Annual Report

2013

SeaBird Exploration

2013

$177.8m

revenues for 2013 compared to $163.3 million in 2012

$49.8m

gross margin in 2013 compared to $54.6 million in 2012

DELIVERING RESULTS DESPITE A CHALLENGING MARKET.

CONTENTS

SeaBird at a glance	**3**
2013 highlights	**4**
CEO statement	**6**
HSSEQ	**8**
Geographic focus and market drivers	**10**
Interaction with the capital markets	**12**
Operations and strategic focus	**14**
Multi-client focus	**16**
Taking 2D to the next level	**18**
CFO statement	**20**
Group management	**22**
Board of directors	**23**
Corporate governance	**24**
Board of directors' report	**26**
Consolidated financial accounts 2013	**29**
Unconsolidated financial accounts 2013: SeaBird Exploration Plc	**60**
Independent auditors' report	**73**
Statement of directors and other responsible persons	**75**

$19.4m

SG&A in 2013, versus $16.8 million in 2012

$31.9m

EBITDA in 2013 compared to $38.6 million in 2012

77%

utilization for 2013, up from 75% for 2012

SEABIRD AT A GLANCE

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment.

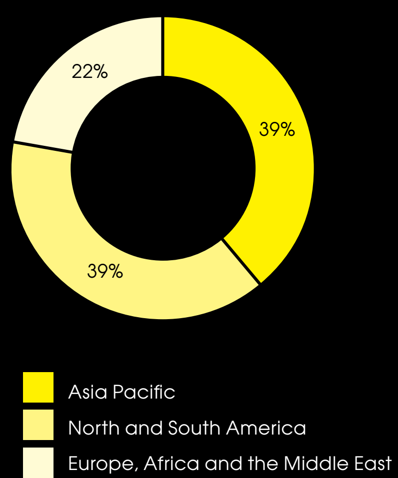
The company is also a leading provider of niche 3D and source vessel solutions. SeaBird concentrates on contract seismic surveys, but is also actively engaged in the multi-client sector. The company is very strongly positioned with its industry-leading health, safety, security, environment and quality (HSSEQ) culture and accreditations. Operational excellence ensures best-in-class performance. SeaBird's focus on technological development ensures continuous service improvement.

2013 HIGHLIGHTS

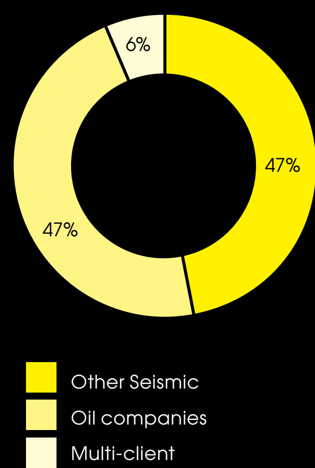
	2013	2012
Revenues	**177,805**	163,331
Gross margin	**49,769**	54,564
SG&A	**(19,377)**	(16,843)
EBITDA	**31,930**	38,559
EBIT	**4,850**	4,151
Profit/(loss)	**(6,688)**	(18,183)
Capital expenditures	**(17,079)**	(15,008)
Total debt	**99,270**	102,150
Net interest bearing debt	**87,115**	87,406
Equity ratio	**30.5%**	26.8%
No. of countries operated in	**21**	22
Employees	**569**	462
Utilization	**77%**	75%

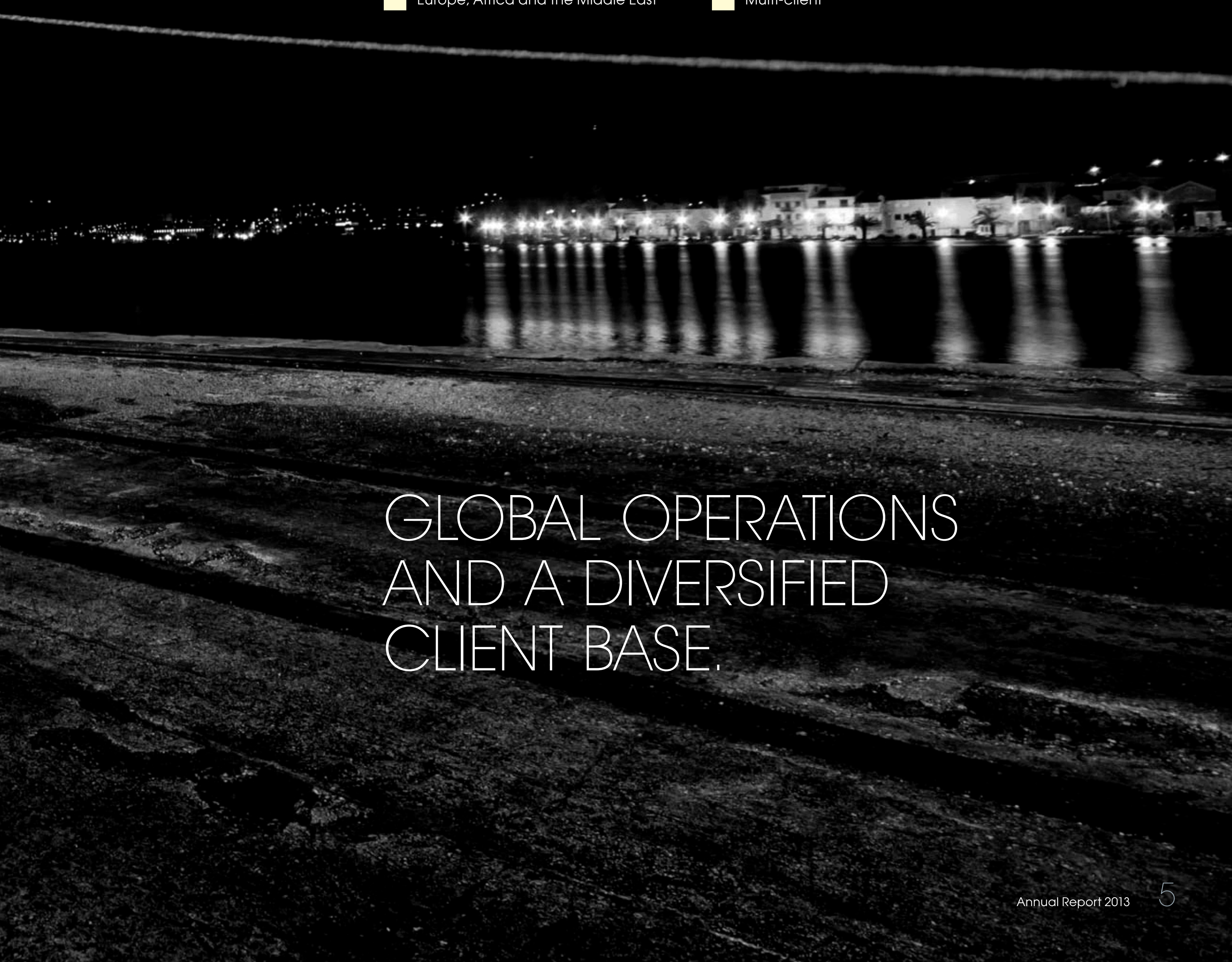
Note 1: All figures relate to continued operations
Note 2: All figures in $000 (except for equity ratio, country data, employee data and utilization)

REVENUE BY REGION 2013



REVENUE BY CLIENT TYPE 2013





GLOBAL OPERATIONS AND A DIVERSIFIED CLIENT BASE.

This year seemed to pose some challenges for the seismic industry. How did this impact SeaBird and how do you see the industry today?
Going into the year, we saw high tender activity and indications of continued price improvement. Although the industry showed signs of softness by Q3, our performance for that quarter was solid. However, in the fourth quarter utilization dropped to 56%, the lowest level in the last three years. This impacted all of our operating regions as well as all business segments. Nevertheless, pricing remained firm.

Subsequently, industry activity has improved markedly and we have seen a recovery in demand across all business sectors. Backlog which was substantially down at the end of the year has rebounded nicely. In addition, we have seen increased interest in discussing the prospects for longer-term contracts and framework agreements.

That being said, visibility in the seismic industry remains short and we would like to see the current demand continue for some time before we will feel comfortable that the market has fully stabilized.

The market improvements you are referring to, how are they translating to your various geographic regions?
The Asia Pacific region continues to be a solid performer. We have had two vessels active in the region throughout 2013 and we do not expect this to change in 2014. We are building strong backlog in the 2D space and expect this demand to continue. In regards to the niche 3D segment, recovery is taking a little longer. As of late, the region has been impacted by an increased environmental focus which has caused some delays. Nevertheless, overall activity is healthy.

North and South America was an active market for us in 2013. We experienced strong demand in South America, especially in the the first half of the year. In the Caribbean and the Gulf of Mexico we had three vessels operating in the second half. Demand towards the end of the year abated in part due to contract delays. However, we currently have two vessels active and are now reviewing a number of alternatives within the region.

Europe, Africa and the Middle East represented a lower percentage of revenues this year. We had two vessels active in Northern Europe and the Mediterranean. We have experienced growing demand in the frontier regions of Africa, with two vessels completing a number of proprietary and multi-client campaigns. We are seeing good demand for the season starting in Northern Europe. In Africa, much of the focus of late has been on the frontier markets. We currently have four vessels active in Northern Europe and Africa.

Looking at this past year, it seems like you are getting a better mix of revenues from your various operating segments. How do you see this going forward and what does it say in terms of growth opportunity?
The 2D segment will clearly remain a core part of our business going forward. We are the market leader and our fleet is naturally positioned to operate effectively in this sector. We expect that we will continue to consolidate this space and command a larger market share. Moreover, we expect that the underlying global energy demand will continue to drive the exploration into new hydrocarbon regions, resulting in ongoing 2D demand.

Our fleet is also an excellent fit with the requirements of the source market. Source demand is in part tied to the level of ocean bottom seismic activity. We have been anticipating growth in ocean bottom seismic demand for some time and in 2013, activity in this sector increased significantly. We expect this trend to continue and result in growing source demand.

In addition, we also are seeing greater interest in more complex survey configurations that require multiple source arrangements. Well monitoring is also an area supporting growth in source demand. All in all, the factors driving this market look promising and should provide for ample growth opportunities going forward.

With respect to the niche 3D sector we have continued to see solid interest over the last two years. This activity is generally targeted towards smaller survey areas, shallow water as well as challenging operating environments not suitable for larger multi-streamer vessels. As other market participants continue to focus their investment on higher streamer capacity vessels, we expect that the niche 3D segment is likely to be underserved. We believe that this segment is a natural fit for our fleet and that we are likely to capture a larger share of this market.

As you may recall, in late 2012 we decided to halt our multi-client activity as we re-evaluated our approach to this market. In 2013, we re-established our multi-client efforts and started to actively invest.

CEO STATEMENT

An interview with Dag Reynolds

Multi-client investment is a core part of our growth strategy and allows us to consider opportunities with attractive risk reward characteristics and optimize vessel utilization. We would anticipate that this segment will continue to expand and account for a greater portion of the company's revenues.

You mentioned SeaBird's market leadership position. What makes SeaBird so unique and how do you retain your competitive advantage?
There are a number of factors that contribute to our strong market position. Firstly, we have a global footprint which allows us to effectively cover our client base anywhere in the world. In addition, as most of our clients' efforts are targeted towards frontier markets, our ability to operate efficiently under challenging and adverse conditions is of utmost importance.

We also pride ourselves on our focus on HSSEQ and believe we have one of the best safety and quality systems in the industry. This not only ensures our industry-leading performance but also pre-qualifies us to work for the major oil companies.

Lastly, we need to be the technology leader in our market segments. We are actively focused on advancing technology and acquisition techniques throughout our business.

Given the opportunities you have highlighted, what are your priorities for 2014 and beyond?
We made significant progress during the past year, but the restructuring effort is yet to be completed. While we will continue to look at expanding our core business areas as discussed, it is equally important that we further improve our efficiency and enhance our cost structure.

We will also focus on strengthening the organization and deepening our know-how. We aim to provide an improved service offering to our client base and increase our value add proposition. The focus on technology will be a core part of this effort.

HSSEQ

SeaBird's corporate strategy is guided by our commitment to health, safety, security, environment and quality (HSSEQ).

Industry-leading HSSEQ processes ensure the company:

- provides a safe and healthy work environment both offshore and onshore;
- continuously improve operational performance and quality;
- deliver its services safely, promptly and cost effectively; and
- considers the environment in all aspects of its operations.

0.23

lost time injury frequency (LTIF) rate for 2013

1.84

total recordable incident rate (TRIR) for 2013, below industry norms

4.3%

technical downtime for 2013

SeaBird's focus on improving best practices and safety standards produced another year of solid HSSEQ results. The company recorded a lost time injury frequency rate of 0.23 and a total recordable incident rate of 1.84. SeaBird's operations continued to be positively impacted by its strong HSSEQ culture, with technical downtime for the fleet of 4.3%.

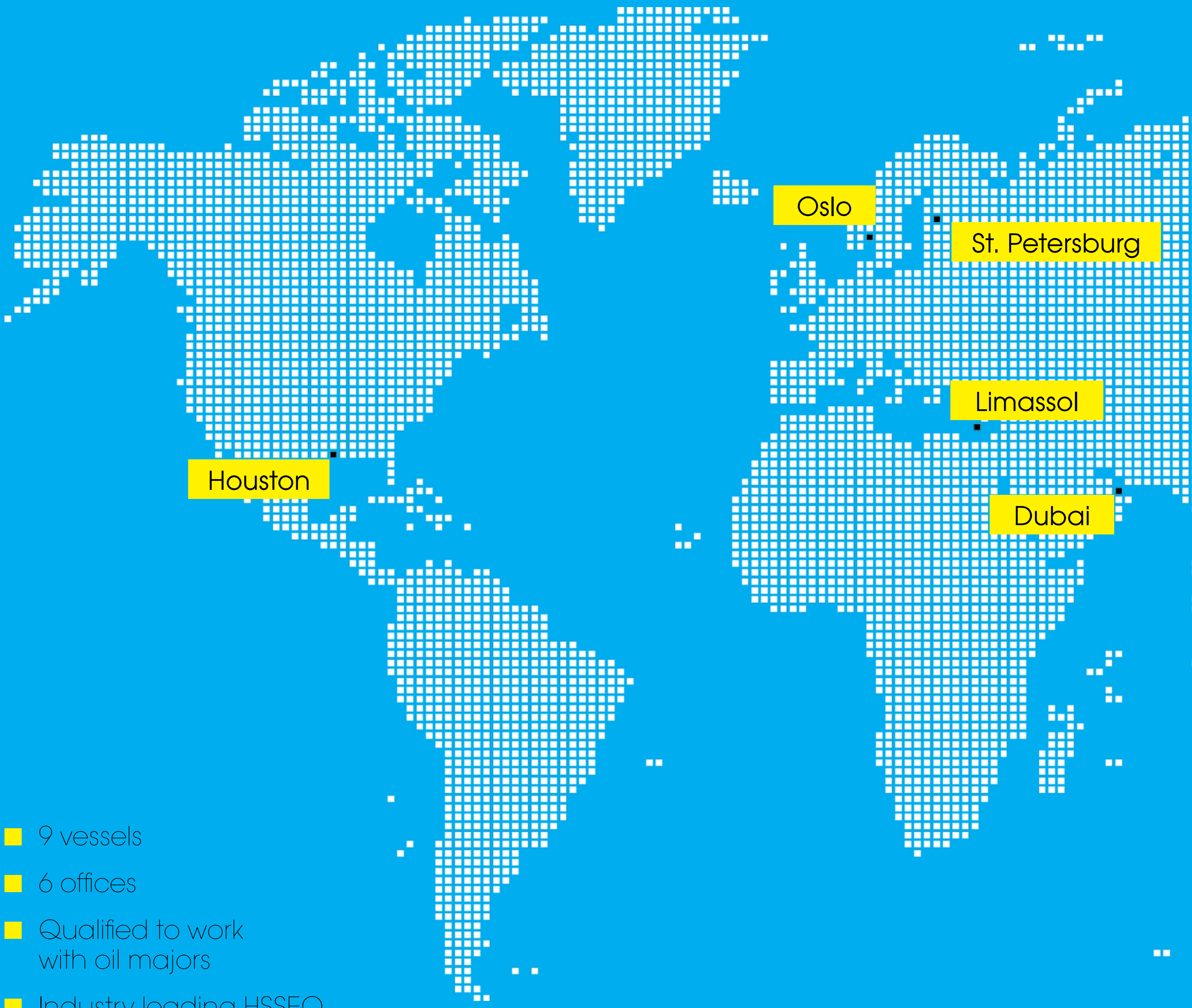
During the year, SeaBird achieved early compliance with the new Maritime Labour Convention standards ratified in 2012. The company also successfully completed a number of client prequalification audits as well as follow-up audits for ISO 9001/14001 and OHSAS 18001. This qualifies the company to operate for major oil companies as well as other players in the seismic market.

The company commenced an effort to analyze past performance with an intention to further improve the HSSEQ processes and define HSSEQ targets going forward.

SeaBird is focused on minimizing its environmental footprint. The company's HSSEQ system is aligned with ISO 14001 (environmental management systems), which ensures that we reduce our impact on the areas we operate in.

GEOGRAPHIC FOCUS AND MARKET DRIVERS

The company is a global organization operating in over 20 countries in 2013. With continued focus on frontier regions, SeaBird offers significant experience within these often complex and challenging environments.



- 9 vessels
- 6 offices
- Qualified to work with oil majors
- Industry leading HSSEQ
- Extensive experience within adverse operating environments

In 2013, global exploration and production (E&P) spending was at record levels and we anticipate that this will continue in 2014. E&P spending is generally driven by the price of oil and seismic industry demand has historically been closely correlated to the level of exploration investment.

In spite of strong E&P spending, the seismic industry experienced a slow-down in demand in the second half of 2013. We have subsequently seen an increase in tender activity and a rebuilding of backlog. Pricing has remained firm in all regions and we would largely expect this to remain stable through the first half of 2014.

Europe, Africa and the Middle East:
We expect to see another strong season in Northern Europe with robust demand in Norway and Russia. New licensing rounds are likely to result in increased activity in the Mediterranean. We anticipate a rebound in Africa after a relatively slow period in the second half of 2013.

2013 REVENUES	
2D	79%
SOURCE	11%
MULTI-CLIENT	9%
OTHER	1%

Asia Pacific:
We are continuing to see significant demand in Australasia, albeit permitting issues have caused survey delays and are likely to remain an issue for the foreseeable future. South East Asia continues to remain a core region with significant new survey programs under consideration.

2013 REVENUES	
3D	54%
2D	24%
SOURCE	15%
MULTI-CLIENT	7%

North and South America:
Activity in the North American source market has been increasing. A number of new surveys in the Caribbean have recently been announced and we anticipate further developments within this region. Brazil continues to remain a core market. In addition, we are also seeing significant interest in other parts of South America.

2013 REVENUES	
2D	39%
3D	37%
SOURCE	20%
MULTI-CLIENT	4%

INTERACTION WITH THE CAPITAL MARKETS

THE SEABIRD SHARE

Uncertainties about seismic spending caused investor concern during 2013.

For SeaBird, the weakened demand experienced in the fourth quarter coupled with the impending refinancing resulted in a challenging situation for the company. The stock price closed at NOK 3.07 on 31 December 2013.

2013 SHARE PRICE DEVELOPMENT (NOK)

FINANCIAL CALENDAR

6 MAY 2014
First Quarter 2014

13 MAY 2014
Annual General Meeting

15 AUG 2014
Second Quarter 2014

6 NOV 2014
Third Quarter 2014

Key events in 2013

During February 2013, the company issued 1,500,000 new shares at a subscription price of NOK 7.50 per share. The offering was a repair issue made in connection with the 11,000,000 share private placement completed in November 2012. Gross proceeds from this transaction were NOK 11.3 million ($2.0 million).

In November 2013, employees exercised their rights to purchase 1,655,268 shares in the company at a pre-agreed price. Each such share was issued at the applicable strike prices previously announced. The total gross proceeds for all shares issued were NOK 5.1 million ($0.8 million). This transaction represented approximately 1/3 of the options that were granted in 2012.

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

20 LARGEST SHAREHOLDERS 31 MARCH 2014

INVESTOR	NO. OF SHARES	% OF TOTAL
ORDINAT SHIPPING AS	11,485,123	19.9%
MONS HOLDING AS	3,697,617	6.4%
BAROKK INVEST AS	2,752,000	4.8%
PERESTROIKA AS	2,117,815	3.7%
AWILCO INVEST AS C/P AWILHELMSEN MANA	2,050,000	3.6%
VERDIPAPIRFONDET DNB	2,015,000	3.5%
MATHIASSEN KJELL HJALMAR	1,775,833	3.1%
REGNI AS	992,805	1.7%
ENGELSTAD SIMEN FALCK	720,163	1.3%
SEB PRIVATE BANK S.A	667,324	1.2%
MP PENSJON PK	580,059	1.0%
GLAAMENE INDUSTRIER	572,915	1.0%
TANJA A/S	558,000	1.0%
LISE AS	540,000	0.9%
AUGUST AS	533,333	0.9%
SAKURA CAFETERIA AS	521,626	0.9%
LAUVDALSBREA AS	516,000	0.9%
NORDNET PENSJONSFORS	452,059	0.8%
MORGAN STANLEY & CO S/A MSIL IPB CLIENT	450,000	0.8%
SIEM KRISTIAN	420,574	0.7%
TOTAL NUMBER OWNED BY TOP 20	**33,418,246**	**58.0%**
TOTAL NUMBER OF SHARES	**57,581,246**	**100.0%**

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment.

OPERATIONS AND STRATEGIC FOCUS

The company is also a leading provider of niche 3D and source vessel solutions. SeaBird is actively engaged in both the proprietary contract and multi-client sectors. The company provides global coverage via its 9 seismic vessels; six 2D vessels, two 3D vessels and one source vessel.

The company is headquartered in Cyprus and also operates out of five regional offices in Dubai (United Arab Emirates), Oslo (Norway), Houston (USA), Singapore and St Petersburg (Russia). As of 31 December 2013, the company had 569 employees compared to 462 employees in 2012. The increase is primarily due to the addition of the Geo Pacific to the fleet.

EMPLOYEES

487
Offshore

82
Onshore

2D market

Growing demand for oil has led to increased focus on the development of frontier markets. The exploration of these large new regions has resulted in a substantial increase in 2D seismic demand. In addition, the continued analysis of known oil-producing regions as well as the use of alternative acquisition techniques have also stimulated demand in this sector.

As the global 2D market leader, SeaBird is well positioned to take advantage of these market trends. Moreover, we anticipate a reduction in 2D capacity from qualified service providers which should allow the company to improve its market share.

SeaBird is committed to continue to develop its 2D product offering. During the year, the company commenced a number of initiatives to enhance its seismic acquisition techniques. Our focus on technology is a critical factor to ensure that the company retains its market leadership and continues to be at the forefront of this segment.

3D niche market

SeaBird has increased its focus on the niche 3D market during 2013. At the end of 2012, the company chartered the eight streamer vessel Geo Pacific. This vessel joins the Voyager Explorer in targeting this market segment.

We have seen continued demand for niche 3D surveys that primarily target more challenging operating environments as well survey areas which are suboptimal for larger multi-streamer vessels.

With the growing trend towards larger multi-streamer vessels, capacity of these vessel operators to service the 3D niche segment is likely to be reduced. We believe we are well positioned to be a market leader in this sector and see this as a natural fit with our current strategy.

Source

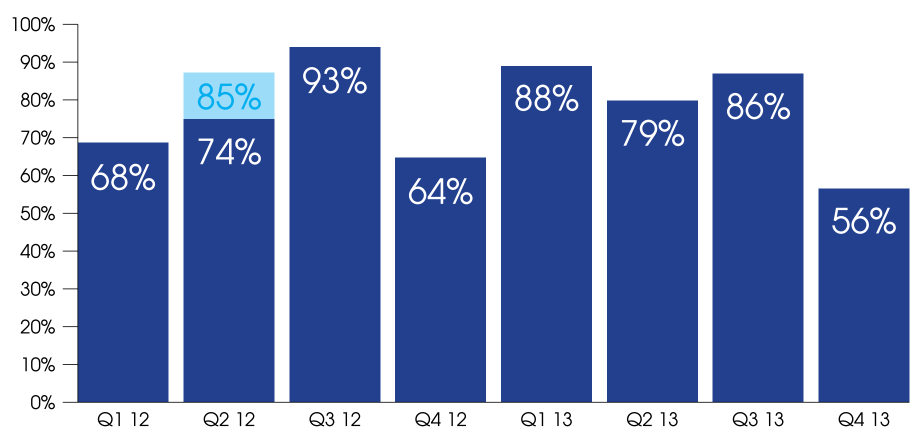
The trend towards ocean bottom seismic as well as increased focus on reservoir monitoring, wide azimuth surveys and long offset configurations have resulted in rising demand for source vessel capacity.

During 2013, the company experienced an increase in source market activity compared to prior periods. SeaBird currently has one vessel operating on a long-term source contract and completed a number of other source surveys throughout the year. The company's fleet is naturally suited for seismic source operations and we see this as a core focus going forward.

Multi-client

Multi-client activity has become an increasingly significant part of SeaBird's strategy. In 2013, the company added to its existing multi-client library by completing four new surveys. The multi-client sector is an important part of our strategy and allows us to take advantage of opportunities with attractive risk reward characteristics as well as optimize vessel utilization.

VESSEL UTILIZATION



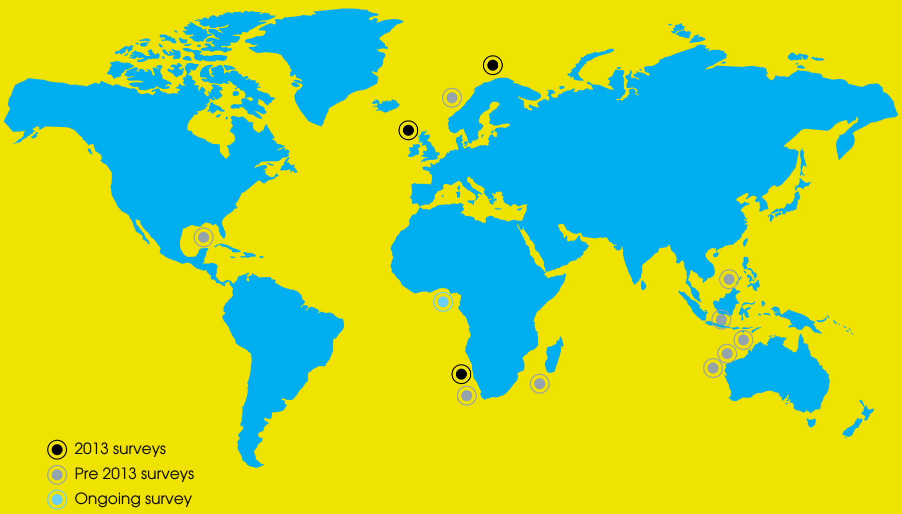
Note 1: In Q2 2012, vessel utilization for the period was 74% (excluding GGS Atlantic, utilization was 85%)
Note 2: Utilization from Q2 2013 includes the Geo Pacific

MULTI-CLIENT FOCUS

Multi-client surveys are investments by the company in the acquisition of seismic data, which we process, market and sell to multiple third parties on a non-exclusive basis. Such investment activities allow us to capitalize on attractive investment opportunities and optimize fleet utilization. The company is actively committed to target surveys with appropriate levels of prefunding. Our global fleet allows us to evaluate 2D and 3D multi-client opportunities in all our regions.

The multi-client advantage:

- prefunding significantly de-risks initial investment;
- optimizes fleet utilization; and
- provides a natural business expansion opportunity for the company.



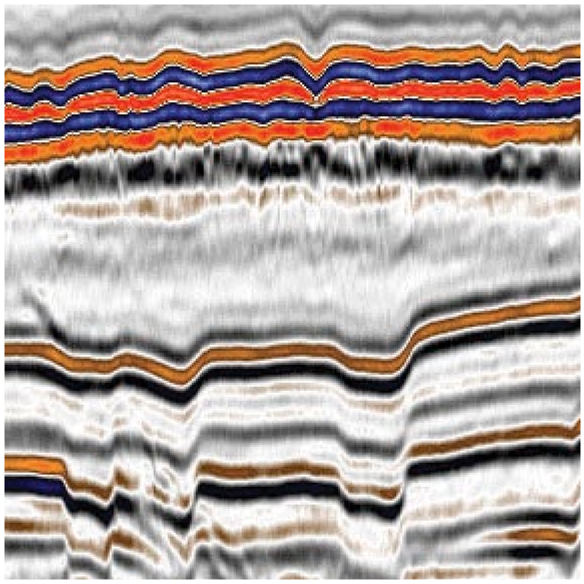
SNØSPURV WELL-TIE SURVEY

01

During the year, the company in partnership with Searcher Seismic acquired the six thousand three hundred kilometer Snøspurv 2D high-resolution multi-client survey. The survey covers the Bjarmeland and Finnmark platform and provides a critical link into the South Eastern part of the Barents Sea. The area has recently been opened for exploration.

The survey ties twenty existing hydrocarbon wells, including the recent Wisting oil discovery in the Hoop Area. The well-tie survey provides an important link to the next exploration phase in the region.

In addition, the survey's high data quality provides enhanced geological insight, including more confident definition of trap geometry, reservoir distribution and deep structure.



THE SURVEY'S HIGH QUALITY DATA PROVIDES A BETTER VIEW OF THE AREAS GEOLOGY.

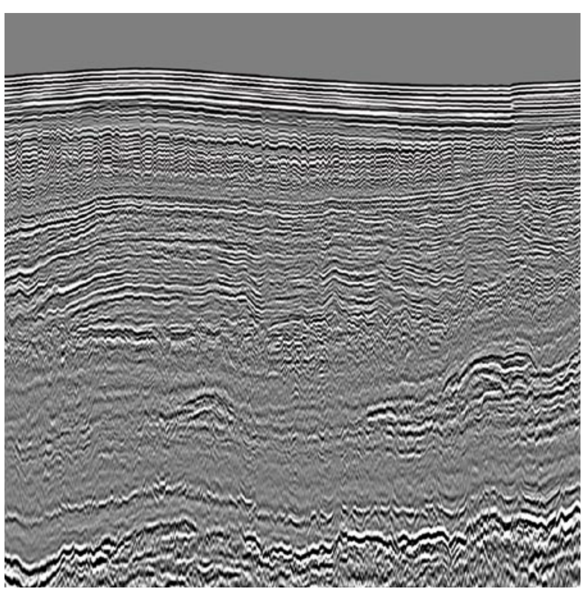
ROCKALL REGIONAL SURVEY

02

The company in partnership with GeoPartners acquired the one thousand five hundred kilometer Rockall regional broadband survey during 2013. The data has recently been processed and will be available for the 28th UK licensing round.

This represents the first significant data acquisition in the area within the last decade. The survey was acquired using long offset, deep tow and broadband technology and focused on the multiple systems of deep-water turbidites on the continental slope. The survey ties four key wells, including 132/15-1 and Benbecula 1 and 2.

The new data appears encouraging and may highlight new opportunities in this area. The Rockall Basin now represents an attractive 28th round opportunity as frontier exploration licenses become available.

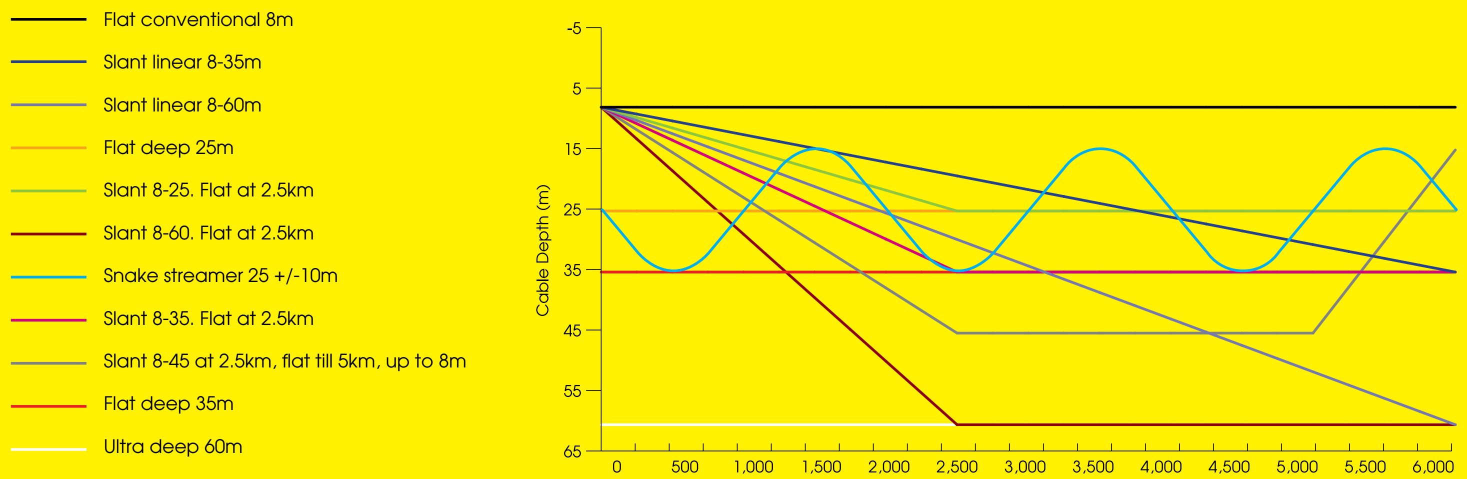


THE NEW DATA APPEARS ENCOURAGING AND MAY HIGHLIGHT NEW OPPORTUNITIES IN THIS AREA.

TAKING 2D TO THE NEXT LEVEL

The company actively engages in the development of new technology and acquisition techniques which enables us to maintain our status as the 2D sector leader.

SEISMIC CABLE PROFILES

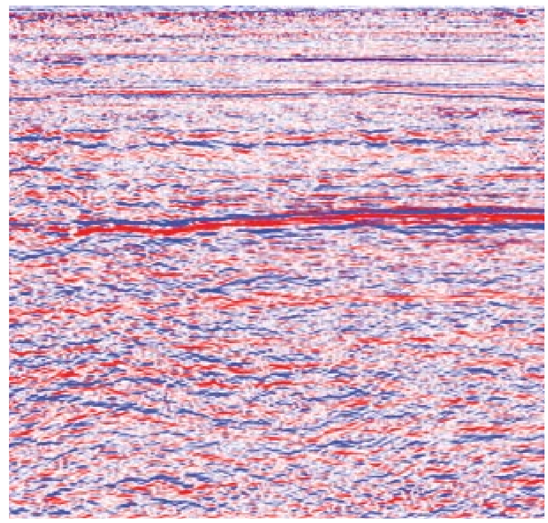


We continuously evaluate new technology and ways to increase data quality as well as optimize operational performance.

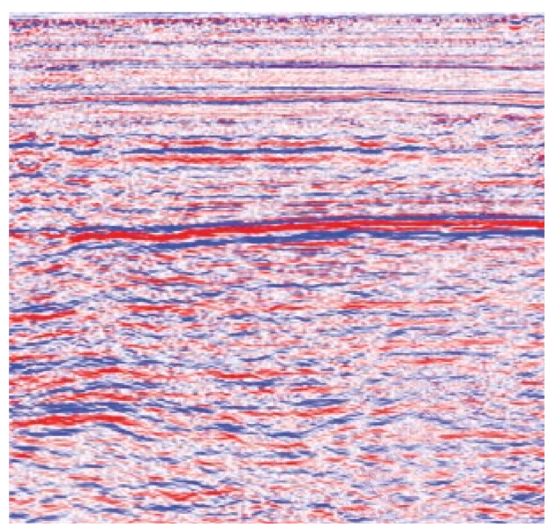
During 2013, the company in conjunction with Lundin Petroleum completed a marine seismic study to explore new streamer configurations and their impact on data quality and resolution. The project tested eleven different streamer configurations on the Luno field, a well-known geological area in Norway. The broadband acquisition techniques employed were aimed at providing a greater range of frequency for deeper geological penetration and higher resolution.

The study compared a series of traditional flat configurations at various water depths relative to slanted and sinusoid arrangements. The test results indicated the potential benefits to acquired data in terms of increased bandwidth and data quality. A paper on the detailed findings of the study will be presented at the EAGE conference 2014.

CONVENTIONAL



VARIABLE DEPTH STREAMER



CFO STATEMENT

Nils Haugestad

"WE ARE MAKING STRIDES IN OUR RESTRUCTURING EFFORTS, BUT THERE IS CLEARLY MORE TO BE DONE."

The first half of 2013 was generally strong and we continued to make strides in our restructuring efforts. However, the global market softness during the second half clearly impacted the year's results. Although this market weakness challenged the company's cash flow, the systems and processes put in place during the year enabled the company to effectively manage liquidity.
Post year end 2013, we have seen improved business activity in all our geographic segments as well as a rebound in backlog.

Pricing remained firm in all regions during the year and we would largely expect this to continue through the first half of 2014.

The analysis of our cost structure continued in 2013. We initiated a review of key cost categories and we are currently evaluating alternatives for operational improvements and development of best practices. In addition, we introduced a series of new procedures and reports to enhance oversight and impact spending patterns. These efforts have resulted in improved control of variable expenses and increased cost flexibility. This also enables the company to operate more effectively under adverse market conditions. We will continue to assess our cost efficiency in 2014.

In 2013, we commenced a significant review of internal audit and control systems and procedures. The review was performed in consultation with the company's auditor as well as our HSSEQ department. Based on this effort, we implemented a substantial number of changes which took effect at the end of the year. A number of additional items have been targeted for 2014. We will also use the coming year to evaluate the new procedures put in place and identify further areas for improvement.

During the year, we revised a number of accounting policies and procedures to better align ourselves with industry best practice. We will continuously look to review our accounting policies against industry standards and will evaluate alternatives with our auditor.

A number of new corporate entities were established to streamline the performance of the organization. This allows us to more effectively operate on a global scale as well as improve the company's tax efficiency. In connection with this effort, we also completed the review of a number of historical tax liabilities. This has resulted in a significant reduction in the company's tax provisions. In December 2012, the company's tax exposure was $14.2 million which has been reduced to $6.1 million at the end of 2013.

With regards to investing activities, the company incurred $17.1 million in capital expenditure. This included the acquisition of a new streamer for Osprey Explorer as well as the upgrade of the Geo Pacific. Multi-client investment increased moderately to $8.4 million. We completed four new 2D surveys and commenced a 3D program towards the end of the year. We expect to continue to expand this part of our business.

The company completed two equity offerings during the period. The offerings provided the company with improved financial flexibility, especially in light of the market downturn experienced towards the end of the year.

The company continues to evaluate its debt structure. The current capital structure restricts our ability to operate efficiently given the cyclical nature of our industry. Moreover, it limits the extent to which we can further invest in and grow our business. In 2014, the company has a number of debt maturities falling due and we are vigorously pursuing alternatives to address this issue.

"2013 FOCUSED SIGNIFICANTLY ON OPERATIONAL STREAMLINING AND INTERNAL SYSTEMS. IMPROVING COST EFFICIENCY WILL BE OUR NEXT MAJOR TARGET."

2012

DAG REYNOLDS

Chief Executive Officer
Position held from 2012
Mr. Reynolds has more than 25 years of experience from the offshore industry. He spent 9 years with PGS before joining SeaBird Exploration in 2005 as CEO. He was instrumental in building up the company and listing it on the Oslo Stock Exchange in 2006. Mr. Reynolds retired at the end of 2007 and co-founded Spring Energy AS, a small independent oil company. Mr. Reynolds held the position as Executive Vice President Sales with EMGS AS from January 2010 until joining SeaBird again in April 2012. Mr. Reynolds is a Norwegian citizen and resides in Oslo, Norway.

2012

NILS C. HAUGESTAD

Chief Financial Officer
Position held from 2012
Mr. Haugestad has held the position as Chief Financial Officer of the company since April 2012. Mr. Haugestad has over 20 years' experience in investment banking, principal investments and corporate strategy. He came from the position as Chief Executive Officer and founding partner of Fokus Capital Ltd. Prior to this, Mr. Haugestad was Chief Operating Officer of Evolvence Capital Ltd. Mr. Haugestad has previously held a number of positions in New York with Citigroup, Citicorp Venture Capital, Credit Suisse, RBC Capital Markets and UBS. Mr. Haugestad holds a Bachelor of Science degree from the Wharton School, University of Pennsylvania and a Master of Business Administration degree from Harvard Business School. Mr. Haugestad is a Norwegian citizen and resides in Dubai, UAE.

2006

ALEXANDER HOLST

General Counsel
Position held from 2006
Mr. Holst acts as General Counsel for the company through SeaBird Exploration Norway AS, where he has been employed since March 2006. He holds a law degree from the University of Oslo, Norway. Prior to joining SeaBird, from 1995 to 2006 Mr. Holst served as Senior Legal Counsel with Petroleum Geo-Services ASA and its group of companies and served a number of the PGS Group companies as Director. Mr. Holst served as legal counsel with Schlumberger seismic division Geco and Geco-Prakla from 1989 to 1994. He has more than 25 years experience in the seismic industry. Mr. Holst is a Norwegian citizen and resides in Oslo, Norway.

GROUP MANAGEMENT

2008

KJELL MANGERØY

VP Business Development
Position held from 2008
Mr. Mangerøy has held the position as VP Business Development in the company since February 2008. Prior to the appointment of VP Business Development, he held the position as VP Operations since 2006. Before joining SeaBird he held the position of Business Development Manager (Africa) for PGS from 2001 to 2006 based in London and from 1995 to 2001 he held the position of Operations Manager in PGS based in Oslo. From 1985 to 1995 he worked for CGG on board vessels as Party Chief and later as Operations Manager based in London for 3 years before opening an office for CGG in Stavanger in 1992. From 1976 to 1985 he held various positions in several seismic and survey companies before joining CGG. Mr Mangerøy has extensive experience from 35 years in the seismic industry. Mr Mangerøy is a Norwegian citizen and resides in Dubai, UAE.

2012

BABAK JABBARI

VP Operations
Position held from 2012
Mr. Jabbari has held the position as VP Operations in the company since February 2012. Before this appointment he has held senior positions in SeaBird Exploration and GeoBird Management. Mr. Jabbari holds a Bachelor of Science in Marine Engineering from Kalmar Maritime Academy in addition he has studied in energy engineering from Uppsala University. He has also been founder and director of trading companies in Sweden and UAE. Mr. Jabbari is a Swedish citizen and resides in Dubai, UAE.

2011

GRAHAM STARK

VP HSSEQ
Position held from 2011
Mr. Stark has held the position as VP HSSEQ since July 2011. He holds an MSc in occupational health and safety management (OH&S) and also holds internationally recognized certification in management system design, ISO / OHSAS and EN 9100 auditing and competency in behavioural science. Mr. Stark's background is in mechanical engineering, with formal credentials gained at the Royal School of Military Engineering. Mr. Stark has worked in the oil and gas industry for 30+ years in all areas of up, mid and downstream operations, with the last 14 years being specifically in HSSEQ roles for leading E&P companies. Mr. Stark has been with SeaBird since 2007 and has been involved with SeaBird's design and implementation of the company's management system and accreditation. He also serves on the board of directors for the IAGC on behalf of SeaBird Exploration. Mr. Stark is a British citizen and resides in Dubai, UAE.

BOARD OF DIRECTORS

2014

ÅGE KORSVOLD

Chairman
Joined 2014
Mr. Korsvold was appointed as director and chairman of the company in an EGM held on 3 April 2014. Mr. Korsvold holds a master of business administration from the Wharton School, University of Pennsylvania. Mr. Korsvold is currently a board member of i.a. Timex Group B.V., Vardia ASA, Green Resources AS and Aweco Invest AS. Previous engagements include roles as CEO of Orkla, Kistefos and Storebrand. Mr. Korsvold is a Norwegian citizen and resides in Oslo, Norway.

2012

KITTY HALL

Director
Joined 2012
Mrs. Hall was appointed as a director of the company in a general meeting held on 15 May 2012. She has a BSc in Geology from the University of Leeds and an MSc in Stratigraphy from Birkbeck College, University of London. She has more than thirty years' experience from the upstream oil industry including twenty-five years as Chief Executive of specialist geophysical contractors ARKeX Ltd (2004 - 2010) and ARK Geophysics Ltd (1986 - 2004), together with experience as a board member for both public and private service companies. Mrs. Hall is a British citizen and resides in UK.

2011

JOHN OLAV ØKLAND

Director
Joined 2011
Mr. Økland was appointed as director of the company in an EGM held on 9 December 2011. Mr Økland is a Master Mariner educated at Bergen Maritime Høgskole (85/86). Mr. Økland has approximately 25 years of working experiences from the fishing/shipping industry in various roles. He is one of the founders and co-owner of Ordinat Holding AS, Ordinat Shipping AS, Geo Pacific AS, Økland Fiskebåtrederi AS and Havsula Invest AS. The companies hold fishing/shipping offshore vessels. Mr. Økland is a Norwegian citizen and resides in Spain.

2005

KJELL H. MATHIASSEN

Director
Joined 2005
Mr. Mathiassen is one of the founders of SeaBird. He is educated as Maritime Chief Engineer Tromsø 1962-64, Norwegian Navy Engineer Horten 1965, Polymer Process Engineer Porsgrunn 1975-1977, Several Fire & Safety courses in Horten 1977. He has significant experience from the marine, offshore and seismic industry. His track record includes Cross Ship Repair (owner and director 1992-1996), SeaTankers/Fredriksen Group (Director Technical Services 1982-1992), Gotaas Larsen (Fleet Maritime Superintendent 1978-1982), as well as various onboard work as serving engineering officer. Mr. Mathiassen has experience as Technical Director from international shipping industries and uses his experience to develop ships for conversion and is a technical advisor to the Marine Manager. Mr. Mathiassen is a Norwegian citizen and resides in Norway.

2009

MELVIN TEIGEN

Director
Joined 2009
Mr. Teigen was appointed as director of the company in a general meeting held on 14 May 2009. He holds a bachelor degree from Agder Distriktshøyskole (1979-1982) and a Master in Business and Economics degree from the Norwegian School of Management (BI), Norway (1984-1986). Mr. Teigen currently holds the position of CEO of Corporate Solutions AS. He is a Norwegian citizen and resides in Oslo, Norway.

CORPORATE GOVERNANCE

Comprehensive report for the year 2013

Our corporate governance policy guides our operations and business activity. It also provides the standards for our code of conduct as stipulated by the board of directors.

1. Implementation and report on corporate governance

This report on corporate governance is provided by the board of directors in accordance with the Norwegian Code of Practice for Corporate Governance as last amended 23 October 2012 and the listing rules of Oslo Stock Exchange publicly available at www.nues.no. This report also fulfils the requirement in Directive D190-2007-04 2012 of the Cyprus SEC.

The company has defined its key corporate values in a series of policies, including ethical guidelines. Corporate social responsibility has not been formulated into a specific guideline. However, our health, safety, security, environment and quality (HSSEQ) systems and culture are generally viewed to address this topic.

2. Business

The main business activities permitted by the company's constitutional documents are set out in the memorandum of association article 3.1;

"To carry on or undertake any commercial activity relating to providing oil and gas exploration, production and participation, seismic data services onshore, transition zones and offshore and general offshore energy related services and whatever else may be considered incidental or conductive thereto, including but not limited to, acting as a holding company to companies engaging in such activities; investing in other companies engaged in any of aforementioned activities; buying, selling or other otherwise dealing with acquiring property in the oil and gas industry; mortgaging, borrowing or charging its assets or acting as guarantor in connection with undertaking or any of the activities whether for itself or any affiliate or third parties".

SeaBird is a global provider of marine acquisition for 2D, 3D and 4D seismic data and associated services to the oil and gas industry. The company aspires to maintain and enhance its leading position in the 2D seismic market. The company also looks to be a leader in the high-end source vessel market as well as niche 3D and 4D marine seismic markets.

The memorandum and articles of association of the company may be amended by a resolution of no less than three fourths majority of the votes cast at the general meeting. However, in case of an amendment of the powers of the company contained in clause 3 of the memorandum of association or in case of a reduction in the company's share capital, the resolution will in addition require an approval by the district court of Limassol, Cyprus.

3. Equity and dividends

The company is committed to having an appropriate level of equity capital. The company will strive to follow a dividend policy favorable to the shareholders. The amount of any dividends to be distributed will be dependent on such factors as the company's investment requirements and rate of growth. The current debt facilities prevent the company from declaring any dividends.

The company's authorized share capital is USD 6,180,000 and is set out in the memorandum of association. Subject to any resolution of the shareholders, the board of directors may issue shares up to the authorized share capital limit without any limitation in purpose and time, save that, whenever new shares are issued for consideration in cash, the shares must be offered on a pre-emptive basis to the existing shareholders, in proportion to the capital represented by their shares. These pre-emption rights may be excluded by a resolution of the general meeting.

The company may, subject to the provisions of Cyprus law and its articles of association, purchase its own shares, following approval by the shareholders of the company (requiring three fourths majority of the votes cast at the general meeting). However, any such purchases may not result in the company holding more than 10% of its issued share capital.

4. Equal treatment of shareholders and transactions with close associates

There is only one class of shares in the company.

During February 2013, the company issued 1,500,000 new shares at a subscription price of NOK 7.50 per share. The offering was targeted towards shareholders who did not have the opportunity to participate in the 11,000,000 share private placement completed in November 2012.

The company completed a private placement of 12,000,000 new shares directed towards Norwegian and international institutional investors in December 2013. The placement was made at a subscription price of NOK 3.00 per share. A repair issue that would be targeted towards shareholders who did not have the opportunity to participate in the private placement was announced but subsequently cancelled as the trading price was below subscription price.

The company has leased the Munin Explorer since 2006 from Ordinat Shipping AS which is indirectly owned by John Olav Økland (22.8%) and the Økland family. Ordinat Shipping AS is a major shareholder in the company and Mr. Økland is a member of the board of directors. On 19 December 2013, the company extended the bareboat charter 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. There was no third-party valuation of the transaction made.

None of the company's subsidiaries have minority shareholders other than as required to facilitate local requirements.

The company has provisions for directors and management to report conflicts of interest in any transaction or business activity.

5. Freely negotiable shares

The shares in the company are freely transferable and the company's articles of association contain no restrictions on transferability or ownership.

6. General meetings

The annual general meeting of the company (and any meeting for the passing of a special resolution) is required to be called no later than twenty-one days ahead of the meeting by a notice on the company's website and with a calling notice sent to each shareholder. A general meeting other than an annual general meeting or a meeting for the passing of a special resolution may be called by fourteen days' notice, if a special resolution, that shortens the notice period to fourteen days, has been approved in the immediately preceding annual general meeting or at a general meeting that was conducted after that meeting. Proxy votes are permitted and there is no requirement for notice of attendance. The shareholders meetings are led by the chairman of the board or, in the chairman's absence, by any one of the directors present in accordance with the company's articles of association.

DNB Bank ASA, as the registered shareholder to the company, distributes their request for proxy instructions to the general meeting when the company's calling notice is made public. The calling notice advises the procedures for participating in the general meeting, the routines for proxy voting and includes any required forms. The same information will be posted on the company's website.

One director was present at the annual general meeting on 22 May 2013. The company's auditor and nomination committee was not present.

7. Nomination committee

The company has a nomination committee elected by the general meeting, which consists of Mr. Thomas Aanmoen, Mr. Birger Nergaard and Mr. Kjell Mathiassen. The nomination committee elects its chairperson and makes a recommendation at the general meeting for the compensation of the board of directors as well as the nomination committee.

The nomination committee is not regulated in the articles of association or memorandum of association.

One nomination committee member, Mr. Kjell Mathiassen, is not independent of the board, being a major shareholder who also serves as a member of the board and as an officer of the company. Mr. Mathiassen is a member of the nomination committee at the explicit request of larger shareholders and while serving on this committee he was re-elected as a director. The chairperson of the committee, Mr. Thomas Aanmoen and Mr. Birger Nergaard are both considered to be independent. Recommendations for new members of the nomination committee are made by the committee itself and not by the board of directors.

The nomination committee provides a written report of nominated candidates together with justification for their candidacy ahead of the annual general meeting. The report is distributed to all shareholders with the calling notice for the general meeting.

The members of the nomination committee are made known by a public release following the election at the annual general meeting.

8. Corporate assembly and board of directors: composition and independence

The company has no requirement for a corporate assembly.

The annual report of the company provides information on the expertise of the directors. The board of directors consists of five members. Three members are independent of major shareholders, executive management and material business partners. Subject to any resolution of the shareholders to the contrary, the board may elect the chairperson of the board. Each director holds office until the expiration of his or her term and is normally elected for a two year term.

Directors of the board are encouraged to own shares in the company.

9. The work of the board of directors

The board resolved a plan for its activity for 2013 with an emphasis on the company's objectives and strategy.

Instructions are in place for the CEO and the board of directors, outlining their different roles and the interaction between the parties. The board does not have an elected or appointed deputy chairman. The articles of association, however, have applicable procedures for board meetings when the chairman is absent.

The board of directors has established an audit committee. The audit committee consists of independent directors Mr. Teigen and Mrs. Hall. The board performed a self-assessment at the beginning of 2013. During the year, the company's corporate governance policy was updated and approved by the board of directors.

10. Risk management and internal control

The company has developed internal control and risk assessment procedures appropriate to managing major projects, financial reporting and in the field of HSSEQ. The board receives frequent reports and annually assesses risk systems and internal controls.

11. Remuneration of the board of directors

The compensation of the directors is fixed by the annual general meeting upon the recommendation of the nomination committee. Annual fees paid do not reflect the particular skills and efforts made by each individual director, but reflect the nomination committee's view of the skills and efforts of the board as a collective body. There are no stock options or performance incentives granted to the directors.

To the extent consultancy services are provided to the company by any director, the board will approve such activities. The compensation to directors is included in the annual report.

12. Remuneration of executive management

There are no requirements by applicable law for the company to have guidelines for remunerating its executive management.

The company has a share option program and through this ensures the alignment of executive management with shareholders. Details on the share option program are presented in the annual report in the notes to the financial statements.

13. Information and communication

The company's guidelines for financial reporting as well as other information distributed to the market, requires openness and equal treatment of all shareholders.

The financial calendar is issued annually and posted on the Oslo Børs as well as the company's website. The board has established guidelines for contact with shareholders other than through the general meeting.

14. Take-overs

The guiding principles for the board's dealings in a takeover bid situation have been set out in accordance with our corporate governance policy, intended to safeguard shareholders' interests. No takeover situations have occurred during the reported year.

15. Auditors

The company's auditor presents an annual plan for the audit of the company to the board and the audit committee. Internal control is annually assessed by the auditor with the company's audit committee, referring any recommendations to the board of directors. The auditor attends the meetings when the board of directors discuss the annual accounts and results. The auditor also meets annually with the board of directors without management being present.

The use of non-audit related services from the auditor has been limited and should only be performed upon prior approval by the board of directors. The board has not seen reason to establish separate guidelines for the use of the auditor's services or request a confirmation of the auditors' independence.

The remuneration paid to the auditor is reported at the annual general meeting.

BOARD OF DIRECTORS' REPORT

HIGHLIGHTS 2013

- Revenues for 2013 were $177.8 million, an increase of 9% compared to 2012.
- Contract revenues for 2013 were $166.8 million, up 18% from 2012.
- Multi-client revenues were $11.0 million, a decrease of 49% from $21.7 million reported in 2012.
- EBITDA was $31.9 million compared to $38.6 million for 2012.
- EBIT for 2013 was $4.9 million compared to $4.2 million for the prior year.
- Vessel utilization for 2013 was 77% compared to 75% in 2012.

Operating activities

Demand in the 2D, niche 3D and source markets remained strong through the first half of 2013. However, the second half of the year was impacted by a general slowdown in market demand. In spite of market fluctuations, industry pricing remained firm for all of our services. With respect to end users, we continue to see a good balance between demand from oil companies and other seismic operators.

Given the positive industry dynamics we continue to see solid 2D and niche 3D market demand. While these markets were impacted in the second half of the year as was the rest of the industry, tender activity has increased and backlog has subsequently improved. In the niche 3D space, we added the Geo Pacific in Q1 and it commenced operation in May.

During the year, we saw rising demand for source capacity driven by growth in ocean bottom seismic as well as reservoir monitoring and other specialized surveys.

Multi-client sales for 2013 were down from the prior period as the company redefined its multi-client investment strategy. During the year, the company completed four new surveys and commenced a fifth project towards the end of the period.

The company's continuing commitment to health, safety, security, environment and quality (HSSEQ) remained a core focus and we commenced a number of initiatives to strengthen our HSSEQ culture during the year.

Financial review

The consolidated financial statements of SeaBird Exploration Plc as well as the unconsolidated financial statements for the parent company alone are prepared in accordance with International Financial Reporting Standards.

Revenues were $177.8 million in 2013, representing a 9% increase compared to revenues earned in 2012. The majority of our revenues were related to contracts with oil companies and other seismic companies. Contract revenues for 2013 were up 18% from 2012. Revenues earned from multi-client sales in 2013 decreased by 49% relative to the prior period.

Cost of sales was $128.0 million in 2013 ($103.7 million). The increase is primarily due to fleet composition with the chartering of the Geo Pacific at the end of 2012.

SG&A was $19.4 million in 2013, up from $16.8 million in 2012. The increase is principally due to higher consultancy costs related to the tax and corporate structure review completed during the first half of 2013. In addition, there has been an increase in the number of employees to support the increased fleet size.

EBITDA decreased by $6.7 million from $38.6 million in 2012 to $31.9 million.

Depreciation and amortization were $27.1 million in 2013 ($34.4 million) a decrease of 21% predominantly due to lower multi-client sales amortization.

Interest expense was $12.0 million in 2013 ($12.4 million).

Income tax benefit was $1.3 million in 2013 (tax expense of $8.9 million). The cost decrease is mainly due to the reassessment of a number of historical tax provisions.

The company reports a loss from continuing operations of $6.7 million for 2013 (loss of $18.2 million in 2012).

Capital expenditures were $17.1 million in 2013 ($15.0 million). The increase is mainly due to the docking and upgrade of the Geo Pacific as well as the acquisition of a new streamer for Osprey Explorer.

Net profit from discontinued operations was $3.0 million for 2013 compared to $6.7 million in 2012. Discontinued operations represent the remaining contractual obligations of the ocean bottom node business which was divested in Q4 2011. The profit from discontinued operations is predominantly due to the reassessment of selected historical tax provisions carried out in 2013.

Cash and cash equivalents at the end of the period were $12.2 million ($14.7 million), of which $0.4 million was restricted in connection with deposits and the bond service account.

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

- The 6% secured bond loan has a face value of $83.9 million and is recognized in the books at amortized cost of $76.0 million at year-end 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.
- The 1% unsecured convertible loan with Perestroika has a face value of $14.9 million and is recognized in the books at amortized cost of $14.0 million per year-end 2013. The convertible loan matures 30 September 2014 and has no principal amortization. Interest on the convertible loan is paid annually.
- The lease of Hawk Explorer is recognized in the books as a finance lease at $9.3 million per year-end 2013. During the third quarter, the company announced that it will exercise its option under the current charter agreement to purchase the vessel and related equipment for $6.5 million. The vessel and equipment will be delivered at the end of the lease term 31 August 2014 against settlement of the purchase price.

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

Towards the end of 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 is being reduced from USD 20,271 per day to USD 12,000 per day, commencing 1 February 2014. The charter rate will escalate with 2% per year throughout the charter period, in accordance with the original agreement.

In November 2013, employees exercised their rights to purchase 1,655,268 shares in the company at a pre-agreed price. Each such share was issued at the applicable strike prices previously announced. The total proceeds for all shares issued were NOK 5.1 million ($0.8 million). This transaction represented approximately 1/3 of the options that were granted in 2012.

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

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

Corporate governance

Our corporate governance policy guides our operations and culture. The company's corporate governance policies are set out in the corporate governance section of this annual report.

Going concern

These consolidated financial statements are prepared under a going concern assumption. As at 31 December 2013, the company does not have sufficient working capital to cover present requirements for a period of at least twelve months.

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

For further details please refer to note 2.23.

Subsequent events

On 12 March 2014, it was announced that the chairman of the board of directors of SeaBird Exploration Plc, Mr. Henrik Christensen, had advised the board of directors and the company's nomination committee that he did not wish to be re-elected to the board of directors at the next annual general meeting.

Given that the proposal for a new chairman of the board of directors was already agreed, Mr. Christensen, the board of directors and the nomination committee agreed that there is no reason to postpone implementation of the proposal until the annual general meeting, scheduled for 13 May 2014.

Mr. Åge Korsvold was elected as the new chairman of the company at an extraordinary general meeting held on 3rd April 2014. Åge Korsvold is currently a board member of i.a. Timex Group B.V., Vardia ASA, Green Resources AS and Aweco Invest AS.

Outlook

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

Resolution

The financial statements for the company have been prepared in accordance with International Financial Reporting Standards. They were prepared under the historical cost convention and are based on the going concern assumption.

To the best of the directors' knowledge, no subsequent events have occurred since 31 December 2013 that would alter the accounts as presented for 2013.

The board would like to offer its sincere appreciation to all employees of the company for all the efforts that were made during the year.

The board of directors
SeaBird Exploration Plc – 4 April 2014

Åge Korsvold Chairman

Kitty Hall Director

Kjell H Mathiassen Director

Melvin Teigen Director

John Olav Økland Director

Consolidated financial accounts 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
CONSOLIDATED STATEMENT OF INCOME
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONSOLIDATED STATEMENT OF CASH FLOW

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:
1 GENERAL INFORMATION
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
2.1 BASIS OF PREPARATION
2.2 CONSOLIDATION
2.3 SEGMENT REPORTING
2.4 FOREIGN CURRENCY TRANSLATION
2.5 PROPERTY, PLANT AND EQUIPMENT
2.6 CAPITAL WORK IN PROGRESS
2.7 INTANGIBLE ASSETS
2.8 IMPAIRMENT OF NON-FINANCIAL ASSETS
2.9 MULTI-CLIENT LIBRARY
2.10 FINANCIAL ASSETS
2.11 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
2.12 INVENTORIES
2.13 TRADE RECEIVABLES
2.14 CASH AND CASH EQUIVALENTS
2.15 SHARE CAPITAL / PAID IN CAPITAL
2.16 FINANCIAL LIABILITIES
2.17 CURRENT AND DEFERRED INCOME TAX
2.18 EMPLOYEE BENEFITS
2.19 PROVISIONS
2.20 REVENUE RECOGNITION
2.21 LEASES
2.22 DIVIDEND DISTRIBUTION
2.23 GOING CONCERN ASSUMPTION
3 RISK FACTORS AND FINANCIAL RISK MANAGEMENT
3.1 FINANCIAL RISK FACTORS
3.2 OTHER RISK FACTORS
3.3 FAIR VALUE ESTIMATION
4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
5 SEGMENT INFORMATION
6 PROPERTY, PLANT AND EQUIPMENT
7 INTANGIBLE ASSETS
8 INCOME TAX EXPENSE AND DEFERRED TAX ASSETS
9 MULTI-CLIENT LIBRARY
10 DERIVATIVE FINANCIAL ASSETS
11 TRADE RECEIVABLES
12 OTHER CURRENT ASSETS
13 INVENTORIES
14 CASH AND CASH EQUIVALENTS
15 ASSETS CLASSIFIED AS HELD FOR SALE
16 SHARE CAPITAL AND SHARE OPTIONS
17 TRADE AND OTHER PAYABLES
18 LOANS AND BORROWINGS
19 OTHER FINANCIAL ITEMS, NET
20 OTHER INCOME (EXPENSES), NET
21 EXPENSES BY NATURE
22 EMPLOYEE BENEFIT EXPENSE
23 INTEREST EXPENSE
24 EARNINGS PER SHARE
25 DIVIDENDS
26 BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS
27 COMMITMENTS AND CONTINGENCIES
28 LEASES
29 RELATED-PARTY TRANSACTIONS
30 SUBSEQUENT EVENTS
31 FINANCIAL INSTRUMENTS
32 RESTATEMENT OF COMPARATIVES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in $000's	Note	As of 31 December 2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	122,829	130,774
Multi-client library	9	7,067	3,384
Goodwill	7	1,267	1,267
Long term investment		82	–
		131,245	**135,425**
CURRENT ASSETS			
Inventories	13	4,367	3,920
Trade receivables	11	24,712	33,069
Other current assets	12	16,372	10,213
Cash and cash equivalents	14	12,155	14,744
		57,606	**61,946**
Total assets		**188,851**	**197,371**
EQUITY			
Shareholders' equity			
Paid in capital	16	189,125	180,761
Equity component of convertible loan		6,296	6,296
Currency translation reserve		(392)	(180)
Share options granted	16	1,097	8,495
Retained earnings		(138,495)	(142,571)
		57,631	**52,801**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	72,008	94,299
Provision for end of service benefit		1,103	848
		73,111	**95,147**
CURRENT LIABILITIES			
Trade and other payables	17	24,719	27,325
Loans and borrowings	18	27,262	7,851
Tax liabilities		6,128	14,247
		58,109	**49,423**
Total liabilities		**131,220**	**144,570**
Total equity and liabilities		**188,851**	**197,371**

On 4 April 2014, the board of directors of SeaBird Exploration Plc authorized these consolidated financial statements for issue.

Åge Korsvold
Chairman

Kitty Hall
Director

Kjell H Mathiassen
Director

Melvin Teigen
Director

John Olav Økland
Director

CONSOLIDATED STATEMENT OF INCOME

		Year ended 31 December	
All figures in $000's	Note	2013	2012
Revenues	5	177,805	163,331
Cost of sales	21	(128,036)	(103,711)
Cost of multi-client sales	9	–	(5,056)
Selling, general and administrative expenses	21	(19,377)	(16,843)
Other income (expenses), net	20	1,538	838
Earnings before interest, tax, depreciation and amortization (EBITDA)		**31,930**	**38,559**
Depreciation and amortization	6,9	(27,080)	(34,408)
Impairment	6,7,15	–	–
Earnings before interest and taxes (EBIT)		**4,850**	**4,151**
Interest expense	23	(12,040)	(12,391)
Other financial items, net	19	(829)	(1,072)
Profit/(loss) before income tax		**(8,019)**	**(9,312)**
Income tax	8	1,331	(8,871)
Profit/(loss) continuing operations		**(6,688)**	**(18,183)**
Net profit/(loss) discontinued operations	26	3,045	6,668
Profit/(loss) for the period		**(3,643)**	**(11,515)**
PROFIT/(LOSS) ATTRIBUTABLE TO			
Shareholders of the parent		(3,643)	(11,515)
EARNINGS PER SHARE			
Basic	24	(0.08)	(0.36)
Diluted	24	(0.08)	(0.36)
EARNINGS PER SHARE FROM CONTINUED OPERATIONS			
Basic	24	(0.15)	(0.56)
Diluted	24	(0.15)	(0.56)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Note	Year ended 31 December 2013	2012
Profit/(loss)		**(3,643)**	**(11,515)**
OTHER COMPREHENSIVE INCOME			
Net movement in currency translation reserve and other changes		109	32
Total other comprehensive income, net of tax		**109**	**32**
Total comprehensive income		**(3,534)**	**(11,483)**
Total comprehensive income attributable to			
Shareholders of the parent		(3,534)	(11,483)
Total		**(3,534)**	**(11,483)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in $000's	Paid in capital	Equity component of convertible loan	Share options granted	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2012	**166,720**	**6,296**	**7,554**	**(131,056)**	**(212)**	**49,302**
COMPREHENSIVE INCOME FOR THE YEAR						
Profit	–	–	–	(11,515)	–	(11,515)
Currency translation reserve	–	–	–	–	32	32
Total comprehensive income for the year	**-**	**-**	**-**	**(11,515)**	**32**	**(11,483)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS						
Share issue	14,041	–	–	–	–	14,041
Equity component of convertible loan	–	–	–	–	–	–
Share option granted/cancelled	–	–	941	–	–	941
Total contributions by and distributions to owners	**14,041**	**-**	**941**	**-**	**-**	**14,982**
31 December 2012	**180,761**	**6,296**	**8,495**	**(142,571)**	**(180)**	**52,801**
Balance at 1 January 2013	**180,761**	**6,296**	**8,495**	**(142,571)**	**(180)**	**52,801**
COMPREHENSIVE INCOME FOR THE YEAR						
Profit	–	–	–	(3,643)	–	(3,643)
Currency translation reserve	–	–	–	–	(212)	(212)
Total comprehensive income for the year	**-**	**-**	**-**	**(3,643)**	**(212)**	**(3,855)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS						
Share issue	8,364	–	–	–	–	8,364
Equity component of convertible loan	–	–	–	–	–	–
Share option granted/cancelled	–	–	(7,398)	7,719	–	321
Total contributions by and distributions to owners	**8,364**	**-**	**(7,398)**	**7,719**	**-**	**8,685**
31 December 2013	**189,125**	**6,296**	**1,097**	**(138,495)**	**(392)**	**57,631**

CONSOLIDATED STATEMENT OF CASH FLOW			
		Year ended 31 December	
All figures in $000's	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(8,019)	(9,312)
Adjustments for			
Depreciation, amortization and impairment		27,080	34,296
Unrealized exchange (gain)/loss		(1,277)	419
Amortization of interest		10,333	10,053
Paid income tax		(3,321)	(1,067)
Earned on employee stock option plan		541	941
(Increase)/decrease in inventories		(446)	(335)
(Increase)/decrease in trade and other receivables		4,839	(6,404)
(Increase)/decrease in due from related parties		–	427
Increase/(decrease) in trade and other payables		(3,793)	(9,113)
Net cash from operating activities		**25,937**	**19,905**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(17,079)	(15,008)
Multi-client investment		(6,307)	(6,556)
Long-term investment		(83)	–
Net cash used in investing activities		**(23,469)**	**(21,564)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		8,364	14,041
Receipts from borrowings		–	–
Repayment of borrowings		(7,851)	(5,464)
Interest paid		(5,355)	(5,505)
Net movement in currency fluctuations		(215)	31
Net cash from financing activities		**(5,057)**	**3,103**
Net (decrease)/increase in cash and cash equivalents		**(2,589)**	**1,444**
Cash and cash equivalents at beginning of the period	**14**	**14,744**	**13,300**
Cash and cash equivalents discontinued operations		**-**	**-**
Cash and cash equivalents at end of the period		**12,155**	**14,744**

Financial notes 2013

1. General information

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. SeaBird specializes in high quality operations within the high end of the 2D and source vessel market, as well as the niche 3D market. SeaBird concentrates on contract seismic surveys, but is also actively engaged in the multi-client sector. The main success criteria for the company are an unrelenting focus on health, safety, security, environment and quality (HSSEQ), combined with efficient collection of high quality seismic data.

A predecessor of the company was incorporated in the British Virgin Islands as a limited liability company in 2000. The company was re-domiciled to Cyprus on 18 December 2009. SeaBird has been listed on the Oslo Stock Exchange since April 2006, under the ticker symbol "SBX".

The primary business address of the company is 333, 28th October Street, Ariadne House, 4th floor, Limassol, Cyprus. The company also has offices in Dubai (United Arab Emirates), Oslo (Norway), Houston (USA), Singapore and St. Petersburg (Russia).

SeaBird Exploration Plc is tax resident in Norway and registered in the corporate registers in Norway and Cyprus.

At 31 December 2013, SeaBird's fleet is as follows:

Aquila Explorer

Geo Pacific
(bareboat charter with purchase option)

Harrier Explorer

Hawk Explorer (finance lease)

Kondor Explorer (bareboat charter)

Munin Explorer (bareboat charter)

Northern Explorer

Osprey Explorer

Voyager Explorer (bareboat charter)

SeaBird additionally manages the maritime operations of Hugin Explorer.

The accompanying consolidated financial statements represent the activities of SeaBird for the year ended 31 December 2013. These consolidated financial statements were authorized for issue by the board of directors on 4 April 2014.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the long term investment and financial assets held for trading at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The company has restated certain comparative line items in the property, plant and equipment note to take into account the de-recognition of assets no longer in use that were fully depreciated. There was no effect on the net book value of property, plant and equipment.

ADOPTION OF NEW AND REVISED IFRSs

During the current year the company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2013. This adoption did not have a material effect on the accounting policies of the company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(I) STANDARDS AND INTERPRETATIONS ADOPTED BY THE EU

New standards

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).

Amendments

IFRS Interpretations Committee

- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).
- IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 36 "Recoverable Amount - Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement", Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014).
- Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2014).
- Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

(II) STANDARDS AND INTERPRETATIONS NOT ADOPTED BY THE EU

New standards

- IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. (effective for annual periods beginning on or after 1 January 2013).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).

Amendments

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 July 2014).
- IFRS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).
- Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2011–2013 Cycle (issued on 12 December 2013) (effective for annual periods beginning on or after 1 July 2014).

New IFRICs

- IFRIC 21 "Levies" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the company.

2.2 Consolidation

(I) SUBSIDIARIES

Subsidiaries are all entities over which SeaBird has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether SeaBird controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to SeaBird. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by SeaBird. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of SeaBird's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between SeaBird companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by SeaBird.

For a complete listing of subsidiaries please refer to note 14 of the unconsolidated financial statements of SeaBird Exploration Plc.

(II) TRANSACTIONS AND MINORITY INTERESTS

The company has no minority interests.

2.3 Segment reporting

A segment is a distinguishable component of the company that is engaged in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the company's business and geographical segments. The company's primary format for segment reporting is based on the business segments contract seismic and multi-client seismic.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

2.4 Foreign currency translation

(I) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of SeaBird's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the company's functional and presentation currency.

(II) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(III) SEABIRD COMPANIES

The results and financial position of all the SeaBird entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(I) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(II) income and expenses for each income statement are translated at average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(III) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly vessels and seismic equipment on board owned or chartered vessels. Vessels, seismic equipment designated for source and 3D/2D operation and office equipment are carried at historical cost, less subsequent depreciation. Impairment of vessels and seismic equipment is evaluated annually based on value in use calculations (see note 4 (II)).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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, please see note 32. 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.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated remaining useful lives, as follows:

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

The vessels are depreciated from the date they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Costs for special periodic and class renewal surveys (dry-docking) are capitalized and depreciated over the estimated period between surveys. When special periodic and class renewal surveys occurs the part of the fixed assets register that is replaced is derecognized. Other maintenance and repair costs are expensed as incurred.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When re-valued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Capital work in progress

Property, plant and equipment under construction or under conversion are capitalized at the lower of cost or market value. Elements of cost, include costs that are directly attributable to the conversion project but not administration and other general overhead costs.

Borrowing costs are capitalized. This applies to both borrowing costs directly attributable to the acquisition and to costs related to funds that are borrowed for general purposes to the extent that funds are used for obtaining qualifying assets.

2.7 Intangible assets

Intangible assets can only qualify for capitalization when all the following conditions are met:

- Demonstrated technical and commercial feasibility (for own use or sale);
- Intention and ability to complete the intangible asset and to use or sell it;
- A formal business case that documents that the asset will generate future economic benefits; and
- The company has availability to technical and financial resources to complete development and to use it internally or sell the intangible asset as a product.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic lives based on straight line amortization. Useful lives and amortization method for intangible assets with finite useful life are reviewed at least annually. Gains and losses arising from de-recognition of an intangible asset are measured at the difference between the net sales proceeds and the carrying amount of the asset and are reported as other income/(expense) in the income statement as part of operating profit.

(I) GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(II) PATENT TECHNOLOGY (INTELLECTUAL PROPERTY RIGHTS)

Acquired patent technology (intellectual property rights) are shown at historical cost. Patent technology has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life (20 years).

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Multi-client library

The multi-client library consists of seismic data surveys to be licensed to customers on a non-exclusive basis.

All direct and indirect costs incurred in acquiring, processing including depreciation and mobilization/steaming costs completing seismic surveys are capitalized to the multi-client library. Mobilization and vessel costs are included in the survey cost from the point of mobilization.

All multi-client libraries are subject to minimum amortization starting the first month after project completion measured from the date when data processing and analysis of the data has been finalized. Further, SeaBird classifies its multi-client libraries at the outset into one of two main categories with different amortization profiles. The company records amortization, processing and analysis completion dates on a per survey basis.

"Category 1" libraries 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. The company estimates future sales for these multi-client libraries and percentage amortization ratio is estimated by total costs divided by the sum of the expected current and future revenues. Each project is placed into one of ten amortization categories with amortization rates of 90%, 85%, 80%, 75%, 70%, 65%, 60%, 55%, 50% or 45% as set out in the table below.

Calculated sales amortization rate	Accounting amortization category
Larger than 85%	90%
81%-85%	85%
76%-80%	80%
71%-75%	75%
66%-70%	70%
61%-65%	65%
56%-60%	60%
51%-55%	55%
46%-50%	50%
0%-45%	45%

Table 1: SeaBird "Category 1" sales amortization categories

In the case expected future sales change materially the survey will be put into a different sales amortization bracket. Hence, the amortization can change as a result of multi-client sales and changes in estimates of remaining revenues.

"Category 2" multi-client libraries are amortized over the shorter of 3 years or the life of the survey with 33% linear minimum amortization per year and additional 100% sales amortization is charged to the project based on the sales in the quarter as these libraries are considered to have less potential for future revenues.

2.10 Financial assets

2.10.1 Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(I) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(II) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as noncurrent assets. The company's loans and receivables comprise 'trade receivables' and 'cash and cash equivalents' in the balance sheet (notes 2.13 and 2.14).

(III) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.10.2 Recognition and measurement

Regular purchases and sales of investments are recognized on trade-date – the date on which SeaBird commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and SeaBird has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other financial items – net' in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when SeaBird's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), SeaBird establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

SeaBird assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement.

Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.13.

2.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

The company designates certain derivatives as either:

(I) hedges of the fair value of recognized assets or liabilities (fair value hedge);

(II) hedges of a particular risk associated with a recognized liability or a highly probable forecast transaction (cash flow hedge); or

(III) hedges of a net investment in a foreign operation (net investment hedge).

The company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 10. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedge item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(I) FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(II) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within other gains/(losses) – net.

Amounts accumulated in equity are recognized in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognized in the income statement within sales. The gain or loss relating to the ineffective portion is recognized in the income statement within 'other gains/(losses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in case of inventory, or in depreciation in case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains/(losses) – net'.

(III) NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other gains/(losses) – net'.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(IV) DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement within other financial items, net.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises fuel, lube, spare parts and other direct costs and related production overheads. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that SeaBird will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within 'selling, general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling, general and administrative expenses' in the income statement.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bond service accounts, performance bonds, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.15 Share capital / Paid in capital

Ordinary share capital is calculated at a nominal value as originally established and additional paid in capital are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where and if any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity holders.

2.16 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. The financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The subsequent measurement of the financial liabilities depends on their classification.

The company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

(I) INTEREST-BEARING DEBTS AND BORROWINGS

Interest-bearing debts and borrowings are recognized initially at fair value, net of transaction costs incurred. Interest-bearing debts and borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Interest-bearing debts and borrowings are classified as current liabilities unless SeaBird has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(II) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities at fair value through profit or loss are carried in the income statement at fair value with changes in fair value recognized under financial items.

(III) TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by SeaBird and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(I) PENSION OBLIGATIONS

SeaBird companies operate various pension schemes. The schemes are generally funded through payments to insurance companies, determined by periodic actuarial calculations. The pension schemes are in general defined contribution plans. A defined contribution plan is a pension plan under which SeaBird pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, SeaBird pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(II) SHARE-BASED COMPENSATION
SeaBird operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for SeaBird equity instruments (options). The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(III) TERMINATION BENEFITS
As regards employees in United Arab Emirates ("UAE"), accumulated period of employees' end of service gratuities are recorded as a provision. The provision recorded (as required by UAE Labor Law 1980) is based on the provision that all foreign workers are allowed to receive their end of service benefit from the employer as per the following rates based on their length of service:

Employed for less than 1 year – no gratuity;

Employed between 1-3 years – 7 days for each year of employment (1/3 of the limited contract amount);

Employed between 3-5 years – 14 days for each year of employment (2/3 of the limited contract amount);

Employed longer than 5 years – 21 days for each year up to 5 years and 30 days for each year after 5 years (same as for limited contract holders). Maximum limit is of 2 years' worth of salary.

2.19 Provisions
Provisions for environmental restoration, restructuring costs and legal claims are recognized when SeaBird has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of SeaBird's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within SeaBird.

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Multi-client pre-sales revenue is recognized based on a cost of completion basis (accumulated net project cost to date relative to total net estimated project cost for the company) at each reporting date. Late sales are defined as sales happening subsequent to a multi-client project completion (the company's responsibilities has ended and all project costs have been incurred).

The company recognizes prefunding from a partner multi-client company as reduction in cost and capital expenditure given that the partner has received zero prefunding from its end-customers at that time. Sales of whole multi-client libraries are treated as revenues and the corresponding book value of the multi-client library that is sold is charged against cost of sales.

2.21 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance lease agreements are defined as contracts/assets or a long-term lease agreement that transfers substantially all the risks and rewards incidental to ownership to the company.

Finance leases are accounted for as fixed assets at the commencement of the lease term, at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Impairment of finance leases is evaluated annually based on value in use calculations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.22 Dividend distribution
Dividend distribution to the company's

shareholders is recognized as a liability in SeaBird's financial statements in the period in which the dividends are approved by the company's shareholders.

2.23 Going concern assumption

These consolidated financial statements are prepared under a going concern assumption.

SeaBird has one bond loan and one convertible loan outstanding. The bond loan has a nominal outstanding amount of $83.9 million, with bi-annual instalments of $2.0 million until final maturity on 19 December 2015. The $14.9 million unsecured Perestroika convertible loan has a maturity at 30 September 2014 and has no instalments due before the loan matures (PIK-loan).

As at 31 December 2013, the company does not have sufficient working capital to cover present requirements for a period of at least twelve months. At 31 December 2013, current assets were $57.6 million compared to current liabilities of $58.1 million. In September 2014, the convertible loan from Perestroika with a nominal value of $14.9 million matures. In addition, SeaBird will acquire the Hawk Explorer for $6.5 million in August 2014 (the $6.5 million purchase price for Hawk Explorer is reported as debt on the balance sheet as of 31 December 2013). The company estimates that the cash flow from operations will not be sufficient to cover these two items. The financing of these two obligations must be from other sources and needs to be concluded before the two maturity dates.

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

3. Risk factors and financial risk management

3.1 Financial risk factors

SeaBird's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management focuses on the unpredictability of financial markets and monitors and controls risks with a potential significant negative effect for the company and evaluates to minimize the risks if the cost of doing so is acceptable. The company uses derivative financial instruments to hedge certain risk exposures from time to time.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and procedures for measuring and managing risk and the company's management of capital. Further quantitative disclosures are included throughout these consolidated statements.

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The audit committee oversees how management monitors and manages risk and review the adequacy of the risk management framework in relation to the risks faced by SeaBird.

(I) MARKET RISK

(I) Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Norwegian kroner, Euro, British Pound, Swedish krona and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the company use from time to time various foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

SeaBird has not entered into any foreign exchange contracts in 2013, but has had long term liabilities denominated in Norwegian Kroner in previous accounting periods.

(II) Price risk

SeaBird is exposed to commodity (bunker fuel) price risk. As SeaBird in general has a fairly short order backlog for contracts where SeaBird is carrying the risk of bunker fuel prices, this risk has not historically been mitigated by forward commodity contracts. SeaBird might from time to time evaluate commodity contracts to mitigate such risk in the future.

(II) CREDIT RISK

SeaBird has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Still, the company faces the risk of non-payment from customers.

SeaBird seeks to limit the amount of credit exposure to any financial institution and is only investing in liquid securities with counterparties with strong credit ratings.

The company's policy is to provide financial guarantees only to wholly-owned subsidiaries or performance guarantees and similar in the normal course of business.

(III) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of available debt funding and the ability to close out market positions. Due to the cyclical nature of the seismic industry, SeaBird has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

(IV) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As SeaBird has no significant interest-bearing assets beyond operating cash and cash equivalents, the company's income and operating cash flows are substantially independent of changes in market interest rates.

SeaBird's interest rate risk arises from long-term and short-term interest-bearing debt. Interest-bearing debt issued at variable rates expose the company to cash flow interest rate risk. Interest-bearing debt issued at fixed rates expose the company to fair value interest rate risk. As of 31 December 2013, the bond loan constitutes 76% of total debt while the convertible loan from Perestroika and the Hawk lease constitutes 14% and 9%, respectively. All the outstanding debts as of 31 December 2013 were issued at fixed interest rates.

(V) RISKS RELATED TO DEBT ARRANGEMENTS

SeaBird's current and future debt arrangements may include covenants and undertakings of a general, financial and technical nature and such debt arrangements may contain cross-default provisions. Failure by the company to meet any of the covenants or undertakings could result in all outstanding amounts under the different debt arrangements becoming immediately due for payment, which could potentially have a material adverse effect on the company's financial position and the value of the shares and the company's operations and results.

3.2 Other risk factors

SeaBird is subject to various other risk factors. The risks described below are not exhaustive as additional risks not presently known to SeaBird or which SeaBird currently deems immaterial may also impair the company's business operations. If any of the following risks actually materialize, SeaBird's business, financial position and operating results could be materially and adversely affected.

SeaBird is exposed to the economic cycle, as changes in the general economic situation could affect demand for the SeaBird's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies. Capital expenditures and in particular exploration and development expenditures, by oil and gas companies can be negatively affected by a number of factors including, but not limited to, decreases in oil and gas prices, fluctuations in production levels and disappointing exploration results. Low oil prices typically lead to a reduction in capital expenditures these companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by these companies may reduce the demand for the SeaBird's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for SeaBird's services will generally lag oil and gas price increases.

SeaBird's operating income/loss and operating results can vary from month to month. Its operating income is difficult to forecast due to changes in oil companies' E&P (exploration and production) budgets and expenditures, the competitive environment, efficiency in operations, adverse weather conditions and other general economic and market conditions. Changes in oil prices and exploration and production budgets could materially affect the business and operating results. Unanticipated difficulties in pursuing SeaBird's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

The market for SeaBird's products and services is competitive. SeaBird may face competition from certain companies within the seismic industry and many of these companies may have greater resources than SeaBird itself. Generally, overcapacity in the seismic market would have a negative effect on the operating results of the company and the possible failure of SeaBird to maintain competitive offering of equipment and services could have a material adverse effect on its business, operating results or financial condition.

SeaBird has a strategy of contracting its vessels both towards the long-term market as well as the more volatile spot market. There can be no guarantee that SeaBird will be able to secure contracts at such rates and utilization rates that are needed. In addition, SeaBird may experience significant off-hires between charters. Furthermore, disputes under the charter parties may occur, which can result in responsibility and losses for the company.

Operations in international markets are subject to risks inherent in international business activities, including, in particular, general economic conditions in each such country, overlapping differing tax structures, managing an organization spread over various jurisdictions, unexpected changes in regulatory requirements, complying with a variety of foreign laws and regulations.

SeaBird's business depends on contracts with customers regarding collection and sale/licensing of geophysical data. Each contract normally involves a substantial value or consideration to the company. Furthermore, some of the contracts are governed by the law of the operations' area, which may create both legal and practical difficulties in case of a dispute or conflict. SeaBird also operates in regions where the ability to protect contractual and other legal rights may be limited compared to regions with more well-established markets.

There will always be operational risks involved in performing offshore seismic surveys. This includes among others unexpected failure or damage to vessels and technical equipment, work accidents or adverse weather conditions. These risks can cause personal injury, prevent surveys to be performed as scheduled, other business interruptions, property and equipment damage, pollution and environmental damage. SeaBird may be subject to claims as a result of these hazards. SeaBird seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines. However, there will always be some exposure to technical and operational risks, with unforeseen problems leading to unexpectedly high operating costs, substantial losses, additional investments, etc., which may have a material negative effect on the company's operating results and financial position. If for example a vessel is rendered a total loss, the charter party will be void and SeaBird will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt SeaBird's reputation.

SeaBird is subject to taxation in Cyprus and Norway, as are the majority of its subsidiaries. The company is also subject to taxation in various other jurisdictions because of its global operations. SeaBird faces the risk that its tax filings are challenged and may be subject to unexpected claims for unpaid taxes or sanctions as a consequence of breach of applicable tax legislation.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by SeaBird is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. SeaBird uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to SeaBird for similar financial instruments.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

(I) ESTIMATING USEFUL LIVES, DECOMPOSITION, RESIDUAL VALUE AND COST OF REMOVAL OF VESSELS AND EQUIPMENT

The company's estimates of useful lives and plans for depreciation are based on investment considerations and on experience of technical and economic life of similar assets. Expected useful life and residual values of the vessels can change according to environmental requirements, wear and tear, corporate strategy, etc. A different decomposition of vessels and equipment may lead to different depreciations. However, management does not consider such effects to be material.

(II) ESTIMATED IMPAIRMENT OF MULTI-CLIENT SURVEYS, VESSELS, EQUIPMENT, GOODWILL AND PATENT TECHNOLOGY

Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2.5, 2.7 and 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require management to make estimates of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 7).

The multi-client libraries are subject to impairment reviews based on expectations of estimated future cash flows. The impairment is based on using a group of surveys as the cash generating unit. The impairment review requires an internal evaluation of future sales potential for each group of surveys supplemented with direct enquiries to multi-client partners on active libraries with a material remaining book value.

(III) MULTI-CLIENT LIBRARY SALES AMORTIZATION

Forecasted revenues for multi-client surveys are forecasted based on input from partners and feedback from clients. Total project cost estimates are based on experience from other seismic projects and historical cost accounting information. Forecasted revenues and project cost estimates form the basis for SeaBird's selected sales amortization on a per survey basis. Forecasted future revenues for multi-client surveys are updated, which can change the sales amortization of individual surveys.

(IV) CONTRACT AND MULTI-CLIENT REVENUE RECOGNITION

The estimated progress is calculated at the end of each quarter on each ongoing contract survey and multi-client project, which form the basis for accrued revenue accounting estimates.

(V) INCOME TAXES

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(VI) ESTIMATES FOR FINANCIAL ASSETS

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(VII) SHARE-BASED PAYMENTS

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

(VIII) FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the income statement cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. SEGMENT INFORMATION

All our seismic services and operations are conducted and monitored within the Group as one business segment.

Primary reporting format – business segments

	2013	2012
REVENUE		
Contract	166,824	141,618
Multi-client	10,981	21,713
Total	**177,805**	**163,331**

Secondary reporting format – geographical segments

	2013	2012
REVENUE		
Europe, Africa & Middle East (EAME)	39,244	71,723
North & South America (NSA)	69,108	48,243
Asia Pacific (APAC)	69,453	43,365
Total	**177,805**	**163,331**
SEGMENT ASSETS		
Europe, Africa & Middle East (EAME)	188,851	197,371
North & South America (NSA)	–	–
Asia Pacific (APAC)	–	–
Total	**188,851**	**197,371**
CAPITAL EXPENDITURE		
Europe, Africa & Middle East (EAME)	17,079	15,008
North & South America (NSA)	–	–
Asia Pacific (APAC)	–	–
Total	**17,079**	**15,008**

Two major customers contributed 35% of the total revenue from continuing operations for 2013. Total revenue from one of these customers was $34,137 for the year ended 31 December 2013 and from the other $26,683.

A substantial portion of the property and equipment is mobile due to SeaBird's world-wide operation. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the period.

Geographic distribution of assets is based upon location of physical ownership. Goodwill is presented in the same geographic area as the underlying acquired assets. The geographic distribution of revenues is based upon location of performance.
Capital expenditures are based on the location of the company that is making the investment.

6. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Seismic equipment and nodes for seabed operations	Seismic vessel and equipment (owned)	Seismic vessel and equipment (leased)	Seismic equipment on chartered vessels	Office equipment	Total
AT 1 JANUARY 2012							
Cost or valuation	6,889	43,385	227,411	48,672	40,224	4,028	370,609
Accumulated impairments	(6,889)	–	(53,185)	(8,676)	(7,066)	–	(75,816)
Accumulated depreciation and amortization	–	(43,385)	(73,575)	(17,549)	(19,994)	(3,282)	(157,785)
Net book amount	**-**	**-**	**100,651**	**22,447**	**13,164**	**746**	**137,008**

6. PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress	Seismic equipment and nodes for seabed operations	Seismic vessel and equipment (owned)	Seismic vessel and equipment (leased)	Seismic equipment on chartered vessels	Office equipment	Total
YEAR ENDED 31 DECEMBER 2012							
Opening net book amount	–	–	100,651	22,447	13,164	746	137,008
Reclassification	–	–	(174)	59	236	(22)	99
Additions	–	–	10,142	99	4,059	608	14,908
Disposals (net)	–	–	(1,551)	–	–	–	(1,551)
Derecognition of cost of property plant and equipment ††	(6,889)	(43,385)	(28,571)	573	(11,556)	147	(89,681)
Derecognition of accumulated depreciation ††	6,889	43,385	28,571	(573)	11,556	(147)	89,681
Impairments	–	–	–	–	–	–	–
Depreciation and amortization †	–	–	(12,405)	(2,521)	(4,352)	(412)	(19,690)
Closing net book amount	**-**	**-**	**96,663**	**20,084**	**13,107**	**920**	**130,774**
AT 31 DECEMBER 2012							
Cost or valuation ††	–	–	207,257	49,403	32,963	4,761	294,384
Accumulated impairments	–	–	(53,185)	(8,676)	(7,066)	–	(68,927)
Accumulated depreciation and amortization ††	–	–	(57,409)	(20,643)	(12,790)	(3,841)	(94,683)
Net book amount	**-**	**-**	**96,663**	**20,084**	**13,107**	**920**	**130,774**
YEAR ENDED 31 DECEMBER 2013							
Opening net book amount	–	–	96,663	20,084	13,107	920	130,774
Reclassification	–	–	(722)	165	422	135	–
Additions	–	–	7,803	825	7,874	577	17,079
Disposals (net)	–	–	–	–	(568)	–	(568)
Derecognition of cost of property plant and equipment	–	–	(14,569)	(1,310)	(1,712)	(227)	(17,819)
Derecognition of accumulated depreciation	–	–	14,569	1,310	1,712	227	17,819
Impairments	–	–	–	–	–	–	–
Depreciation and amortization †	–	–	(15,798)	(2,662)	(5,753)	(243)	(24,456)
Closing net book amount	**-**	**-**	**87,946**	**18,412**	**15,082**	**1,389**	**122,829**
AT 31 DECEMBER 2013							
Cost or valuation	–	–	199,769	49,083	38,979	5,246	293,076
Accumulated impairments	–	–	(53,185)	(8,676)	(7,066)	–	(68,927)
Accumulated depreciation and amortization	–	–	(58,638)	(21,995)	(16,831)	(3,857)	(101,320)
Net book amount	**-**	**-**	**87,946**	**18,412**	**15,082**	**1,389**	**122,829**

† Depreciation and amortization attributable to continued operations: $27,080 ($34,408 in 2012).
Depreciation and amortization attributable to discontinued operations: $0 ($0 in 2012).

†† The company has restated its 2012 comparatives in the above note to show the effect of derecognition of fully depreciated assets that were no longer in use. As a result the total cost and accumulated depreciation as at 31 December 2012 have both been reduced by $89,681. There was no additional effect to comparatives from this restatement.

Compensation from third party, for items that were lost or given up, amounts to $0 in 2013 and $0 in 2012.

6. PROPERTY, PLANT AND EQUIPMENT

The net book value of the Hawk Explorer which is the subject of a finance lease (see note 28) as at 31 December 2013 is $18,412 (2012: $20,084).

In 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.

7. INTANGIBLE ASSETS

	Goodwill
COST	
Balance at 1 January 2012	6,340
Balance at 31 December 2012	**6,340**
Balance at 1 January 2013	6,340
Balance at 31 December 2013	**6,340**
AMORTIZATION AND IMPAIRMENT LOSSES	
Balance at 1 January 2012	(5,073)
Impairment loss	–
Balance at 31 December 2012	**(5,073)**
Amortization for the year	–
Impairment loss	–
Balance at 31 December 2013	**(5,073)**
CARRYING AMOUNTS	
At 1 January 2012	1,267
At 31 December 2012 / 1 January 2013	**1,267**
At 31 December 2013	**1,267**

In January 2007, SeaBird acquired all shares in GeoBird Management Middle East FZ-LLC, a company situated in Dubai and being the company managing the maritime operations of SeaBird's vessels. The excess value of the business was calculated at $1.3 million. The excess value represents valuation of assembled work force and organization which, in accordance with IFRS, are classified as goodwill.

Impairment tests of goodwill
31 December 2013
The management assessed the goodwill by comparing the benefit of having the maritime management in-house as opposed to outsourcing it to a third party.

A net present value (NPV) of the annual benefit over five years was calculated to test for indication of impairment of goodwill. The NPV test was carried out based on the following assumptions:

SeaBirds in-house maritime department consists of five employees managing nine vessels.

To calculate the annual benefit of keeping the maritime department in-house annual prices per vessel were compared by reference to market rates charged to third parties from internal sources. An average market rate per vessel of $220 per year was established. A growth rate of 2.5% per annum was assumed in each of the five years representing inflation. The discount rate was estimated based on the weighted average cost of capital 10.82% and reflects specific risks relating to the relevant segment of operation. Sensitivities were performed based on lower and higher charging rates to those assumed.

7. INTANGIBLE ASSETS

The result of the net present value calculation demonstrated a cost saving using the average and higher rates assumed. Management is of the opinion that the seismic vessels would be charged at the higher end of the price scale due to the fact that seismic vessels would likely be priced as niche offshore vessels. This opinion is supported by the management agreement SeaBird has with a third party regarding maritime management of one of their vessels. Further sensitivity analysis was carried out adjusting WACC by 300 basis points and SeaBird continued to project a benefit of keeping the department in-house.

Therefore, it is of the management's opinion that the carrying amount of $1.3 million as of 31 December 2013 is supported by the average and high assumptions in the NPV calculations and no impairment is required.

8. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS

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 had a continuing operations net tax benefit of $3.7 million and a discontinued operations net tax benefit of $3.3 million related to reassessment of selected historical tax provisions. The company is continuing to evaluate its historical tax exposures which might change the reported tax expense.

Current tax	2013	2012
Current period	2,818	7,166
Adjustment for prior periods	(7,408)	2,470
Total current tax	**(4,590)**	**9,636**

	2013	2012
Group profit/(loss) before income tax from continuing operations	(8,019)	(9,312)
Tax arising at the rate of 28% in Norway	(2,245)	(2,607)
Current year tax effect of losses	2,245	4,454
Current year corporate tax effect in other jurisdictions	516	894
Withholding tax effect current year	1,848	4,596
Reassessment of prior year tax provisions	(3,695)	1,534
Total tax expense attributable to continued operations	**(1,331)**	**8,871**
	2013	2012
Attributable to continued operations	**(1,331)**	**8,871**
Attributable to discontinued operations	**(3,259)**	**765**

9. MULTI-CLIENT LIBRARY

The components of the multi-client library are summarized as follows:

	2013	2012
At 1 January	3,384	16,602
Cash investments	6,307	6,556
Capitalized depreciation	2,135	1,135
Cost of multi-client sales	–	(5,056)
Amortization†	(4,759)	(15,853)
At 31 December	**7,067**	**3,384**

† Amortization attributable to continued operations: $4,759 ($15,853 in 2012).
Amortization attributable to discontinued operations: $0 ($0 in 2012).

Amortization expense for the year ended 31 December 2013 includes $1.9 million of additional non-sales related amortization, net. For the year ended 31 December 2012, the additional non-sales related amortization totalled $6.3 million.

9. MULTI-CLIENT LIBRARY

The company introduced a new amortization category in Q2 2013 to conform to seismic industry accounting practices. "Category 1" libraries (the new category) are subject to minimum amortization of 20% per 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. Total sales were $11.0 million in 2013 (2012: $21.7 million).

The net carrying value of the multi-client library, by the year in which the surveys were completed, is summarized as follows:

	2013	2012
Completed during 2012	436	3,384
Completed during 2013	6,631	–
Completed surveys	**7,067**	**3,384**

For information purposes, the following shows the hypothetical application of the company's minimum amortization requirements to the components of the existing multi-client library. These minimum amortization requirements are calculated as if there will be no future sales of these surveys.

During 2014	1,950
During 2015	1,863
During 2016	1,689
During 2017	1,127
During 2018	438
Net carrying value of the multi-client library per 31 December 2013	**7,067**

10. DERIVATIVE FINANCIAL ASSETS

SeaBird has not entered into any derivative financial instruments in the years 2009-2013.

11. TRADE RECEIVABLES

	2013	2012
Trade receivables	36,491	44,282
Less: provision for impairment of receivables	(11,779)	(11,213)
Trade receivables – net	**24,712**	**33,069**

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments. SeaBird's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 31. SeaBird has not recognized any specific loss in respect of bad debts for the year ended 31 December 2013 or 2012.

The net provision for impairment of receivables has been increased by $566 in 2013, due to currency fluctuations and an additional general provision taken (2012: $219).

In general, vessels on time charter are prepaid, while vessels contracted to oil companies usually have payment terms of an average of 30 days.

12. OTHER CURRENT ASSETS

	2013	2012
Accrued income	8,324	5,479
Prepaid expenses	4,018	1,437
Other current assets	4,030	3,297
Total other current assets	**16,372**	**10,213**

13. INVENTORIES

	2013	2012
Bunker fuel	4,367	2,971
Spare parts	–	949
Total inventories	**4,367**	**3,920**

The opening balance at 1 January 2013 of $2,971 related to bunker fuel has been recognized as expense in 2013 (2012: $4,680).

14. CASH AND CASH EQUIVALENTS

	2013	2012
Cash at bank and in hand	**12,155**	**14,744**

There were no short-term bank deposits in 2013 (2012: $0).
Cash and cash equivalents include $447 of restricted cash at 31 December 2013 (2012: $664).

15. ASSETS CLASSIFIED AS HELD FOR SALE

There are no assets classified as held for sale as at 31 December 2013 ($0 in 2012).

16. SHARE CAPITAL AND SHARE OPTIONS

	Number of shares
At 1 January 2012	31,425,972
New shares issued in 2012	11,000,000
At 31 December 2012 Basic	42,425,972
New shares issued in 2013	15,155,274
At 31 December 2013 Basic	**57,581,246**
At 31 December 2013 Diluted	**57,581,246**

On 15 May 2012, the annual general meeting of SeaBird resolved to consolidate the shares of the company so that 10 old shares converted into 1 new share.

On 28 November 2012, the company completed a private placement of 11,000,000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 7.50 per share. Total gross proceeds from the private placement were NOK 82.5 million ($14.7 million).

SeaBird uses stock options as an incentive for key employees. On 20 February 2012, as part of his employment contract Mr. Reynolds received 3,000,000 share options at a strike price of NOK 2.50 (equalling the average share price on the trading day 6 February 2012 plus approximately 10%).

Furthermore, on 13 August 2012 a total of 2,065,822 share options were granted to a total of 13 employees. The options had an exercise price of NOK 3.95, which represented the closing price for the SeaBird (SBX) share on the Oslo Stock Exchange the last day before the grant, 10 August 2012.

On 4 November 2013, employees in SeaBird Exploration exercised their rights to purchase from the company 1,655,268 shares in SeaBird Exploration Plc at a pre-agreed price. Each such share was issued at the applicable strike price and had a weighted average price of NOK 3.07. The share price on the date of the transaction was NOK 4.36. This transaction represented approximately 1/3 of the options that were exercisable from 13 August 2013. The remaining options granted may be exercised with 1/3 from 13 August 2014 and 1/3 from 13 August 2015. All options must be exercised by 1 November 2015, or, if resolved by the board of directors, at the latest on the date of the first quarterly report of the company after such date.

The company completed a private placement of 12,000,000 new shares in December 2013. The placement was made at a subscription price of NOK 3.00 per share. Total gross proceeds from the private placement were NOK 36.0 million ($5.9 million).

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

16. SHARE CAPITAL AND SHARE OPTIONS

2013 Option plan exercise price	Outstanding options			Vested options	
	Outstanding options per 31.12.2013	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2013	Weighted average exercise price
0.00 - 3.00	2,000,000	1.39	2.50	–	–
3.00 - 5.00	1,343,888	1.39	3.95	–	–
5.00 -	–	–	–	–	–
Total	**3,343,888**	**1.39**	**3.08**	**-**	**-**

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2013, is presented in equity as share options granted. Outstanding options at 31 December 2013 is representing in total 3,343,888 shares.

	Number of outstanding options
At 1 January 2013	5,065,822
Granted during the year	–
Forfeited during the year	(33,333)
Exercised in year	(1,655,268)
Expired in year	(33,333)
At 31 December 2013	**3,343,888**

Share based payments effect on the Group's profit or loss amounts to $545 for 2013 and $810 for 2012 (see note 22).

The total value of share options granted is calculated using the Black-Scholes model, assuming that all the options will be exercised. The fair value determined at the grant date is expensed over the vesting period of the options. The calculation is based on:

- expected volatility of 60%
- weighted average exercise price of NOK 3.08
- three year option life
- no dividends are expected
- a risk free interest rate ranging from 1.35 to 1.78%

The expected volatility of the options are based on the implied volatility from exchange traded options on the company's shares, the historical volatility of the share price over the most recent period that corresponds with the expected life of the option and the historical or implied volatility of similar entities. The expected life of the option is based on the maturity date and is not necessarily indicative of exercise pattern that may occur. The options include a service condition as the individuals participating in the plan must be employed by the company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

17. TRADE AND OTHER PAYABLES

	2013	2012
Trade payables	10,438	18,692
Accrued expenses and other payables	14,281	8,633
Total trade and other payables	**24,719**	**27,325**

18. LOANS AND BORROWINGS

	Effective interest rate/ Maturity	2013	2012
NON-CURRENT			
Convertible loan from Perestroika, unsecured	1%/2014	–	12,603
Capital lease obligations (Note 28)	10.87%/2014	–	9,305
Bond loan - SBX03	6%/2015	72,008	72,391
Total non-current interest-bearing loans and borrowings		**72,008**	**94,299**
CURRENT			
Convertible loan from Perestroika, unsecured	1%/2014	13,957	–
Capital lease obligations (Note 28)	10.87%/2014	9,305	3,851
Bond loan - SBX03	6%/2015	4,000	4,000
Total current interest-bearing loans and borrowings		**27,262**	**7,851**
Total interest-bearing loans and borrowings		**99,270**	**102,150**
Fair value of conversion rights		**-**	**-**

Convertible loan from Perestroika
In September 2010, SeaBird Exploration Plc entered into an agreement for issuance of a NOK 120.0 million convertible, nontransferable loan in favour of Perestroika AS as lender with three years maturity. In March 2011, the convertible loan was renegotiated with change in currency from NOK to USD and change in maturity date to September 2014. Part of the convertible loan was redeemed as part of the financial restructuring carried out in 2011, see section Bond loan – SBX03 below. The convertible bond is carried at amortized cost using the effective interest rate method and an interest rate that was deemed to be its fair value on issue. The current principal outstanding as at 31 December 2013 is $14.9 million. After the partial redemption, the convertible loan continues under the same terms as before the debt restructuring. The convertible loan is convertible into common shares at a conversion price of $5.99 per share.

Bond loan 3 – SBX03
In connection with the divestment of the OBN business, a financial restructuring of SeaBird's debt took place in December 2011, whereby the outstanding secured creditors, Standard Chartered Bank and Sparebanken 1 SMN/Glitnir, were repaid in full. The bond loans SBX01 and SBX02, the PGS convertible loan and the Perestroika convertible loan were repaid with approximately 31.4% for each of the mentioned facilities. The remaining balance of the bonds SBX01, SBX02 and PGS convertible loan were merged into a new senior secured bond loan (with inter alia 1st priority pledge in the vessels Northern Explorer, Osprey Explorer, Harrier Explorer and Aquila Explorer), SBX03, at an interest rate of 6% p.a. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million starting 19 December 2012, with a balloon repayment at maturity of $77.9 million.
On issuance of the bond, the fair value was determined using a market rate for an equivalent bond; and classified as a financial liability measured at amortized cost until it is extinguished on redemption. The current contractual amount outstanding as at 31 December 2013 is $83.9 million.

19. OTHER FINANCIAL ITEMS, NET

	2013	2012
Net foreign exchange gain/(loss)	(402)	(807)
Other financial income/(expense)	(427)	(265)
Total other financial items	**(829)**	**(1,072)**

20. OTHER INCOME (EXPENSES), NET	2013	2012
Profit/(loss) on sale of property, plant and equipment	–	(279)
Other income	1,538	1,117
Total other income (expense)	**1,538**	**838**

21. EXPENSES BY NATURE	2013	2012
Charter hire	20,071	15,032
Crew salaries and related expenses	49,906	40,613
Seismic and marine expenses	56,217	45,702
Other operating expenses	1,842	2,364
Total charter hire and operating expenses	**128,036**	**103,711**
Staff cost and directors' remuneration	11,558	11,371
Legal and professional	2,866	1,289
Provision for bad debts	180	425
Other expenses	4,773	3,758
Total selling, general and administrative expenses	**19,377**	**16,843**

22. EMPLOYEE BENEFIT EXPENSE	2013	2012
Crew salaries and benefits	27,288	20,159
Staff cost	11,304	11,033
Directors' remuneration	254	338
Total employee benefit expense	**38,846**	**31,530**
Including accrued costs relating to the employee stock option plan	545	810
Average number of employees	516	510

23. INTEREST EXPENSE	2013	2012
Finance lease borrowings	1,241	1,626
Bond loans	10,331	10,168
Interest on supplier account	468	375
Bank loans	–	222
Total interest expense	**12,040**	**12,391**

Comparative figures have been reclassified to ensure consistency with the current period.

24. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (Note 16).

	2013	2012
Profit/(loss) attributable to equity holders of the company	(3,643)	(11,515)
Weighted average number of ordinary shares in issue	45,077	32,343
Basic earnings per share ($ per share)	(0.08)	(0.36)
Weighted average number of diluted shares	45,077	32,343
Basic earnings per share ($ per share)	(0.08)	(0.36)
BASIC EARNINGS PER SHARE		
From continuing operations	(0.15)	(0.56)
From discontinued operations	0.07	0.20
Total basic earnings per share	**(0.08)**	**(0.36)**
DILUTED EARNINGS PER SHARE		
From continuing operations	(0.15)	(0.56)
From discontinued operations	0.07	0.20
Total diluted earnings per share	**(0.08)**	**(0.36)**

25. DIVIDENDS

No dividend was distributed for 2012 and no dividend will be distributed for the year ended 31 December 2013.

26. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Business combinations

In June 2006, SeaBird closed the acquisition of SeaBed (the OBN business). The total purchase price of $16.0 million was allocated to capital work in progress and property, plant and equipment ($4.0 million), patent technology ($4.4 million), deferred tax asset ($6.1 million) and various other assets and liabilities (net liabilities of $2.0 million). The excess value of the business was calculated at $2.7 million, representing the value of the organization and non-identifiable intangible assets, which, in accordance with IFRS, are classified as goodwill. Property, plant and equipment are presented at historical cost. Patent technology (intellectual property rights) is valued based on the cost method and is expected to have a remaining life time of 20 years from 2004. The accounts have been consolidated from June 2006.

Part of the purchase price was financed through warrants (share options granted) to sellers and key personnel. The value of the options has been calculated and presented as equity under share options granted until divestment of SeaBed in December 2011.

Discontinued operations

On 18 November 2011, SeaBird entered into a share purchase agreement with Fugro Norway AS concerning the sale of SeaBird's shareholding in Fugro OBN Technologies AS (former SeaBird Technologies AS) and SeaBed Navigation Company Ltd, which collectively held all of SeaBird's rights and assets related to the OBN business. On 8 December 2011, the transaction was fulfilled and the rights, title and interest in the shares were transferred from SeaBird to Fugro against the agreed consideration.

The purchase price for 100% of the shares in each of Fugro OBN Technologies AS and SeaBed Navigation Company Limited was $125.0 million on a cash and debt free basis, payable in cash. Fugro acquired on 3 October 2011 11% of the shares in Fugro OBN Technologies AS and SeaBed Navigation Company Ltd to improve the liquidity situation of SeaBird. The purchase price paid for the 11% stake was deducted from the total purchase price for 100% of the two companies at closing.

Under the terms of the above sale, SeaBird had an obligation to complete a contract to obtain and provide analysis to a client from survey data obtained using the OBN business. This contract has been included in discontinued operations and will be concluded in 2014.

26. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Statement of income for discontinued operations

	Year ended 31 December	
	2013	2012
Revenues	823	15,800
Cost of sales	(1,163)	(8,037)
Selling, general and administrative expenses	(86)	(1,556)
Other income (expenses), net	212	2,367
Earnings before interest, tax, depreciation and amortization (EBITDA)	**(214)**	**8,574**
Earnings before interest and taxes (EBIT)	**(214)**	**8,574**
Interest expense	–	(191)
Profit/(loss) before income tax	**(214)**	**8,383**
Income tax	3,259	(765)
Profit/(loss) from discontinued operations	**3,045**	**7,618**
Gain/(loss) on sale of OBN business	–	(950)
Profit/(loss) for the period	**3,045**	**6,668**
PROFIT/(LOSS) ATTRIBUTABLE TO		
Shareholders of the parent	3,045	6,668
EARNINGS PER SHARE DISCONTINUED OPERATIONS		
– basic	0.07	0.20
– diluted	0.07	0.20

Statement of discontinued cash flow

	2013	2012
Net cash from operating activities	–	18,000
Net cash from investing activities	–	–
Net cash from financing activities	–	(18,000)
Net cash inflow/(outflow)	**-**	**-**

Net assets disposed:

	2013	2012
Adjustment related to buyback transaction	–	950
Gain/(loss) on sale	**-**	**(950)**

27. COMMITMENTS AND CONTINGENCIES

Except as disclosed in note 14, the company has no commitments or contingencies as of 31 December 2013 (no commitments or contingencies in 2012).

28. LEASES

Financial lease commitments:
The future aggregate minimum lease payments under non-cancellable financial leases are as follows:

	2013	2012
No later than 1 year	9,890	5,092
Later than 1 year and no later than 5 years	–	9,890
Later than 5 years	–	–
Total financial lease commitments	**9,890**	**14,982**

Reconciliation between the future minimum lease payments at the balance sheet date and their present value:

	Minimum lease payments		Present value of minimum lease payment	
	2013	2012	2013	2012
No later than 1 year	9,890	5,092	9,305	3,851
Later than 1 year and no later than 5 years	–	9,890	–	9,305
Later than 5 years	–	–	–	–
	9,890	**14,982**	**9,305**	**13,156**
Less: future finance charges	(585)	(1,826)	–	–
Present value of minimum lease payment	**9,305**	**13,156**	**9,305**	**13,156**

	2013	2012
Included in the consolidated financial statements as:		
– current borrowings	9,305	3,851
– non-current borrowings	–	9,305
	9,305	**13,156**

Operating lease commitments:
SeaBird leases various vessels and seismic equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2013	2012
No later than 1 year	15,003	20,053
Later than 1 year and no later than 5 years	25,842	26,469
Later than 5 years	4,020	–
Total operating lease commitments	**44,865**	**46,522**

Lease rentals amounting to $20,988 (2012: $15,814) relating to operating leases are included in the income statement for the year ended 31 December 2013.

The Hawk Explorer lease has a $6.5 million purchase option with an exercise date of 31 August 2014.

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 firm portion of the charter period expires on 31 December 2015.

During 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 is being reduced from USD 20,271 per day to USD 12,000 per day, commencing 1 February 2014. The charter rate will escalate with 2% per year throughout the charter period, in accordance with the original agreement.

29. RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

I) Key management compensation

	2013	2012
Salaries and other short-term employee benefits	2,305	2,309
Bonus payments	–	–
Post employment benefits	27	1,116
Total key management compensation	**2,332**	**3,425**

Key management is defined as Dag Reynolds (CEO from April 2012), Tim Isden (Chairman until May 2009 and CEO from November 2007 to February 2012), Thor Higraff (COO from 1 June 2009 to February 2012), Alexander Holst (General Counsel from March 2006), Babak Jabbari (VP Operations from February 2012), Kjell Mangerøy (VP Business Development from February 2008), Graham Stark (VP HSSEQ from July 2011) and Nils Haugestad (CFO from April 2012).

II) Loans to related parties
SeaBird has no loans to related parties.

III) Commitments and contingencies to related parties
SeaBird has neither commitments nor contingencies to related parties.

IV) Shareholding
Management (as defined 31 December 2013 under i) and the board, as of 31 December 2013 held the following shares on own account):

Name	Title	Shares†	Options	Total
Henrik A Christensen	Chairman	533,333	–	533,333
Kjell Mathiassen	Board member	1,818,833	–	1,818,833
John Olav Økland	Board Member	11,485,123	–	11,485,123
Kitty Hall	Board Member	59,025	–	59,025
Melvin Teigen	Board Member	–	–	–
Dag Reynolds	CEO	100,000	2,000,000	2,100,000
Nils Haugestad	CFO	9,770	843,882	853,652
Alexander Holst	General Counsel	2,500	66,667	69,167
Kjell Mangerøy	VP Business Development	2,990	66,667	69,657
Babak Jabbari	VP Operations	–	66,667	66,667
Graham Stark	VP HSSEQ	–	33,334	33,334

† Direct includes shares held by spouses, dependent children or companies in which the person has such influence as referred to in the Norwegian Public Limited Liability Companies Act §1-3.

V) Purchase of services
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. Furthermore, the company also charters the 3D vessel Geo Pacific from Fugro, through a subsidiary of Ordinat Shipping AS.

For further details of leasing arrangements with related parties please refer to note 28.

The amount of charter hire recognized in cost of sales to related parties during 2013 was $14.8 million (2012: $7.2 million).

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

30. SUBSEQUENT EVENTS

On 12 March 2014, it was announced that the chairman of the board of directors of SeaBird Exploration Plc, Mr. Henrik Christensen, had advised the board of directors and the company's nomination committee that he did not wish to be re-elected to the board of directors at the next annual general meeting.

Given that the proposal for a new chairman of the board of directors was already agreed, Mr. Christensen, the board of directors and the nomination committee agreed that there is no reason to postpone implementation of the proposal until the annual general meeting, scheduled for 13 May 2014.

Mr. Åge Korsvold was elected as the new chairman of the company at an extraordinary general meeting held on 3rd April 2014. Åge Korsvold is currently a board member of i.a. Timex Group B.V., Vardia ASA, Green Resources AS and Aweco Invest AS.

31. FINANCIAL INSTRUMENTS

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2013	2012
LOANS AND RECEIVABLES:			
Trade receivables	11	24,712	33,069
Due from related parties	29	–	–
Other current assets	12	16,372	10,213
Total loans and receivables		**41,084**	**43,282**
Cash and cash equivalents	14	12,155	14,744
Total credit risk		**53,239**	**58,026**

Impairment losses
The aging of trade receivables at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
Not past due	9,106	–	12,793	–
Past due 0–30 days	7,017	–	3,116	–
Past due 31–120 days	594	–	11,161	–
More than 120 days	19,774	11,779	17,212	11,213
Total	**36,491**	**11,779**	**44,282**	**11,213**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013	2012
Balance at 1 January	11,213	10,994
Impairment loss recognized (net)	566	219
Balance at 31 December	**11,779**	**11,213**

SeaBird has generally few and large customers; hence individual evaluations for impairment are done for all overdue receivables.

31. FINANCIAL INSTRUMENTS

Liquidity Risk

Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of SeaBird's short, medium and long term funding and liquidity requirements. SeaBird manages liquidity risk by maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of available debt funding and by continuously monitoring forecast and actual cash flows.

The table below summarized the maturity profile of SeaBird's financial liabilities at 31 December 2013 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	17,957	72,008	89,965
Capital lease obligations	–	9,305	–	9,305
Interest payment	–	5,763	4,384	10,147
Trade and other payables	–	24,719	–	24,719
Tax liabilities	–	6,128	–	6,128
Total financial liabilities	**-**	**63,872**	**76,392**	**140,264**

The table below summarized the maturity profile of SeaBird's financial liabilities at 31 December 2012 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	4,000	84,994	88,994
Capital lease obligations	–	3,851	9,305	13,156
Interest payment	–	6,642	10,147	16,789
Trade and other payables	–	27,325	–	27,325
Tax liabilities	–	14,247	–	14,247
Total financial liabilities	**-**	**56,065**	**104,446**	**160,511**

See note 17 and 18 for further information.

Currency risk

SeaBird's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2013:

	EURO	NOK	AUD	GBP	COP	SEK	SGD	Other†
Trade receivables	10,496	–	–	–	–	–	–	–
Trade and other payables	535	2,784	585	223	38,456	544	155	459
Gross balance sheet exposure	**11,031**	**2,784**	**585**	**223**	**38,456**	**544**	**155**	**459**

† USD equivalents

A 5% change in the USD exchange rate at the reporting date would have increased / (decreased) equity and profit or loss by USD 39/(39). The analysis assumes that all other variables remain constant.

31. FINANCIAL INSTRUMENTS

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD				
EURO 1	1.3277	1.2873	1.3768	1.3218
AUD 1	0.9565	1.0359	0.8874	1.0374
NOK 1	0.1703	0.1720	0.1644	0.1796
GBP 1	1.5636	1.5843	1.6491	1.6168

SeaBird operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro, AUD and GBP. Sensitivity of operating cost and revenues depends on the mix of contracts and the related cost structure and is therefore difficult to quantify.

Interest rate risk

	2013	2012
Fixed rate financial liabilities - Bond loans:		
SBX03	76,008	76,391
Perestroika bond	13,957	12,603
Total interest rate risk	**89,965**	**88,994**

In addition cash and cash equivalents of $12,155 at 31 December 2013 and $14,744 at 31 December 2012 are interest bearing assets with variable rates.

SeaBird does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and SeaBird does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

A change of 100 basis points in interest rate at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bp increase	100 bp decrease
Variable rate instruments	867	(867)

Fair value versus carrying amounts
SeaBird has reviewed the fair value of financial assets and liabilities compared to the carrying amount at 31 December 2013. In general, this evaluation shows no material difference.

32. RESTATEMENT OF COMPARATIVES

As of 1 January 2012, the company changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model, as outlined in note 2.5. Under IAS 8, this change has been retrospectively applied to prior comparative accounting periods. The effect of the restatement has been fully presented in the consolidated financial statements for the year ended 31 December 2012 with no additional effect on these financial statements. 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.

Unconsolidated financial accounts 2013
SeaBird Exploration Plc

PARENT COMPANY:

STATEMENT OF FINANCIAL POSITION

STATEMENT OF INCOME

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CASH FLOW

NOTES TO THE FINANCIAL STATEMENTS:

1 GENERAL INFORMATION

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 DERIVATIVE FINANCIAL ASSETS

4 INCOME TAX EXPENSE

5 OTHER CURRENT ASSETS

6 CASH AND CASH EQUIVALENTS

7 SHARE CAPITAL AND SHARE OPTIONS

8 TRADE AND OTHER PAYABLES

9 LOANS AND BORROWINGS

10 OTHER FINANCIAL ITEMS, NET

11 EXPENSES BY NATURE, NET

12 INTEREST EXPENSE

13 DIVIDENDS

14 SHARES IN SUBSIDIARIES

15 COMMITMENTS AND CONTINGENCIES

16 RELATED-PARTY TRANSACTIONS

17 SUBSEQUENT EVENTS

18 FINANCIAL INSTRUMENTS

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

All figures in $000's	Note	As of 31 December 2013	2012
ASSETS			
Non-current assets			
Shares in subsidiaries	14	75,725	75,717
Due from related parties	16	152,569	135,112
Total non-current assets		**228,294**	**210,829**
Current assets			
Other current assets	5	105	26
Cash and cash equivalents	6	4,718	1,549
Total current assets		**4,823**	**1,575**
Total Assets		**233,117**	**212,404**
EQUITY			
Shareholders equity			
Paid in capital	7	189,125	180,761
Equity component of convertible loan		6,296	6,296
Currency translation reserve		12	12
Share options granted	7	1,097	8,497
Retained earnings		(135,056)	(142,419)
Total Equity		**61,474**	**53,147**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	72,008	84,994
Due to related parties	16	81,170	68,222
Total non-current liabilities		**153,178**	**153,216**
Current liabilities			
Trade and other payables	8	508	2,041
Loans and borrowings	9	17,957	4,000
Total current liabilities		**18,465**	**6,041**
Total liabilities		**171,643**	**159,257**
Total equity and liabilities		**233,117**	**212,404**

On 4 April 2014, the board of directors of SeaBird Exploration Plc authorized these financial statements for issue.

Åge Korsvold	**Kitty Hall**	**Kjell H Mathiassen**	**Melvin Teigen**	**John Olav Økland**
Chairman	**Director**	**Director**	**Director**	**Director**

PARENT COMPANY STATEMENT OF INCOME

All figures in $000's	Note	Year ended 31 December 2013	2012
Revenues		–	810
Selling, general and administrative expenses, net	11	(110)	(407)
Impairment	14,16	–	–
Earnings before interest, tax, depreciation and amortization (EBITDA)		**(110)**	**403**
Depreciation and amortization		–	–
Earnings before interest and taxes (EBIT)		**(110)**	**403**
Interest expense	12	(14,546)	(15,150)
Other financial items, net	10	12,714	12,937
Profit/(loss) before income tax		**(1,942)**	**(1,810)**
Income tax	4	1,586	(1,786)
Profit/(loss) for the year		**(356)**	**(3,596)**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Note	Year ended 31 December 2013	2012
Profit/(loss)		**(356)**	**(3,596)**
Other comprehensive income			
Net movement in currency translation reserve and other changes		–	–
Changes in revaluation reserve		–	–
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**(356)**	**(3,596)**
Total comprehensive income attributable to:			
Shareholders of the parent		(356)	(3,596)
Total		**(356)**	**(3,596)**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

All figures in $000's	Paid in capital	Equity component of convertible loan	Share options granted	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2012	**166,720**	**6,296**	**7,687**	**(138,823)**	**12**	**41,892**
Revaluation surplus	–	–	–	–	–	–
Currency translation difference	–	–	–	–	–	–
Net income/(loss) recognized directly in equity	–	–	–	–	–	–
Income for the year	–	–	–	(3,596)	–	(3,596)
Total recognized income/(loss) for the year	–	–	–	(3,596)	–	(3,596)
Share issue	14,041	–	–	–	–	14,041
Equity component of convertible loan	–	–	–	–	–	–
Share option granted/cancelled	–	–	810	–	–	810
Balance at 31 December 2012	**180,761**	**6,296**	**8,497**	**(142,419)**	**12**	**53,147**
Balance at 1 January 2013	**180,761**	**6,296**	**8,497**	**(142,419)**	**12**	**53,147**
Revaluation surplus	–	–	–	–	–	–
Currency translation difference	–	–	–	–	–	–
Net income/(loss) recognized directly in equity	–	–	–	–	–	–
Income for the year	–	–	–	(356)	–	(356)
Total recognized income/(loss) for the year	–	–	–	(356)	–	(356)
Share issue	8,364	–	–	–	–	8,364
Equity component of convertible loan	–	–	–	–	–	–
Share option granted/cancelled	–	–	(7,400)	7,719	–	319
Balance at 31 December 2013	**189,125**	**6,296**	**1,097**	**(135,056)**	**12**	**61,474**

PARENT COMPANY STATEMENT OF CASH FLOW			
		Year ended 31 December	
All figures in $000's	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(1,942)	(1,810)
Adjustments for:			
Amortization of interest		10,325	10,053
Paid income tax		–	–
Earned on employee stock option plan		319	810
(Increase)/decrease in trade and other receivables		(79)	1,473
(Increase) in due from related parties		(4,517)	(13,114)
Increase/(decrease) in trade and other payables		54	(2,499)
Net cash from operating activities		**4,160**	**(5,087)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		–	–
Net cash used in investing activities		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,364	14,041
Movements in borrowings		(9,355)	(7,470)
Equity component of convertible loan		–	–
Net movement in currency fluctuations		–	–
Net cash from financing activities		**(991)**	**6,571**
Net increase/(decrease) in cash and cash equivalents		**3,169**	**1,484**
Cash and cash equivalents at beginning of the period		**1,549**	**65**
Cash and cash equivalents at end of the period	**6**	**4,718**	**1,549**

1. GENERAL INFORMATION

Country of incorporation
The company was incorporated in British Virgin Islands as a limited liability company. The company re-domiciled to Cyprus on 18 December 2009. The primary business address of the company is 333, 28th October Street, Ariadne House, 4th floor, Limassol, Cyprus.

Principal activities
The principal activity of the company, which is unchanged from last year, is ownership of companies operating within the seismic industry, including providing financing to subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SeaBird Exploration Plc has prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies are consistent with those applied in the consolidated financial statements.

For the discussion of risk factors, financial risk management and critical accounting estimates and judgments; please refer to note 3 and 4 of the consolidated financial statements.

Shares in subsidiaries (see Note 14) are stated at cost less any provision for impairment.

3. DERIVATIVE FINANCIAL ASSETS

SeaBird has not entered into any derivative financial instruments in the years 2009-2013.

4. INCOME TAX EXPENSE

Current tax	2013	2012
Current period	(1,586)	1,786
Adjustment for prior periods	–	–
Total current tax	**(1,586)**	**1,786**

	2013	2012
Profit/(loss) before income tax	(1,942)	(1,810)
Tax arising at the rate of 28%	(544)	(507)
Tax effect of tax adjustments in Norway and losses in other jurisdictions	(1,042)	2,293
Corporate income tax in other jurisdictions	–	–
Withholding tax in other jurisdictions	–	–
Total tax expense	**(1,586)**	**1,786**

5. OTHER CURRENT ASSETS

	2013	2012
Prepaid expenses	105	26
Total other current assets	**105**	**26**

6. CASH AND CASH EQUIVALENTS

	2013	2012
Cash at bank and in hand	**4,718**	**1,549**

There were no short-term bank deposits in 2013 (2012: $0). Cash and cash equivalents include $177 of restricted cash at 31 December 2013 (2012: $362).

7. SHARE CAPITAL AND SHARE OPTIONS

	Number of shares
At 1 January 2012	31,425,972
New shares issued in 2012	11,000,000
At 31 December 2012 Basic	42,425,972
New shares issued in 2013	15,155,274
At 31 December 2013 Basic	**57,581,246**
At 31 December 2013 Diluted	**57,581,246**

On 15 May 2012, the annual general meeting of SeaBird resolved to consolidate the shares of the company so that 10 old shares converted into 1 new share.

On 28 November 2012, the company completed a private placement of 11,000,000 new shares directed towards Norwegian and international institutional investors. The placement was made at a subscription price of NOK 7.50 per share. Total gross proceeds from the private placement were NOK 82.5 million ($14.7 million).

SeaBird uses stock options as an incentive for key employees. On 20 February 2012, as part of his employment contract Mr. Reynolds received 3,000,000 share options at a strike price of NOK 2.50 (equalling the average share price on the trading day 6 February 2012 plus approximately 10%).

Furthermore, on 13 August 2012 a total of 2,065,822 share options were granted to a total of 13 employees. The options had an exercise price of NOK 3.95, which represented the closing price for the SeaBird (SBX) share on the Oslo Stock Exchange the last day before the grant, 10 August 2012.

On 4 November 2013, employees in SeaBird Exploration exercised their rights to purchase from the company 1,655,268 shares in SeaBird Exploration Plc at a pre-agreed price. Each such share was issued at the applicable strike price and had a weighted average price of NOK 3.07. The share price on the date of the transaction was NOK 4.36. This transaction represented approximately 1/3 of the options that were exercisable from 13 August 2013. The remaining options granted may be exercised with 1/3 from 13 August 2014 and 1/3 from 13 August 2015. All options must be exercised by 1 November 2015, or, if resolved by the board of directors, at the latest on the date of the first quarterly report of the company after such date.

The company completed a private placement of 12,000,000 new shares in December 2013. The placement was made at a subscription price of NOK 3.00 per share. Total gross proceeds from the private placement were NOK 36.0 million ($5.9 million).

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

2013 Option plan	Outstanding options			Vested options	
exercise price	Outstanding options per 31.12.2013	Weighted average remaining contractual life	Weighted average exercise price	Vested options 31.12.2013	Weighted average exercise price
0.00 - 3.00	2,000,000	1.39	2.50	–	–
3.00 - 5.00	1,343,888	1.39	3.95	–	–
5.00 -	–	–	–	–	–
Total	**3,343,888**	**1.39**	**3.08**	**-**	**-**

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2013, is presented in equity as share options granted. Outstanding options at 31 December 2013 is representing in total 3,343,888 shares.

	Number of outstanding options
At 1 January 2013	5,065,822
Granted during the year	–
Forfeited during the year	(33,333)
Exercised in year	(1,655,268)
Expired in year	(33,333)
At 31 December 2013	**3,343,888**

7. SHARE CAPITAL AND SHARE OPTIONS

Share based payments effect on profit and loss amounts to $0 for 2013 and to $810 for 2012 (see note 16).

The total value of share options granted is calculated using the Black-Scholes model, assuming that all the options will be exercised. The fair value determined at the grant date is expensed over the vesting period of the options. The calculation is based on:

- expected volatility of 60%
- weighted average exercise price of NOK 3.08
- three year option life
- no dividends are expected
- a risk free interest rate ranging from 1.35 to 1.78%

The expected volatility of the options are based on the implied volatility from exchange traded options on the company's shares, the historical volatility of the share price over the most recent period that corresponds with the expected life of the option and the historical or implied volatility of similar entities. The expected life of the option is based on the maturity date and is not necessarily indicative of exercise pattern that may occur. The options include a service condition as the individuals participating in the plan must be employed by the company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

8. TRADE AND OTHER PAYABLES

	2013	2012
Trade payables	14	123
Accrued interest expense	87	81
Accrued expenses and other payables	407	1,837
Total trade and other payables	**508**	**2,041**

9. LOANS AND BORROWINGS

	Effective interest rate/Maturity	2013	2012
NON-CURRENT			
Convertible loan from Perestroika	1%/2014	–	12,603
Bond loan - SBX03	6%/2015	72,008	72,391
Total non-current interest-bearing loans and borrowings		**72,008**	**84,994**
CURRENT			
Convertible loan from Perestroika	1%/2014	13,957	–
Bond loan - SBX03	6%/2015	4,000	4,000
Total current interest-bearing loans and borrowings		**17,957**	**4,000**
Total interest-bearing loans and borrowings		**89,965**	**88,994**

9. LOANS AND BORROWINGS

Convertible loan from Perestroika

In September 2010, SeaBird Exploration Plc entered into an agreement for issuance of a NOK 120.0 million convertible, nontransferable loan in favour of Perestroika AS as lender with three years maturity. In March 2011, the convertible loan was renegotiated with change in currency from NOK to USD and change in maturity date to September 2014. Part of the convertible loan was redeemed as part of the financial restructuring carried out in 2011, see section Bond loan – SBX03 below. The convertible bond is carried at amortized cost using the effective interest rate method and an interest rate that was deemed to be its fair value on issue. The current principal outstanding as at 31 December 2013 is $14.9 million. After the partial redemption, the convertible loan continues under the same terms as before the debt restructuring. The convertible loan is convertible into common shares at a conversion price of $5.99 per share.

Bond loan – SBX03

In connection with the divestment of the OBN business, a financial restructuring of SeaBird's debt took place in December 2011, whereby the outstanding secured creditors, Standard Chartered Bank and Sparebanken 1 SMN/Glitnir, were repaid in full.
The bond loans SBX01 and SBX02, the PGS convertible loan and the Perestroika convertible loan were repaid with approximately 31.4% for each of the mentioned facilities. The remaining balance of the bonds SBX01, SBX02 and PGS convertible loan were merged into a new senior secured bond loan (with inter alia 1st priority pledge in the vessels Northern Explorer, Osprey Explorer, Harrier Explorer and Aquila Explorer), SBX03, at an interest rate of 6% p.a. The bond loan matures 19 December 2015 and has principal amortization due in semi-annual increments of $2.0 million starting 19 December 2012, with a balloon repayment at maturity of $77.9 million. On issuance of the bond, the fair value was determined using a market rate for an equivalent bond; and classified as a financial liability measured at amortized cost until it is extinguished on redemption. The current contractual amount outstanding as at 31 December 2013 is $83.9 million.

10. OTHER FINANCIAL ITEMS, NET

	2013	2012
Intercompany borrowings	12,710	12,972
Net foreign exchange gain/(loss)	41	(37)
Other financial income/(expense)	(37)	2
Total other financial items	**12,714**	**12,937**

11. EXPENSES BY NATURE, NET

	2013	2012
Staff cost and directors' remuneration	350	713
Share option expense	–	810
Legal and professional	1,985	846
Expenses recharged to group companies	(2,284)	(1,984)
Other expenses	59	22
Total selling, general and administrative expenses, net	**110**	**407**

12. INTEREST EXPENSE

	2013	2012
Interest on bank borrowings, bond loans and leases	10,331	10,168
Interest on intercompany borrowings	4,215	4,982
Total interest expense	**14,546**	**15,150**

13. DIVIDENDS

No dividend was distributed for 2012 and no dividend will be distributed for the year ended 31 December 2013.

14. SHARES IN SUBSIDIARIES

Company	Principal activity	Country of incorporation	Shareholding and voting rights
Munin Navigation Company Limited	Vessel holding company	Cyprus	100%
Harrier Navigation Company Limited	Vessel holding company	Cyprus	100%
Sana Navigation Company Limited	Vessel holding company	Cyprus	100%
Hawk Navigation Company Limited	Vessel holding company	Cyprus	100%
Osprey Navigation Company Inc.	Vessel holding company	Panama	100%
Aquila Explorer Inc.	Vessel holding company	Panama	100%
Seaship Holding Services Limited	Vessel holding company	Cyprus	100%
Biliria Marine Company Ltd	Vessel holding company	Cyprus	100%
Oreo Navigation Company Limited	Vessel holding company	Cyprus	100%
SeaBird Exploration FZ-LLC	Management company	UAE	100%
SeaBird Exploration Cyprus Ltd	Management/operating company	Cyprus	100%
Baruka Management Limited	Crewing company	Cyprus	100%
SeaBird Exploration Norway AS	Management company	Norway	100%
GeoBird Management AS	Operating company	Norway	100%
SeaBird Exploration Americas Inc.	Management company	USA	100%
SeaBird Exploration Asia Pacific PTE. Ltd.	Management/operating company	Singapore	100%
SeaBird Exploration Multi-Client Ltd	Multi-client company	Cyprus	100%
SeaBird Exploration Shipping AS	Operating company	Norway	100%
Raven Navigation Company Limited	Operating company	Cyprus	100%
Arna Shipping Limited	Dormant	Cyprus	100%
SeaBed Navigation Company Limited	Dormant	Cyprus	100%
Silver Queen Maritime Limited	Dormant	Malta	100%
Byrd Investments Limited	Dormant	Cyprus	100%
Dimas Navigation Company Limited	Dormant	Cyprus	100%
Velodyne Shipping Limited	Dormant	Cyprus	100%
GeoBird Management M.E. FZ-LLC	Dormant	UAE	100%

There was no impairment on shares in subsidiaries for 2012 and 2013.

15. COMMITMENTS AND CONTINGENCIES

Except as disclosed in note 6, the company has no commitments or contingencies as of 31 December 2013 ($0 in 2012).

16. RELATED-PARTY TRANSACTIONS

I) Purchases of services and expenses recharged to group companies
Expenses amounting to $2,284 were recharged to group companies during 2013 (2012: $1,984).

16. RELATED-PARTY TRANSACTIONS

II) Key management personnel compensation

	2013	2012
Salaries and other short-term employee benefits	244	407
Share options expense for employees	–	810
Post employment benefits	–	165
	244	**1,382**

III) Loans to related parties

	2013	2012
Loans to companies within SeaBird Group:		
At beginning of year	135,112	76,469
Additional loans/(loans repaid during year)	77,307	118,231
Interest charged	12,710	12,972
Impairment of group receivables	(72,560)	(72,560)
At end of year	**152,569**	**135,112**

The above loan is provided at 6.2% weighted average interest rate (6.3% in 2012) and is repayable on demand.

IV) Loans from related parties

	2013	2012
Loans from companies within SeaBird Group:		
At beginning of year	68,222	–
Additional loans/(loans repaid during year)	8,733	63,240
Interest charged	4,215	4,982
At end of year	**81,170**	**68,222**

The above loan is provided at 6.2% weighted average interest rate (6.3% in 2012) and is repayable on demand.

V) Commitments and contingencies

The company has neither commitments nor contingencies to related parties.

VI) Shareholding

Management and the board, as of 31 December 2013, held the following shares on own account:

Name	Title	Shares†	Options	Total
Henrik A Christensen	Chairman	533,333	–	533,333
Kjell Mathiassen	Board member	1,818,833	–	1,818,833
John Olav Økland	Board Member	11,485,123	–	11,485,123
Kitty Hall	Board Member	59,025	–	59,025
Melvin Teigen	Board Member	–	–	–
Dag Reynolds	CEO	100,000	2,000,000	2,100,000
Nils Haugestad	CFO	9,770	843,882	853,652
Alexander Holst	General Counsel	2,500	66,667	69,167
Kjell Mangerøy	VP Business Development	2,990	66,667	69,657
Babak Jabbari	VP Operations	–	66,667	66,667
Graham Stark	VP HSSEQ	–	33,334	33,334

† Direct includes shares held by spouses, dependent children or companies in which the person has such influence as referred to in the Norwegian Public Limited Liability Companies Act §1-3.

17. SUBSEQUENT EVENTS

On 12 March 2014, it was announced that the chairman of the board of directors of SeaBird Exploration Plc, Mr. Henrik Christensen, had advised the board of directors and the company's nomination committee that he did not wish to be re-elected to the board of directors at the next annual general meeting.

Given that the proposal for a new chairman of the board of directors was already agreed, Mr. Christensen, the board of directors and the nomination committee agreed that there is no reason to postpone implementation of the proposal until the annual general meeting, scheduled for 13 May 2014.

Mr. Åge Korsvold was elected as the new chairman of the company at an extraordinary general meeting held on 3rd April 2014. Åge Korsvold is currently a board member of i.a. Timex Group B.V., Vardia ASA, Green Resources AS and Aweco Invest AS.

18. FINANCIAL INSTRUMENTS

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2013	2012
Loans and receivables:			
Due from related parties	16	152,569	135,112
Other current assets	5	105	26
Total loans and receivables		**152,674**	**135,138**
Cash and cash equivalents	6	4,718	1,549
Total credit risk		**157,392**	**136,687**

Liquidity risk
Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short, medium and long term funding and liquidity requirements. The company manages liquidity risk by maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of available debt funding and by continuously monitoring forecast and actual cash flows.

The table below summarized the maturity profile of the company's financial liabilities at 31 December 2013 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	17,957	72,008	89,965
Interest payment	–	5,168	4,384	9,552
Trade and other payables	–	508	–	508
Total financial liabilities	**-**	**23,633**	**76,392**	**100,025**

The table below summarized the maturity profile of the company's financial liabilities at 31 December 2012 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	4,000	84,994	88,994
Interest payment	–	5,412	9,552	14,964
Trade and other payables	–	2,041	–	2,041
Total financial liabilities	**-**	**11,453**	**94,546**	**105,999**

18. FINANCIAL INSTRUMENTS

Currency risk

The company's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2013:

	EURO	NOK	Other†
Trade receivables	–	–	–
Trade and other payables	7	50	–
Gross balance sheet exposure	**7**	**50**	**-**

† USD equivalents

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD				
EURO 1	1.328	1.287	1.377	1.322
AUD 1	0.956	1.036	0.887	1.037
NOK 1	0.017	0.172	0.164	0.180
GBP 1	1.564	1.584	1.649	1.617

The company and its subsidiaries operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro and GBP.

Interest rate risk	2013	2012
Fixed rate financial liabilities:		
SBX03	76,008	76,391
Perestroika convertible loan	13,957	12,603
Total interest rate risk	**89,965**	**88,994**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

A change of 100 basis points in interest rate at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	100 bp increase	100 bp decrease
Variable rate instruments	869	(869)

Fair value versus carrying amounts

The company has reviewed the fair value of financial assets and liabilities compared to carrying amount at 31 December 2013. In general, this evaluation shows no material difference.

T +357 22495707
F +357 22495717
info@bdo.com.cy

Antonis Zenios Tower
1 Erehthiou Street
PO Box 25277
Nicosia CY2413
Cyprus
www.bdo.com.cy

Independent Auditor's Report

To the Members of Seabird Exploration Plc

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Seabird Exploration Plc (the "Company") and its subsidiaries ('the Group'), and the separate financial statements of Seabird Exploration Plc, which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 31 December 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows, and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and separate financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Seabird Exploration Plc and its subsidiaries as at 31 December 2013, and of its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of Matter

We draw attention to note 2.23 to the financial statements which indicates that as at 31 December 2013 the Group's current liabilities exceeded its current assets by $0.5m. The Group also incurred a loss of $6.7m on continuing operations for the year ended 31 December 2013. These conditions, along with other matters set forth in note 2.23 indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- The consolidated and separate financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated and the separate financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the Report of the Board of Directors is consistent with the consolidated financial statements.

Pursuant to the requirements of the Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Terence Kiely
Certified Public Accountant and Registered Auditor
for and on behalf of

BDO Ltd
Certified Public Accountants and Registered Auditors

Nicosia, Cyprus
4 April 2014

Statement of directors and other responsible persons

Statement of the members of the board of directors and other responsible persons of the company for the financial statements

In accordance with Article 9, sections (3) (C) and (7) of the Transparency Requirements (Securities for Trading on regulated Market) Law of 2007 of the Republic of Cyprus ("Law"), we the members of the board of directors and the other responsible persons for the consolidated financial statements of SeaBird Exploration Plc for the year ended 31 December 2013 confirm that, to the best of our knowledge:

(A) the accompanying annual consolidated financial statements:

- (I) were prepared in accordance with the International Financial Reporting Standards and in accordance with the provisions of Article 9, section (4) of the Law, and
- (II) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of SeaBird Exploration Plc and the businesses that are included in the consolidated accounts as a total, and

(B) the directors' report gives a fair review of the developments and the performance of the business as well as the financial position of SeaBird Exploration Plc and the businesses that are included in the consolidated accounts as a total, together with a description of the principal risks and uncertainties that they are facing.

Members of board of directors:

Åge Korsvold Chairman

Kitty Hall Director

Kjell H Mathiassen Director

Melvin Teigen Director

John Olav Økland Director

Management:

Dag Reynolds Chief Executive Officer

Nils Haugestad Chief Financial Officer

4 April 2014

Designed and produced by www.tothepoint.co.uk

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

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

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

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

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

WWW.SBEXP.COM

SeaBird Exploration