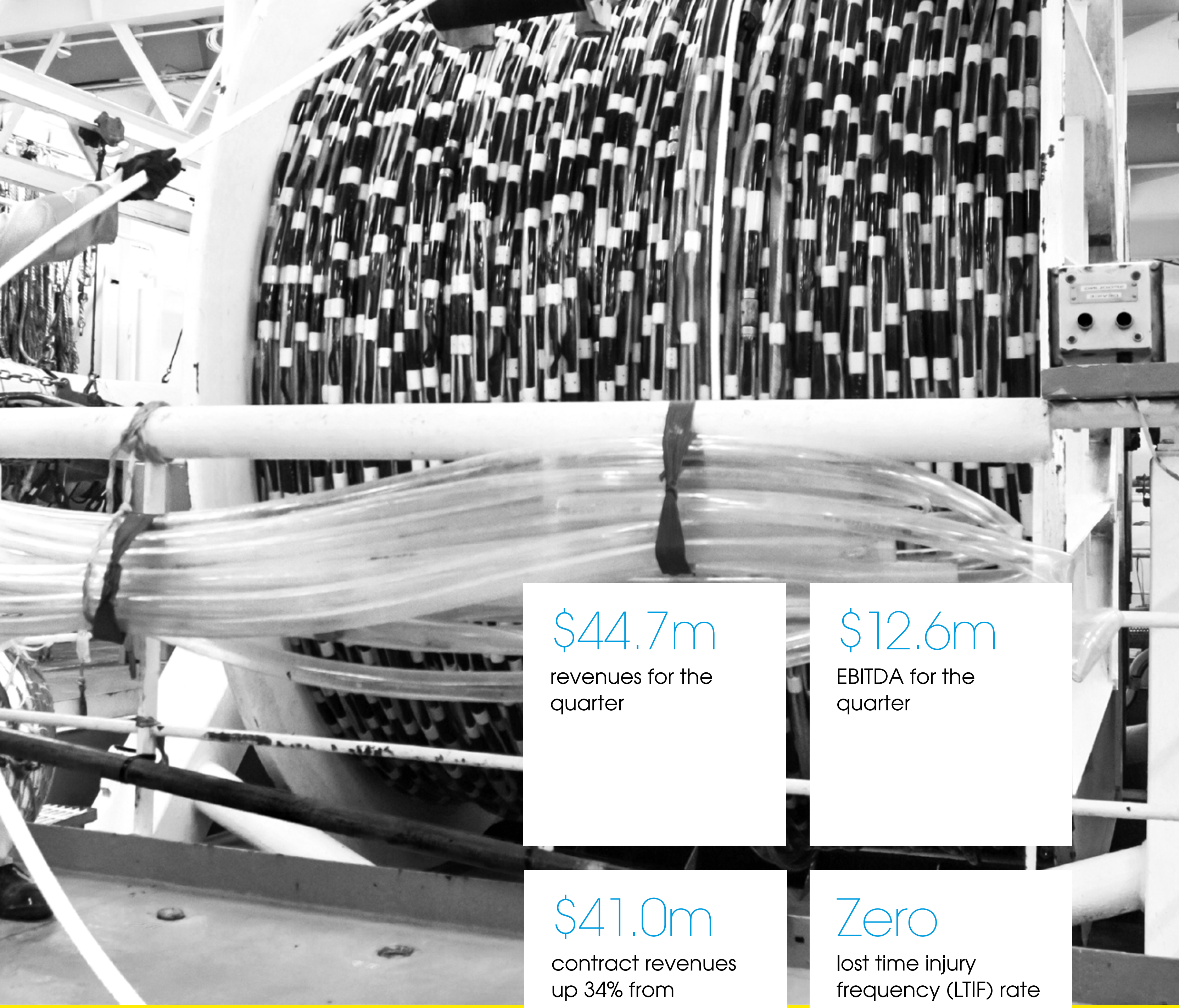
Second Quarter Report

2014 Q2

SeaBird Exploration

2014 SUMMARY OBSERVATIONS FOR THE SECOND QUARTER

- Revenues for the quarter were $44.7 million, an increase of 19% compared to Q2 2013 and up 33% relative to Q1 2014.
- Contract revenues for the period were $41.0 million, up 22% from Q2 2013 and an increase of 34% from Q1 2014.
- Multi-client revenues were $3.7 million, down 8% from $4.0 million reported in Q2 2013 and an increase of 16% from $3.2 million reported in Q1 2014.
- Contract surveys during the second quarter represented 72% of vessel capacity compared to 64% during the first quarter 2014; as a result of increased activity across the fleet.
- EBITDA was $12.6 million compared to $3.1 million for Q2 2013 and $10.2 million for Q1 2014.
- EBIT for the quarter was negative $2.6 million compared to negative $3.0 million for Q2 2013 and $2.4 million for Q1 2014.
- Vessel utilization for the period was 85%.



$44.7m

revenues for the quarter

$12.6m

EBITDA for the quarter

$41.0m

contract revenues up 34% from previous quarter

Zero

lost time injury frequency (LTIF) rate for the quarter

$3.7m

multi-client revenues for the period

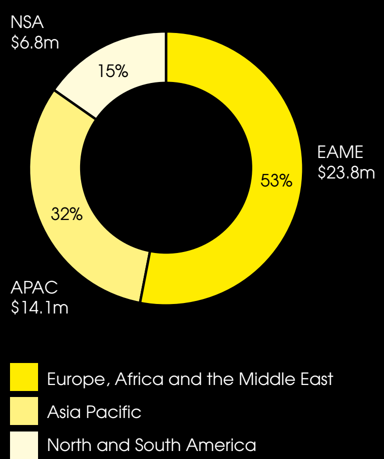
85%

vessel utilization

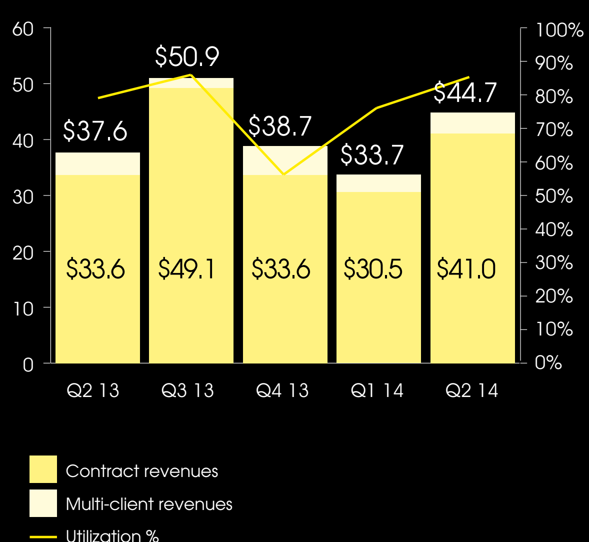
CONTENTS

KEY HIGHLIGHTS

Q2 REVENUES BY REGION (USD MILLIONS)



REVENUES CONTINUING OPERATIONS (USD MILLIONS)



Operational review

Second quarter revenues increased from the prior period as a result of solid 2D and source vessel performance. However, demand in the niche 3D segment has been slower to recover.

Contract surveys represented 72% of vessel capacity compared to 64% for the first quarter of 2014. Hawk Explorer and Northern Explorer completed the joint 2D survey in East Africa. Osprey Explorer completed another 2D survey in South America. Aquila Explorer performed four 2D surveys with oil companies in Australasia and continues to operate within this region. Voyager Explorer completed two 2D surveys in the Asia Pacific region. Harrier Explorer and Munin Explorer both performed source operations in the North Sea during the period.

Multi-client sales increased compared to the previous quarter. The majority of multi-client revenues related to prefunding of Geo Pacific's West African survey and the remaining portion is attributable to late sales from the existing multi-client library. An impairment of $6.2 million was charged to Geo Pacific's multi-client survey in West Africa due to a number of technical issues which have delayed the survey completion date until Q3 2014. Multi-client utilization was 13% for the period.

In June, Hawk Explorer and Osprey Explorer both entered planned dry dock. Hawk Explorer completed its yard stay towards the end of the period while work on Osprey Explorer continued into early Q3 2014. Yard stays represented 8% of vessel capacity during the quarter.

Vessel utilization was 85%, up from 76% in the first quarter. Operational performance for the quarter was strong, with the exception of the technical issues encountered by the Geo Pacific in West Africa. Technical downtime for the overall fleet was 6%.

The company delivered another quarter of solid health, safety, security, environment and quality (HSSEQ) results. The lost time injury frequency (LTIF) rate for the period was zero. During the quarter, SeaBird commenced an analysis of past performance to further improve HSSEQ processes and procedures.

Regional overview

Revenues remained strong in Europe Africa and the Middle East (EAME) during the quarter. Asia Pacific (APAC) revenues increased from the first quarter of 2014 as a result of continued 2D demand in the Australasia region. North and South America (NSA) remained flat compared with last quarter.

Sales in EAME of $23.8 million accounted for 53% of total revenues. The increase in EAME revenues compared to the prior period was mainly due to the joint project undertaken by Northern Explorer and Hawk Explorer in East Africa. The Munin Explorer repositioned to the North Sea at the beginning of the quarter as part of its long-term source charter agreement. Towards the end of Q2 2014 the Harrier Explorer completed its source contract in the North Sea.

APAC sales of $14.1 million accounted for 32% of total revenues. APAC revenues were up meaningfully compared to the first quarter 2014. Aquila Explorer continued its campaign in Australasia which made up a large portion of APAC revenues. The vessel completed four back-to-back surveys in Q2 2014 and thereafter immediately mobilized for another survey in the area. Voyager Explorer also completed two 2D projects within the region.

Sales in NSA of $6.8 million represented 15% of total revenues. NSA revenues remained stable with the Osprey Explorer being utilized on a 2D project in South America which was completed in the latter half of the period.

Outlook

Market demand in the 2D segment was strong entering the second quarter, resulting in high utilization in the first half of the period. However, we have recently seen increasing competition from 3D vessels entering the 2D and source markets. Additionally, the overall 2D market activity has moderated as of late. While we do not see a longer-term change in market demand, we do expect the current situation to negatively impact the company's third quarter.

We are continuing to see an increased interest in entering longer-term contracts and framework agreements. We also continue to see positive developments in the source market which is supported by growth in the ocean bottom seismic sector. We expect that the source market will remain an important part of fleet utilization going forward.

The niche 3D market is still to recover and the tender activity remains below historical market levels.

Pricing in all segments and regions has generally remained firm, but we do believe that the current market situation may selectively have a negative impact on pricing in the second half of the year.

Multi-client late sales have been slower to materialize and securing prefunding for new projects has been taking somewhat longer. Moreover, we do expect our late sales to remain erratic until the library is properly scaled. We continue to see multi-client activity as a core part of our strategy and will continue expanding our efforts in this segment.

FINANCIAL REVIEW

Financial review

Key financial figures

KEY FIGURES – CONTINUING OPERATIONS					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's (except for EPS and equity ratio)	2014	Restated 2013	2014	Restated 2013	Restated 2013
Revenues	44,722	37,604	78,446	87,607	177,270
EBITDA	12,581	3,060	22,748	14,512	31,620
EBIT	(2,583)	(3,006)	(196)	2,402	4,540
Profit/(loss)	(7,870)	(4,086)	(8,482)	(2,287)	(6,998)
Earnings per share (diluted)	(0.14)	(0.09)	(0.15)	(0.05)	(0.16)
Cash flow operating activities	13,180	10,813	28,100	19,046	27,178
Capital expenditures	(3,340)	(3,744)	(5,775)	(10,523)	(17,079)
Total assets	187,566	200,665	187,566	200,665	189,421
Net interest bearing debt	85,167	86,942	85,167	86,942	87,115
Equity ratio	26.8%	25.7%	26.8%	25.7%	30.4%

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

Financial comparison

All figures below relate to continuing operations unless otherwise stated. For discontinued operations, see note 1.

The company reports a net loss of $7.9 million for Q2 2014 (loss of $4.1 million in the same period in 2013).

The loss for the first half of 2014 was $8.5 million, compared to a loss of $2.3 million in 2013.

Revenues were $44.7 million in Q2 2014 ($37.6 million). The increased revenues are primarily due to higher vessel utilization and lower multi-client activity during the period.

Revenues for the first half of 2014 were $78.4 million compared with $87.6 million for 2013.

Cost of sales was $28.4 million in Q2 2014 ($30.0 million). The decrease is predominantly due to increased capitalization of costs to the multi-client library, partially offset by higher vessel utilization for the period and completion of multiple surveys. For the first half of 2014, cost of sales was $48.1 million, down from $64.1 million in 2013.

SG&A was $5.1 million in Q2 2014, up from $4.9 million in Q2 2013. This is principally due to an increase in employee numbers in line with a larger fleet size partially offset by a reduction in consultancy costs.

SG&A for the first half of 2014 was $10.0 million compared with $9.5 million for 2013.

EBITDA was $12.6 million in Q2 2014 ($3.1 million). EBITDA for the first half of 2014 was $22.7 million compared with $14.5 million for 2013.

Depreciation, amortization and impairment were $15.2 million in Q2 2014 ($6.1 million). The increase is predominantly due to an increase in multi-client sales amortization and impairment; along with the de-recognition of a number of cyclical assets as a result of the dry docking activities undertaken during the period. Impairment expense was $6.2 million in Q2 2014 (Nil). The charge recognizes the full multi-client project impairment expected from the Geo Pacific's multi-client survey in West Africa.

For the first half of 2014 depreciation, amortization and impairment were $22.9 million compared with $12.1 million for 2013.

Interest expense was $3.6 million in Q2 2014 ($3.0 million). For the first half of 2014, interest expense was $6.6 million, up from $6.0 million in 2013.

Other financial items, net expense, of negative $0.9 million in Q2 2014 (positive $0.5 million). The change is mainly due to currency fluctuations.

For the first half of 2014 other financial items, net expense, were negative $0.7 million compared with positive $0.4 million for 2013.

Income tax expense was $0.8 million in Q2 2014 (tax benefit of $1.5 million). This variance is predominantly due the reassessment of a number of historical tax provisions that occurred in Q2 2013.

For the first half of 2014, income tax expense was $1.0 million compared to a tax benefit of $0.9 million recorded in 2013.

Financial review

Capital expenditures were $3.3 million in Q2 2014 ($3.7 million). The majority of the capital cost incurred during the quarter related to the planned dry docking of Hawk Explorer and Osprey Explorer. The remaining portion related to the purchase of routine seismic and other equipment across the fleet.

Multi-client investment was $7.5 million in Q2 2014 ($3.7 million), which related to the Geo Pacific's 3D multi-client survey in West Africa.

Net profit from discontinued operations was $0.6 million for Q2 2014 (loss of $0.3 million). Discontinued operations represent the remaining contractual obligations of the ocean bottom node (OBN) business which was divested in 2011.

For the first half of 2014, net profit from discontinued operations was $1.0 million, compared to a net loss of $0.8 million reported in 2013.

Liquidity and financing

Cash and cash equivalents at the end of the period were $12.6 million ($13.8 million), of which $0.5 million was restricted in connection with deposits. Net cash from operating activities was $13.2 million in Q2 2014 ($10.8 million).

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 $81.9 million and is recognized in the books at amortized cost of $75.8 million per Q2 2014. 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 AS has a face value of $14.9 million and is recognized in the books at amortized cost of $14.7 million per Q2 2014. The convertible loan matures 30 September 2014 and has no principal amortization. Interest on the convertible loan is paid annually. No interest was paid during Q2 2014 in relation to the convertible loan.
- The lease of Hawk Explorer is recognized in the books as a finance lease at $7.2 million per Q2 2014. Installments of $1.1 million against the Hawk lease principal and $0.2 million against the interest portion were paid during Q2 2014 ($0.9 million and $0.3 million in Q2 2013, respectively). During the third quarter 2013, 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.

Management is currently reviewing possible refinancing alternatives open to the company.

Net interest-bearing debt was $85.2 million at the end of Q2 2014 ($86.9 million).

Accrued interest for Q2 2014 was $0.3 million ($0.2 million).

The company was in compliance with all covenants as of 30 June 2014.

Important events in the first half of the year

During the first half of 2014, the company signed a three-year master service agreement with a major industry participant. Moreover, the company executed a letter of intent with TGS-NOPEC Geophysical Company to acquire up to 200,000 kilometers of 2D seismic data in Mexico.

During the quarter, SeaBird extended the bareboat charter for the Voyager Explorer from 17 August 2014 to 17 August 2016 at a fixed rate of USD13,200 per day with three one-year options to extend the contract beyond the fixed charter period.

Recently, the company announced that it will close down its office in Dubai and transfer activities to other offices. This effort will help to enhance management oversight, improve business processes and reduce costs.

On 3 April 2014, Mr. Åge Korsvold was elected chairman of the board, replacing Mr. Henrik Christensen. Mr. Korsvold is currently a board member of i.a. Timex Group B.V., Vardia ASA, Green Resources AS and Aweco Invest AS.

Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2014, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the company's consolidated assets, liabilities, financial position and results of operations. We also confirm that, to the best of our knowledge, the first half 2014 report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major related parties transactions.

The Board of Directors and Chief Executive Officer
SeaBird Exploration Plc
14 August 2014

Åge Korsvold
Chairman

Kitty Hall
Director

Kjell H Mathiassen
Director

Melvin Teigen
Director

John Olav Økland
Director

Dag Reynolds
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION			
	As of 30 June		As of 31 December
All figures in USD 000's	2014 (Unaudited)	Restated 2013 (Unaudited)	Restated 2013 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	116,815	130,494	122,829
Multi-client library	10,693	5,958	7,067
Goodwill	1,267	1,267	1,267
Long-term investment	81	–	82
	128,856	**137,719**	**131,245**
Current assets			
Inventories	4,116	5,816	4,367
Trade receivables	33,487	22,973	24,712
Other current assets	8,544	20,404	16,942
Cash and cash equivalents	12,563	13,753	12,155
	58,710	**62,946**	**58,176**
Total assets	**187,566**	**200,665**	**189,421**
EQUITY			
Shareholders' equity			
Paid in capital	189,125	182,645	189,125
Equity component of convertible loan	6,296	6,296	6,296
Currency translation reserve	(407)	(854)	(392)
Share options granted	1,241	8,829	1,097
Retained earnings	(145,926)	(145,333)	(138,460)
	50,329	**51,583**	**57,666**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	71,768	92,632	72,008
Provision for end of service benefit	1,173	955	1,103
	72,941	**93,587**	**73,111**
Current liabilities			
Trade and other payables	32,184	34,895	25,254
Loans and borrowings	25,962	8,063	27,262
Tax liabilities	6,150	12,537	6,128
	64,296	**55,495**	**58,644**
Total liabilities	**137,237**	**149,082**	**131,755**
Total equity and liabilities	**187,566**	**200,665**	**189,421**

CONSOLIDATED INTERIM STATEMENT OF INCOME	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	44,722	37,604	78,446	87,607	177,270
Cost of sales	(28,363)	(30,010)	(48,086)	(64,147)	(127,823)
Selling, general and administrative expenses	(5,062)	(4,889)	(9,993)	(9,525)	(19,365)
Other income (expenses), net	1,284	355	2,381	577	1,538
Earnings before interest, tax, depreciation and amortization (EBITDA)	**12,581**	**3,060**	**22,748**	**14,512**	**31,620**
Depreciation	(5,693)	(3,861)	(10,892)	(9,076)	(22,321)
Amortization and impairment	(9,471)	(2,205)	(12,052)	(3,034)	(4,759)
Earnings before interest and taxes (EBIT)	**(2,583)**	**(3,006)**	**(196)**	**2,402**	**4,540**
Interest expense	(3,604)	(3,040)	(6,575)	(5,990)	(12,040)
Other financial items, net	(913)	479	(680)	381	(829)
Profit/(loss) before income tax	**(7,100)**	**(5,567)**	**(7,451)**	**(3,207)**	**(8,329)**
Income tax	(770)	1,481	(1,031)	920	1,331
Profit/(loss) continuing operations	**(7,870)**	**(4,086)**	**(8,482)**	**(2,287)**	**(6,998)**
Net profit/(loss) discontinued operations (note 1)	645	(348)	1,015	(820)	3,045
Profit/(loss) for the period	**(7,225)**	**(4,434)**	**(7,467)**	**(3,107)**	**(3,953)**
Profit/(loss) attributable to					
Shareholders of the parent	(7,225)	(4,434)	(7,467)	(3,107)	(3,953)
Earnings per share					
Basic	(0.13)	(0.10)	(0.13)	(0.07)	(0.09)
Diluted	(0.13)	(0.10)	(0.13)	(0.07)	(0.09)
Earnings per share from continued operations					
Basic	(0.14)	(0.09)	(0.15)	(0.05)	(0.16)
Diluted	(0.14)	(0.09)	(0.15)	(0.05)	(0.16)

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Profit/(loss)	**(7,225)**	**(4,434)**	**(7,467)**	**(3,107)**	**(3,953)**
OTHER COMPREHENSIVE INCOME					
Net movement in currency translation reserve and other changes	22	(465)	130	(340)	109
Total other comprehensive income, net of tax	**22**	**(465)**	**130**	**(340)**	**109**
Total comprehensive income	**(7,203)**	**(4,899)**	**(7,337)**	**(3,447)**	**(3,844)**
Total comprehensive income attributable to					
Shareholders of the parent	(7,203)	(4,899)	(7,337)	(3,447)	(3,844)
Total	**(7,203)**	**(4,899)**	**(7,337)**	**(3,447)**	**(3,844)**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY			
	Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Audited)
Opening balance	**57,666**	**53,146**	**53,146**
Profit/(loss) for the period	(7,467)	(3,107)	(3,953)
Increase/(decrease) in share capital	–	1,884	8,364
Share options granted	144	334	541
Net movements in currency translation reserve and other changes	(14)	(674)	(432)
Ending balance	**50,329**	**51,583**	**57,666**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2014	Restated 2013	2014	Restated 2013	Restated 2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax	(7,100)	(5,567)	(7,451)	(3,207)	(8,329)
Adjustments for					
Depreciation, amortization and impairment	15,165	6,066	22,945	12,110	27,080
Unrealized exchange (gain)/loss	157	(378)	187	(467)	(1,277)
Amortization of interest	2,662	2,589	5,231	5,114	10,333
Paid income tax	(794)	(971)	(1,167)	(1,236)	(3,321)
Earned on employee stock option plan	66	35	144	334	541
(Increase)/decrease in inventories	439	(126)	251	(1,896)	(446)
(Increase)/decrease in trade and other receivables	4,905	15,880	(940)	3,528	5,374
Increase/(decrease) in trade and other payables	(2,320)	(6,715)	8,900	4,766	(2,777)
Net cash from operating activities	**13,180**	**10,813**	**28,100**	**19,046**	**27,178**
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(3,340)	(3,744)	(5,775)	(10,523)	(17,079)
Multi-client investment	(7,491)	(3,705)	(14,857)	(3,883)	(6,307)
Long term investment	–	–	–	–	(83)
Net cash used in investing activities	**(10,831)**	**(7,449)**	**(20,632)**	**(14,406)**	**(23,469)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares	–	–	–	1,884	8,364
Receipts from borrowings	–	–	–	–	–
Repayment of borrowings	(3,055)	(2,946)	(4,070)	(3,858)	(7,851)
Interest paid	(2,735)	(2,636)	(2,975)	(2,980)	(6,596)
Net movement in currency fluctuations	(45)	(501)	(15)	(677)	(215)
Net cash from financing activities	**(5,835)**	**(6,083)**	**(7,060)**	**(5,631)**	**(6,298)**
Net (decrease)/increase in cash and cash equivalents	**(3,486)**	**(2,719)**	**408**	**(991)**	**(2,589)**
Cash and cash equivalents at beginning of the period	**16,049**	**16,472**	**12,155**	**14,744**	**14,744**
Cash and cash equivalents discontinued operations	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at end of the period	**12,563**	**13,753**	**12,563**	**13,753**	**12,155**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS					
	Quarter ended 30 June		Six months ended 30 June		Year ended 31 December
All figures in USD 000's	2014	2013	2014	2013	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	–	248	161	823	823
Cost of sales	666	(269)	768	(983)	(1,163)
Selling, general and administrative expenses	(21)	(13)	(7)	(76)	(86)
Other income (expenses), net	–	30	170	122	212
Earnings before interest, tax, depreciation and amortization (EBITDA)	**645**	**(4)**	**1,092**	**(114)**	**(214)**
Depreciation	–	–	–	–	–
Amortization and impairment	–	–	–	–	–
Earnings before interest and taxes (EBIT)	**645**	**(4)**	**1,092**	**(114)**	**(214)**
Interest expense	–	–	–	–	–
Other financial items, net	–	–	–	–	–
Profit/(loss) before income tax	**645**	**(4)**	**1,092**	**(114)**	**(214)**
Income tax	-	(344)	(77)	(706)	3,259
Profit/(loss) discontinuing operations	**645**	**(348)**	**1,015**	**(820)**	**3,045**
Gain/(loss) on sale of OBN business	–	–	–	–	–
Net profit/(loss) from discontinued operations	**645**	**(348)**	**1,015**	**(820)**	**3,045**
Profit/(loss) attributable to					
Shareholders of the parent	645	(348)	1,015	(820)	3,045

SELECTED NOTES AND DISCLOSURES

Selected notes and disclosures

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

Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Oslo Stock Exchange. The condensed interim consolidated financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013. The consolidated financial statements for the year ended 31 December 2013 and quarterly reports are available at www.sbexp.com. The financial statements as of Q2 2014, as approved by the board of directors 14 August 2014, are unaudited.

Significant accounting principles

The accounting policies used for preparation of the condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for 2013 unless otherwise stated.

Risk factors

The information in this report may constitute forward-looking statements. These statements are based on various assumptions made by the company, many of which are beyond its control and all of which are subject to risks and uncertainties. Risk factors include but are not limited to the demand for our seismic services, the high level of competition in the 2D/3D market, changes in governmental regulations, adverse weather conditions, and currency and commodity price fluctuations. For further description of relevant risk factors, we refer to the annual report 2013. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Segment information

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

Revenue recognition

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

RESTATEMENT Q2 2013	Q2 2013	Adj.	Restated Q2 2013
RESTATEMENT OF CONSOLIDATED STATEMENT OF INCOME			
Revenue	40,187	(2,583)	37,604
Cost of sales	(31,927)	1,917	(30,010)
Selling, general and administrative expenses	(4,935)	46	(4,889)
RESTATEMENT OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Other current assets	19,196	1,208	20,404
Trade and other payables	33,745	1,150	34,895
Retained earnings	(145,391)	58	(145,333)
Total equity	**51,525**	**58**	**51,583**

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

Selected notes and disclosures

Property, plant and equipment

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

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

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

Depreciation for Q2 2014 was $5.7 million.

Multi-client library

Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the multi-client library in the period when they occur.

The company introduced a new amortization category in 2013 to conform to seismic industry accounting practices. "Category 1" libraries (the new category) are subject to minimum amortization of 20% in the first year, 20% in the second year, 20% in the third year, 20% in the fourth year and 20% in the fifth year. Each project is placed into one of ten sales amortization categories with amortization rates of 100%, 95%, 90%, 85%, 80%, 75%, 70%, 65%, 60%, 55%, 50% or 45%. "Category 2" multi-client libraries are amortized over the shorter of 3 years or the life of the survey.

Multi-client library	USD million
Beginning balance	12.3
Capitalized cost	7.5
Capitalized depreciation	0.4
Impairment	(6.2)
Amortization	(3.3)
Net book value Q2 2014	**10.7**

Multi-client sales in Q2 2014 were $3.7 million ($4.0 million).

Discontinued operations

On 8 December 2011, the company closed the share and purchase agreement with Fugro Norway AS related to Fugro's acquisition of SeaBird Technologies AS and Seabed Navigation Company Limited, which collectively held all of the company's rights and assets related to the OBN business (accounted for as discontinued operations). See note 1 to the consolidated income statement for the income statement for discontinued operations.

Share capital and share options

The total number of shares at 30 June 2014 is 57,581,246.

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

As at 30 June 2014, there are a total of 3,310,554 share options granted to 12 employees.

Taxes

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

Related party transactions

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

The company is leasing the Munin Explorer from Ordinat Shipping AS which is indirectly owned by John Olav Økland (22.8%) and the rest by the Økland family. Ordinat Shipping AS is a major shareholder and Mr. Økland 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.

In Q4 2013, SeaBird extended the bareboat charter for the Munin Explorer from 1 November 2014 to 31 October 2019. In connection with the bareboat extension, the charter rate was reduced from USD 20,271 per day to USD 12,000 per day, commencing 1 February 2014. The charter rate will escalate with 2% per year throughout the charter period, in accordance with the original agreement.

The company also charters the 3D vessel Geo Pacific from Fugro, through a subsidiary of Ordinat Shipping AS initially on a three-year bareboat charter from January 2013 to December 2015 with four one-year options to extend the contract between the company and the subsidiary of Ordinat Shipping AS. Furthermore, SeaBird has purchase options on the vessel in year three and, to the extent the lease is extended, year four.

The amount of charter hire recognized in cost of sales to related parties during Q2 2014 was $2.9 million ($3.7 million).

Going concern

As at 30 June 2014, the company does not have sufficient working capital to cover present requirements for a period of at least twelve months. At 30 June 2014, current assets were $58.7 million compared to current liabilities of $64.3 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 30 June 2014). 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.

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