SeaBird Exploration

SEABIRD EXPLORATION PLC

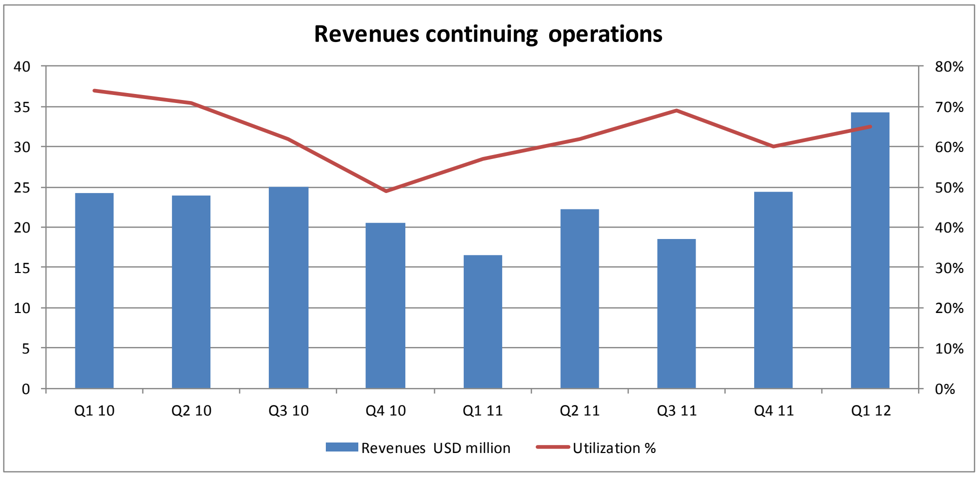
FIRST QUARTER REPORT 2012

Q1

HIGHLIGHTS

- While still a challenging market environment, the first quarter showed signs of improving customer demand. Fleet utilization increased from 60% in the fourth quarter of last year to 65% for the first quarter of this year.
- During the quarter, the company entered into or extended contracts representing an estimated value of approximately USD 30 million.
- Hugin Explorer and Munin Explorer completed the acquisition part of the ONGC contract and the vessels demobilized 10 February 2012. The data processing and interpretation part of the project will be finalized within 12 months from the demobilization date. Munin Explorer subsequently commenced a three-year time charter contract with Fugro.
- GGS Atlantic was relocated to Remontowa Shipyard in Poland for scheduled class renewal.
- Following a streamer incident with the Aquila Explorer in 2011, the vessel was rigged to 8 km hybrid streamer.
- Mr Dag Reynolds was appointed Chief Executive Officer of the company, replacing Mr Tim Isden who stepped down from the position effective 6 February 2012. Mr Reynolds assumed his position with the company 6 April 2012.
- Mr Nils Haugestad was appointed Chief Financial Officer and assumed his responsibilities with the company as of 1 April 2012.

KEY FIGURES	Quarter ended 31 Mar		Year ended 31 Dec
All figures in USD 000's	**2012** *(Unaudited)*	**2011** *(Unaudited)*	**2011** *(Audited)*
Revenues continuing operations	34,251	16,588	81,722
Earnings before interest, taxes, depreciation and amortization (EBITDA) continuing operations	2,746	(1,489)	(9,382)
Earnings before interest and taxes (EBIT) continuing operations	(8,696)	(9,822)	(96,552)
EBIT excluding impairment charges continuing operations	(8,696)	(9,822)	(42,237)
Profit/(loss) continuing operations	(12,506)	(22,550)	(120,366)
Profit/(loss) discontinued operations	5,254	(10,611)	28,724
Profit/(loss) for the period	(7,252)	(33,161)	(91,642)
Earnings per share (diluted) continuing operations	(0.06)	(0.13)	(0.65)
Cash flow from continuing operating activities	2,476	(36,143)	(64,562)
Capital expenditures continuing operations	(1,257)	(313)	(12,024)
Total assets	197,402	350,972	219,285
Net interest bearing debt including finance lease	90,933	201,411	107,732
Equity ratio	21%	33%	22%



SeaBird Exploration

COMPARISON OF Q1 2012 WITH Q1 2011

Voyager Explorer replaced Geo Mariner in Q3 2011. This had a moderate effect on comparable figures in prior periods. Furthermore, the Ocean Bottom Node (''OBN'') business has been divested and represents the discontinued operations.

RESULTS

All figures below relate to continuing operations unless otherwise stated. The company reports a loss of USD 12.5 million for the first quarter 2012 (negative USD 22.6 million same period in 2011). Revenues were USD 34.3 million in Q1 2012 (USD 16.6 million). The increased revenues are mainly due to fleet composition, higher utilization of the vessels in Q1 2012 compared to Q1 2011 and multi-client sales. Operating expenses were USD 27.3 million in Q1 2012 (USD 12.5 million). The change is mainly due to fleet composition and higher vessel utilization. EBITDA was USD 2.7 million in Q1 2012 (negative USD 1.5 million). Depreciation and amortization were USD 11.4 million in Q1 2012 (USD 8.3 million). The increase is mainly due to higher multi-client sales amortization for the period, partly offset by a reduction in depreciation resulting from the impairment of vessels and equipment completed in 2011. Interest expense was USD 3.1 million in Q1 2012 (USD 3.6 million). The decrease is a result of the financial restructuring completed in 2011.

Other financial items, net expenses, of USD 0.4 million in Q1 2012 (USD 6.0 million) decreased mainly due to the currency effect on the bond loans recognized in Q1 2011. Capital expenditures were USD 1.3 million in Q1 2012 (USD 0.3 million). Major capital cost items include the purchase of seismic acquisition equipment and routine engine overhaul for Harrier Explorer as well as the replacement of streamer sections on the Aquila Explorer. A weakening of USD against NOK and EUR has in general a negative impact on the operating expenses.

OPERATIONAL PERFORMANCE

The utilization rate for 2D/3D vessels in operation was 65% in Q1 2012.

LIQUIDITY AND FINANCING

Cash and cash equivalents were USD 13.7 million (USD 11.4 million), of which USD 3.1 million was restricted in connection with bid and performance bonds as well as deposits to the bond service account. Net cash from operating activities was USD 2.5 million in Q1 2012 (negative USD 36.1 million).

Following the financial restructuring completed in December 2011, the company has one bond loan and one convertible loan outstanding. The 6% secured bond loan has a face value of USD 89.9 million and is recognized in the books at amortized cost of USD 77.1 million per Q1 2012. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of USD 2 million starting 19 December 2012. The 1% unsecured convertible loan with Perestroika has a face value of USD 14.9 million and is recognized in the books at amortized cost of USD 11.7 million per Q1 2012. The convertible loan matures 22 September 2014 and has no principal amortization. Interest on the convertible loan is paid in kind.

The credit facility provided by Fugro to finance working capital requirements for the ONGC contract was fully repaid during the quarter. This financing transaction has been classified under discontinued operations.

Instalments of USD 0.8 million were paid on the lease for Hawk Explorer during Q1 2012 (USD 0.7 million). Net interest-bearing debt was USD 90.9 million at the end of Q1 2012 (USD 201.4 million). The company was in compliance with all financial covenants as of 31 March 2012.

OUTLOOK

The company is seeking to increase its vessel capacity, but without taking on substantial long term liabilities, in order to benefit from improving market conditions. The goal is to have a more scalable business model going forward.

We expect a significant upswing in the source vessel market during the second half of 2012 and have extended the bareboat charter on the Kondor Explorer with another two years as a response to increased demand.

The Board of Directors and
Chief Executive Officer

SeaBird Exploration PLC
3 May 2012

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

All figures in USD 000's	As of 31 Mar 2012	As of 31 Mar 2011	As of 31 Dec 2011
	(Unaudited)	*(Unaudited)*	*(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	133,083	266,040	137,008
Multi-client library	12,868	9,085	16,602
Capital work in progress	-	1,694	-
Goodwill	1,267	8,996	1,267
Patent technology	-	3,756	-
Deferred tax asset	-	14,611	-
	147,218	**304,182**	**154,877**
Current assets			
Inventories	5,248	5,339	4,680
Trade receivables	20,620	22,083	31,251
Other current assets	10,591	7,577	14,750
Due from related parties	-	427	427
Cash and cash equivalents	13,725	11,364	13,300
	50,184	**46,790**	**64,408**
Total assets	**197,402**	**350,972**	**219,285**
EQUITY			
Shareholders' equity			
Paid in capital	166,720	161,113	166,720
Equity component of convertible loan	6,296	15,791	6,296
Revaluation reserve	-	16,257	-
Currency translation reserve	(178)	659	(212)
Share options granted	7,764	7,614	7,554
Retained earnings	(138,310)	(85,570)	(131,056)
	42,292	**115,864**	**49,302**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	101,108	175,923	99,567
Other long-term liabilities	1,141	940	1,157
	102,249	**176,863**	**100,724**
Current liabilities			
Trade and other payables	49,311	21,393	47,794
Loans and borrowings	3,550	36,852	21,465
	52,861	**58,245**	**69,259**
Total liabilities	**155,110**	**235,108**	**169,983**
Total equity and liabilities	**197,402**	**350,972**	**219,285**
Net interest-bearing debt	90,933	201,411	107,732

CONSOLIDATED INTERIM STATEMENT OF INCOME

All figures in USD 000's	Quarter ended 31 Mar 2012	Quarter ended 31 Mar 2011	Year ended 31 Dec 2011
	(Unaudited)	*(Unaudited)*	*(Audited)*
Revenues	34,251	16,588	81,722
Charter hire and operating expenses	(27,286)	(12,478)	(67,649)
Selling, general and administrative expenses	(4,892)	(5,643)	(24,476)
Other income (expenses), net	673	44	1,021
Earnings before interest, tax, depreciation and amortization (EBITDA)	**2,746**	**(1,489)**	**(9,382)**
Depreciation and amortization	(11,442)	(8,333)	(32,855)
Impairment	-	-	(54,315)
Earnings before interest and taxes (EBIT)	**(8,696)**	**(9,822)**	**(96,552)**
Interest expense	(3,081)	(3,644)	(18,474)
Other financial items, net	(445)	(5,980)	274
Change in fair value of conversion rights	-	(3,014)	(3,014)
Profit (loss) before income tax	**(12,222)**	**(22,460)**	**(117,766)**
Income tax	(284)	(90)	(2,600)
Profit/(loss) continuing operations	**(12,506)**	**(22,550)**	**(120,366)**
Discontinued operations			
Net profit discontinued operations (note 1)	5,254	(10,611)	28,724
Profit/(loss) for the period	(7,252)	(33,161)	(91,642)
Profit/(loss) attributable to			
Shareholders of the parent	(7,252)	(33,161)	(91,642)
Earnings per share			
Basic	(0.03)	(0.19)	(0.49)
Diluted	(0.03)	(0.19)	(0.49)
Earnings per share from continued operations			
Basic	(0.06)	(0.13)	(0.65)
Diluted	(0.06)	(0.13)	(0.65)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Profit/(loss)	**(7,252)**	**(33,161)**	**(91,642)**
Other comprehensive income			
Net movement in currency translation reserve and other changes	32	300	72
Changes in revaluation reserve	-	-	(13,373)
Total other comprehensive income, net of tax	**32**	**300**	**(13,301)**
Total comprehensive income	**(7,220)**	**(32,861)**	**(104,943)**
Total comprehensive income attributable to			
Shareholders of the parent	(7,220)	(32,861)	(104,943)
Total	**(7,220)**	**(32,861)**	**(104,943)**

Note 1

INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS

All figures in USD 000's	Quarter ended 31 Mar 2012	Quarter ended 31 Mar 2011	Year ended 31 Dec 2011
	(Unaudited)	*(Unaudited)*	*(Audited)*
Revenues	13,449	4,645	60,815
Charter hire and operating expenses	(6,187)	(11,123)	(53,078)
Selling, general and administrative expenses	(1,201)	(686)	(5,421)
Other income (expenses), net	-	-	-
Earnings before interest, tax, depreciation and amortization (EBITDA)	**6,061**	**(7,164)**	**2,316**
Depreciation and amortization	-	(3,602)	(12,414)
Impairment	-	-	-
Earnings before interest and taxes (EBIT)	**6,061**	**(10,766)**	**(10,098)**
Interest expense	(190)	(1)	(1,494)
Other financial items, net	-	341	(1,924)
Profit (loss) before income tax	**5,871**	**(10,426)**	**(13,516)**
Income tax	(617)	(185)	(4,389)
Profit/(loss) discontinuing operations	**5,254**	**(10,611)**	**(17,905)**
Gain on sale of business	-	-	46,629
Net profit/(loss) from discontinued operations	5,254	(10,611)	28,724
Profit/(loss) attributable to			
Shareholders of the parent	5,254	(10,611)	28,724
Earnings per share from discontinued operations			
Basic	0.02	(0.06)	0.15
Diluted	0.02	(0.06)	0.15

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

All figures in USD 000's	Quarter ended 31 Mar 2012	Quarter ended 31 Mar 2011	Year ended 31 Dec 2011
	(Unaudited)	*(Unaudited)*	*(Audited)*
Opening balance	**49,302**	**132,937**	**132,937**
Profit/(loss) for the period	(7,252)	(33,161)	(91,642)
Increase/(decrease) in share capital	-	-	5,607
Equity component of convertible loan	-	15,791	6,296
Share options granted	210	21	(39)
Net movements in currency translation reserve and other changes	32	276	(3,857)
Ending balance	**42,292**	**115,864**	**49,302**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

All figures in USD 000's	Quarter ended 31 Mar 2012	Quarter ended 31 Mar 2011	Year ended 31 Dec 2011
	(Unaudited)	*(Unaudited)*	*(Audited)*
Cash flows from operating activities			
Profit/(loss) before income tax	(12,222)	(22,460)	(117,766)
Adjustments for			
Depreciation, amortization and impairment	11,442	8,333	87,170
Unrealized exchange (gain)/loss	86	-	-
Change in fair value of conversion rights	-	2,678	3,014
Gain on extinguishment of debt	-	-	(11,015)
Amortization of interest	2,451	953	4,968
Paid income tax	(21)	(11)	-
Gain from sale of PPE	-	-	-
Earned on employee stock option plan	210	21	(39)
(Increase)/decrease in inventories	186	(1,278)	(924)
(Increase)/decrease in trade and other receivables	(328)	(8,342)	(38,383)
(Increase)/decrease from divested companies	-	-	24,556
(Increase)/ decrease in due from related parties	427	74	-
Increase/(decrease) in trade and other payables	245	(16,111)	(16,143)
Net cash from operating activities	**2,476**	**(36,143)**	**(64,562)**
Cash flows from investing activities			
Capital expenditures	(1,257)	(313)	(12,024)
Net cash flow on disposal of subsidiaries	-	-	121,358
Net cash used in investing activities	**(1,257)**	**(313)**	**109,334**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	-	-	5,607
Currency fluctuation in borrowings	-	7,000	722
Receipts from borrowings	-	42,582	150,433
Repayment of borrowings	(826)	(18,868)	(204,953)
Equity component of convertible bond loan	-	15,791	15,791
Net movement in currency fluctuations	32	23	(207)
Net cash from financing activities	**(794)**	**46,528**	**(32,607)**
Net (decrease)/increase in cash and cash equivalents	**425**	**10,072**	**12,165**
Cash and cash equivalents at beginning of the period	**13,300**	**979**	**1,135**
Cash and cash equivalents from discontinued operations	**-**	**313**	**-**
Cash and cash equivalents at end of the period	**13,725**	**11,364**	**13,300**

SELECTED NOTES AND DISCLOSURES

SeaBird Exploration PLC is a limited liability company. The company's address at its registered office is 333, 28th October Street, Ariadne House, 1st floor, 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 2011. The consolidated financial statements for the year ended 31 December 2011 and quarterly reports are available at www.sbexp.com. The financial statements as of Q1 2012, as approved by the Board of Directors 3 May 2012, 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 2011 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. For further description of relevant risk factors, we refer to the Annual Report for 2011. 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

Vessels and seismic equipment designated for source and 2D/3D-operation are shown at fair value, based on periodic valuations by external independent appraisers, less subsequent depreciation. The external independent appraisals are supported by internal value-in-use calculations. These vessels and seismic equipment were last valued by external independent appraisals at 30 September 2011. Value-in-use calculations performed per Q1 2012 support the carrying values of vessels and seismic equipment. Vessel-related and seismic equipment (including the nodes operation) designated for seabed operation (OBN) and office equipment are stated at historical cost less depreciation.

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

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

Depreciation for Q1 2012 was USD 4.7 million, whereof USD 0.7 million was capitalized as part of the multi-client library.

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 multi-client library is amortized over a maximum period of three years starting in the quarter after project completion. The amortization charge for a particular library is increased by a percentage of any sales achieved in the period until the original cost has been fully amortized. In Q1 2012, a rate of 100% of sales has been applied to all multi-client library surveys, except for the GoM Well Tie survey where a rate of 0% has been applied. With the exception of the GoM Well Tie survey, profit is therefore only recognized in the income statement once the original costs of acquiring the data have been fully recovered.

Q1 2012 figures	USD million
Beginning balance Q1 2012	16.6
Capitalized cost	3.1
Capitalized depreciation	0.7
Amortization	(7.5)
Book value	12.9

Multi-client sales in Q1 2012 were USD 9.1 million (USD 1.0 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 hold 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. Income statement for discontinued operations, see note 1 to the consolidated income statement. 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 31 March 2012 is 314,259,723. On 20 February 2012, employment terms were finalized for Mr Reynolds. In addition to fixed salary on market terms, Mr Reynolds will receive 30,000,000 share options at a strike price of NOK 0.25 (equalling the average share price on the trading day 6 February 2012 plus approximately 10%). The share options are exercisable 1/3 from 16 February 2013 to 16 April 2013, 1/3 from 16 February 2014 to 16 April 2014 and 1/3 from 16 February 2015 to 16 April 2015.

Taxes

The company is subject to taxation in Cyprus, as are the majority of the subsidiaries, of which some are qualifying for the tonnage tax regime. Due to operation on various continental shelves, the company is also subject to taxation in various jurisdictions with increasingly complex tax legislation. Going forward, the company expects to be subject to income taxes in jurisdictions of operation which will increase income tax expenses. The company is also evaluating historic tax exposures related to certain projects already completed which might increase the reported tax expense. The company has subsidiaries in various countries which are subject to local taxes. Deferred tax assets recognized prior periods constitute the tax losses for SeaBird Technologies AS. This company was divested as part of the OBN business in Q4 2011, and deferred tax asset recognized for continued operations is zero per 31 March 2012.

Going concern

At present, the company does not consider its working capital to be sufficient to cover present requirements the forthcoming 12 months. The company is currently contemplating several new contracts for the fleet of seismic vessels. So far in 2012, the market has improved with both more activity and higher day rates. The company expects this trend to continue for the remainder of 2012. As a consequence, the utilization of the total vessel fleet will be higher than the two previous years and in this way improve the cash flow of the company. It is anticipated that working capital needs will be funded through cash from operations as well as potential sales of geophysical data in the ordinary course of business and capital markets transactions.