated income statement for the income statement for discontinued operations.

Share capital and share options

The total number of shares at 30 September 2014 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 30 September 2014, there are a total of 3,243,887 share options granted to 11 employees.

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 was a member of the board of directors of SeaBird Exploration Plc until his resignation 6 November 2014. Ordinat Shipping AS was not a shareholder and Mr. Økland was not a board member at the commencement of the charter agreement.

In Q4 2013, 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 was 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 company also charters the 3D vessel Geo Pacific from Fugro, through a subsidiary of Ordinat Shipping AS initially on a three-year bareboat charter from January 2013 to December 2015 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 Q3 2014 was $3.0 million ($3.7 million).

Going concern

As at 30 September 2014, the company does not have sufficient working capital to cover present requirements for a period of at least twelve months. At 30 September 2014, current assets were $52.8 million compared to current liabilities of $149.8 million.

During the quarter the company extended the lease of Hawk Explorer with final settlement with the delivery of the vessel in February 2016. The lease of Hawk Explorer is reported as debt on the balance sheet as of 30 September 2014.

The company was in breach of covenants of the convertible loan from Perestroika as of 30 September as a result of the inability to repay the $14.9 million face value at maturity. Moreover, the company is in breach of balance sheet ratios covenants and cross-default provisions in SBX03 bond agreement.

The company held an extraordinary general meeting on 30 October 2014. None of the proposed and recommended resolutions were approved by that general meeting. The company intend to request its shareholders for authorization to increase the shareholders' equity after agreement is reached with its creditors for a solution in a new call for an extraordinary general meeting.

In addition to pursuing a refinancing plan as outlined above, the company has also initiated a process to reduce costs. If the initiatives and efforts to reach an agreement with financial creditors to convert debt to equity are unsuccessful and/or the company fails to meet its projected cash flow, there will be a significant adverse effect on the company. In such a scenario, the company will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use.

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