Fourth Quarter Report

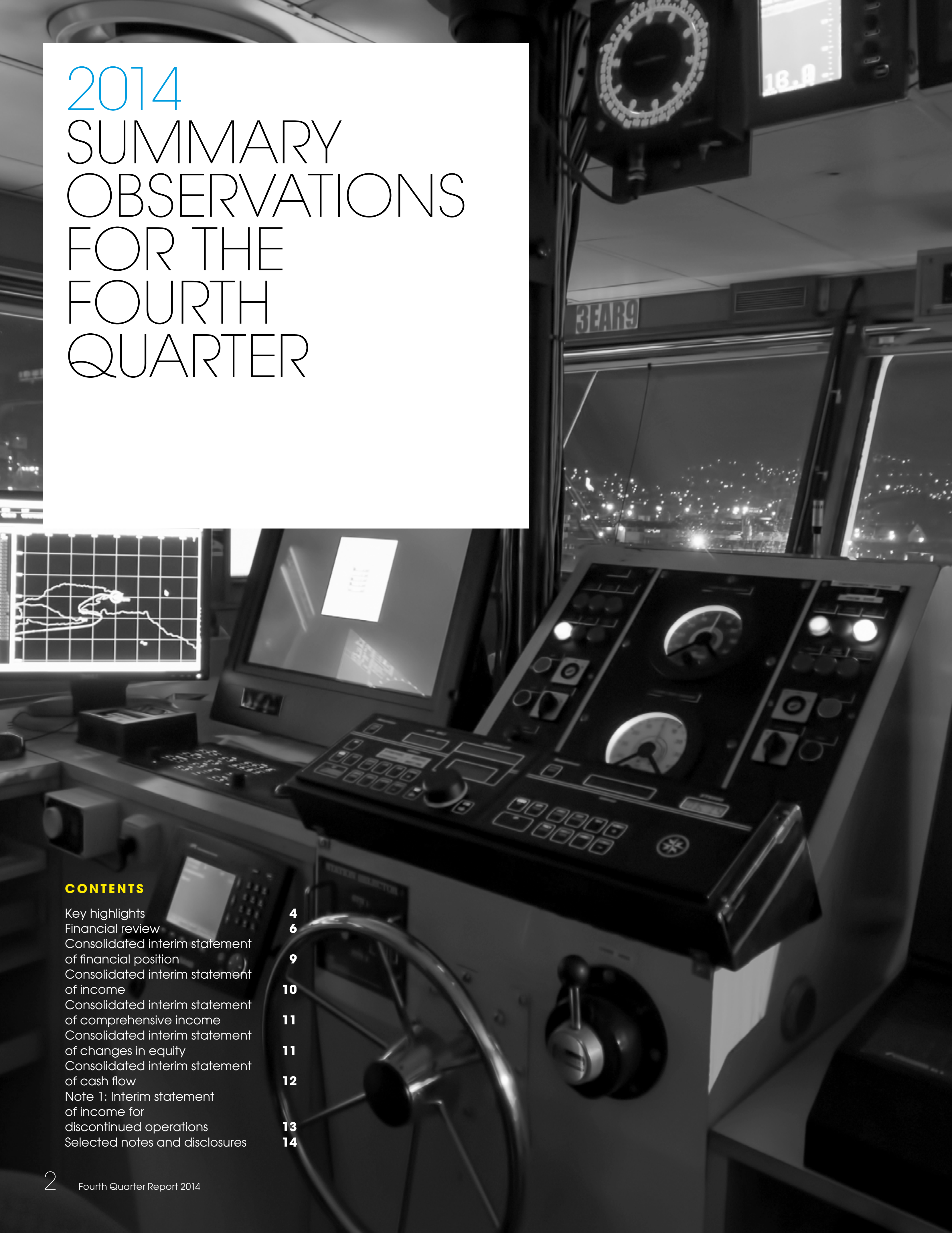
2014

Q4

SeaBird Exploration

2014

SUMMARY OBSERVATIONS FOR THE FOURTH QUARTER



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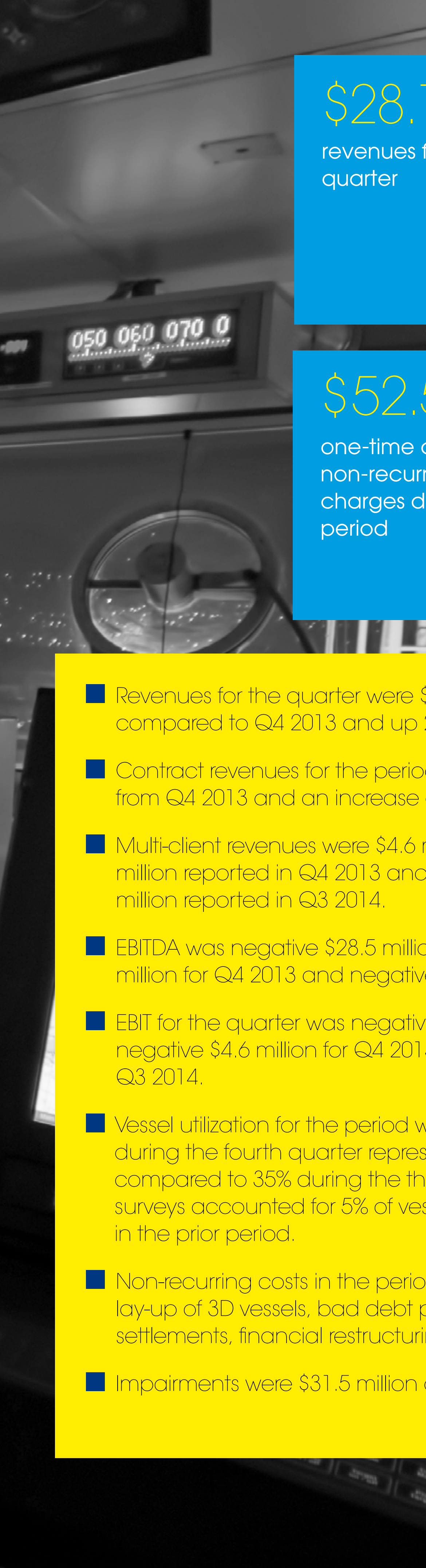


$28.1m
revenues for the quarter

$23.5m
contract revenues for the quarter

$4.6m
multi-client revenues for the period

$52.5m
one-time and non-recurring charges during the period

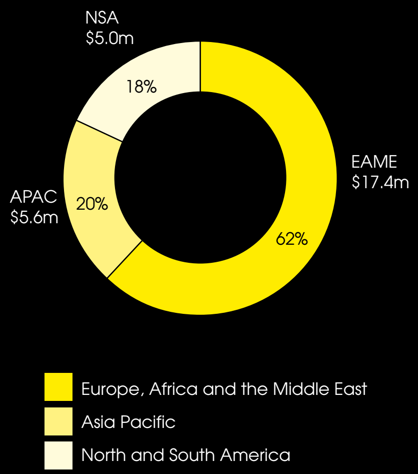
Zero
lost time injury frequency (LTIF) rate for the quarter

57%
vessel utilization

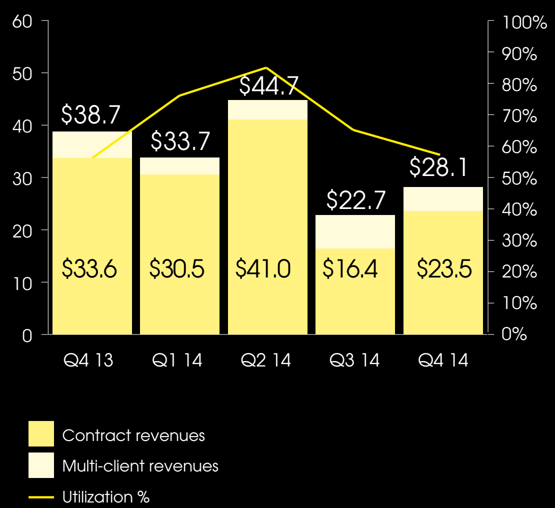
- Revenues for the quarter were $28.1 million, a decrease of 27% compared to Q4 2013 and up 24% relative to Q3 2014.
- Contract revenues for the period were $23.5 million, down 30% from Q4 2013 and an increase of 44% from Q3 2014.
- Multi-client revenues were $4.6 million, down 11% from $5.1 million reported in Q4 2013 and a decrease of 28% from $6.3 million reported in Q3 2014.
- EBITDA was negative $28.5 million compared to positive $3.9 million for Q4 2013 and negative $2.1 million for Q3 2014.
- EBIT for the quarter was negative $68.6 million compared to negative $4.6 million for Q4 2013 and negative $11.1 million for Q3 2014.
- Vessel utilization for the period was 57%. Contract surveys during the fourth quarter represented 52% of vessel capacity compared to 35% during the third quarter 2014. Multi-client surveys accounted for 5% of vessel capacity compared to 30% in the prior period.
- Non-recurring costs in the period of $21.0 million relating to lay-up of 3D vessels, bad debt provisions, loss on insurance settlements, financial restructuring and office relocation costs.
- Impairments were $31.5 million during the quarter.

KEY HIGHLIGHTS

Q4 REVENUES BY REGION (USD MILLIONS)



REVENUES CONTINUING OPERATIONS (USD MILLIONS)



Operational review

Fourth quarter revenues increased from the prior period due to higher contract utilization. However, the overall seismic market continued to be negatively impacted by the weakness in oil prices. Although all operating sectors were affected by the softness in the oil services markets, the 2D and source segments have been less impacted than the niche 3D market.

Vessel utilization was 57%, down from 65% in the third quarter. Technical downtime for the fleet was 6%, up from 3% for Q3. The Geo Pacific experienced significant technical challenges on its 3D survey in West Africa and this had a substantial impact on overall downtime for the period.

Contract surveys represented 52% of vessel capacity compared to 35% for the third quarter of 2014. Aquila Explorer completed one 2D multi-client survey in the Philippines and thereafter mobilized for a new 2D contract survey in Australasia. Osprey Explorer continued working on the 2D survey in the Gulf of Mexico throughout the quarter. Harrier Explorer completed a 2D multi-client survey off-shore Ireland and performed a contract survey in Africa. Munin Explorer continued its long-term source contract and was mobilized to South America towards the end of the quarter. Hawk Explorer and Northern Explorer remained off hire awaiting start-up of new 2D contracts. Geo Pacific was employed on its 3D survey in West Africa during the quarter.

In light of the weakness experienced in 3D market demand, the company decided to lay up the Voyager Explorer in November. Furthermore, the company has opted to lay up the Geo Pacific after its Africa survey, which was completed in the early part of Q1 2015. Non-recurring cost of sales resulting from the implementation of the lay-up of Geo Pacific and Voyager Explorer amounted to $9.0 million during the quarter. The cost provision covers estimated net losses until redelivery of Geo Pacific in 2015 and Voyager Explorer in 2016.

Multi-client surveys represented 5% of vessel utilization for Q4 compared to 30% for Q3. Multi-client revenues were $4.6 million during the quarter.

No additional yard stays were performed during the quarter.

The company's health, safety, security, environment and quality (HSSEQ) controls continued to prove effective and resulted in a Lost Time Injury Frequency (LTIF) rate of zero for the quarter.

As a part of the restructuring and refinancing effort, the company incurred $1.7 million in non-recurring advisory costs for the period and $1.1 million in relation to the closure of the Dubai office. In addition, the company made a provision of $8.1 million for bad debt related to certain long-dated receivables. These charges were all reported under selling, general and administrative expenses. Further, the company had a loss on insurance settlements of $1.0 million, which was booked under other income and expenses.

Property, plant and equipment impairments amounted to $24.8 million during the quarter. The impairments relate to vessels and equipment and were triggered by the current market weakness. The recent reduction in oil prices is also expected to delay and reduce revenues from selected multi-client surveys, and triggered an impairment of $5.5 million during the quarter. The company also performed its annual review of goodwill and decided to make a goodwill impairment of $1.3 million.

Regional overview

Europe, Africa and the Middle East (EAME) represented the largest portion of revenues during the quarter.

Sales in EAME of $17.4 million accounted for 62% of total revenues. The increase in EAME revenues compared to the prior period was mainly due to higher contract utilization. Munin Explorer worked in the region under its long-term charter agreement. Harrier Explorer completed a multi-client project off the coast of Ireland and also completed a 2D contract survey in the region. Geo Pacific continued to work on its 3D contract in Africa during the quarter.

Asia Pacific (APAC) sales of $5.6 million accounted for 20% of total revenues. APAC revenues were down compared to the third quarter of 2014 due to the decline in seismic demand. Aquila Explorer completed a multi-client survey in South East Asia by mid-October and subsequently mobilized for a contract survey in Australasia.

Sales in North and South America (NSA) of $5.0 million, an increase of 124% from Q3, represented 18% of total revenues for Q4. NSA revenues increased from the previous period as a result of Osprey Explorer being employed on a contract survey in the Gulf of Mexico. The vessel is expected to remain in the region for the foreseeable future.

Outlook

Global seismic market demand continued to be soft through the fourth quarter. The decline in oil prices and the cautious spending approach from oil companies delayed contract start-ups and had a negative impact on seismic demand. Nevertheless, the company continued to secure additional 2D contracts during the quarter and significantly strengthened the backlog for 2015.

In light of the challenging market, the company decided to lay up two 3D vessels, which will reduce costs and improve vessel utilization. The company continues to evaluate and execute savings initiatives to reduce the company's overall cost level.

We expect the current seismic market softness to continue to impact the seismic sector in 2015. Longer term, we expect that continued interest in frontier exploration and the scheduled exit of a number of 3D vessels currently operating in our markets will benefit the company. We also believe the company's financial restructuring effort has had a negative impact on contract awards and expect this to improve with the completion of the refinancing.

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 and equity ratio)	2014	Restated 2013	2014	Restated 2013
Revenues	28,093	38,724	129,268	177,270
EBITDA	(28,535)	3,898	(7,871)	31,620
EBIT	(68,607)	(4,591)	(79,882)	4,540
Profit/(loss)	(71,184)	(8,682)	(99,818)	(6,998)
Earnings per share (diluted)	(1.24)	(0.18)	(1.73)	(0.16)
Cash flow operating activities	(2,147)	(287)	40,265	27,091
Capital expenditures	(77)	(1,537)	(7,828)	(17,079)
Total assets	140,986	189,421	140,986	189,421
Net interest bearing debt	95,245	87,115	95,245	87,115
Equity ratio	-29.0%	30.4%	-29.0%	30.4%

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

Financial review

Multi-client activity was robust in the fourth quarter with completion of two projects and solid sales from recently completed projects in Asia and Europe. 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.

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 \$71.2 million for Q4 2014 (net loss of \$8.7 million in the same period in 2013).

Revenues were \$28.1 million in Q4 2014 (\$38.7 million). The decreased revenues are primarily due to reduced contract rates during the period.

Cost of sales was \$40.1 million in Q4 2014 (\$30.0 million). The increase is predominantly due to non-recurring provisions related to the decision to lay up the Geo Pacific and Voyager Explorer. SG&A was \$15.6 million in Q4 2014, up from \$5.2 million in Q4 2013. This is principally due to an increase in non-recurring bad debt charges against certain long-dated receivables, restructuring advisory costs and expenses associated with the office relocation from Dubai to Limassol and Oslo.

Other income (expense) was negative \$1.0 million in Q4 2014 (positive \$0.4 million); resulting from a net loss on insurance claims of \$1.0 million for the Osprey streamer incident booked during the quarter.

EBITDA was negative \$28.5 million in Q4 2014 (positive \$3.9 million).

Depreciation, amortization and impairment were \$40.1 million in Q4 2014 (\$8.5 million). The impairments are related to vessels (\$24.8 million), multi-client library (\$5.5 million) and goodwill (\$1.3 million).

Finance expense was \$2.3 million in Q4 2014 (\$3.1 million). The decrease is primarily due to a reduction in amortized interest.

Other financial items, net expense, of positive \$0.2 million in Q4 2014 (negative \$0.7 million).

Income tax expense was \$0.5 million in Q4 2014 (\$0.2 million in Q4 2013).

Capital expenditures in the quarter were \$0.1 million.

Multi-client investment was \$1.6 million in Q4 2014 (\$1.4 million), which related to completion of two 2D multi-client projects.

Liquidity and financing

Cash and cash equivalents at the end of the period were \$7.0 million (\$12.2 million), of which \$1.0 million was restricted in connection with deposits and tax. Net cash from operating activities was negative \$2.1 million in Q4 2014 (negative \$0.29 million).

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

- The 6% secured bond is recognized in the books at \$80.9 million per Q4 2014 (face value of \$81.9 million less principal amounts in the bond service account of \$1.0 million). 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 1% unsecured convertible loan with Perestroika AS is recognized in the books at face value of \$14.9 million. The company was unable to repay the convertible loan at maturity of 30 September 2014 and no interest on the convertible loan was paid during Q4 2014.

- The lease of Hawk Explorer is recognized in the books as a finance lease at \$5.1 million per Q4 2014. No installments and interest were paid during Q4 2014 (\$1.0 million and \$0.3 million in Q4 2013, respectively).

Net interest-bearing debt was \$95.2 million at the end of Q4 2014 (\$87.1 million).

Accrued interest for Q4 2014 was \$2.7 million (\$0.1 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 balance sheet ratio covenants and cross-default provisions in SBX03 bond agreement. The company has negative equity as of Q4 2014 and requires new sources of funds to sustain its operations.

The company continued its financial restructuring dialogue with stakeholders during the quarter and reached agreement on terms subsequent to quarter closing. The company's accounts have as a result been prepared on the basis of a going concern assumption. Reference is made to the Financial Restructuring below and the Going Concern section in selected notes and disclosures for further details on the current financial position of the company.

Financial restructuring

Subsequent to quarter closing, the company announced an agreed restructuring proposal to reduce indebtness and provide additional funding.

- Issue of new equity for a total of approximately \$11.6 million or 884,687,500 new shares and 884,687,500 new warrants to acquire one share per warrant at an exercise price of NOK 0.10 per share.

- Issue of a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for \$5 million in tranche A and \$24.3 million in tranche B originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.

- The SBX04 bond will be a secured bond issued in two tranches, one Tranche A carrying a 12% interest per annum and one Tranche B carrying an interest of 6% per annum, to be secured against certain assets of the SeaBird group. Interest will be paid quarterly commencing in August 2015. The first principal payment date will occur two years after the date of settlement of the SBX04, which is expected in Q1 2015, at which time $2.0 million shall be payable on that interest payment date and quarterly on each following interest payment date with a bullet payment to be made on maturity.

- Issue of a 3-year secured credit line facility of $2.4 million. The facility will carry an interest of 6% per annum, will be secured against certain assets of the SeaBird group and credit line amount will be reducing from April 2017 and each interest repayment date at the same proportion as the installment amounts under SBX04. Interest will be payable quarterly in arrears with first interest date falling three months after settlement date.

- Issue of a $2.1 million loan. The loan will be unsecured, will carry interest of 6% per annum and its maturity date will be 1 January 2018. The principal will be repayable in nine equal installments commencing 1 January 2016. Accrued interest will be paid quarterly in arrears with first interest payment in April 2015.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be rolled into SBX04 and the remaining approximately $11.9 million of the Perestroika Loan to be converted into equity at NOK 0.30 per share. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees to be converted into SBX04 and $2.8 million of restructuring advisory fees to be converted into equity at NOK 0.30 per share. In addition, $11.6 million of equity is to be raised from certain investors, at NOK 0.10 per share, (which includes a subscription by SBX03 holders of all monies standing to the credit of a bond service account pledged in favor of SBX03), and where each new share thus subscribed will entitle the subscriber to a three-year warrant to subscribe for another share at a subscription price of NOK 0.10 per share. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. In the general meeting, all proposals on the agenda were adopted with requisite majority. Additionally, the company has called for a second extraordinary general meeting ("EGM2")to be held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. Implementation of the restructuring remains subject to final documentation and customary closing conditions. We refer to press releases issued by the company to provide further details on the announced restructuring.

The Board of Directors and Chief Executive Officer
SeaBird Exploration Plc
26 February 2015

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 31 December	
All figures in USD 000's	2014 (Unaudited)	Restated 2013 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	78,877	122,829
Multi-client library	14,685	7,067
Goodwill	–	1,267
Long-term investment	82	82
	93,644	**131,245**
Current assets		
Inventories	4,463	4,367
Trade receivables	14,215	24,712
Other current assets	21,692	16,942
Cash and cash equivalents	6,972	12,155
	47,342	**58,176**
Total assets	**140,986**	**189,421**
EQUITY		
Shareholders' equity		
Paid in capital	189,125	189,125
Equity component of convertible loan	6,296	6,296
Currency translation reserve	(407)	(392)
Share options granted	1,327	1,097
Retained earnings	(237,261)	(138,460)
	(40,921)	**57,666**
LIABILITIES		
Non-current liabilities		
Loans and borrowings	–	72,008
Provision for end of service benefit	–	1,103
	-	**73,111**
Current liabilities		
Trade and other payables	63,631	25,254
Provisions	9,580	–
Loans and borrowings	102,217	27,262
Tax liabilities	6,479	6,128
	181,907	**58,644**
Total liabilities	**181,907**	**131,755**
Total equity and liabilities	**140,986**	**189,421**
Net interest-bearing debt	**95,245**	**87,115**
Equity ratio	**-29.0%**	**30.4%**

CONSOLIDATED INTERIM STATEMENT OF INCOME				
	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Revenues	28,093	38,724	129,268	177,270
Cost of sales	(40,083)	(30,010)	(107,988)	(127,823)
Cost of multi-client sales	–	–	–	–
Selling, general and administrative expenses	(15,575)	(5,170)	(30,640)	(19,365)
Other income (expenses), net	(970)	354	1,489	1,538
Earnings before interest, tax, depreciation and amortization (EBITDA)	**(28,535)**	**3,898**	**(7,871)**	**31,620**
Depreciation	(6,061)	(7,411)	(21,245)	(22,321)
Amortization and impairment	(34,011)	(1,078)	(50,766)	(4,759)
Earnings before interest and taxes (EBIT)	**(68,607)**	**(4,591)**	**(79,882)**	**4,540**
Finance expense	(2,330)	(3,143)	(16,978)	(12,040)
Other financial items, net	215	(741)	(787)	(829)
Change in fair value of conversion rights	–	–	–	–
Profit/(loss) before income tax	**(70,722)**	**(8,475)**	**(97,647)**	**(8,329)**
Income tax	(462)	(207)	(2,171)	1,331
Profit/(loss) continuing operations	**(71,184)**	**(8,682)**	**(99,818)**	**(6,998)**
Net profit/(loss) discontinued operations (note 1)	–	3,865	1,015	3,045
Profit/(loss) for the period	**(71,184)**	**(4,817)**	**(98,803)**	**(3,953)**
Profit/(loss) attributable to				
Shareholders of the parent	(71,184)	(4,817)	(98,803)	(3,953)
Earnings per share				
Basic	(1.24)	(0.10)	(1.72)	(0.09)
Diluted	(1.24)	(0.10)	(1.72)	(0.09)
Earnings per share from continued operations				
Basic	(1.24)	(0.18)	(1.73)	(0.16)
Diluted	(1.24)	(0.18)	(1.73)	(0.16)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME				
	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's	2014 (Unaudited)	Restated 2013 (Audited)	2014 (Unaudited)	Restated 2013 (Audited)
Profit/(loss)	**(71,184)**	**(4,818)**	**(98,803)**	**(3,953)**
OTHER COMPREHENSIVE INCOME				
Net movement in currency translation reserve and other changes	40	362	216	109
Total other comprehensive income, net of tax	**40**	**362**	**216**	**109**
Total comprehensive income	**(71,144)**	**(4,456)**	**(98,587)**	**(3,844)**
Total comprehensive income attributable to				
Shareholders of the parent	(71,144)	(4,456)	(98,587)	(3,844)
Total	**(71,144)**	**(4,456)**	**(98,587)**	**(3,844)**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY		
	Year ended 31 December	Year ended 31 December
All figures in USD 000's	2014 (Unaudited)	Restated 2013 (Audited)
Opening balance	**57,666**	**53,146**
Profit/(loss) for the period	(98,803)	(3,953)
Increase/(decrease) in share capital	–	8,364
Share options granted	229	541
Net movements in currency translation reserve and other changes	(14)	(432)
Ending balance	**(40,921)**	**57,666**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW				
	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's	2014 (Unaudited)	Restated 2013 (Audited)	2014 (Unaudited)	Restated 2013 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before income tax	(70,722)	(8,476)	(97,647)	(8,329)
Adjustments for				
Depreciation, amortization and impairment	40,071	8,489	72,010	27,080
Unrealized exchange (gain)/loss	332	(561)	566	(1,277)
Accelerated finance charge of bond loan	–	–	5,102	–
Amortization of interest	1,257	2,630	8,935	10,333
Goodwill impairment	1,267	–	1,267	–
Paid income tax	(224)	(1,844)	(1,833)	(3,321)
Earned on employee stock option plan	40	129	230	541
(Increase)/decrease in inventories	281	497	(96)	(446)
(Increase)/decrease in trade and other receivables	3,459	14,695	6,518	5,287
Increase/(decrease) in trade and other payables	22,092	(15,846)	45,213	(2,777)
Net cash from operating activities	**(2,147)**	**(287)**	**40,265**	**27,091**
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures	(77)	(1,537)	(7,828)	(17,079)
Multi-client investment	(1,236)	(1,449)	(29,560)	(6,307)
Long term investment	–	–	–	(83)
Net cash used in investing activities	**(1,313)**	**(2,986)**	**(37,388)**	**(23,469)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares	–	6,480	–	8,364
Receipts from borrowings	–	–	–	–
Repayment of borrowings	–	(3,010)	(5,110)	(7,851)
Movement in borrowings	414	87	414	87
Interest paid	–	(2,575)	(3,349)	(6,596)
Net movement in currency fluctuations	–	453	(15)	(215)
Net cash from financing activities	**414**	**1,435**	**(8,060)**	**(6,211)**
Net (decrease)/increase in cash and cash equivalents	**(3,046)**	**(1,838)**	**(5,183)**	**(2,589)**
Cash and cash equivalents at beginning of the period	**10,017**	**13,993**	**12,155**	**14,744**
Cash and cash equivalents discontinued operations	**-**	**-**	**-**	**-**
Cash and cash equivalents at end of the period	**6,972**	**12,155**	**6,972**	**12,155**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS				
	Quarter ended 31 December		Year ended 31 December	
All figures in USD 000's	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	–	–	161	823
Cost of sales	–	(180)	768	(1,163)
Selling, general and administrative expenses	–	(10)	(7)	(81)
Other income (expenses), net	–	90	170	212
Earnings before interest, tax, depreciation and amortization (EBITDA)	**-**	**(100)**	**1,092**	**(214)**
Depreciation and amortization	–	–	–	–
Impairment	–	–	–	–
Earnings before interest and taxes (EBIT)	**-**	**(100)**	**1,092**	**(214)**
Interest expense	–	–	–	–
Other financial items, net	–	–	–	–
Profit/(loss) before income tax	**-**	**(100)**	**1,092**	**(214)**
Income tax	–	3,965	(77)	3,259
Profit/(loss) discontinuing operations	**-**	**3,865**	**1,015**	**3,045**
Gain/(loss) on sale of OBN business	–	–	–	–
Net profit/(loss) from discontinued operations	**-**	**3,865**	**1,015**	**3,045**
Profit/(loss) attributable to				
Shareholders of the parent	–	3,865	1,015	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 Q4 2014, as approved by the board of directors 26 February 2015, 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 Q4 2013	Q4 2013	Adj.	Restated Q4 2013
RESTATEMENT OF CONSOLIDATED STATEMENT OF INCOME			
Revenue	37,178	1,546	38,724
Cost of sales	(28,531)	(1,479)	(30,010)
Selling, general and administrative expenses	(5,090)	(80)	(5,170)
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**

RESTATEMENT FULL YEAR 2013	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	4 to 8 years
Office equipment	4 years

Depreciation for Q4 2014 was $6.1 million.

Multi-client library

Costs directly incurred in acquiring, processing and otherwise completing multi-client seismic surveys are capitalized to the multi-client library in the period 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	21.1
Capitalized cost	1.2
Capitalized depreciation	0.3
Impairment	(5.5)
Amortization	(2.5)
Net book value Q4 2014	**14.7**

Multi-client sales in Q4 2014 were $4.6 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 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 31 December 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 31 December 2014, there are a total of 1,621,945 share options granted to 11 employees.

Following the completion of the agreed restructuring, the number of shares outstanding will increase to 3,065,427,746. In addition, there will be 884,687,500 three-year warrants outstanding, each with an exercise price of NOK 0.10.

Taxes

SeaBird Exploration Plc is subject to taxation in Norway and the majority of its subsidiaries are subject to taxation 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.

Selected notes and disclosures

As a post balance day event, the concerned parties Fugro, Ordinat Shipping AS and SeaBird, have agreed to replace the existing charter parties. The new agreement reduces the charter hire and releases Ordinat Shipping AS from its obligations towards SeaBird as Charterer and Fugro as Head Owners.

The amount of charter hire recognized in cost of sales to related parties during Q4 2014 was $3.0 million ($3.7 million).

Going concern

As at 31 December 2014, the company does not have sufficient working capital to cover present requirements for a period of at least twelve months. At 31 December 2014, current assets were $47.3 million compared to current liabilities of $181.9 million.

The company was in breach of covenants of the Hawk lease, the convertible loan from Perestroika and the SBX03 bond agreement as of 31 December.

In January 2015, the company announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan.

The company further agreed to convert the existing SBX03 bond as well as the Perestroika convertible loan into a combination of preference shares convertible into ordinary shares and SBX04 new secured bond. Additionally, outstanding charter hire and vendor obligations will be have been converted into equity, debt and/or partially written down.

The restructuring is subject to certain conditions and is expected to be completed during Q1 2015.

In light of the challenging market conditions, the company has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or the refinancing initiative is not completed 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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