SEABIRD EXPLORATION FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 1 August 2014 to 31 December 2014

SEABIRD EXPLORATION FINANCE LIMITED

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SEABIRD EXPLORATION FINANCE LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Per Nils Christian Haugestad (appointed on incorporation) Dag Wilfred Reynolds (appointed on incorporation) Helen Georgiades (appointed on incorporation)
Company Secretary:	Adamos Montanios 3 Spyridonos Xinda 'THE BELLAGIO' RESIDENCE, flat/office 301 1090, Nicosia, Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue PC 2048 Strovolos Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 4th floor 3106, Limassol Cyprus

SEABIRD EXPLORATION FINANCE LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its first report and audited financial statements of the company for the period from 1 August 2014 to 31 December 2014.

Incorporation
The company Seabird Exploration Finance Limited was incorporated in Cyprus on 1 August 2014 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

Principal activities
The company was dormant throughout the period from 1 August 2014 to 31 December 2014. The company intends to provide financial services to the seismic and maritime companies in the SeaBird group, and to offer banking and funding solutions such as working capital, ship and equipment finance. The company is part of the Seabird Exploration Group. Financial restructuring has been completed in March 2015.

Review of current position, future developments and significant risks
The results of this period are considered satisfactory and reflect the financial position of a dormant company. The going concern of the group is discussed in note 11 to these financial statements.

The main risks and uncertainties faced by the company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results
The company's results for the period are set out on page 5.

Share capital
Authorized capital
Under its Memorandum the Company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.
Issued capital
Upon incorporation on 1 August 2014 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

Board of Directors
The members of the company's the board of directors as at 31 December 2014 and at the date of this report are presented on page 1. All of them were members of the board of directors throughout the period from 1 August 2014 to 31 December 2014.

In accordance with the company's Articles of Association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 12 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Dag Wilfred Reynolds
Director

Nicosia, Cyprus,

17 April 2015

BDO

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Independent auditor's report

To the Members of Seabird Exploration Finance Limited

Report on the financial statements

We have audited the financial statements of Seabird Exploration Finance Limited (the "company") on pages 5 to 12 which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the period from 1 August 2014 to 31 December 2014, and a summary of significant accounting policies and other explanatory information.

The board of directors' responsibility for the financial statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Board of directors, as well as evaluating the overall presentation of the financial statements.

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

BDO

Independent auditor's report (continued)

To the Members of Seabird Exploration Finance Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Seabird Exploration Finance Limited as at 31 December 2014, and of its financial performance and its cash flows for the period from 1 August 2014 to 31 December 2014 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 11 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 11 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus.

17 April 2015

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Period from 1 August 2014 to 31 December 2014

	Note	2014 US$'000
Net profit for the period		-
Other comprehensive income		-
Total comprehensive income for the period		-

The notes on pages 9 to 12 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2014

	Note	2014 US$'000
ASSETS		
Current assets		
Receivables	6	1
		1
Total assets		1
EQUITY AND LIABILITIES		
Equity		
Share capital	7	1
Total equity		1
Total equity and liabilities		1

On 17 April 2015 the board of directors of Seabird Exploration Finance Limited authorized these financial statements for issue.

Per Nils Christian Haugestad
Director

Dag Wilfred Reynolds
Director

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
Period from 1 August 2014 to 31 December 2014

	Note	Share capital US$'000	Total US$'000
Comprehensive income			
Total comprehensive income for the period		-	-
Transactions with owners			
Issue of share capital	7	1	1
Balance at 31 December 2014		1	1

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

SEABIRD EXPLORATION FINANCE LIMITED

CASH FLOW STATEMENT
Period from 1 August 2014 to 31 December 2014

	2014 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	-
Cash flows from operations	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents:	
At beginning of the period	-
At end of the period	-

NOTES TO THE FINANCIAL STATEMENTS
Period from 1 August 2014 to 31 December 2014

1. Incorporation and principal activities

Country of incorporation

The company Seabird Exploration Finance Limited (the "company") was incorporated in Cyprus on 1 August 2014 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, 4th floor, 3106, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activities

The company was dormant throughout the period from 1 August 2014 to 31 December 2014. The company intends to provide financial services to the seismic and maritime companies in the SeaBird group, and to offer banking and funding solutions such as working capital, ship and equipment finance. The company is part of the Seabird Exploration Group. Financial restructuring has been completed in March 2015.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current period 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 August 2014.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The board of directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the company.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Share capital

Ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS
Period from 1 August 2014 to 31 December 2014

3. Financial risk management

Financial risk factors
The company is not exposed to any significant financial risk.

4. Critical accounting estimates and judgments

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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Tax

The corporation tax rate is 12.5%.

Under certain conditions interest income may be subject to defense contribution at the rate of 30% (2012:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

6. Receivables

	2014 US$'000
Shareholders' current accounts - debit balances (Note 8)	1
	1

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

7. Share capital

	2014 Number of shares	2014 US$'000
Authorized		
Ordinary shares of €1.00 each	10,000	13
Issued and fully paid		
Issue of shares	1,000	1
Balance at 31 December	1,000	1

Authorized capital
Under its Memorandum the Company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.

7. Share capital (continued)

Issued capital
Upon incorporation on 1 August 2014 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

8. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus.

During the period, the company's parent suffered the administration expenses of the company.

The following transactions were carried out with related parties:

8.1 Shareholders' current accounts - debit balances (Note 6)

	2014 US$'000
Shareholders' current account	1
	1

The shareholders' current accounts are interest free, and have no specified repayment date.

9. Contingent liabilities

As mentioned in note 12, the company has issued a bond with a value of $29.3m in March 2015. As part of these arrangements, the company is acting as a guarantor for the bond it has issued.

The company had no other contingent liabilities as at 31 December 2014.

10. Commitments

The company had no capital or other commitments as at 31 December 2014.

11. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period from 1 August 2014 to 31 December 2014

12. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.

- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable

Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

As part of the restructuring, group debt to external parties of approximately $29 million is expected to be transferred to the company in Q1 2015.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 11, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

AQUILA EXPLORER INC

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

AQUILA EXPLORER INC

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

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AQUILA EXPLORER INC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy Dag Wilfred Reynolds Kjell Hjalmar Mathiassen
Company secretary:	Kjell Hjalmar Mathiassen 73 Furstveien Snaroya 1367 Norway
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

AQUILA EXPLORER INC

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net profit of the company for the year ended 31 December 2013 was US$1,856 thousand (2012: net loss US$6,299 thousand). On 31 December 2013 the total assets of the company were US$44,775 thousand (2012: US$27,446 thousand) and the net liabilities of the company were US$40,035 thousand (2012: US$41,891 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 23 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The board of directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

BDO

Independent auditor's report
To the members of Aquila Explorer Inc

Report on the financial statements

We have audited the financial statements of Aquila Explorer Inc (the "company") on pages 5 to 27 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Aquila Explorer Inc as at 31 December 2013, and of its financial performance and its 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 23 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 23 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus
1 April 2015

AQUILA EXPLORER INC

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue	5	17,836	7,891
Charter hire and operating expenses	8	(4,127)	(1,866)
Selling, general and administration expenses	8	(1,185)	(336)
Other expense		-	(23)
Earnings before interest, depreciation and amortization		12,524	5,666
Depreciation and amortization expense		(6,228)	(7,568)
Earnings before interest and taxes	7	6,296	(1,902)
Net finance income/(cost)	9	228	(130)
Interest expense	9	(4,668)	(4,266)
Profit/(loss) before tax		1,856	(6,298)
Tax	10	-	(1)
Net profit/(loss) for the year		1,856	(6,299)
Other comprehensive income		-	-
Total comprehensive income for the year		1,856	(6,299)

The notes on pages 9 to 27 form an integral part of these financial statements.

AQUILA EXPLORER INC

STATEMENT OF FINANCIAL POSITION
31 December 2013

ASSETS	Note	2013 US$'000	2012 US$'000
Non-current assets			
Property, plant and equipment	11	23,279	26,015
Multi-client library	12	5,122	460
Non-current loans receivable	13	11,264	-
		39,665	26,475
Current assets			
Inventories	14	637	674
Trade and other receivables	15	4,467	289
Cash and cash equivalents	16	6	8
		5,110	971
Total assets		44,775	27,446
EQUITY AND LIABILITIES			
Equity			
Share capital	17	10	10
Accumulated losses		(40,045)	(41,901)
Total equity		(40,035)	(41,891)
Non-current liabilities			
Borrowings	18	82,361	-
		82,361	-
Current liabilities			
Trade and other payables	19	2,449	1,303
Borrowings	18	-	66,034
		2,449	69,337
Total liabilities		84,810	69,337
Total equity and liabilities		44,775	27,446

On 1 April 2015 the board of directors of Aquila Explorer Inc authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

The notes on pages 9 to 27 form an integral part of these financial statements.

AQUILA EXPLORER INC

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2012	10	(35,602)	(35,592)
Comprehensive income			
Net loss for the year	-	(6,299)	(6,299)
Balance at 31 December 2012/ 1 January 2013	10	(41,901)	(41,891)
Comprehensive income			
Net profit for the year	-	1,856	1,856
Balance at 31 December 2013	10	(40,045)	(40,035)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

AQUILA EXPLORER INC

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		1,856	(6,298)
Adjustments for:			
Depreciation and amortization	11	6,228	7,568
Unrealized exchange (profit)		(61)	(80)
Interest income	9	(177)	-
Interest expense	9	4,668	4,266
Cash flows from operations before working capital changes		12,514	5,456
Decrease/(increase) in inventories		37	(296)
Increase in trade and other receivables		(4,178)	(151)
(Decrease)/increase in trade and other payables		(854)	533
Decrease in payables to related companies		-	(607)
Cash flows from operations		7,519	4,935
Tax paid		-	(1)
Net cash flows from operating activities		7,519	4,934
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(11,087)	-
Proceeds from disposal of property, plant and equipment		-	1,051
Capital expenditure		(8,154)	(5,985)
Net cash flows used in investing activities		(19,241)	(4,934)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		11,720	-
Net cash flows from financing activities		11,720	-
Net decrease in cash and cash equivalents		(2)	-
Cash and cash equivalents:			
At beginning of the year		8	8
At end of the year	16	6	8

1. Incorporation and principal activities

Country of incorporation

The company Aquila Explorer Inc (the "company") was incorporated in Panama as a private limited liability company. The company has been managed and controlled in Cyprus since 11 December 2008 and registered as an overseas company in Cyprus since 15 June 2010. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *Amendment to IAS32 "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).*

Amendments

- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

2. Accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

2. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

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, the company 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: "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.

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 the company 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments

Financial assets

(1) Classification

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

- <u>Loans and receivables</u>

  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.

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.

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.

- <u>Interest bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

AQUILA EXPLORER INC

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments (continued)

- 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.

- Trade payables

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

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.

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

3. Risk factors and financial risk management (continued)

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	11,264	-
LIBOR based USD intercompany loans	(82,361)	(66,034)
	(71,097)	(66,034)

In addition cash and cash equivalents of US$6 thousand at 31 December 2013 and cash and cash equivalents of US$8 thousand at 31 December 2012 are interest bearing assets with variable rates.

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 US$711 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

The company 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

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

	2013 US$'000	2012 US$'000
Loans receivables from related parties	11,264	-
Trade and other receivables	4,465	289
Cash at bank	6	8
	15,735	297

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	2,448	-	2,448	-	-
Loans from related companies	11,446	11,446	-	-	-
Loan from parent company	70,915	70,915	-	-	-
	84,809	82,361	2,448	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3,302	-	3,302	-	-
Loan from parent company	66,034	66,034	-	-	-
	69,336	66,034	3,302	-	-

e. Risks related to debt arrangements

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

4. Critical accounting estimates and judgments (continued)

- **Estimated impairment of multi-client surveys, vessels and equipment**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

  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.

- **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.

- **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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Revenue

	2013 US$'000	2012 US$'000
Multi-client revenue	11,861	3,330
Contract revenue	5,975	4,561
	17,836	7,891

6. Other income / (expense)

	2013 US$'000	2012 US$'000
Other miscellaneous expenses	-	(23)
	-	(23)

7. Operating profit/(loss)

	2013 US$'000	2012 US$'000
Operating profit is stated after the following items:		
Auditors' remuneration	-	11

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

8. Expenses by nature

	2013 US$'000	2012 US$'000
Charter hire	511	-
Crew	1,119	1,866
Seismic and marine expenses	2,496	-
Other operating expenses	1	-
Total charter hire and operating expenses	4,127	1,866

	2013 US$'000	2012 US$'000
Legal and professional	-	27
Management fee	1,185	304
Other expenses	-	5
Total selling, general and administration expenses	1,185	336

9. Finance income/cost

	2013 US$'000	2012 US$'000
Interest income	177	-
Exchange profit	56	-
Finance income	233	-
Net foreign exchange transaction losses	-	(129)
Interest expense	(4,668)	(4,266)
Sundry finance expenses	(5)	(1)
Finance costs	(4,673)	(4,396)
Net finance costs	(4,440)	(4,396)

10. Tax

	2013 US$'000	2012 US$'000
Overseas tax	-	1
Charge for the year	-	1

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Profit/(loss) before tax	1,856	(6,298)
Tax calculated at the applicable tax rates	232	(630)
Tax effect of expenses not deductible for tax purposes	779	757
Tax effect of allowances and income not subject to tax	(779)	(757)
Tax effect of tax losses brought forward	(232)	-
Tax effect of tax loss for the year	-	630
Overseas tax in excess of credit claim used during the year	-	1
Tax charge	-	1

The corporation tax rate is 12.5% (2012:10%).

The company is a tax resident in Cyprus. With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

11. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	57,214	57,214
Accumulated impairment	(13,424)	(13,424)
Accumulated depreciation	(17,765)	(17,765)
Net book amount	26,025	26,025
Year ended 31 December 2012		
Opening net book amount	26,025	26,025
Additions	4,600	4,600
Disposals	(2,080)	(2,080)
Reversal of accumulated depreciation on disposal	617	617
Depreciation	(3,147)	(3,147)
Closing net book amount	26,015	26,015
At 31 December 2012/1 January 2013		
Cost or valuation	59,734	59,734
Accumulated impairment	(13,424)	(13,424)
Accumulated depreciation	(20,295)	(20,295)
Net book amount	26,015	26,015
Year ended 31 December 2013		
Opening net book amount	26,015	26,015
Additions	1,282	1,282
Derecognition of cost of property, plant and equipment	(2,575)	(2,575)
Derecognition of accumulated depreciation	2,575	2,575
Depreciation	(4,018)	(4,018)
Closing net book amount	23,279	23,279
At 31 December 2013		
Cost or valuation	58,441	58,441
Accumulated impairment	(13,424)	(13,424)
Accumulated depreciation	(21,738)	(21,738)
Net book amount	23,279	23,279

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Ltd.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

12. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	6,573	6,573
Accumulated amortization	(3,489)	(3,489)
Net book amount	3,084	3,084
Year ended 31 December 2012		
Opening net book amount	3,084	3,084
Additions	2,139	2,139
Amortization	(4,763)	(4,763)
Closing net book amount	460	460
At 31 December 2012/1 January 2013		
Cost or valuation	8,712	8,712
Accumulated amortization	(8,252)	(8,252)
Net book amount	460	460
Year ended 31 December 2013		
Opening net book amount	460	460
Additions	6,872	6,872
Amortization	(2,210)	(2,210)
Closing net book amount	5,122	5,122
At 31 December 2013		
Cost or valuation	15,584	15,584
Accumulated amortization	(10,462)	(10,462)
Net book amount	5,122	5,122

13. Non-current loans receivable

	2013 US$'000	2012 US$'000
Loans to related companies (Note 20)	11,264	-
	11,264	-

The exposure of the company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

14. Inventories

	2013 US$'000	2012 US$'000
Inventory	637	674
	637	674

The opening balance at 1 January 2013 of US$674 thousand related to bunker fuel has been recognized as expense in 2013.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

15. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	1,701	154
Prepaid expenses	714	-
Other current asset	2,050	135
Refundable VAT	2	-
	4,467	289

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

16. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	6	8
	6	8

17. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorised				
Ordinary shares of €1,71 each	100	10	100	10
Issued and fully paid				
Balance at 1 January	100	10	100	10
Balance at 31 December	100	10	100	10

18. Borrowings

	2013 US$'000	2012 US$'000
Current borrowings		
Loan from parent company (Note 20)	-	66,034
	-	66,034
Non current borrowings		
Loans from related companies (Note 20)	11,446	-
Loan from parent company (Note 20)	70,915	-
	82,361	-
Total	82,361	66,034

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

18. Borrowings (continued)

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	82,361	66,034
	82,361	66,034

19. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	1,295	2,785
Accrued salaries	29	315
Accrued expenses and other payables	1,125	203
	2,449	3,303

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

20. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. Except as disclosed in note 11, the following transactions were carried out with related parties:

20.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	8,887	4,561
	8,887	4,561

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

20.2 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services (Note 7)	3,400	304
Internal charter hire	3,717	-
	7,117	304

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

Included in the cost of intangible assets of US$6,872 thousand is the cost of a multi-client survey carried out by the vessel, Osprey Explorer. Osprey Explorer is owned and operated by a fellow group subsidiary.

20.3 Loans to companies within Seabird Group (Note 13)

	2013 US$'000	2012 US$'000
Additional loans during the year	11,087	-
Interest charge	177	-
	11,264	-

The above loans bear interest at 6.17% per annum and are repayable on demand.

20. Related party transactions (continued)

20.4 Loans from companies within Seabird Group (Note 18)

	2013 US$'000	2012 US$'000
At beginning of year	-	3,108
Additional loans during the year	10,972	-
Interest charge	474	-
Repayments	-	(3,108)
At the end of the year	11,446	-

The above loans bear interest at 6.17% (2012: 6.32%) per annum and are repayable on demand.

20.5 Loans from parent company (Note 18)

	2013 US$'000	2012 US$'000
At beginning of the year	66,034	59,347
Additional loans during the year	748	2,501
Interest charge	4,133	4,186
At the end of the year	70,915	66,034

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

21. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

22. Commitments

The company had no capital or other commitments as at 31 December 2013.

23. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

AQUILA EXPLORER INC

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

24. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 23, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

AQUILA EXPLORER INC

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Profit before tax	5		1,856
Add:			
Depreciation		6,228	
			6,228
			8,084
Less:			
Capital allowances		6,228	
			(6,228)
Chargeable income for the year			1,856
			€
Converted into € at US$'000 1.328000 = €1			1,398
Loss brought forward			(16,951)
Loss carried forward - under corporation tax			(15,553)

AQUILA EXPLORER INC

REPORT AND FINANCIAL STATEMENTS
31 December 2012

AQUILA EXPLORER INC

REPORT AND FINANCIAL STATEMENTS
31 December 2012

CONTENTS

AQUILA EXPLORER INC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy Timothy Nicholas Isden Kjell Hjalmar Mathiassen
Company Secretary:	Kjell Hjalmar Mathiassen 73 Furstveien Snaroya 1367 Norway
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

AQUILA EXPLORER INC

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net loss for the company for the year ended 31 December 2012 was US$6,299 thousand (2011: US$23,328 thousand). On 31 December 2012 the total assets of the company were US$27,446 thousand (2011: US$29,633 thousand) and the net liabilities of the company were US$41,891 thousand (2011: US$35,592 thousand). The financial position of the company as presented in these financial statements indicates reliance on other group companies in order for it to continue as a going concern. The going concern of the Group is discussed in note 2 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 22 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Kjell Norman Mangeroy
Director

Nicosia, 8 July 2013

Independent auditor's report
To the Members of Aquila Explorer Inc

Report on the financial statements

We have audited the financial statements of Aquila Explorer Inc (the "company") on pages 5 to 26 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Aquila Explorer Inc as at 31 December 2012, and of its financial performance and its 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.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia, Cyprus

..21/03/.. 2013

AQUILA EXPLORER INC

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue	5	7,891	9,494
Charter hire and operating expenses	8	(1,866)	(7,363)
Selling, general and administration expenses	8	(336)	(1,310)
Other (expense) / income	6	(23)	20
Earnings before interest, depreciation and amortization		5,666	841
Depreciation and amortization expense		(7,568)	(5,313)
Impairment charge		-	(13,424)
Earnings before interest and taxes	7	(1,902)	(17,896)
Interest expense	9	(4,266)	(4,662)
Finance costs	9	(130)	(770)
Loss before tax		(6,298)	(23,328)
Tax	10	(1)	-
Net loss for the year		(6,299)	(23,328)
Other comprehensive income		-	-
Total comprehensive income for the year		(6,299)	(23,328)

AQUILA EXPLORER INC

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	26,015	26,025
Multi-client library	12	460	3,084
		26,475	29,109
Current assets			
Inventories	13	674	378
Trade and other receivables	14	289	138
Cash and cash equivalents	15	8	8
		971	524
Total assets		27,446	29,633
EQUITY AND LIABILITIES			
Equity			
Share capital	16	10	10
Accumulated losses		(41,901)	(35,602)
Total equity		(41,891)	(35,592)
Current liabilities			
Trade and other payables	18	3,303	2,770
Borrowings	17	66,034	62,455
		69,337	65,225
Total equity and liabilities		27,446	29,633

On 8 July 2013 the Board of Directors of Aquila Explorer Inc authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Kjell Hjalmar Mathiassen
Director

AQUILA EXPLORER INC

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	10	(12,274)	(12,264)
Comprehensive income			
Net loss for the year	-	(23,328)	(23,328)
Balance at 31 December 2011/ 1 January 2012	10	(35,602)	(35,592)
Comprehensive income			
Net loss for the year	-	(6,299)	(6,299)
Balance at 31 December 2012	10	(41,901)	(41,891)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

AQUILA EXPLORER INC

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(6,298)	(23,328)
Adjustments for:			
Depreciation and amortization	11	7,568	5,313
Unrealized exchange (profit)		(80)	-
Impairment charge of property, plant and equipment	11	-	13,424
Interest expense	9	4,266	4,662
Cash flows from operations before working capital changes		5,456	71
(Increase)/decrease in inventories		(296)	293
Increase in trade and other receivables		(151)	(116)
Increase/(decrease) in trade and other payables		533	(4,161)
Increase/(decrease) in payables to related companies		(607)	23,530
Cash flows from operations		4,935	19,617
Tax paid		(1)	-
Net cash flows from operating activities		4,934	19,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(5,985)	(2,461)
Proceeds from disposal of property, plant and equipment		1,051	432
Net cash flows used in investing activities		(4,934)	(2,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in borrowings		-	(13,343)
Net cash flows used in financing activities		-	(13,343)
Net increase in cash and cash equivalents		-	4,245
Cash and cash equivalents:			
At beginning of the year		8	(4,237)
At end of the year	15	8	8

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The company Aquila Explorer Inc (the "company") was incorporated in Panama as a private limited liability company. The company has been managed and controlled in Cyprus since 11 December 2008 and registered as an overseas company in Cyprus since 15 June 2010. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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 revenue is recognized once the end-user has received access to the data and is recognized on the basis of the proportion the project is completed relative to the total services to be provided. Multi-client prefunding is recognized as revenues when the clients are an end user of the data and prefunding from multi-client survey partner companies is treated as a reduction in capital investment. 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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

2. Accounting policies (continued)

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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. 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.

Multi-client Data Library

The multi-client library consists of seismic data surveys to be licensed to customers on a nonexclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the multi-client library.

All multi-client libraries are subject to amortization over a maximum period of 3 years starting in the quarter after project completion. Further the company classifies its multi-client libraries at the outset into one of two categories. "Category 1" libraries are subject to an additional amortization charge equal to any sale made in the quarter. "Category 2" libraries do not carry any additional charge as these libraries are expected to be more profitable.

All multi-client libraries are subject to annual impairment reviews based on expectations of estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

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 the company 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 admin 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 admin expenses' in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- <u>Interest-bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- <u>Financial liabilities at fair value through profit or loss</u>

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.

- <u>Trade payables</u>

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest - bearing financial instruments was:

	2012 US$'000	2011 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	66,034	62,455
	66,034	62,455

In addition cash and cash equivalents of US$8 thousand at 31 December 2012 and cash and cash equivalents of US$8 thousand at 31 December 2011 are interest bearing assets with variable rates.

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 US$660 thousand, based on an average of 1 January and 31 December for long term interest bearing liabilities. The analysis assumes that all other variables remain constant.

c. Credit risk

The company 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.

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

	2012 US$'000	2011 US$'000
Trade and other receivables	289	138
Cash at bank	8	8
	297	146

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3,302	-	3,302	-	-
Loans from related companies	66,034	66,034	-	-	-
	69,336	66,034	3,302	-	-

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	2,770	-	2,770	-	-
Loans from related companies	62,455	62,455	-	-	-
	65,225	62,455	2,770	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

Other risk factors (continued)

The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- **Estimated impairment of multi-client surveys, vessels, equipment**

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Revenue

	2012 US$'000	2011 US$'000
Multi-client revenue	3,330	-
Contract revenue	4,561	9,494
	7,891	9,494

6. Other (expense) / income

	2012 US$'000	2011 US$'000
Other miscellaneous expenses	(23)	-
Reimbursable operating expenses	-	20
	(23)	20

7. Operating (loss)

	2012 US$'000	2011 US$'000
Operating loss is stated after charging the following items:		
Auditors' remuneration	11	1
Impairment charge of vessel (Note 11)	-	13,424

8. Expenses by nature

	2012 US$'000	2011 US$'000
Charter hire	-	-
Crew	1,866	3,606
Seismic and marine expenses	-	3,757
Other operating expenses	-	-
Total charter hire and operating expenses	1,866	7,363

	2012 US$'000	2011 US$'000
Legal and professional	27	27
Management fee	304	1,274
Other expenses	5	9
Total selling, general and administration expenses	336	1,310

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. Finance costs

	2012 US$'000	2011 US$'000
Net foreign exchange transaction losses	(129)	(412)
Interest expense	(4,266)	(4,662)
Sundry finance expenses	(1)	(358)
Finance costs	(4,396)	(5,432)
Net finance costs	(4,396)	(5,432)

10. Tax

	2012 US$'000	2011 US$'000
Overseas tax	1	-
Charge for the year	1	-

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Loss before tax	(6,298)	(23,328)
Tax calculated at the applicable tax rates	(630)	(2,333)
Tax effect of expenses not deductible for tax purposes	757	-
Tax effect of allowances and income not subject to tax	(757)	2,333
Tax effect of tax loss for the year	630	-
Overseas tax in excess of credit claim used during the year	1	-
Tax charge	1	-

The corporation tax rate is 10%.

The company is tax resident in Cyprus.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

11. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	57,137	57,137
Accumulated depreciation	(13,435)	(13,435)
Net book amount	43,702	43,702
Year ended 31 December 2011		
Opening net book amount	43,702	43,702
Additions	278	278
Disposals	(201)	(201)
Impairments	(13,424)	(13,424)
Depreciation	(4,330)	(4,330)
Closing net book amount	26,025	26,025
At 31 December 2011/1 January 2012		
Cost or valuation	57,214	57,214
Accumulated impairments	(13,424)	(13,424)
Accumulated depreciation	(17,765)	(17,765)
Net book amount	26,025	26,025
Year ended 31 December 2012		
Opening net book amount	26,025	26,025
Additions	4,600	4,600
Disposals	(2,080)	(2,080)
Reversal of accumulated depreciation on disposal	617	617
Depreciation	(3,147)	(3,147)
Closing net book amount	26,015	26,015
At 31 December 2012		
Cost or valuation	59,734	59,734
Accumulated impairment	(13,424)	(13,424)
Accumulated depreciation	(20,295)	(20,295)
Net book amount	26,015	26,015

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Plc.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

12. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	4,112	4,112
Accumulated amortization	(1,998)	(1,998)
Net book amount	2,114	2,114
Year ended 31 December 2011		
Opening net book amount	2,114	2,114
Additions	2,461	2,461
Amortization	(1,491)	(1,491)
Closing net book amount	3,084	3,084
At 31 December 2011/1 January 2012		
Cost or valuation	6,573	6,573
Accumulated amortization	(3,489)	(3,489)
Net book amount	3,084	3,084
Year ended 31 December 2012		
Opening net book amount	3,084	3,084
Additions	2,139	2,139
Amortization	(4,763)	(4,763)
Closing net book amount	460	460
At 31 December 2012		
Cost or valuation	8,712	8,712
Accumulated amortization	(8,252)	(8,252)
Net book amount	460	460

13. Inventories

	2012 US$'000	2011 US$'000
Inventory	674	378
	674	378

The opening balance at 1 January 2012 of US$378 thousand related to bunker fuel has been recognized as expense in 2012.

14. Trade and other receivables

	2012 US$'000	2011 US$'000
Trade receivables	154	-
Other current asset	135	138
	289	138

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

15. Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at bank and in hand	8	8
	8	8

16. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of US$100 each	100	10	100	10
Issued and fully paid				
Balance at 1 January	100	10	100	10
Balance at 31 December	100	10	100	10

17. Borrowings

	2012 US$'000	2011 US$'000
Current borrowings		
Loans from related companies (Note 19)	66,034	62,455
	66,034	62,455

The weighted average effective interest rates at the reporting date were as follows:

	2012	2011
Loans from related companies	6.32%	9.10%

The company borrowings are denominated in the following currencies:

	2012 US$'000	2011 US$'000
United States Dollars	66,034	62,455
	66,034	62,455

18. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	2,785	2,598
Accrued salary tax	315	130
Accrued expenses and other payables	203	42
	3,303	2,770

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

19. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. Except as disclosed in note 11, the following transactions were carried out with related parties:

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

19. Related party transactions (continued)

19.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	4,561	1,660
	4,561	1,660

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

19.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services (Note 8)	304	1,386
	304	1,386

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

19.3 Loans from parent company (Note 17)

	2012 US$'000	2011 US$'000
At beginning of year	59,347	35,142
Interest charged	4,186	3,783
Additional loans during the year	2,501	20,422
Total loans from associated undertakings	66,034	59,347

The above loan bears interest at 6.32% (2011: 9.1%) per annum and is repayable on demand.

19.4 Loans from companies within Seabird Group (Note 17)

	2012 US$'000	2011 US$'000
At beginning of year	3,108	-
Additional loans during the year	-	3,108
Loans repaid during the year	(3,108)	-
At the end of year	-	3,108

20. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

21. Commitments

The company had no capital or other commitments as at 31 December 2012.

22. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000	US$'000
Net loss per statement of comprehensive income	5		(6,298)
Add:			
Depreciation		7,568	
			7,568
			1,270
Less:			
Capital allowances		7,568	
			(7,568)
Net loss for the year			(6,298)
			€
Converted into € at US$'000 1.285800 = €1			(4,898)
Loss brought forward			(15,668)
Loss carried forward			(20,566)

OSPREY NAVIGATION CO. INC.

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

OSPREY NAVIGATION CO. INC.

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

OSPREY NAVIGATION CO. INC.

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy Dag Wilfred Reynolds Kjell Hjalmar Mathiassen
Company secretary:	Kjell Hjalmar Mathiassen Furstveien 73 Snaroya 1367 Norway
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

OSPREY NAVIGATION CO. INC.

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net profit of the company for the year ended 31 December 2013 was US$1,316 thousand (2012: US$507 thousand). On 31 December 2013 the total assets of the company were US$32,563 thousand (2012: US$25,048 thousand) and the net liabilities of the company were US$37,658 thousand (2012: US$38,974 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 23 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The board of directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

BDO

Independent auditor's report
To the members of Osprey Navigation Co. Inc.

Report on the financial statements

We have audited the financial statements of Osprey Navigation Co. Inc. (the "company") on pages 5 to 28 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Osprey Navigation Co. Inc. as at 31 December 2013, and of its financial performance and its 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 23 to the financial statements which indicates that as at 31 December 2014 the Company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 23 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

OSPREY NAVIGATION CO. INC.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue	5	17,676	16,804
Charter hire and operating expenses	8	(8,461)	(11,605)
Selling, general and administration expenses	8	(384)	(1,618)
Other income	6	44	42
Earnings before interest, depreciation and amortization		8,875	3,623
Reversal of prior year impairment		-	6,300
Depreciation and amortization expense		(4,180)	(3,128)
Earnings before interest and taxes	7	4,695	6,795
Net finance income/(costs)	9	165	(97)
Interest expense	9	(4,017)	(3,983)
Profit before tax		843	2,715
Tax	10	473	(2,208)
Net profit for the year		1,316	507
Other comprehensive income		-	-
Total comprehensive income for the year		1,316	507

OSPREY NAVIGATION CO. INC.

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	23,046	23,872
Multi-client library	12	-	820
Non-current loans receivable	13	8,739	-
		31,785	24,692
Current assets			
Inventories	14	386	201
Trade and other receivables	15	252	52
Cash and cash equivalents	16	140	103
		778	356
Total assets		32,563	25,048
EQUITY AND LIABILITIES			
Equity			
Share capital	17	10	10
Accumulated losses		(37,668)	(38,984)
Total equity		(37,658)	(38,974)
Non-current liabilities			
Borrowings	18	67,381	-
		67,381	-
Current liabilities			
Trade and other payables	19	2,840	4,649
Borrowings	18	-	59,373
		2,840	64,022
Total liabilities		70,221	64,022
Total equity and liabilities		32,563	25,048

On 1 April 2015 the board of directors of Osprey Navigation Co. Inc. authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

OSPREY NAVIGATION CO. INC.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2012	10	(39,491)	(39,481)
Comprehensive income			
Net profit for the year	-	507	507
Balance at 31 December 2012/ 1 January 2013	10	(38,984)	(38,974)
Comprehensive income			
Net profit for the year	-	1,316	1,316
Balance at 31 December 2013	10	(37,668)	(37,658)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

OSPREY NAVIGATION CO. INC.

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		843	2,715
Adjustments for:			
Depreciation and amortization	11	4,180	3,128
Unrealized exchange (profit)		(24)	-
Reversal of impairment of vessel	11	-	(6,300)
Interest income	9	(210)	-
Interest expense	9	4,017	3,983
Cash flows from operations before working capital changes		8,806	3,526
(Increase)/decrease in inventories		(185)	479
(Increase)/decrease in trade and other receivables		(200)	3,588
Decrease in trade and other payables		(1,809)	(196)
Cash flows from operations		6,612	7,397
Tax refunded/(paid)		473	(2,208)
Net cash flows from operating activities		7,085	5,189
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(8,529)	-
Proceeds from disposal of intangible assets		550	-
Capital expenditure		(3,084)	(2,684)
Net cash flows used in investing activities		(11,063)	(2,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(1,914)	(3,306)
Proceeds from borrowings		5,929	-
Net cash flows from/(used in) financing activities		4,015	(3,306)
Net increase /(decrease) in cash and cash equivalents		37	(801)
Cash and cash equivalents:			
At beginning of the year		103	904
At end of the year	16	140	103

1. Incorporation and principal activities

Country of incorporation

The company Osprey Navigation Co. Inc. (the "company") was incorporated in Panama as a private limited liability company. The company has been managed and controlled in Cyprus since 11 December 2008 and registered as an overseas company in Cyprus since 15 June 2010. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *Amendment to IAS32 "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).*

Amendments

- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

2. Accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

2. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

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.

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. Accounting policies (continued)

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, the company 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: "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.

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 the company 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. Accounting policies (continued)

Financial instruments

Financial assets

(1) Classification

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

- 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.

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.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. Accounting policies (continued)

Financial instruments (continued)

- 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.

- Trade payables

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

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.

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	8,739	-
LIBOR based USD intercompany loans	(67,381)	(59,373)
	(58,642)	(59,373)

In addition cash and cash equivalents of US$140 thousand at 31 December 2013 and cash and cash equivalents of US$103 thousand at 31 December 2012 are interest bearing assets with variable rates.

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 US$586 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000	2012 US$'000
Loans receivables from related parties	8,739	-
Trade and other receivables	252	52
Cash at bank	140	103
	9,131	155

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

OSPREY NAVIGATION CO. INC.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	2,840	-	2,840	-	-
Loans from related companies	6,202	6,202	-	-	-
Loan from parent company	61,179	61,179	-	-	-
	70,221	67,381	2,840	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	4,649	-	4,649	-	-
Loan from parent company	59,373	59,373	-	-	-
	64,022	59,373	4,649	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines.

OSPREY NAVIGATION CO. INC.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

4. Critical accounting estimates and judgments (continued)

- **Estimated impairment of multi-client surveys, vessels and equipment**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

  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.

- **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.

- **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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

5. Revenue

	2013 US$'000	2012 US$'000
Contract revenue	17,676	16,454
Multi-client revenue	-	350
	17,676	16,804

6. Other income

	2013 US$'000	2012 US$'000
Miscellaneous income	44	42
	44	42

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

7. Operating profit

	2013 US$'000	2012 US$'000
Operating profit is stated after the following items:		
Auditors' remuneration	-	32
Impairment charge of vessel (Note 11)	-	(6,300)

8. Expenses by nature

	2013 US$'000	2012 US$'000
Charter hire	4,551	-
Crew	1,000	4,413
Seismic and marine expenses	2,727	7,192
Other operating expenses	183	-
Total charter hire and operating expenses	8,461	11,605

	2013 US$'000	2012 US$'000
Legal and professional	-	48
Management fee	384	1,562
Other expenses	-	8
Total selling, general and administration expenses	384	1,618

9. Finance income/cost

	2013 US$'000	2012 US$'000
Interest income	210	-
Finance income	210	-
Net foreign exchange transaction losses	(37)	(85)
Interest expense	(4,017)	(3,983)
Sundry finance expenses	(8)	(12)
Finance costs	(4,062)	(4,080)
Net finance costs	(3,852)	(4,080)

10. Tax

	2013 US$'000	2012 US$'000
Overseas tax	(473)	2,208
Credit/charge for the year	(473)	2,208

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. Tax (continued)

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Profit before tax	843	2,715
Tax calculated at the applicable tax rates	105	272
Tax effect of expenses not deductible for tax purposes	523	313
Tax effect of allowances and income not subject to tax	(523)	(943)
Tax effect of tax losses brought forward	(105)	-
Tax effect of tax loss for the year	-	358
Overseas tax in excess of credit claim used during the year	(473)	2,208
Tax charge	(473)	2,208

The corporation tax rate is 12.5% (2012: 10%).

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

11. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	49,015	49,015
Accumulated impairment	(16,117)	(16,117)
Accumulated depreciation	(14,062)	(14,062)
Net book amount	18,836	18,836
Year ended 31 December 2012		
Opening net book amount	18,836	18,836
Additions	1,455	1,455
Reversal of prior year impairment	6,300	6,300
Depreciation	(2,719)	(2,719)
Closing net book amount	23,872	23,872
At 31 December 2012/1 January 2013		
Cost or valuation	50,470	50,470
Accumulated impairment	(9,817)	(9,817)
Accumulated depreciation	(16,781)	(16,781)
Net book amount	23,872	23,872
Year ended 31 December 2013		
Opening net book amount	23,872	23,872
Additions	3,084	3,084
Derecognition of cost of property, plant and equipment	(7,817)	(7,817)
Derecognition of accumulated depreciation	7,817	7,817
Depreciation	(3,910)	(3,910)
Closing net book amount	23,046	23,046
At 31 December 2013		
Cost or valuation	45,737	45,737
Accumulated impairment	(9,817)	(9,817)
Accumulated depreciation	(12,874)	(12,874)
Net book amount	23,046	23,046

OSPREY NAVIGATION CO. INC.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

11. Property, plant and equipment (continued)

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Plc.

12. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	558	558
Accumulated amortization	(558)	(558)
Net book amount	-	-
Year ended 31 December 2012		
Additions	1,622	1,622
Amortization	(802)	(802)
Closing net book amount	820	820
At 31 December 2012/1 January 2013		
Cost or valuation	2,180	2,180
Accumulated amortization	(1,360)	(1,360)
Net book amount	820	820
Year ended 31 December 2013		
Opening net book amount	820	820
Disposals	(550)	(550)
Amortization	(270)	(270)
Closing net book amount	-	-
At 31 December 2013		
Cost or valuation	1,630	1,630
Accumulated amortization	(1,630)	(1,630)
Net book amount	-	-

13. Non-current loans receivable

	2013 US$'000	2012 US$'000
Loans to related companies (Note 20)	8,739	-
	8,739	-

The exposure of the company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

14. Inventories

	2013 US$'000	2012 US$'000
Bunker fuel	386	201
	386	201

The opening balance at 1 January 2013 of US$201 thousand related to bunker fuel has been recognized as expense in 2013.

15. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	-	29
Other current asset	252	23
	252	52

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

16. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	140	103
	140	103

17. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	100	10	100	10
Issued and fully paid				
Balance at 1 January	100	10	100	10
Balance at 31 December	100	10	100	10

18. Borrowings

	2013 US$'000	2012 US$'000
Current borrowings		
Loan from parent company (Note 20)	-	59,373
	-	59,373
Non current borrowings		
Loans from related companies (Note 20)	6,202	-
Loan from parent company (Note 20)	61,179	-
	67,381	-
Total	67,381	59,373

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

18. Borrowings (continued)

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	67,381	59,373
	67,381	59,373

19. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	463	1,355
VAT	484	-
Overseas tax	767	-
Accruals	841	3,294
Accrued salaries	285	-
	2,840	4,649

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

20. Related party transactions

The Company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The Company's parent is Seabird Exploration Limited incorporated in Cyprus. Except as disclosed in note 11, the following transactions were carried out with related parties:

20.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	6,592	-
	6,592	-

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

20.2 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services (Note 7)	1,100	1,562
Internal charter hire	4,550	1,506
	5,650	3,068

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

20.3 Loans to companies within Seabird Group (Note 13)

	2013 US$'000	2012 US$'000
Additional loans during the year	8,529	-
Interest charge	210	-
	8,739	-

The above loans bear interest at 6.17% per annum and are repayable on demand.

20. Related party transactions (continued)

20.4 Loans from companies within Seabird Group (Note 18)

	2013 US$'000	2012 US$'000
At beginning of year	-	479
Additional loans during the year	5,929	-
Interest charge	273	-
Repayments	-	(479)
At the end of the year	6,202	-

The above loans bear interest at 6.17% per annum and are repayable on demand.

20.5 Loans from parent company (Note 18)

	2013 US$'000	2012 US$'000
At beginning of the year	59,373	58,217
Interest charge	3,720	3,887
Repayments	(1,914)	(2,731)
At the end of the year	61,179	59,373

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

21. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

22. Commitments

The company had no capital or other commitments as at 31 December 2013.

23. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

23. Going concern assumption (continued)

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

24. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.

- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 23, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

OSPREY NAVIGATION CO. INC.

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Profit before tax	5		843
Add:			
Depreciation		4,180	
			4,180
			5,023
Less:			
Capital expenditure		4,180	
			(4,180)
Chargeable income for the year			843
			€
Converted into € at US$'000 1.328000 = €1			635
Loss brought forward			(18,207)
Loss carried forward - under corporation tax			(17,572)

OSPREY NAVIGATION CO. INC.

REPORT AND FINANCIAL STATEMENTS
31 December 2012

OSPREY NAVIGATION CO. INC.

REPORT AND FINANCIAL STATEMENTS
31 December 2012

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OSPREY NAVIGATION CO. INC.

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy Timothy Nicholas Isden Kjell Hjalmar Mathiassen
Company Secretary:	Kjell Hjalmar Mathiassen Furstveien 73 Snaroya 1367 Norway
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

OSPREY NAVIGATION CO. INC.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net profit for the company for the year ended 31 December 2012 was US$507 thousand (2011: net loss US$19,062 thousand). On 31 December 2012 the total assets of the company were US$25,048 thousand (2011: US$24,060 thousand) and the net liabilities of the company were US$38,974 thousand (2011: US$39,481 thousand). The financial position, development and performance of the company as presented in these financial statements are considered satisfactory.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 22 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Kjell Norman Mangeroy
Director

Nicosia, 8 July 2013

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Independent auditor's report
To the Members of Osprey Navigation Co. Inc.

Report on the financial statements

We have audited the financial statements of Osprey Navigation Co. Inc. (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Osprey Navigation Co. Inc. as at 31 December 2012, and of its financial performance and its 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.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia,Cyprus

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STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue	5	16,804	7,467
Charter hire and operating expenses	8	(11,605)	(4,975)
Selling, general and administration expenses	8	(1,618)	(1,200)
Other income	6	42	5
Earnings before interest, depreciation and amortization		3,623	1,297
Depreciation and amortization expense		(3,128)	(3,985)
Reversal of prior year impairment/(impairment charge)		6,300	(10,017)
Earnings before interest and taxes/(loss)	7	6,795	(12,705)
Interest expense	9	(3,983)	(4,931)
Finance costs	9	(97)	(208)
Profit/(loss) before tax		2,715	(17,844)
Tax	10	(2,208)	(1,218)
Net profit/(loss) for the year		507	(19,062)
Other comprehensive income		-	-
Total comprehensive income for the year		507	(19,062)

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	23,872	18,836
Multi-client library	12	820	-
		24,692	18,836
Current assets			
Inventories	13	201	680
Trade and other receivables	14	52	3,640
Cash and cash equivalents	15	103	904
		356	5,224
Total assets		25,048	24,060
EQUITY AND LIABILITIES			
Equity			
Share capital	16	10	10
Accumulated losses		(38,984)	(39,491)
Total equity		(38,974)	(39,481)
Current liabilities			
Trade and other payables	18	4,649	4,845
Borrowings	17	59,373	58,696
		64,022	63,541
Total equity and liabilities		25,048	24,060

On 8 July 2013 the Board of Directors of Osprey Navigation Co. Inc. authorized these financial statements for issue.

Kjell Norman Mangerøy
Director

Kjell Hjalmar Mathiassen
Director

OSPREY NAVIGATION CO. INC.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	10	(20,429)	(20,419)
Comprehensive income			
Net loss for the year	-	(19,062)	(19,062)
Balance at 31 December 2011/ 1 January 2012	10	(39,491)	(39,481)
Comprehensive income			
Net profit for the year	-	507	507
Balance at 31 December 2012	10	(38,984)	(38,974)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

OSPREY NAVIGATION CO. INC.

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		2,715	(17,844)
Adjustments for:			
Depreciation of vessel	11	3,128	3,985
Impairment charge of vessel	11	-	10,017
Interest expense	9	3,983	-
Reversal of impairment		(6,300)	-
Cash flows from/(used in) operations before working capital changes		3,526	(3,842)
Decrease/(increase) in inventories		479	(206)
Decrease/(increase) in trade and other receivables		3,588	(3,455)
(Decrease)/increase in trade and other payables		(196)	1,951
Cash flows from/(used in) operations		7,397	(5,552)
Tax paid		(2,208)	(1,218)
Net cash flows from/(used in) operating activities		5,189	(6,770)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,684)	(2,248)
Net cash flows used in investing activities		(2,684)	(2,248)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(3,306)	-
Proceeds from borrowings		-	11,692
Net cash flows (used in)/from financing activities		(3,306)	11,692
Net (decrease) /increase in cash and cash equivalents		(801)	2,674
Cash and cash equivalents:			
At beginning of the year		904	(1,770)
At end of the year	15	103	904

1. Incorporation and principal activities

Country of incorporation

The company Osprey Navigation Co. Inc. (the "company") was incorporated in Panama as a private limited liability company. The company has been managed and controlled in Cyprus since 11 December 2008 and registered as an overseas company in Cyprus since 15 June 2010. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets. (effective for annual periods beginning on or after 1 January 2012).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 – "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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 revenue is recognized once the end-user has received access to the data and is recognized on the basis of the proportion the project is completed relative to the total services to be provided. Multi-client prefunding is recognized as revenues when the clients are an end user of the data and prefunding from multi-client survey partner companies is treated as a reduction in capital investment. 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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

OSPREY NAVIGATION CO. INC.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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. 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.

Multi-client Data Library

The multi-client library consists of seismic data surveys to be licensed to customers on a nonexclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the multi-client library.

All multi-client libraries are subject to amortization over a maximum period of 3 years starting in the quarter after project completion. Further the company classifies its multi-client libraries at the outset into one of two categories. "Category 1" libraries are subject to an additional amortization charge equal to any sale made in the quarter. "Category 2" libraries do not carry any additional charge as these libraries are expected to be more profitable.

All multi-client libraries are subject to annual impairment reviews based on expectations of estimated future cash flows.

2. Accounting policies (continued)

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 the company 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 admin 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 admin expenses' in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

2. Accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest - bearing financial instruments was:

	2012 US$'000	2011 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	59,373	58,696
	59,373	58,696

In addition cash and cash equivalents of US$103 thousand at 31 December 2012 and cash and cash equivalents of US$904 thousand at 31 December 2011 are interest bearing assets with variable rates.

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 US$594 thousand, based on an average of 1 January and 31 December for long term interest bearing liabilities. The analysis assumes that all other variables remain constant.

c. Credit risk

The company 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.

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

	2012 US$'000	2011 US$'000
Trade and other receivables	52	3,640
Cash at bank	103	904
	155	4,544

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	4,649	-	4,649	-	-
Loans from related companies	59,373	59,373	-	-	-
	64,022	59,373	4,649	-	-

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	4,827	-	4,827	-	-
Payables to related parties	18	-	18	-	-
Loans from related companies	58,696	58,696	-	-	-
	63,541	58,696	4,845	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- **Estimated impairment of multi-client surveys, vessels, equipment**

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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).

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Revenue

	2012 US$'000	2011 US$'000
Contract revenue	16,454	7,467
Multi-client revenue	350	-
	16,804	7,467

6. Other income

	2012 US$'000	2011 US$'000
Gain from sale of property, plant and equipment	-	(2)
Miscellaneous income	42	7
	42	5

7. Operating profit/ (loss)

	2012 US$'000	2011 US$'000
Operating profit/(loss) is stated after charging the following items:		
Auditors' remuneration	32	7
Impairment charge of vessel (Note 11)	(6,300)	10,017

8. Expenses by nature

	2012 US$'000	2011 US$'000
Crew	4,413	2,163
Seismic and marine expenses	7,192	2,809
Other operating expenses	-	3
Total charter hire and operating expenses	11,605	4,975

	2012 US$'000	2011 US$'000
Legal and professional	48	161
Management fee	1,562	1,013
Other expenses	8	26
Total selling, general and administration expenses	1,618	1,200

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. Finance costs

	2012 US$'000	2011 US$'000
Net foreign exchange transaction losses	(85)	(20)
Interest expense	(3,983)	(4,931)
Sundry finance expenses	(12)	(188)
Finance costs	(4,080)	(5,139)
Net finance costs	(4,080)	(5,139)

10. Tax

	2012 US$'000	2011 US$'000
Overseas tax	2,208	1,218
Charge for the year	2,208	1,218

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Profit/(loss) before tax	2,715	(17,844)
Tax calculated at the applicable tax rates	272	(1,784)
Tax effect of expenses not deductible for tax purposes	313	1,400
Tax effect of allowances and income not subject to tax	(943)	(399)
Tax effect of tax loss for the year	358	783
Overseas tax in excess of credit claim used during the year	2,208	1,218
Tax charge	2,208	1,218

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

11. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	46,599	46,599
Accumulated impairment	(6,100)	(6,100)
Accumulated depreciation	(9,909)	(9,909)
Net book amount	30,590	30,590
Year ended 31 December 2011		
Opening net book amount	30,590	30,590
Additions	2,416	2,416
Impairments	(10,017)	(10,017)
Depreciation	(4,153)	(4,153)
Closing net book amount	18,836	18,836
At 31 December 2011/1 January 2012		
Cost or valuation	49,015	49,015
Accumulated impairment	(16,117)	(16,117)
Accumulated depreciation	(14,062)	(14,062)
Net book amount	18,836	18,836
Year ended 31 December 2012		
Opening net book amount	18,836	18,836
Additions	1,455	1,455
Reversal of prior year impairment	6,300	6,300
Depreciation	(2,719)	(2,719)
Closing net book amount	23,872	23,872
At 31 December 2012		
Cost or valuation	50,470	50,470
Accumulated impairment	(9,817)	(9,817)
Accumulated depreciation	(16,781)	(16,781)
Net book amount	23,872	23,872

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Plc.

12. Multi-client library

	Multi-client Data Library US$'000	Total US'000
At 1 January 2011		
Cost or valuation	558	558
Accumulated amortization	(558)	(558)
Net book amount	-	-
At 31 December 2011/1 January 2012		
Cost or valuation	558	558
Accumulated amortization	(558)	(558)
Net book amount	-	-
Year ended 31 December 2012		
Additions	1,622	1,622
Amortization	(802)	(802)
Closing net book amount	820	820
At 31 December 2012		
Cost or valuation	2,180	2,180
Accumulated amortization	(1,360)	(1,360)
Net book amount	820	820

13. Inventories

	2012 US$'000	2011 US$'000
Bunker fuel	201	680
	201	680

The opening balance at 1 January 2012 of US$680 thousand related to bunker fuel has been recognized as expense in 2012.

14. Trade and other receivables

	2012 US$'000	2011 US$'000
Trade receivables	29	3,512
Other current asset	23	128
	52	3,640

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

15. Cash at bank and in hand

	2012 US$'000	2011 US$'000
Cash at bank and in hand	103	904
	103	904

16. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of US$100 each	100	10	100	10
Issued and fully paid				
Balance at 1 January	100	10	100	10
Balance at 31 December	100	10	100	10

17. Borrowings

	2012 US$'000	2011 US$'000
Current borrowings		
Loans from related companies (Note 19)	59,373	58,696
	59,373	58,696

The weighted average effective interest rates at the reporting date were as follows:

	2012	2011
Loans from related companies	6.32%	9.10%

18. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	1,355	2,605
VAT	-	369
Accruals	3,294	1,853
Payables to related companies (Note 19)	-	18
	4,649	4,845

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

19. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. Except as disclosed in note 11, the following transactions were carried out with related parties:

19.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	-	2,150
	-	2,150

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

19. Related party transactions (continued)

19.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services	1,562	1,013
Internal charter hire	1,506	-
	3,068	1,013

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

19.3 Payables to related companies (Note 18)

	2012 US$'000	2011 US$'000
Due to related companies	-	18
	-	18

19.4 Loans from companies within the Seabird Group (Note 17)

	2012 US$'000	2011 US$'000
At beginning of year	479	-
Additional loans during the year	-	479
Loans repaid during the year	(479)	-
At the end of the year	-	479

19.5 Loans from parent company (Note 15)

	2012 US$'000	2011 US$'000
At the beginning of year	58,217	40,544
Interest charged	3,887	4,464
Additional loans during the year	-	13,209
Repayments during the year	(2,731)	-
	59,373	58,217

The above loan bears interest at 6.32% (2011:9.10%) per annum and is repayable on demand.

20. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

21. Commitments

The company had no capital or other commitments as at 31 December 2012.

22. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000	US$'000
Net profit per statement of comprehensive income	5		2,715
Less:			
Depreciation		3,128	
Impairment charge of vessel		(6,300)	
			(3,172)
			(457)
Less:			
Capital allowances		3,128	
			(3,128)
Net loss for the year			(3,585)
			€
Converted into € at US$'000 1.285800 = €1			(2,788)
Loss brought forward			(15,419)
Loss carried forward			(18,207)

SANA NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

SANA NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (appointed on 17 March 2007, resigned on 22 April 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

SANA NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net profit of the company for the year ended 31 December 2013 was US$2,866 thousand (2012: US$273 thousand). On 31 December 2013 the total assets of the company were US$36,208 thousand (2012: US$31,374 thousand) and the net assets of the company were US$32,405 thousand (2012: US$29,539 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 23 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

Independent auditor's report
To the members of Sana Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Sana Navigation Company Limited (the "company") on pages 5 to 27 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sana Navigation Company Limited as at 31 December 2013, and of its financial performance and its 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 23 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 23 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

SANA NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue		14,928	5,682
Charter hire and operating expenses	7	(7,417)	(2,297)
Selling, general and administration expenses	7	(1,151)	(362)
Other income	5	31	-
Earnings before interest, depreciation and amortization		6,391	3,023
Depreciation and amortization expense		(3,828)	(2,961)
Earnings before interest and taxes	6	2,563	62
Net finance income	8	644	260
Interest expense	8	(157)	(49)
Profit before tax		3,050	273
Tax	9	(184)	-
Net profit for the year		2,866	273
Other comprehensive income		-	-
Total comprehensive income for the year		2,866	273

The notes on pages 9 to 27 form an integral part of these financial statements.

SANA NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	18,612	20,807
Multi-client library	11	436	697
Non-current loans receivable	12	16,241	-
		35,289	21,504
Current assets			
Inventories	13	520	779
Trade and other receivables	14	395	96
Loans receivable	12	-	8,993
Cash and cash equivalents	15	4	2
		919	9,870
Total assets		36,208	31,374
EQUITY AND LIABILITIES			
Equity			
Share capital	16	2	2
Other revenue reserve		5,778	6,500
Retained earnings		26,625	23,037
Total equity		32,405	29,539
Non-current liabilities			
Borrowings	17	2,395	-
		2,395	-
Current liabilities			
Trade and other payables	18	1,224	1,835
Current tax liabilities	19	184	-
		1,408	1,835
Total liabilities		3,803	1,835
Total equity and liabilities		36,208	31,374

On 1 April 2015 the board of directors of Sana Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

The notes on pages 9 to 27 form an integral part of these financial statements.

SANA NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Revaluation Reserve US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2012	2	7,222	22,042	29,266
Comprehensive income				
Net profit for the year	-	-	273	273
Transactions with owners				
Revaluation reserve	-	(722)	722	-
Balance at 31 December 2012/ 1 January 2013	2	6,500	23,037	29,539
Comprehensive income				
Net profit for the year	-	-	2,866	2,866
Transactions with owners				
Revaluation reserve	-	(722)	722	-
Balance at 31 December 2013	2	5,778	26,625	32,405

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defiance at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

SANA NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,050	273
Adjustments for:			
Depreciation and amortization	10	3,828	2,961
Unrealized exchange (profit)		-	36
Interest income	8	(707)	(355)
Interest expense	8	157	-
Cash flows from operations before working capital changes		6,328	2,915
Decrease in inventories		259	50
Increase in trade and other receivables		(299)	(46)
Decrease in trade and other payables		(611)	(2,050)
Cash flows from operations		5,677	869
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(11,779)	(8,638)
Loans repayments received		5,238	8,769
Capital expenditure		(1,372)	(317)
Capital expenditure: multi-client		-	(650)
Net cash flows used in investing activities		(7,913)	(836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		2,282	-
Unrealized exchange (loss)		(44)	(36)
Net cash flows from/(used in) financing activities		2,238	(36)
Net increase /(decrease) in cash and cash equivalents		2	(3)
Cash and cash equivalents:			
At beginning of the year		2	5
At end of the year	15	4	2

1. Incorporation and principal activities

Country of incorporation

The company Sana Navigation Company Limited (the "company") was incorporated in Cyprus on 16 March 1999 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendment to IAS32 "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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) <u>Functional and presentation currency</u>
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) <u>Transactions and balances</u>
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

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. Accounting policies (continued)

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, the company 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: "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.

Financial assets

(1) Classification

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

- 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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

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. Accounting policies (continued)

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	16,241	8,993
LIBOR based USD intercompany loans	(2,395)	-
	13,846	8,993

In addition cash and cash equivalents of US$4 thousand at 31 December 2013 and cash and cash equivalents of US$2 thousand at 31 December 2012 are interest bearing assets with variable rates.

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 US$138 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000	2012 US$'000
Loans receivables from related parties	16,241	8,993
Trade and other receivables	395	96
Cash at bank	4	2
	16,640	9,091

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	1,224	-	1,224	-	-
Loans from related companies	2,395	2,395	-	-	-
	3,619	2,395	1,224	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	1,835	-	1,835	-	-
	1,835	-	1,835	-	-

e. Risks related to debt arrangements

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines.

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

* 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.

4. Critical accounting estimates and judgments (continued)

* Estimated impairment of multi-client surveys, vessels and equipment

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

  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.

* 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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

* 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.

5. Other income

	2013 US$'000	2012 US$'000
Miscellaneous income	31	-
	31	-

6. Operating profit

	2013 US$'000	2012 US$'000
Operating profit is stated after the following items:		
Auditors' remuneration	-	10

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

7. Expenses by nature

	2013 US$'000	2012 US$'000
Crew	2,701	1,075
Seismic and marine expenses	4,716	1,219
Other operating expenses	-	3
Total charter hire and operating expenses	7,417	2,297

	2013 US$'000	2012 US$'000
Legal and professional	-	11
Management fee	1,151	346
Other expenses	-	5
Total selling, general and administration expenses	1,151	362

8. Finance income/cost

	2013 US$'000	2012 US$'000
Interest income	707	355
Finance income	707	355
Net foreign exchange transaction losses	(60)	(95)
Interest expense	(157)	(49)
Sundry finance expenses	(3)	-
Finance costs	(220)	(144)
Net finance income	487	211

9. Tax

	2013 US$'000	2012 US$'000
Corporation tax - current year	184	-
Charge for the year	184	-

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Profit before tax	3,050	273
Tax calculated at the applicable tax rates	381	27
Tax effect of expenses not deductible for tax purposes	479	296
Tax effect of allowances and income not subject to tax	(479)	(296)
Tax effect of tax losses brought forward	(214)	-
Tax effect of tax loss for the year	-	(27)
10% additional charge	17	-
Tax charge	184	-

The corporation tax rate is 12.5% (2012:10%).

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	63,870	63,870
Accumulated impairment	(15,644)	(15,644)
Accumulated depreciation	(24,728)	(24,728)
Net book amount	23,498	23,498
Year ended 31 December 2012		
Opening net book amount	23,498	23,498
Additions	317	317
Derecognition of cost of property, plant and equipment (*)	(23,268)	(23,268)
Derecognition of accumulated depreciation (*)	23,268	23,268
Depreciation	(3,008)	(3,008)
Closing net book amount	20,807	20,807
At 31 December 2012/1 January 2013		
Cost or valuation	40,919	40,919
Accumulated impairment	(15,644)	(15,644)
Accumulated depreciation	(4,468)	(4,468)
Net book amount	20,807	20,807
Year ended 31 December 2013		
Opening net book amount	20,807	20,807
Additions	1,372	1,372
Derecognition of cost of property, plant and equipment (*)	(943)	(943)
Derecognition of accumulated depreciation (*)	943	943
Depreciation	(3,567)	(3,567)
Closing net book amount	18,612	18,612
At 31 December 2013		
Cost or valuation	41,348	41,348
Accumulated impairment	(15,644)	(15,644)
Accumulated depreciation	(7,092)	(7,092)
Net book amount	18,612	18,612

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Ltd.

(*) 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 $23,268. There was no additional effect to comparatives from this restatement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

11. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
Year ended 31 December 2012		
Additions	784	784
Amortization	(87)	(87)
Closing net book amount	697	697
At 31 December 2012/1 January 2013		
Cost or valuation	784	784
Accumulated amortization	(87)	(87)
Net book amount	697	697
Year ended 31 December 2013		
Opening net book amount	697	697
Amortization	(261)	(261)
Closing net book amount	436	436
At 31 December 2013		
Cost or valuation	784	784
Accumulated amortization	(348)	(348)
Net book amount	436	436

12. Non-current loans receivable

	2013 US$'000	2012 US$'000
Loans to related companies (Note 20)	11,976	-
Loans to parent (Note 20)	4,265	8,993
	16,241	8,993

The exposure of the company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

13. Inventories

	2013 US$'000	2012 US$'000
Inventory	520	779
	520	779

The opening balance at 1 January 2013 of US$779 thousand related to bunker fuel has been recognized as expense in 2013.

14. Trade and other receivables

	2013 US$'000	2012 US$'000
Prepaid expenses	100	90
Other current assets	279	-
Overseas tax	4	-
Refundable VAT	12	6
	395	96

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

14. Trade and other receivables (continued)

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

15. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	4	2
	4	2

16. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	1,000	2	1,000	2
Issued and fully paid				
Balance at 1 January	1,000	2	1,000	2
Balance at 31 December	1,000	2	1,000	2

17. Borrowings

	2013 US$'000	2012 US$'000
Non current borrowings		
Loans from related companies (Note 20)	2,395	-

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	2,395	-
	2,395	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

18. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	866	1,172
Accrued salaries	32	293
Accrued expenses and other payables	326	370
	1,224	1,835

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

19. Current tax liabilities

	2013 US$'000	2012 US$'000
Corporation tax	184	-
	184	-

20. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. Except as disclosed in note 10, the following transactions were carried out with related parties:

20.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	3,940	5,682
	3,940	5,682

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

20.2 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services	3,302	346
	3,302	346

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

20.3 Loans to companies within Seabird Group (Note 12)

	2013 US$'000	2012 US$'000
At beginning of year	-	8,769
Additional loans during the year	11,779	-
Interest charge	197	-
Repayments	-	(8,769)
	11,976	-

The above loans bear interest at 6.17% (2012: 2%) per annum and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

20. Related party transactions (continued)

20.4 Loans from companies within Seabird Group (Note 17)

	2013 US$'000	2012 US$'000
Additional loans during the year	2,282	-
Interest charge	113	-
At the end of the year	2,395	-

The above loans bear interest at 6.17% per annum and are repayable on demand.

20.5 Loans to parent company (Note 17)

	2013 US$'000	2012 US$'000
At beginning of the year	8,993	-
Additional loans during the year	-	8,638
Interest charge	510	355
Repayments	(5,238)	-
At the end of the year	4,265	8,993

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

21. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

22. Commitments

The company had no capital or other commitments as at 31 December 2013.

23. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

23. Going concern assumption (continued)

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

24. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 23, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

		Page	US$'000	US$'000
Profit before tax		5		3,050
Add:				
Depreciation			3,828	
				3,828
				6,878
Less:				
Capital allowances			3,828	
				(3,828)
Chargeable income for the year				3,050
				€
Converted into € at US$'000 1.328000 = €1				2,297
Loss brought forward				(1,292)
Chargeable income				1,005
Calculation of corporation tax	Income €	Rate %	Total € c	Total US$'000
Tax at normal rates:				
Chargeable income as above	1,005	12.50	125.63	167
10% additional charge			12.56	17
TAX PAYABLE			138.19	184

SANA NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

SANA NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

CONTENTS

SANA NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (resigned on 22 April 2013) Timothy Nicholas Isden (resigned on 29 February 2012)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

SANA NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net profit for the company for the year ended 31 December 2012 was US$273 thousand (2011: net loss US$1,781 thousand). On 31 December 2012 the total assets of the company were US$31,374 thousand (2011: US$33,151 thousand) and the net assets of the company were US$29,539 thousand (2011: US$29,266 thousand). The financial position, development and performance of the company as presented in these financial statements are considered satisfactory.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Dag Wilfred Reynolds
Director

Nicosia, 8 July 2013

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Independent auditor's report
To the Members of Sana Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Sana Navigation Company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sana Navigation Company Limited as at 31 December 2012, and of its financial performance and its 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.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia, Cyprus

..28../..03../.. 2013

SANA NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue		5,682	10,701
Charter hire and operating expenses	7	(2,297)	(6,957)
Selling, general and administration expenses	7	(362)	(1,943)
Other income	5	-	51
Earnings before interest, depreciation and amortisation		3,023	1,852
Depreciation and amortisation expense		(2,961)	(3,686)
Earnings before interest and taxes	6	62	(1,834)
Interest expense	8	(49)	(109)
Finance costs	8	260	158
Profit/(loss) before tax		273	(1,785)
Tax	9	-	4
Net profit/(loss) for the year		273	(1,781)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		273	(1,781)

The notes on pages 9 to 25 form an integral part of these financial statements.

SANA NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

ASSETS	Note	2012 US$'000	2011 US$'000
Non-current assets			
Property, plant and equipment	10	20,807	23,498
Multi-client library	11	697	-
		21,504	23,498
Current assets			
Inventories	13	779	829
Trade and other receivables	14	96	50
Loans receivable	12	8,993	8,769
Cash and cash equivalents	15	2	5
		9,870	9,653
Total assets		31,374	33,151
EQUITY AND LIABILITIES			
Equity			
Share capital	16	2	2
Other reserves		6,500	7,222
Retained earnings		23,037	22,042
Total equity		29,539	29,266
Current liabilities			
Trade and other payables	17	1,835	3,885
		1,835	3,885
Total equity and liabilities		31,374	33,151

On 8 July 2013 the Board of Directors of Sana Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

The notes on pages 9 to 25 form an integral part of these financial statements.

SANA NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Revaluation reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	2	13,894	21,795	35,691
Comprehensive income				
Net loss for the year	-	-	(1,781)	(1,781)
Transactions with owners				
Revaluation surplus	-	(2,028)	2,028	-
Impairment	-	(4,644)	-	(4,644)
Balance at 31 December 2011/ 1 January 2012	2	7,222	22,042	29,266
Comprehensive income				
Net profit for the year	-	-	273	273
Transactions with owners				
Revaluation surplus	-	(722)	722	-
Balance at 31 December 2012	2	6,500	23,037	29,539

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

SANA NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		273	(1,785)
Adjustments for:			
Depreciation and amortization	10	2,961	3,686
Unrealized exchange loss / (profit)		36	(9)
Interest income	8	(355)	(96)
Interest expense	8	-	109
Cash flows from operations before working capital changes		2,915	1,905
Decrease/(increase) in inventories		50	(590)
Increase in trade and other receivables		(46)	(30)
Decrease in receivables from related companies		-	6,141
(Decrease)/increase in trade and other payables		(2,050)	264
Cash flows from operations		869	7,690
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(8,638)	-
Loans repayments received		8,769	-
Capital expenditure		(317)	(137)
Capital expenditure: multi-client		(650)	-
Net cash flows used in investing activities		(836)	(137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealized exchange (loss)		(36)	-
Net cash flows used in financing activities		(36)	-
Net (decrease) /increase in cash and cash equivalents		(3)	7,553
Cash and cash equivalents:			
At beginning of the year		5	(7,548)
At end of the year	15	2	5

1. Incorporation and principal activities

Country of incorporation

The company Sana Navigation Company Limited (the "company") was incorporated in Cyprus on 16 March 1999 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments

IFRS Interpretations Committee

- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs

- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments

- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment comprise mainly vessels and seismic equipment on board owned or chartered vessels.

Vessels and seismic equipment designated for source and 2D-operation are shown at fair value, based on discounted cash flow projections. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are carried out with sufficient regularity to ensure that the carrying amount at the balance sheet date does not differ materially from that which would be determined using fair value at the balance sheet date.

All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Increases in the carrying amount arising on revaluation of vessels and seismic equipment on board owned or chartered vessels are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity. All other decreases are charged to the income statement.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

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

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

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Multi-client Data Library

The multi-client library consists of seismic data surveys to be licensed to customers on a nonexclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the multi-client library.

All multi-client libraries are subject to amortization over a maximum period of 3 years starting in the quarter after project completion. Further the company classifies its multi-client libraries at the outset into one of two categories. "Category 1" libraries are subject to an additional amortization charge equal to any sale made in the quarter. "Category 2" libraries do not carry any additional charge as these libraries are expected to be more profitable.

All multi-client libraries are subject to annual impairment reviews based on expectations of estimated future cash flows.

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 the company 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 admin 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 admin expenses' in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- <u>Interest-bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

- <u>Financial liabilities at fair value through profit or loss</u>

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.

- <u>Trade payables</u>

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

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

2. Accounting policies (continued)

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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. As of 31 December 2011 all interest-bearing debt was issued at variable interest rates.

c. Credit risk

The company 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.

The company 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.

3. Risk factors and financial risk management (continued)

Credit risk (continued)

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

	2012 US$'000	2011 US$'000
Loans receivables from related parties	8,993	8,769
Trade and other receivables	96	16
Cash at bank	2	5
Receivables from related companies	-	34
	9,091	8,824

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	1,835	-	1,835	-	-
	1,835	-	1,835	-	-

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3,519	-	3,519	-	-
Payables to related parties	366	366	-	-	-
	3,885	366	3,519	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- **Estimated impairment of multi-client surveys, vessels, equipment**

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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.

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Other income

	2012 US$'000	2011 US$'000
Reimbursable operating income	-	51
	-	51

6. Operating profit/ (loss)

	2012 US$'000	2011 US$'000
Operating profit/(loss) is stated after charging the following items:		
Auditors' remuneration	10	4

7. Expenses by nature

	2012 US$'000	2011 US$'000
Crew	1,075	4,824
Seismic and marine expenses	1,219	2,129
Other operating expenses	3	4
Total charter hire and operating expenses	2,297	6,957

	2012 US$'000	2011 US$'000
Legal and professional	11	67
Management fee	346	1,810
Other expenses	5	66
Total selling, general and administration expenses	362	1,943

8. Finance income/cost

	2012 US$'000	2011 US$'000
Interest income	355	96
Exchange profit	-	63
Finance income	355	159
Net foreign exchange transaction losses	(95)	-
Interest expense	(49)	(109)
Sundry finance expenses	-	(1)
Finance costs	(144)	(110)
Net finance income	211	49

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. Tax

	2012 US$'000	2011 US$'000
Overseas tax	-	(4)
(Credit) for the year	-	(4)

The above tax expense related to foreign withholding tax. The company is also subject to corporation tax in Cyprus.

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Profit/(loss) before tax	273	(1,785)
Tax calculated at the applicable tax rates	27	(179)
Tax effect of expenses not deductible for tax purposes	296	369
Tax effect of allowances and income not subject to tax	(296)	(369)
Tax effect of tax loss for the year	(27)	179
Overseas tax in excess of credit claim used during the year	-	(4)
Tax charge	-	(4)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	63,733	63,733
Accumulated impairment	(11,000)	(11,000)
Accumulated depreciation	(21,042)	(21,042)
Net book amount	31,691	31,691
Year ended 31 December 2011		
Opening net book amount	31,691	31,691
Additions	137	137
Impairments	(4,644)	(4,644)
Depreciation	(3,686)	(3,686)
Closing net book amount	23,498	23,498
At 31 December 2011/1 January 2012		
Cost or valuation	63,870	63,870
Accumulated impairments	(15,644)	(15,644)
Accumulated depreciation	(24,728)	(24,728)
Net book amount	23,498	23,498
Year ended 31 December 2012		
Opening net book amount	23,498	23,498
Additions	317	317
Depreciation	(3,008)	(3,008)
Closing net book amount	20,807	20,807
At 31 December 2012		
Cost or valuation	64,187	64,187
Accumulated impairment	(15,644)	(15,644)
Accumulated depreciation	(27,736)	(27,736)
Net book amount	20,807	20,807

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Plc.

11. Multi-client data library

	Multi-client Data Library US$'000	Total US$'000
Year ended 31 December 2012		
Additions	784	784
Amortization	(87)	(87)
Closing net book amount	697	697
At 31 December 2012		
Cost or valuation	784	784
Accumulated amortization	(87)	(87)
Net book amount	697	697

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

12. Loans receivable

	2012 US$'000	2011 US$'000
Loans to related companies (Note 18)	8,993	8,769
	8,993	8,769

The fair values of non-current receivables approximate to their carrying amounts as presented above.

13. Inventories

	2012 US$'000	2011 US$'000
Inventory	779	829
	779	829

The opening balance at 1 January 2012 of US$829 thousand related to bunker fuel has been recognized as expense in 2012.

14. Trade and other receivables

	2012 US$'000	2011 US$'000
Receivables from related companies (Note 18)	-	34
Prepaid expenses	90	16
Refundable VAT	6	-
	96	50

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

15. Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at bank and in hand	2	5
	2	5

16. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of €1.71 each	1,000	2	1,000	2
Issued and fully paid				
Balance at 1 January	1,000	2	1,000	2
Balance at 31 December	1,000	2	1,000	2

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

17. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	1,172	2,617
Other current liabilities	-	57
Accrued salaries	293	239
Accrued expenses and other payables	370	606
Payables to related companies (Note 18)	-	366
	1,835	3,885

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. Except as disclosed in note 10, the following transactions were carried out with related parties:

18.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	5,682	1,290
	5,682	1,290

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

18.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services	346	1,810
	346	1,810

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

18.3 Receivables from related parties (Note 14)

	2012 US$'000	2011 US$'000
Receivables from related companies	-	34
	-	34

18.4 Loans to related companies (Note 12)

	2012 US$'000	2011 US$'000
At beginning of year	8,769	14,910
Interest charged	-	96
Loan repaid during the year	(8,769)	(6,237)
	-	8,769

The above loan was provided at 2% interest rate and was repaid during the year.

SANA NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

18. Related party transactions (continued)

18.5 Loans to parent company (Note 12)

	2012 US$'000	2011 US$'000
Additional loan	8,638	-
Interest charged	355	-
	8,993	-

The above loan bears interest at 6.32% per annum and is repayable on demand.

18.6 Payables to related parties (Note 17)

	2012 US$'000	2011 US$'000
Payables to related companies	-	366
	-	366

19. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

20. Commitments

The company had no capital or other commitments as at 31 December 2012.

21. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

SANA NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000	US$'000
Net profit per statement of comprehensive income	5		273
Add:			
Depreciation		2,961	
			2,961
			3,234
Less:			
Capital Allowances		2,961	
			(2,961)
Chargeable income for the year			273
			€
Converted into € at US$'000 1.285800 = €1			212
Loss brought forward			(1,504)
Loss carried forward			(1,292)

HARRIER NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

HARRIER NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

HARRIER NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (appointed on 22 November 2007, resigned on 22 April 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

HARRIER NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net profit of the company for the year ended 31 December 2013 was US$5,313 thousand (2012: net loss US$2,531 thousand). On 31 December 2013 the total assets of the company were US$38,825 thousand (2012: US$29,932 thousand) and the net assets of the company were US$24,919 thousand (2012: US$19,606 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 22 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The board of directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 23 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

Independent auditor's report
To the members of Harrier Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Harrier Navigation Company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Harrier Navigation Company Limited as at 31 December 2013, and of its financial performance and its 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 22 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 22 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

HARRIER NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue		14,000	18,358
Charter hire and operating expenses	7	(3,170)	(8,216)
Selling, general and administration expenses	7	(693)	(2,201)
Other income	5	21	55
Earnings before interest, depreciation and amortization		10,158	7,996
Impairment charge		-	(6,300)
Depreciation and amortization expense		(4,303)	(3,538)
Earnings before interest and taxes	6	5,855	(1,842)
Net finance income/ (cost)	8	410	(28)
Interest expense	8	(565)	(521)
Profit/(loss) before tax		5,700	(2,391)
Tax	9	(387)	(140)
Net profit/(loss) for the year		5,313	(2,531)
Other comprehensive income		-	-
Total comprehensive income for the year		5,313	(2,531)

HARRIER NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

ASSETS	Note	2013 US$'000	2012 US$'000
Non-current assets			
Property, plant and equipment	10	23,009	25,968
Non-current loans receivable	11	14,958	-
		37,967	25,968
Current assets			
Inventories	12	182	309
Trade and other receivables	13	669	2,822
Cash and cash equivalents	14	7	833
		858	3,964
Total assets		38,825	29,932
EQUITY AND LIABILITIES			
Equity			
Share capital	15	2	2
Share premium		33,300	33,300
Accumulated losses		(8,383)	(13,696)
Total equity		24,919	19,606
Non-current liabilities			
Borrowings	16	11,717	-
		11,717	-
Current liabilities			
Trade and other payables	17	1,415	3,363
Borrowings	16	-	6,963
Current tax liabilities	18	774	-
		2,189	10,326
Total liabilities		13,906	10,326
Total equity and liabilities		38,825	29,932

On 1 April 2015 the board of directors of Harrier Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangerøy
Director

Dag Wilfred Reynolds
Director

HARRIER NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2012	2	33,300	(11,165)	22,137
Comprehensive income				
Net loss for the year	-	-	(2,531)	(2,531)
Balance at 31 December 2012/ 1 January 2013	2	33,300	(13,696)	19,606
Comprehensive income				
Net profit for the year	-	-	5,313	5,313
Balance at 31 December 2013	2	33,300	(8,383)	24,919

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

HARRIER NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		5,700	(2,391)
Adjustments for:			
Depreciation and amortization	10	4,303	3,538
Loss from the sale of vessel		-	54
Impairment charge of vessel	10	-	6,300
Interest income	8	(464)	-
Interest expense	8	565	521
Cash flows from operations before working capital changes		10,104	8,022
Decrease in inventories		127	222
Decrease/(increase) in trade and other receivables		2,153	(2,174)
Decrease in trade and other payables		(1,948)	(817)
Cash flows from operations		10,436	5,253
Tax refunded/(paid)		387	(140)
Net cash flows from operating activities		10,823	5,113
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(14,494)	-
Proceeds from disposal of property, plant and equipment		-	189
Capital expenditure		(1,344)	(4,257)
Net cash flows used in investing activities		(15,838)	(4,068)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	(190)
Proceeds from borrowings		4,190	-
Unrealized exchange (loss)		(1)	(27)
Net cash flows from/(used in) financing activities		4,189	(217)
Net (decrease) /increase in cash and cash equivalents		(826)	828
Cash and cash equivalents:			
At beginning of the year		833	5
At end of the year	14	7	833

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. Incorporation and principal activities

Country of incorporation

The company Harrier Navigation Company Limited (the "company") was incorporated in Cyprus on 25 January 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendment to IAS32 "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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

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.

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 the company 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial assets

(1) Classification

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

- 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.

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.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments (continued)

- 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.

- Trade payables

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

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.

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.

Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. **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.

ii. **Price risk**

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

b. **Cash flow and fair value interest rate risk**

As the company 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.

The company'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.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	14,958	-
LIBOR based USD intercompany loans	(11,717)	(6,963)
	3,241	(6,963)

In addition cash and cash equivalents of US$7 thousand at 31 December 2013 and cash and cash equivalents of US$833 thousand at 31 December 2012 are interest bearing assets with variable rates.

3. Risk factors and financial risk management (continued)

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 US$32 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. **Credit risk**

The company 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.

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

	2013 US$'000	2012 US$'000
Loans receivables from related parties	14,958	-
Trade and other receivables	669	2,822
Cash at bank	7	833
	15,634	3,655

d. **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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be

dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payable	1,415	1,415	-	-	-
Loans from related companies	1,143	1,143	-	-	
Loan from parent company	10,574	10,574	-	-	-
	13,132	13,132	-	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3,363	3,363	-	-	-
Loans from related companies	6,963	6,963	-		-
	10,326	10,326	-	-	-

3. Risk factors and financial risk management (continued)

e. Risks related to debt arrangements

The company'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.

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a

material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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.

3. Risk factors and financial risk management (continued)

Other risk factors (continued)

These risks can cause personal injury, prevent surveys to be performed as scheduled and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

4. Critical accounting estimates and judgments (continued)

- **Estimated impairment of vessels and equipment**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

5. Other income

	2013 US$'000	2012 US$'000
Loss on sale of asset	-	(54)
Miscellaneous income	21	109
	21	55

6. Operating profit/(loss)

	2013 US$'000	2012 US$'000
Operating profit is stated after charging the following items:		
Auditors' remuneration	8	10
Impairment charge of vessel (Note 10)	-	6,300

7. Expenses by nature

	2013 US$'000	2012 US$'000
Crew	1,467	4,518
Seismic and marine expenses	1,703	3,684
Other operating expenses	-	14
Total charter hire and operating expenses	3,170	8,216

	2013 US$'000	2012 US$'000
Legal and professional	12	15
Management fee	667	2,179
Other expenses	14	7
Total selling, general and administration expenses	693	2,201

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

8. Finance income/cost

	2013 US$'000	2012 US$'000
Interest income	464	-
Finance income	464	-
Net foreign exchange transaction losses	(50)	(27)
Interest expense	(565)	(521)
Sundry finance expenses	(4)	(1)
Finance costs	(619)	(549)
Net finance costs	(155)	(549)

9. Tax

	2013 US$'000	2012 US$'000
Corporation tax - current year	774	-
Overseas tax	(387)	140
Charge for the year	387	140

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Profit/(loss) before tax	5,700	(2,391)
Tax calculated at the applicable tax rates	713	(239)
Tax effect of expenses not deductible for tax purposes	538	984
Tax effect of allowances and income not subject to tax	(538)	(359)
Tax effect of tax losses brought forward	(9)	-
Tax effect of group tax relief	-	(386)
10% additional charge	70	-
Overseas tax release	(387)	-
Overseas tax in excess of credit claim used during the year	-	140
Tax charge	387	140

The corporation tax rate is 12.5% (2012:10%).

With effect from 1 January 2014, the company has entered the Cyprus tonnage tax system.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	52,240	52,240
Accumulated impairment	(14,215)	(14,215)
Accumulated depreciation	(6,233)	(6,233)
Net book amount	31,792	31,792
Year ended 31 December 2012		
Opening net book amount	31,792	31,792
Additions	4,257	4,257
Disposals	(363)	(363)
Impairments	(6,300)	(6,300)
Depreciation	(3,418)	(3,418)
Closing net book amount	25,968	25,968
At 31 December 2012/1 January 2013		
Cost or valuation	56,134	56,134
Accumulated impairment	(20,515)	(20,515)
Accumulated depreciation	(9,651)	(9,651)
Net book amount	25,968	25,968
Year ended 31 December 2013		
Opening net book amount	25,968	25,968
Additions	1,344	1,344
Derecognition of cost of property, plant and equipment	(3,235)	(3,235)
Derecognition of accumulated depreciation	3,235	3,235
Depreciation	(4,303)	(4,303)
Closing net book amount	23,009	23,009
At 31 December 2013		
Cost or valuation	54,243	54,243
Accumulated impairment	(20,515)	(20,515)
Accumulated depreciation	(10,719)	(10,719)
Net book amount	23,009	23,009

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Ltd.

11. Non-current loans receivable

	2013 US$'000	2012 US$'000
Loans to related companies (Note 19)	14,958	-
	14,958	-

The exposure of the company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

12. Inventories

	2013 US$'000	2012 US$'000
Inventory	182	309
	182	309

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

13. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	-	1,935
Prepaid expenses	109	-
Other current asset	560	883
Other receivables	-	4
	669	2,822

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

14. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	7	833
	7	833

15. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	2,000	4	2,000	4
Issued and fully paid				
Balance at 1 January	1,020	2	1,020	2
Balance at 31 December	1,020	2	1,020	2

16. Borrowings

	2013 US$'000	2012 US$'000
Current borrowings		
Loans from related companies (Note 19)	-	6,963
	-	6,963
Non current borrowings		
Loans from related companies (Note 19)	1,143	-
Loan from parent company (Note 19)	10,574	-
	11,717	-
Total	11,717	6,963

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

16. Borrowings (continued)

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	11,717	6,963
	11,717	6,963

17. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	301	1,919
VAT	68	-
Accrued salary tax	123	431
Accrued expenses and other payables	713	1,013
Overseas tax	210	-
	1,415	3,363

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Current tax liabilities

	2013 US$'000	2012 US$'000
Corporation tax	774	-
	774	-

19. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. Except as disclosed in note 10, the following transactions were carried out with related parties:

19.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	7,074	538
	7,074	538

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's length, allowing a margin ranging from 4% to 10%.

19.2 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services (Note 7)	1,915	2,179
	1,915	2,179

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

19. Related party transactions (continued)

19.3 Loans to companies within Seabird Group (Note 11)

	2013 US$'000	2012 US$'000
Additional loans during the year	14,494	-
Interest charge	464	-
	14,958	-

The above loans bear interest at 6.17% and are repayable on demand.

19.4 Loans from companies within Seabird Group (Note 16)

	2013 US$'000	2012 US$'000
At beginning of year	-	6,659
Additional loans during the year	1,044	-
Interest charge	99	-
Repayments	-	(6,659)
At the end of the year	1,143	-

The above loans bear interest at 6.17% (2012: 6.32%) per annum and are repayable on demand.

19.5 Loans from parent company (Note 16)

	2013 US$'000	2012 US$'000
At beginning of the year	6,963	-
Additional loans during the year	3,146	6,472
Interest charge	465	491
At the end of the year	10,574	6,963

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

20. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

21. Commitments

The company had no capital or other commitments as at 31 December 2013.

22. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

22. Going concern assumption (continued)

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

23. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 22, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Profit before tax	5		5,700
Add:			
Depreciation		4,303	
			4,303
			10,003
Less:			
Capital allowances		4,303	
Chargeable income for the year			(4,303)
			5,700
			€
Converted into € at US$'000 1.328000 = €1			4,292
Loss brought forward			(53)
Chargeable income			4,239

Calculation of corporation tax	Income €	Rate %	Total € c	Total US$'000
Tax at normal rates:				
Chargeable income as above	4,239	12.50	529.88	704
10% additional charge			52.99	70
TAX PAYABLE			582.87	774

HARRIER NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

HARRIER NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

CONTENTS

HARRIER NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (resigned on 22 April 2013) Timothy Nicholas Isden (resigned on 29 February 2012)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

HARRIER NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net loss for the company for the year ended 31 December 2012 was US$2,531 thousand (2011: US$4,077 thousand). On 31 December 2012 the total assets of the company were US$29,932 thousand (2011: US$32,976 thousand) and the net assets of the company were US$19,606 thousand (2011: US$22,137 thousand). The financial position, development and performance of the company as presented in these financial statements are considered satisfactory.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 20 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Dag Wilfred Reynolds
Director

Nicosia, 8 July 2013

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Cyprus
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Independent auditor's report
To the Members of Harrier Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Harrier Navigation Company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Harrier Navigation Company Limited as at 31 December 2012, and of its financial performance and its 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.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia, Cyprus

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HARRIER NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue		18,358	12,908
Charter hire and operating expenses	7	(8,216)	(4,609)
Selling, general and administration expenses	7	(2,201)	(2,586)
Other income	5	55	170
Earnings before interest, depreciation and amortization		7,996	5,883
Depreciation and amortization expense		(3,538)	(3,576)
Impairment charge		(6,300)	(5,215)
Earnings before interest and taxes	6	(1,842)	(2,908)
Interest expense	8	(521)	(645)
Finance costs	8	(28)	(67)
Loss before tax		(2,391)	(3,620)
Tax	9	(140)	(457)
Net loss for the year		(2,531)	(4,077)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,531)	(4,077)

HARRIER NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	25,968	31,792
		25,968	31,792
Current assets			
Inventories	11	309	531
Trade and other receivables	12	2,822	648
Cash and cash equivalents	13	833	5
		3,964	1,184
Total assets		29,932	32,976
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2	2
Share premium		33,300	33,300
Accumulated losses		(13,696)	(11,165)
Total equity		19,606	22,137
Current liabilities			
Trade and other payables	16	3,363	4,180
Borrowings	15	6,963	6,659
		10,326	10,839
Total equity and liabilities		29,932	32,976

On 8 July 2013 the Board of Directors of Harrier Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	2	33,300	(7,088)	26,214
Comprehensive income				
Net loss for the year	-	-	(4,077)	(4,077)
Balance at 31 December 2011/ 1 January 2012	2	33,300	(11,165)	22,137
Comprehensive income				
Net loss for the year	-	-	(2,531)	(2,531)
Balance at 31 December 2012	2	33,300	(13,696)	19,606

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

HARRIER NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,391)	(3,620)
Adjustments for:			
Depreciation and amortization	10	3,538	3,576
Loss from the sale of vessel		54	-
Impairment charge of vessel	10	6,300	5,215
Interest expense	8	521	645
Cash flows from operations before working capital changes		8,022	5,816
Decrease/(increase) in inventories		222	(531)
Increase in trade and other receivables		(2,174)	(383)
(Decrease)/increase in trade and other payables		(817)	925
Decrease in payables to related companies		-	(4,242)
Cash flows from operations		5,253	1,585
Tax paid		(140)	(457)
Net cash flows from operating activities		5,113	1,128
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		189	-
Capital expenditure		(4,257)	(1,829)
Net cash flows used in investing activities		(4,068)	(1,829)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(190)	-
Unrealized exchange (loss)		(27)	-
Net cash flows used in financing activities		(217)	-
Net increase /(decrease) in cash and cash equivalents		828	(701)
Cash and cash equivalents:			
At beginning of the year		5	706
At end of the year	13	833	5

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The company Harrier Navigation Company Limited (the "company") was incorporated in Cyprus on 25 January 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of Items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

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).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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. 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.

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 the company 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 admin 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 admin expenses' in the income statement.

2. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

Impairment of non-financial assets

Assets that have an indefinite useful life 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. Accounting policies (continued)

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest - bearing financial instruments was:

	2012 US$'000	2011 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	6,963	6,659
	6,963	6,659

In addition cash and cash equivalents of US$833 thousand at 31 December 2012 and cash and cash equivalents of US$5 thousand at 31 December 2011 are interest bearing assets with variable rates.

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 US$696 thousand, based on an average of 1 January and 31 December for long term interest bearing liabilities. The analysis assumes that all other variables remain constant.

c. Credit risk

The company 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.

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

	2012 US$'000	2011 US$'000
Trade and other receivables	2,822	620
Cash at bank	833	5
Receivables from related companies	-	28
	3,655	653

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3,361	3,361	-	-	-
Loans from related companies	6,963	6,963	-	-	-
	10,324	10,324	-	-	-

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	4,180	4,180	-	-	-
Loans from related companies	6,659	6,659	-	-	-
	10,839	10,839	-	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- Estimated impairment of vessels and equipment

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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 6).

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Other income

	2012 US$'000	2011 US$'000
Loss on sale of assets	(54)	-
Miscellaneous income	109	170
	55	170

6. Operating (loss)

	2012 US$'000	2011 US$'000
Operating loss is stated after charging the following items:		
Auditors' remuneration	10	38
Impairment charge of vessel (Note 10)	6,300	5,215

7. Expenses by nature

	2012 US$'000	2011 US$'000
Crew	4,518	2,797
Seismic and marine expenses	3,684	1,809
Other operating expenses	14	3
Total charter hire and operating expenses	8,216	4,609

	2012 US$'000	2011 US$'000
Legal and professional	15	90
Management fee	2,179	2,442
Other expenses	7	54
Total selling, general and administration expenses	2,201	2,586

8. Finance costs

	2012 US$'000	2011 US$'000
Net foreign exchange transaction losses	27	63
Interest expense	521	645
Other finance expenses	1	4
	549	712

9. Tax

	2012 US$'000	2011 US$'000
Overseas tax	140	457
Charge for the year	140	457

The above tax expense related to foreign withholding tax. The company is also subject to corporation tax in Cyprus.

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Loss before tax	(2,391)	(3,620)
Tax calculated at the applicable tax rates	(239)	(362)
Tax effect of expenses not deductible for tax purposes	984	-
Tax effect of allowances and income not subject to tax	(359)	362
Tax effect of group tax relief	(385)	-
Overseas tax in excess of credit claim used during the year	140	457
Tax charge	140	457

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	50,411	50,411
Accumulated impairment	(9,000)	(9,000)
Accumulated depreciation	(2,657)	(2,657)
Net book amount	38,754	38,754
Year ended 31 December 2011		
Opening net book amount	38,754	38,754
Additions	1,829	1,829
Impairments	(5,215)	(5,215)
Depreciation	(3,576)	(3,576)
Closing net book amount	31,792	31,792
At 31 December 2011/1 January 2012		
Cost or valuation	52,240	52,240
Accumulated impairments	(14,215)	(14,215)
Accumulated depreciation	(6,233)	(6,233)
Net book amount	31,792	31,792
Year ended 31 December 2012		
Opening net book amount	31,792	31,792
Additions	4,257	4,257
Disposals	(363)	(363)
Impairments	(6,300)	(6,300)
Depreciation	(3,418)	(3,418)
Closing net book amount	25,968	25,968
At 31 December 2012		
Cost or valuation	56,134	56,134
Accumulated impairment	(20,515)	(20,515)
Accumulated depreciation	(9,651)	(9,651)
Net book amount	25,968	25,968

The vessel has been provided as security for bonds issued by the parent company, Seabird Exploration Plc.

11. Inventories

	2012 US$'000	2011 US$'000
Inventory	309	531
	309	531

12. Trade and other receivables

	2012 US$'000	2011 US$'000
Trade receivables	1,935	59
Receivables from related companies (Note 17)	-	28
Other current asset	883	558
Other receivables	4	3
	2,822	648

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

12. Trade and other receivables (continued)

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

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

13. Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at bank and in hand	833	5
	833	5

14. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of €1.71 each	2,000	4	2,000	4
Issued and fully paid				
Balance at 1 January	1,020	2	1,020	2
Balance at 31 December	1,020	2	1,020	2

15. Borrowings

	2012 US$'000	2011 US$'000
Current borrowings		
Loans from related companies (Note 17)	6,963	6,659
	6,963	6,659

The weighted average effective interest rates at the reporting date were as follows:

	2012	2011
Loans from related companies	6.32%	9.10%

The company borrowings are denominated in the following currencies:

	2012 US$'000	2011 US$'000
United States Dollars	6,963	6,659
	6,963	6,659

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

16. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	1,919	3,385
Accrued salary tax	431	260
Accrued expenses and other payables	1,013	535
	3,363	4,180

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. Except as disclosed in note 10, the following transactions were carried out with related parties:

17.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	538	-
	538	-

Services are usually negotiated with related parties on a cost-plus basis considered to be on an arms' -length, allowing a margin ranging from 4% to 10%.

17.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services	2,179	2,442
	2,179	2,442

Services are usually negotiated with related parties on a cost-plus basis considered to be on an arms' -length, allowing a margin ranging from 4% to 10%.

17.3 Receivables from related parties (Note 12)

	2012 US$'000	2011 US$'000
Due from related company	-	28
	-	28

17.4 Loans from parent company (Note 15)

	2012 US$'000	2011 US$'000
At the beginning of year	-	10,256
Interest charged	491	-
Additional loans during year	6,472	-
Repayments of loans during year	-	(10,256)
	6,963	-

The above loan bears interest at 6.32% (2011:9.10%) per annum and is repayable on demand.

HARRIER NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

17. Related party transactions (continued)

17.5 Loans from companies within Seabird Group (Note 15)

	2012 US$'000	2011 US$'000
At the beginning of year	6,659	-
Interest charged	-	645
Additional loans during year	-	6,014
Repayments of loans during year	(6,659)	-
At the end of year	-	6,659

18. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

19. Commitments

The company had no capital or other commitments as at 31 December 2012.

20. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

HARRIER NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
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	Page	US$'000	US$'000
Net loss per statement of comprehensive income	5		(2,391)
Add:			
Depreciation		3,538	
Impairment charge of vessel		6,300	9,838
			7,447
Less:			
Loss from sale of property, plant and equipment		54	
Capital allowances		3,538	(3,592)
Chargeable income for the year			3,855
			€
Converted into € at US$'000 1.285800 = €1			2,998
Losses surrendered to company from Group companies			(2,998)
Loss surrendered from other Group companies			-
Chargeable income			

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BILIRIA MARINE COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy (appointed on 30 January 2013) Dag Wilfred Reynolds (appointed on 30 January 2013) Kjell Hjalmar Mathiassen (appointed on 30 January 2013) Helen Georgiades (appointed on 30 January 2013) Irene Savvidou (appointed on incorporation, resigned on 30 January 2013) Vasilios Trikoupis (appointed on incorporation, resigned on 30 January 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

BILIRIA MARINE COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is operating a vessel under a bareboat charter arrangement providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net loss of the company for the year ended 31 December 2013 was US$6,920 thousand (2012:NIL). On 31 December 2013 the total assets of the company were US$5,914 thousand (2012: US$1 thousand) and the net liabilities of the company were US$6,919 thousand (2012: US$1 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 19 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's Board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 20 to the financial statements.

Independent Auditors
The independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

BDO

Independent auditor's report
To the members of Biliria Marine Company Limited

Report on the financial statements

We have audited the financial statements of Biliria Marine Company Limited (the "company") on pages 5 to 24 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Biliria Marine Company Limited as at 31 December 2013, and of its financial performance and its 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 19 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 19 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

BILIRIA MARINE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
Revenue		7,474	-
Charter hire and operating expenses	6	(12,413)	-
Other income	5	127	-
Earnings before interest, depreciation and amortization		(4,812)	-
Depreciation and amortization expense		(1,261)	-
Earnings before interest and taxes		(6,073)	-
Net finance costs	7	(158)	-
Interest expense	7	(689)	-
Net loss for the year/period		(6,920)	-
Other comprehensive income		-	-
Total comprehensive income for the year/period		(6,920)	-

BILIRIA MARINE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	4,604	-
		4,604	-
Current assets			
Inventories	10	914	-
Trade and other receivables	11	391	1
Cash and cash equivalents	12	5	-
		1,310	1
Total assets		5,914	1
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1	1
(Accumulated losses)		(6,920)	-
Total equity		(6,919)	1
Non-current liabilities			
Borrowings	14	9,003	-
		9,003	-
Current liabilities			
Trade and other payables	15	3,830	-
		3,830	-
Total liabilities		12,833	-
Total equity and liabilities		5,914	1

On 1 April 2015 the board of directors of Biliria Marine Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Note	Share capital US$'000	Accumulated (losses) US$'000	Total US$'000
Total comprehensive income for the period		-	-	-
Transactions with owners				
Issue of share capital	13	1	-	1
Balance at 31 December 2012/ 1 January 2013		1	-	1
Comprehensive income				
Net loss for the year		-	(6,920)	(6,920)
Balance at 31 December 2013		1	(6,920)	(6,919)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the company for the account of the shareholders.

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(6,920)	-
Adjustments for:			
Depreciation and amortization	9	1,261	-
Unrealized exchange (profit)		(36)	-
Interest expense	7	689	-
Cash flows used in operations before working capital changes		(5,006)	-
Increase in inventories		(914)	-
Increase in trade and other receivables		(390)	(1)
Increase in trade and other payables		3,830	-
Cash flows used in operations		(2,480)	(1)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure	9	(5,865)	-
Net cash flows used in investing activities		(5,865)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	1
Proceeds from borrowings		8,350	-
Net cash flows from financing activities		8,350	1
Net increase in cash and cash equivalents		5	-
Cash and cash equivalents:			
At beginning of the year/period		-	-
At end of the year/period	12	5	-

1. Incorporation and principal activities

Country of incorporation

The company Biliria Marine Company Limited (the "company") was incorporated in Cyprus as a private limited liability company under the Cyprus Companies Law, Cap. 113. The company has been managed and controlled in Cyprus since 11 December 2008 and domiciled in Cyprus since 17 March 2008. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is operating a vessel under a bareboat charter arrangement providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendment to IAS32 "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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

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.

Financial assets

(1) Classification

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

- <u>Loans and receivables</u>

  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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

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.

- <u>Interest bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- <u>Financial liabilities at fair value through profit or loss</u>

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.

- <u>Trade payables</u>

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

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. Accounting policies (continued)

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.

Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	(9,003)	-
	(9,003)	-

In addition cash and cash equivalents of US$5 thousand at 31 December 2013 are interest bearing assets with variable rates.

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 US$90 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000	2012 US$'000
Trade and other receivables	201	-
Cash at bank	5	-
Receivables from related parties	-	1
	206	1

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3,830	-	3,830	-	-
Loans from related companies	9,003	9,003	-	-	-
	12,833	9,003	3,830	-	-

3. Risk factors and financial risk management (continued)

e. **Risks related to debt arrangements**

The company'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.

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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.

3. Risk factors and financial risk management (continued)

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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

4. Critical accounting estimates and judgments (continued)

- **Estimated impairment of vessels and equipment**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Other income

	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
Miscellaneous income	127	-
	127	-

6. Expenses by nature

	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
Charter hire	7,466	-
Crew	411	-
Seismic and marine expenses	4,534	-
Other operating expenses	2	-
Total charter hire and operating expenses	12,413	-

7. Finance costs

	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
Net foreign exchange transaction losses	155	-
Interest expense	689	-
Sundry finance expenses	3	-
	847	-

BILIRIA MARINE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

8. Tax

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
Loss before tax	(6,920)	-
Tax calculated at the applicable tax rates	(865)	-
Tax effect of expenses not deductible for tax purposes	158	-
Tax effect of allowances and income not subject to tax	(158)	-
Tax effect of tax loss for the year/period	865	-
Tax charge	-	-

The corporation tax rate is 12.5% (2012:10%).

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

9. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
Year ended 31 December 2013		
Additions	5,865	5,865
Depreciation	(1,261)	(1,261)
Closing net book amount	4,604	4,604
At 31 December 2013		
Cost or valuation	5,865	5,865
Accumulated depreciation	(1,261)	(1,261)
Net book amount	4,604	4,604

10. Inventories

	2013 US$'000	2012 US$'000
Inventory	914	-
	914	-

11. Trade and other receivables

	2013 US$'000	2012 US$'000
Shareholders' current accounts - debit balances (Note 16)	-	1
Prepaid expenses	190	-
Other current asset	112	-
Other receivables on employees salaries	89	-
	391	1

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	5	-
	5	-

13. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1 each	10,000	13	10,000	13
Issued and fully paid				
Balance at 1 January/9 April	1,000	1	-	-
Issue of shares	-	-	1,000	1
Balance at 31 December	1,000	1	1,000	1

14. Borrowings

	2013 US$'000	2012 US$'000
Non current borrowings		
Loans from related companies (Note 16)	9,003	-

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	9,003	-
	9,003	-

15. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	3,830	-
	3,830	-

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

16. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. The following transactions were carried out with related parties:

16.1 Sales of goods and services

	2013 US$'000	Period from 9 April 2012 to 31 December 2012 US$'000
Intercompany bare boat hire	7,474	-
	7,474	-

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

16.2 Loans from companies within Seabird Group (Note 14)

	2013 US$'000	2012 US$'000
Additional loans during the year	8,350	-
Interest charge	653	-
At the end of the year	9,003	-

The above loans bear interest at 6.17% per annum and are repayable on demand.

16.3 Shareholders' current accounts - debit balances (Note 11)

	2013 US$'000	2012 US$'000
Shareholder current account	-	1
	-	1

The shareholders' current accounts are interest free, and have no specified repayment date.

17. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

18. Commitments

The company had no capital or other commitments as at 31 December 2013

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

19. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

20. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount.. In the general meetings, all proposals on the agenda were adopted with requisite majority.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

20. Events after the reporting period (continued)

On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 19, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

BILIRIA MARINE COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Loss before tax	5		(6,920)
Add:			
Depreciation		1,261	
			1,261
			(5,659)
Less:			
Capital allowances		1,261	
			(1,261)
Net loss for the year			(6,920)
			€
Converted into € at US$'000 1.328000 = €1			(5,211)
Tax losses not allowable during the period under tonnage tax regime			4,083
Net loss carried forward - under corporation tax			(1,128)

BILIRIA MARINE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 9 April 2012 to 31 December 2012

BILIRIA MARINE COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 9 April 2012 to 31 December 2012

CONTENTS

BILIRIA MARINE COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Normann Mangeroy (appointed on 30 January 2013) Dag Wilfred Reynolds (appointed on 30 January 2013) Kjell Hjalmar Mathiassen (appointed on 30 January 2013) Helen Georgiades (appointed 30 January 2013) Irene Savvidou (appointed on incorporation, resigned on 30 January 2013) Vasilios Trikoupis (appointed on incorporation, resigned on 30 January 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House, Limassol Cyprus

BILIRIA MARINE COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its first report and audited financial statements of the company for the period from 9 April 2012 to 31 December 2012.

Incorporation
The company Biliria Marine Company Limited was incorporated in Cyprus on 9 April 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

Principal activity
The principal activity of the company as of 31 December 2012 is operating a vessel under a bareboat charter arrangement providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The results of this period are considered satisfactory and reflect the financial position of a dormant company. The going concern of the group is discussed in note 11 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the period are set out on page 5.

Share capital
Authorized capital
Under its Memorandum the company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.
Issued capital
Upon incorporation on 9 April 2012 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

Board of directors
The members of the company's board of directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the board continue in office.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 12 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Normann Mangeroy
Director

Nicosia,
1 April 2015

Independent auditor's report
To the members of Biliria Marine Company Limited

Report on the financial statements

We have audited the financial statements of Biliria Marine Company Limited (the "company") on pages 5 to 14 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the period from 9 April 2012 to 31 December 2012, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Biliria Marine Company Limited as at 31 December 2012, and of its financial performance and its cash flows for the period from 9 April 2012 to 31 December 2012 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 11 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 11 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

BILIRIA MARINE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Period from 9 April 2012 to 31 December 2012

	Note	2012 US$'000
Net profit for the period		-
Other comprehensive income		-
Total comprehensive income for the period		-

BILIRIA MARINE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000
ASSETS		
Current assets		
Receivables	6	1
		1
Total assets		1
EQUITY AND LIABILITIES		
Equity		
Share capital	7	1
Total equity		1
Total equity and liabilities		1

On 1 April 2015 the board of directors of Biliria Marine Company Limited authorized these financial statements for issue.

Kjell Normann Mangerøy
Director

Dag Wilfred Reynolds
Director

BILIRIA MARINE COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Period from 9 April 2012 to 31 December 2012

	Note	Share capital US$'000	Total US$'000
Total comprehensive income for the period		-	-
Transactions with owners			
Issue of share capital	7	1	1
Balance at 31 December 2012		1	1

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

BILIRIA MARINE COMPANY LIMITED

CASH FLOW STATEMENT
Period from 9 April 2012 to 31 December 2012

	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	-
Increase in receivables	(1)
Cash flows used in operations	(1)
CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of share capital	1
Net cash flows from financing activities	1
Net increase in cash and cash equivalents	-
Cash and cash equivalents:	
At beginning of the period	-
At end of the period	-

NOTES TO THE FINANCIAL STATEMENTS
Period from 9 April 2012 to 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The company Biliria Marine Company Limited (the "company") was incorporated in Cyprus on 9 April 2012 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company as of 31 December 2012 is operating a vessel under a bareboat charter arrangement providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current period 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 9 April 2012 .

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).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*

NOTES TO THE FINANCIAL STATEMENTS
Period from 9 April 2012 to 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *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 IAS32 "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).*
- *Improvements to IFRSs 2009-2011issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*
- *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).*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *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).*

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.

Foreign currency translation

(1) Functional and presentation currency

Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

2. Accounting policies (continued)

Foreign currency translation (continued)

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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.

3. Financial risk management

Financial risk factors
The company is not exposed to any significant financial risk.

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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Tax

The corporation tax rate is 10%.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

6. Receivables

	2012 US$'000
Shareholders' current accounts - debit balance (Note 8)	1
	1

7. Share capital

	2012 Number of shares	2012 US$'000
Authorized		
Ordinary shares of €1 each	10,000	13
Issued and fully paid		
Issue of shares	1,000	1
Balance at 31 December	1,000	1

Authorized capital
Under its Memorandum the company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.

Issued capital
Upon incorporation on 9 April 2012 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

NOTES TO THE FINANCIAL STATEMENTS
Period from 9 April 2012 to 31 December 2012

8. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus.

The company's parent bears the administration expenses of the company.

The following transactions were carried out with related parties:

8.1 Shareholders' current accounts - debit balances (Note 6)

	2012 US$'000
Shareholder current account	1
	1

The shareholders' current accounts are interest free, and have no specified repayment date.

9. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

10. Commitments

The company had no capital or other commitments as at 31 December 2012.

11. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS
Period from 9 April 2012 to 31 December 2012

12. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable

Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 11, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

COMPUTATION OF CORPORATION TAX

Period from 9 April 2012 to 31 December 2012

	Page		US$'000
Profit before tax	5		-
Chargeable income for the year			-

Calculation of corporation tax	Income €	Rate %	Total € c
Tax at normal rates:			
Chargeable income as above	-	10.00	-
TAX PAYABLE			-

HAWK NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

HAWK NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

HAWK NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (appointed 22 November 2007, resigned 22 April 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

HAWK NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net loss of the company for the year ended 31 December 2013 was US$5,517 thousand (2012: US$157 thousand). On 31 December 2013 the total assets of the company were US$19,669 thousand (2012: US$20,833 thousand) and the net liabilities of the company were US$13,264 thousand (2012: US$7,747 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 19 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 20 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

BDO

Independent auditor's report
To the members of Hawk Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Hawk Navigation Company Limited (the "company") on pages 5 to 26 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hawk Navigation Company Limited as at 31 December 2013, and of its financial performance and its 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 19 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 19 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia,Cyprus,
1 April 2015

HAWK NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue		2,081	5,083
Charter hire and operating expenses	6	(2,419)	272
Selling, general and administration expenses	6	-	(24)
Earnings before interest, depreciation and amortization		(338)	5,331
Depreciation and amortization expense		(2,662)	(2,520)
Earnings before interest and taxes	5	(3,000)	2,811
Net finance income / (cost)	7	(69)	(33)
Interest expense	7	(2,448)	(2,877)
Loss before tax		(5,517)	(99)
Tax	8	-	(58)
Net loss for the year		(5,517)	(157)
Other comprehensive income		-	-
Total comprehensive income for the year		(5,517)	(157)

The notes on pages 9 to 26 from an integral part of these financial statements.

HAWK NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	18,414	20,085
		18,414	20,085
Current assets			
Inventories	10	745	640
Trade and other receivables	11	506	97
Cash and cash equivalents	12	4	11
		1,255	748
Total assets		19,669	20,833
EQUITY AND LIABILITIES			
Equity			
Share capital	13	2	2
Share premium		28,000	28,000
Accumulated losses		(41,266)	(35,749)
Total equity		(13,264)	(7,747)
Non-current liabilities			
Borrowings	14	22,393	9,305
		22,393	9,305
Current liabilities			
Trade and other payables	15	1,235	2,630
Borrowings	14	9,305	16,645
		10,540	19,275
Total liabilities		32,933	28,580
Total equity and liabilities		19,669	20,833

On 1 April 2015 the board of directors of Hawk Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

The notes on pages 9 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2012	2	28,000	(35,592)	(7,590)
Comprehensive income				
Net loss for the year	-	-	(157)	(157)
Balance at 31 December 2012/ 1 January 2013	2	28,000	(35,749)	(7,747)
Comprehensive income				
Net loss for the year	-	-	(5,517)	(5,517)
Balance at 31 December 2013	2	28,000	(41,266)	(13,264)

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(5,517)	(99)
Adjustments for:			
Depreciation and amortization	9	2,662	2,520
Interest expense	7	2,448	2,877
Cash flows (used in)/from operations before working capital changes		(407)	5,298
(Increase)/decrease in inventories		(105)	2
(Increase)/decrease in trade and other receivables		(409)	675
Decrease in trade and other payables		(1,395)	(266)
Cash flows (used in)/from operations		(2,316)	5,709
Tax paid		-	(58)
Net cash flows (used in)/from operating activities		(2,316)	5,651
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(991)	(158)
Net cash flows used in investing activities		(991)	(158)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(3,851)	(5,493)
Proceeds from borrowings		8,396	-
Interest paid		(1,245)	-
Net cash flows from/(used in) financing activities		3,300	(5,493)
Net decrease in cash and cash equivalents		(7)	-
Cash and cash equivalents:			
At beginning of the year		11	11
At end of the year	12	4	11

1. Incorporation and principal activities

Country of incorporation

The company Hawk Navigation Company Limited (the "company") was incorporated in Cyprus on 27 May 2005 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *Amendment to IAS32 "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).*

Amendments

- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

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.

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 the company 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments

Financial assets

(1) Classification

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

- 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.

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.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments (continued)

- 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.

- Trade payables

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

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.

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.

2. Accounting policies (continued)

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Fixed rate instruments		
Finance lease	(9,305)	(13,156)
Variable rate instruments		
LIBOR based USD intercompany loans	(22,393)	(12,794)
	(31,698)	(25,950)

In addition cash and cash equivalents of US$4 thousand at 31 December 2013 and cash and cash equivalents of US$11 thousand at 31 December 2012 are interest bearing assets with variable rates.

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 US$317 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000	2012 US$'000
Trade and other receivables	506	97
Cash at bank	4	11
	510	108

3. Risk factors and financial risk management (continued)

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Finance leases	9,305	-	9,305	-	-
Trade and other payables	1,235	-	1,235	-	-
Loans from related companies	5,750	5,750	-	-	-
Loan from parent company	16,643	16,643	-	-	-
	32,933	22,393	10,540	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Finance leases	13,156	-	3,851	9,305	-
Trade and other payables	2,630	-	2,630	-	-
Loan from parent company	12,794	12,794	-	-	-
	28,580	12,794	6,481	9,305	-

e. Risks related to debt arrangements

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

- Estimated impairment of vessels and equipment

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

5. Operating (loss)/profit

	2013 US$'000	2012 US$'000
Operating (loss) is stated after the following items:		
Auditors' remuneration	-	14

6. Expenses by nature

	2013 US$'000	2012 US$'000
Crew	545	(152)
Seismic and marine expenses	1,874	(120)
Total charter hire and operating expenses	2,419	(272)

	2013 US$'000	2012 US$'000
Legal and professional	-	17
Other expenses	-	7
Total selling, general and administration expenses	-	24

7. Finance costs

	2013 US$'000	2012 US$'000
Net foreign exchange transaction losses	64	32
Interest expense	2,448	2,877
Sundry finance expenses	5	1
	2,517	2,910

8. Tax

	2013 US$'000	2012 US$'000
Overseas tax	-	58
Charge for the year	-	58

8. Tax (continued)

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Loss before tax	(5,517)	(99)
Tax calculated at the applicable tax rates	(690)	(10)
Tax effect of expenses not deductible for tax purposes	333	252
Tax effect of allowances and income not subject to tax	(333)	(252)
Tax effect of tax loss for the year	690	10
Overseas tax in excess of credit claim used during the year	-	58
Tax charge	-	58

The corporation tax rate is 12.5% (2012:10%).

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

9. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	49,239	49,239
Accumulated impairment	(8,676)	(8,676)
Accumulated depreciation	(18,116)	(18,116)
Net book amount	22,447	22,447
Year ended 31 December 2012		
Opening net book amount	22,447	22,447
Additions	164	164
Depreciation	(2,526)	(2,526)
Closing net book amount	20,085	20,085
At 31 December 2012/1 January 2013		
Cost or valuation	49,403	49,403
Accumulated impairment	(8,676)	(8,676)
Accumulated depreciation	(20,642)	(20,642)
Net book amount	20,085	20,085
Year ended 31 December 2013		
Opening net book amount	20,085	20,085
Additions	991	991
Derecognition of cost of property, plant and equipment	(1,310)	(1,310)
Derecognition of accumulated depreciation	1,310	1,310
Depreciation	(2,662)	(2,662)
Closing net book amount	18,414	18,414

HAWK NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

9. Property, plant and equipment (continued)

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 31 December 2013		
Cost or valuation	49,084	49,084
Accumulated impairment	(8,676)	(8,676)
Accumulated depreciation	(21,994)	(21,994)
Net book amount	18,414	18,414

The vessel has been provided as security for the lease finance arrangements entered into by the company and group.

10. Inventories

	2013 US$'000	2012 US$'000
Inventory	745	640
	745	640

The opening balance at 1 January 2013 of US$640 thousand related to bunker fuel has been recognized as expense in 2013.

11. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	-	30
Other current asset	489	61
Refundable VAT	1	6
Other receivable on employees salaries	16	-
	506	97

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	4	11
	4	11

13. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	2,000	4	2,000	4
Issued and fully paid				
Balance at 1 January	1,010	2	1,010	2
Balance at 31 December	1,010	2	1,010	2

HAWK NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

14. Borrowings

	2013 US$'000	2012 US$'000
Current borrowings		
Finance lease liabilities	9,305	3,851
Loan from parent company (Note 16)	-	12,794
	9,305	16,645
Non current borrowings		
Finance lease liabilities	-	9,305
Loans from related companies (Note 16)	5,750	-
Loan from parent company (Note 16)	16,643	-
	22,393	9,305
Total	31,698	25,950

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Finance lease liabilities	10.87%	10.87%
Loans from related companies	6.17%	6.32%

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	31,698	25,950
	31,698	25,950

Finance lease liabilities - minimum lease payments

	2013 US$'000	2012 US$'000
Not later than 1 year	9,305	3,851
Later than 1 year and not later than 5 years	-	9,305
	9,305	13,156

15. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	290	2,223
Accruals	945	407
	1,235	2,630

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

16. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. Except as disclosed in note 9, the following transactions were carried out with related parties:

16.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	2,081	5,083
	2,081	5,083

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

16.2 Loans from companies within Seabird Group (Note 14)

	2013 US$'000	2012 US$'000
Additional loans during the year	5,390	-
Interest charge	360	-
At the end of the year	5,750	-

The above loans bear interest at 6.17% per annum and are repayable on demand.

16.3 Loans from parent company (Note 14)

	2013 US$'000	2012 US$'000
At beginning of the year	12,794	11,945
Additional loans during the year	3,006	-
Interest charge	843	1,232
Repayments	-	(383)
At the end of the year	16,643	12,794

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

17. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

18. Commitments

The company had no capital or other commitments as at 31 December 2013.

19. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

19. Going concern assumption (continued)

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

20. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 19, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

HAWK NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Loss before tax	5		(5,517)
Add:			
Depreciation		2,662	
			2,662
			(2,855)
Less:			
Capital allowances		2,662	
			(2,662)
Net loss for the year			(5,517)
			€
Converted into € at US$'000 1.328000 = €1			(4,154)
Loss brought forward			(10,045)
Loss			(14,199)
Tax loss not allowable during the period under tonnage tax regime			3,255
Net loss carried forward - under corporation tax			(10,944)

HAWK NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

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HAWK NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan Eivind Fondal (resigned on 22 April 2013) Timothy Nicholas Isden (resigned on 29 February 2012)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

HAWK NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net loss for the company for the year ended 31 December 2012 was US$157 thousand (2011: US$20,368 thousand). On 31 December 2012 the total assets of the company were US$20,833 thousand (2011: US$23,872 thousand) and the net liabilities of the company were US$7,747 thousand (2011: US$7,590 thousand). The financial position of the company as presented in these financial statements indicate a reliance on other group companies in order for it to continue as a going concern. The going concern of the Group is discussed in note 2 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 20 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Dag Wilfred Reynolds
Director

Nicosia, Cyprus, 8 July 2013

BDO

Independent auditor's report
To the Members of Hawk Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Hawk Navigation company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hawk Navigation Company Limited as at 31 December 2012, and of its financial performance and its 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.

BDO

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia,Cyprus

[illegible] 2013

HAWK NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue		5,083	6,277
Charter hire and operating expenses	7	272	(8,655)
Selling, general and administration expenses	7	(24)	(2,187)
Other income	5	-	6
Earnings before interest, depreciation and amortization		5,331	(4,559)
Depreciation and amortization expense		(2,520)	(3,784)
Impairment charge		-	(8,676)
Earnings before interest and taxes/(loss)	6	2,811	(17,019)
Interest expense	8	(2,877)	(2,603)
Finance costs	8	(33)	83
Loss before tax		(99)	(19,539)
Tax	9	(58)	(829)
Net loss for the year		(157)	(20,368)
Other comprehensive income		-	-
Total comprehensive income for the year		(157)	(20,368)

The notes on pages 9 to 25 form an integral part of these financial statements.

HAWK NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	20,085	22,447
		20,085	22,447
Current assets			
Inventories	11	640	642
Trade and other receivables	12	97	772
Cash and cash equivalents	13	11	11
		748	1,425
Total assets		20,833	23,872
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2	2
Other reserves		28,000	28,000
Accumulated losses		(35,749)	(35,592)
Total equity		(7,747)	(7,590)
Non-current liabilities			
Borrowings	15	9,305	13,156
		9,305	13,156
Current liabilities			
Trade and other payables	16	2,630	2,896
Borrowings	15	16,645	15,410
		19,275	18,306
Total liabilities		28,580	31,462
Total equity and liabilities		20,833	23,872

On 8 July 2013 the Board of Directors of Hawk Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

The notes on pages 9 to 25 form an integral part of these financial statements.

HAWK NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	2	28,000	(15,224)	12,778
Comprehensive income				
Net loss for the year	-	-	(20,368)	(20,368)
Balance at 31 December 2011/ 1 January 2012	2	28,000	(35,592)	(7,590)
Comprehensive income				
Net loss for the year	-	-	(157)	(157)
Balance at 31 December 2012	2	28,000	(35,749)	(7,747)

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

HAWK NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(99)	(19,539)
Adjustments for:			
Depreciation and amortization	10	2,520	3,784
Gain from the sale of property, plant and equipment		-	(11)
Impairment charge	10	-	8,676
Interest expense	8	2,877	2,603
Cash flows from/(used in) operations before working capital changes		5,298	(4,487)
Decrease/(increase) in inventories		2	(212)
Decrease/(increase) in trade and other receivables		675	(746)
(Decrease)/increase in trade and other payables		(266)	2,258
Increase in payables to related companies		-	11,957
Cash flows from operations		5,709	8,770
Tax paid		(58)	-
Net cash flows from operating activities		5,651	8,770
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	11
Capital Expenditure		(158)	(923)
Net cash flows used in investing activities		(158)	(912)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(5,493)	(6,743)
Unrealized exchange profit		-	79
Net cash flows used in financing activities		(5,493)	(6,664)
Net increase in cash and cash equivalents		-	1,194
Cash and cash equivalents:			
At beginning of the year		11	(1,183)
At end of the year	13	11	11

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The company Hawk Navigation Company Limited (the "company") was incorporated in Cyprus on 27 May 2005 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is being a vessel owner providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

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).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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. 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.

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 the company 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 admin 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 admin expenses' in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest - bearing financial instruments was:

	2012 US$'000	2011 US$'000
Fixed rate instruments		
Finance lease	13,156	16,621
Variable rate instruments		
LIBOR based USD intercompany loans	12,794	11,945
	25,950	28,566

In addition cash and cash equivalents of US$11 thousand at 31 December 2012 and cash and cash equivalents of US11 thousand at 31 December 2011 are interest bearing assets with variable rates.

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 US$260 thousand, based on an average of 1 January and 31 December for long term interest bearing liabilities. The analysis assumes that all other variables remain constant.

c. Credit risk

The company 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.

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

	2012 US$'000	2011 US$'000
Trade and other receivables	97	641
Cash at bank	11	11
Receivables from related companies	-	131
	108	783

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Finance leases	13,156	-	3,851	9,305	-
Trade and other payables	2,630	-	2,630	-	-
Loans from related companies	12,794	12,794	-	-	-
	28,580	12,794	6,481	9,305	-

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Finance leases	16,621	-	3,465	13,156	-
Trade and other payables	2,896	-	2,896	-	-
Loans from related companies	11,945	11,945	-	-	-
	31,462	11,945	6,361	13,156	-

e. Risks related to debt arrangements

The company'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.

HAWK NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- Estimated impairment of vessels and equipment

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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).

4. Critical accounting estimates and judgments (continued)

- 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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Other income

	2012 US$'000	2011 US$'000
Miscellaneous income	-	6
	-	6

6. Operating profit/ (loss)

	2012 US$'000	2011 US$'000
Operating profit/(loss) is stated after charging the following items:		
Auditors' remuneration	14	23

7. Expenses by nature

	2012 US$'000	2011 US$'000
Charter hire	-	97
Crew	(152)	3,154
Seismic and marine expenses	(120)	5,164
Other operating expenses	-	240
Total charter hire and operating expenses	(272)	8,655

	2012 US$'000	2011 US$'000
Legal and professional	17	109
Management fee	-	2,058
Other expenses	7	20
Total selling, general and administration expenses	24	2,187

8. Finance income/cost

	2012 US$'000	2011 US$'000
Exchange profit	-	85
Finance income	-	85
Net foreign exchange transaction losses	(32)	-
Interest expense	(2,877)	(2,603)
Sundry finance expenses	(1)	(2)
Finance costs	(2,910)	(2,605)
Net finance costs	(2,910)	(2,520)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. Tax

	2012 US$'000	2011 US$'000
Overseas tax	58	829
Charge for the year	58	829

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Loss before tax	(99)	(19,539)
Tax calculated at the applicable tax rates	(10)	(1,954)
Tax effect of expenses not deductible for tax purposes	252	1,246
Tax effect of allowances and income not subject to tax	(252)	(378)
Tax effect of tax loss for the year	10	1,086
Overseas tax in excess of credit claim used during the year	58	829
Tax charge	58	829

The corporation tax rate is 10%.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	48,210	48,210
Accumulated depreciation	(14,226)	(14,226)
Net book amount	33,984	33,984
Year ended 31 December 2011		
Opening net book amount	33,984	33,984
Additions	1,029	1,029
Impairments	(8,676)	(8,676)
Depreciation	(3,890)	(3,890)
Closing net book amount	22,447	22,447
At 31 December 2011/1 January 2012		
Cost or valuation	49,239	49,239
Accumulated impairment	(8,676)	(8,676)
Accumulated depreciation	(18,116)	(18,116)
Net book amount	22,447	22,447
Year ended 31 December 2012		
Opening net book amount	22,447	22,447
Additions	164	164
Depreciation	(2,526)	(2,526)
Closing net book amount	20,085	20,085
At 31 December 2012		
Cost or valuation	49,403	49,403
Accumulated impairment	(8,676)	(8,676)
Accumulated depreciation	(20,642)	(20,642)
Net book amount	20,085	20,085

The vessel has been provided as security for the lease finance arrangements entered into by the company and Group.

11. Inventories

	2012 US$'000	2011 US$'000
Bunker fuel	640	642
	640	642

The opening balance at 1 January 2012 of US$642 thousand related to bunker fuel has been recognized as expense in 2012.

12. Trade and other receivables

	2012 US$'000	2011 US$'000
Trade receivables	30	321
Receivables from related companies (Note 17)	-	131
Other current asset	61	315
Other receivables	6	5
	97	772

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

12. Trade and other receivables (continued)

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

13. Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at bank and in hand	11	11
	11	11

14. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of €1.71 each	2,000	4	2,000	4
Issued and fully paid				
Balance at 1 January	1,010	2	1,010	2
Balance at 31 December	1,010	2	1,010	2

15. Borrowings

	2012 US$'000	2011 US$'000
Current borrowings		
Finance lease liabilities	3,851	3,465
Loans from related companies (Note 17)	12,794	11,945
	16,645	15,410
Non-current borrowings		
Finance lease liabilities	9,305	13,156
Total	25,950	28,566

The weighted average effective interest rates at the reporting date were as follows:

	2012	2011
Finance lease liabilities	10.87%	11.30%
Loans from related companies	6.32%	9.10%

The company borrowings are denominated in the following currencies:

	2012 US$'000	2011 US$'000
United States Dollars	25,950	28,566
	25,950	28,566

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

15. Borrowings (continued)

Finance lease liabilities - minimum lease payments

	2012 US$'000	2011 US$'000
Not later than 1 year	3,851	3,465
Later than 1 year and not later than 5 years	9,305	13,156
	13,156	16,621

16. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	2,223	2,005
Accruals	407	431
Tax Payable	-	460
	2,630	2,896

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. Except as disclosed in note 10, the following transactions were carried out with related parties:

17.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	5,083	540
	5,083	540

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

17.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services	-	2,058
	-	2,058

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

17.3 Receivables from related parties (Note 12)

	2012 US$'000	2011 US$'000
Due from related company	-	131
	-	131

HAWK NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

17. Related party transactions (continued)

17.4 Loans from parent company (Note 15)

	2012 US$'000	2011 US$'000
At the beginning of the year	11,945	119
Interest charged	1,232	584
Additional loans during the year	-	11,242
Repayments during the year	(383)	-
At the end of the year	12,794	11,945

The above loan was provided at 6.32% (9.10% in 2011) interest rate and is repayable on demand.

18. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

19. Commitments

The company had no capital or other commitments as at 31 December 2012.

20. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

HAWK NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000	US$'000
Net loss per statement of comprehensive income	5		(99)
Add:			
Depreciation		2,520	
			2,520
			2,421
Less:			
Capital allowances		2,520	
			(2,520)
Net loss for the year			(99)
			€
Converted into € at US$'000 1.285800 = €1			(77)
Loss brought forward			(9,968)
Loss carried forward			(10,045)

MUNIN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

MUNIN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

MUNIN NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (appointed on 17 March 2007, resigned on 22 April 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

MUNIN NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is operating a vessel under a bareboat charter arrangement providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net loss of the company for the year ended 31 December 2013 was US$4,351 thousand (2012: US$1,402 thousand). On 31 December 2013 the total assets of the company were US$9,299 thousand (2012: US$11,347 thousand) and the net liabilities of the company were US$18,201 thousand (2012: US$13,850 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the Group is discussed in note 20 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

BDO

Independent auditor's report
To the members of Munin Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Munin Navigation Company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Munin Navigation Company Limited as at 31 December 2013, and of its financial performance and its 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 20 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 20 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

MUNIN NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue		17,865	15,496
Charter hire and operating expenses	7	(15,862)	(12,453)
Selling, general and administration expenses	7	(2,800)	(1,345)
Other income	5	75	-
Earnings before interest, depreciation and amortization		(722)	1,698
Depreciation and amortization expense		(1,938)	(1,724)
Earnings before interest and taxes	6	(2,660)	(26)
Net finance costs	8	(55)	(60)
Interest expense	8	(1,424)	(1,316)
Loss before tax		(4,139)	(1,402)
Tax	9	(212)	-
Net loss for the year		(4,351)	(1,402)
Other comprehensive income		-	-
Total comprehensive income for the year		(4,351)	(1,402)

MUNIN NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	4,133	6,132
		4,133	6,132
Current assets			
Trade and other receivables	12	5,163	5,213
Cash and cash equivalents	13	3	2
		5,166	5,215
Total assets		9,299	11,347
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2	2
Share premium		27,700	27,700
Accumulated losses		(45,903)	(41,552)
Total equity		(18,201)	(13,850)
Non-current liabilities			
Borrowings	15	26,360	-
		26,360	-
Current liabilities			
Trade and other payables	16	1,140	2,283
Borrowings	15	-	22,914
		1,140	25,197
Total liabilities		27,500	25,197
Total equity and liabilities		9,299	11,347

On 1 April 2015 the board of directors of Munin Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2012	2	27,700	(40,150)	(12,448)
Comprehensive income				
Net loss for the year	-	-	(1,402)	(1,402)
Balance at 31 December 2012/ 1 January 2013	2	27,700	(41,552)	(13,850)
Comprehensive income				
Net loss for the year	-	-	(4,351)	(4,351)
Balance at 31 December 2013	2	27,700	(45,903)	(18,201)

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(4,139)	(1,402)
Adjustments for:			
Depreciation and amortization	10	1,938	1,724
Unrealized exchange loss		81	-
Interest expense	8	1,424	2,632
Cash flows (used in)/from operations before working capital changes		(696)	2,954
Decrease in inventories		-	673
Decrease/(increase) in trade and other receivables		50	(3,746)
(Decrease)/increase in trade and other payables		(1,143)	397
Cash flows (used in)/from operations		(1,789)	278
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(332)	(2,111)
Net cash flows used in investing activities		(332)	(2,111)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(2,533)	(12,112)
Proceeds from borrowings		4,655	15,262
Net cash flows from financing activities		2,122	3,150
Net increase in cash and cash equivalents		1	1,317
Cash and cash equivalents:			
At beginning of the year		2	(1,315)
At end of the year	13	3	2

1. Incorporation and principal activities

Country of incorporation

The company Munin Navigation Company Limited (the "company") was incorporated in Cyprus as a private limited liability company under the Cyprus Companies Law, Cap. 113. The company has been managed and controlled in Cyprus since 11 December 2008 and domiciled in Cyprus since 17 March 2008. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is operating a vessel under a bareboat charter arrangement providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS32 "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).*

Amendments

- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

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. Accounting policies (continued)

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, the company 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: "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.

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 the company 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. Accounting policies (continued)

Financial instruments

Financial assets

(1) Classification

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

- <u>Loans and receivables</u>
  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.

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.

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.

- <u>Interest bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- <u>Financial liabilities at fair value through profit or loss</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial liabilities (continued)

- Trade payables

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

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. **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.

ii **Price risk**

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

b. **Cash flow and fair value interest rate risk**

As the company 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.

The company'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.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	(26,360)	(22,914)
	(26,360)	(22,914)

In addition cash and cash equivalents of US$3 thousand at 31 December 2013 and cash and cash equivalents of US$2 thousand at 31 December 2012 are interest bearing assets with variable rates.

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 US$264 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. **Credit risk**

The company 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.

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

	2013 US$'000	2012 US$'000
Trade and other receivables	5,163	5,213
Cash at bank	3	2
	5,166	5,215

d. **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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	1,140	-	1,140	-	-
Loans from related companies	4,766	4,766	-	-	-
Loan from parent company	21,594	21,594	-	-	-
	27,500	26,360	1,140	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	2,283	-	2,283	-	-
Loan from parent company	22,914	22,914	-	-	-
	25,197	22,914	2,283	-	-

e. Risks related to debt arrangements

The company'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.

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

Other risk factors (continued)

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

- **Estimated impairment of multi-client surveys, vessels and equipment**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

  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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

5. Other Income

	2013 US$'000	2012 US$'000
Miscellaneous income	75	
	75	

6. Operating (loss)

	2013 US$'000	2012 US$'000
Operating loss is stated after the following items:		
Auditors' remuneration	-	9

7. Expenses by nature

	2013 US$'000	2012 US$'000
Charter hire	7,315	7,191
Crew	6,198	3,455
Seismic and marine expenses	2,349	1,807
Total charter hire and operating expenses	15,862	12,453

	2013 US$'000	2012 US$'000
Legal and professional	-	156
Management fee	2,800	1,185
Other expenses	-	4
Total selling, general and administration expenses	2,800	1,345

8. Finance costs

	2013 US$'000	2012 US$'000
Net foreign exchange transaction losses	53	59
Interest expense	1,424	1,316
Sundry finance expenses	2	1
	1,479	1,376

9. Tax

	2013 US$'000	2012 US$'000
Overseas tax	212	-
Charge for the year	212	-

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Loss before tax	(4,139)	(1,402)
Tax calculated at the applicable tax rates	(517)	(140)
Tax effect of expenses not deductible for tax purposes	242	172
Tax effect of allowances and income not subject to tax	(242)	(172)
Tax effect of tax loss for the year	517	140
Overseas tax in excess of credit claim used during the year	212	-
Tax charge	212	-

The corporation tax rate is 12.5% (2012:10%).

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	21,368	21,368
Accumulated impairment	(3,378)	(3,378)
Accumulated depreciation	(12,244)	(12,244)
Net book amount	5,746	5,746
Year ended 31 December 2012		
Opening net book amount	5,746	5,746
Additions	2,110	2,110
Derecognition of cost of property, plant and equipment (*)	(6,616)	(6,616)
Derecognition of accumulated depreciation (*)	6,616	6,616
Depreciation	(1,724)	(1,724)
Closing net book amount	6,132	6,132
At 31 December 2012/1 January 2013		
Cost or valuation	16,862	16,862
Accumulated impairment	(3,378)	(3,378)
Accumulated depreciation	(7,352)	(7,352)
Net book amount	6,132	6,132
Year ended 31 December 2013		
Opening net book amount	6,132	6,132
Additions	332	332
Disposals	(393)	(393)
Derecognition of cost of property, plant and equipment (*)	(440)	(440)
Derecognition of accumulated depreciation (*)	440	440
Depreciation	(1,938)	(1,938)
Closing net book amount	4,133	4,133
At 31 December 2013		
Cost or valuation	16,361	16,361
Accumulated impairment	(3,378)	(3,378)
Accumulated depreciation	(8,850)	(8,850)
Net book amount	4,133	4,133

(*) 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 $6,616. There was no additional effect to comparatives from this restatement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

11. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	1,787	1,787
Accumulated amortization	(1,787)	(1,787)
Net book amount	-	-
Year ended 31 December 2012		
Opening net book amount	1,787	1,787
Amortization	(1,787)	(1,787)
Closing net book amount	-	-
At 31 December 2012/1 January 2013		
Cost or valuation	1,787	1,787
Accumulated amortization	(1,787)	(1,787)
Net book amount	-	-
At 31 December 2013		
Cost or valuation	1,787	1,787
Accumulated amortization	(1,787)	(1,787)
Net book amount	-	-

12. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	2,976	4,375
Other current assets	2,185	836
Refundable VAT	2	2
	5,163	5,213

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

13. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	3	2
	3	2

14. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	2,000	3	2,000	3
Issued and fully paid				
Balance at 1 January	1,020	2	1,020	2
Balance at 31 December	1,020	2	1,020	2

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

15. Borrowings

	2013 US$'000	2012 US$'000
Current borrowings		
Loan from parent company (Note 17)	-	22,914
	-	22,914
Non current borrowings		
Loans from related companies (Note 17)	4,766	-
Loan from parent company (Note 17)	21,594	-
	26,360	-
Total	26,360	22,914

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	26,360	22,914
	26,360	22,914

16. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	267	1,767
Overseas tax	561	349
Accrued salaries	66	167
Accruals	246	-
	1,140	2,283

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. The following transactions were carried out with related parties:

17.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	-	410
	-	410

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

17. Related party transactions (continued)

17.2 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services (Note 7)	8,033	1,185
	8,033	1,185

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

17.3 Loans from companies within Seabird Group (Note 15)

	2013 US$'000	2012 US$'000
At beginning of year	-	12,074
Additional loans during the year	4,655	-
Interest charged	111	-
Repayments	-	(12,074)
At the end of the year	4,766	-

The above loans bear interest at 6.17% (2012: 6.32%) per annum and are repayable on demand.

17.4 Loans from parent company (Note 15)

	2013 US$'000	2012 US$'000
At beginning of the year	22,914	6,375
Additional loans during the year	-	15,262
Interest charged	1,213	1,277
Repayments	(2,533)	-
At the end of the year	21,594	22,914

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

18. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

19. Commitments

The company had no capital or other commitments as at 31 December 2013.

20. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

20. Going concern assumption (continued)

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

21. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 20, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Loss before tax	5		(4,139)
Add:			
Depreciation		1,938	
			1,938
			(2,201)
Less:			
Capital allowances		1,938	
			(1,938)
Net loss for the year			(4,139)
			€
Converted into € at US$000 1.328000 = €1			(3,117)
Loss brought forward			(17,522)
Loss			(20,639)
Tax loss not allowable during the period under tonnage tax regime			2,442
Net loss carried forward - under corporation tax			(18,197)

MUNIN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

MUNIN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

CONTENTS

MUNIN NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (resigned on 22 April 2013) Timothy Nicholas Isden (resigned on 29 February 2012)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

MUNIN NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is operating a Cyprus-flagged vessel providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net loss for the company for the year ended 31 December 2012 was US$1,402 thousand (2011: US$14,949 thousand). On 31 December 2012 the total assets of the company were US$11,347 thousand (2011: US$7,887 thousand) and the net liabilities of the company were US$13,850 thousand (2011: US$12,448 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the Group is discussed in note 2 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Dag Wilfred Reynolds
Director

Nicosia, 8 July 2013

Independent auditor's report
To the Members of Munin Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Munin Navigation Company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Munin Navigation Company Limited as at 31 December 2012, and of its financial performance and its 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.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia, Cyprus

...25/03... 2013

MUNIN NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue		**15,496**	2,580
Charter hire and operating expenses	7	(12,453)	(9,468)
Selling, general and administration expenses	7	(1,345)	(1,114)
Other income	5	-	25
Earnings before interest, depreciation and amortization		1,698	(7,977)
Depreciation and amortization expense		(1,724)	(3,209)
Impairment charge		-	(3,378)
Earnings before interest and taxes	6	(26)	(14,564)
Interest expense	8	(1,316)	(318)
Finance costs	8	(60)	(67)
Net loss for the year		(1,402)	(14,949)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,402)	(14,949)

MUNIN NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	6,132	5,746
		6,132	5,746
Current assets			
Inventories	12	-	673
Trade and other receivables	13	5,213	1,467
Cash and cash equivalents	14	2	1
		5,215	2,141
Total assets		11,347	7,887
EQUITY AND LIABILITIES			
Equity			
Share capital	15	2	2
Other reserves		27,700	27,700
Accumulated losses		(41,552)	(40,150)
Total equity		(13,850)	(12,448)
Current liabilities			
Trade and other payables	17	2,283	1,886
Borrowings	16	22,914	18,449
		25,197	20,335
Total equity and liabilities		11,347	7,887

On 8 July 2013 the Board of Directors of Munin Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	2	27,700	(25,201)	2,501
Comprehensive income				
Net loss for the year	-	-	(14,949)	(14,949)
Balance at 31 December 2011/ 1 January 2012	2	27,700	(40,150)	(12,448)
Comprehensive income				
Net loss for the year	-	-	(1,402)	(1,402)
Balance at 31 December 2012	2	27,700	(41,552)	(13,850)

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,402)	(14,949)
Adjustments for:			
Depreciation and amortization	10	1,724	3,207
Gain from the sale of property, plant and equipment		-	(25)
Impairment charge	10	-	3,378
Interest expense	8	1,316	318
Cash flows from/(used in) operations before working capital changes		1,638	(8,071)
Decrease/(increase) in inventories		673	(315)
(Increase)/decrease in trade and other receivables		(3,746)	1,142
Increase/(decrease) in trade and other payables		397	(1,226)
Increase in payables to related companies		-	10,979
Cash flows (used in)/from operations		(1,038)	2,509
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,111)	(498)
Proceeds from sale of property, plant and equipment		-	521
Net cash flows (used in)/from investing activities		(2,111)	23
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(12,112)	-
Proceeds from borrowings		15,262	-
Interest paid		-	(55)
Net cash flows from/(used in) financing activities		3,150	(55)
Net increase in cash and cash equivalents		1	2,477
Cash and cash equivalents:			
At beginning of the year		1	(2,476)
At end of the year	14	2	1

1. Incorporation and principal activities

Country of incorporation

The company Munin Navigation Company Limited (the "company") was incorporated in Cyprus as a private limited liability company under the Cyprus Companies Law, Cap. 113. The company has been managed and controlled in Cyprus since 11 December 2008 and domiciled in Cyprus since 17 March 2008. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol Cyprus

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is operating a Cyprus-flagged vessel providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of Items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

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).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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. 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.

Multi-client Data Library

The multi-client library consists of seismic data surveys to be licensed to customers on a nonexclusive basis. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the multi-client library.

All multi-client libraries are subject to amortization over a maximum period of 3 years starting in the quarter after project completion. Further the company classifies its multi-client libraries at the outset into one of two categories. "Category 1" libraries are subject to an additional amortization charge equal to any sale made in the quarter. "Category 2" libraries do not carry any additional charge as these libraries are expected to be more profitable.

All multi-client libraries are subject to annual impairment reviews based on expectations of estimated future cash flows.

2. Accounting policies (continued)

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 the company 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 admin 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 admin expenses' in the income statement.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- <u>Interest-bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- <u>Financial liabilities at fair value through profit or loss</u>

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.

- <u>Trade payables</u>

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

MUNIN NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of \$18m on continuing operations and net assets of US\$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest - bearing financial instruments was:

	2012 US$'000	2011 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	22,914	18,449
	22,914	18,449

In addition cash and cash equivalents of US$2 thousand at 31 December 2012 and cash and cash equivalents of US$1 thousand at 31 December 2011 are interest bearing assets with variable rates.

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 US$229 thousand, based on an average of 1 January and 31 December for long term interest bearing liabilities. The analysis assumes that all other variables remain constant.

c. Credit risk

The company 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.

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

	2012 US$'000	2011 US$'000
Trade and other receivables	5,213	1,467
Cash at bank	2	1
	5,215	1,468

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	2,283	-	2,283	-	-
Loans from related companies	22,914	22,914	-	-	-
	25,197	22,914	2,283	-	-

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	1,515	-	1,515	-	-
Payables to related parties	370	370	-	-	-
Loans from related companies	18,449	18,449	-	-	-
	20,334	18,819	1,515	-	-

e. Risks related to debt arrangements

The company'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.

MUNIN NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- Estimated impairment of multi-client surveys, vessels, equipment

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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 6).

4. Critical accounting estimates and judgments (continued)

- 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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Other income

	2012 US$'000	2011 US$'000
Gain from sale of property, plant and equipment	-	25
	-	25

6. Operating (loss)

	2012 US$'000	2011 US$'000
Operating loss is stated after charging the following items:		
Auditors' remuneration	9	8
Impairment charge of vessel (Note 10)	-	3,378

7. Expenses by nature

	2012 US$'000	2011 US$'000
Charter hire	7,191	7,031
Crew	3,455	1,177
Seismic and marine expenses	1,807	1,095
Other operating expenses	-	165
Total charter hire and operating expenses	12,453	9,468

	2012 US$'000	2011 US$'000
Legal and professional	156	120
Management fee	1,185	690
Other expenses	4	304
Total selling, general and administration expenses	1,345	1,114

8. Finance costs

	2012 US$'000	2011 US$'000
Net foreign exchange transaction losses	(59)	(66)
Interest expense	(1,316)	(318)
Sundry finance expenses	(1)	(1)
Finance costs	(1,376)	(385)
Net finance costs	(1,376)	(385)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

9. Tax

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Loss before tax	(1,402)	(14,949)
Tax calculated at the applicable tax rates	(140)	(1,495)
Tax effect of expenses not deductible for tax purposes	172	1,816
Tax effect of allowances and income not subject to tax	(172)	(321)
Tax effect of tax loss for the year	140	-
Tax charge	-	-

The corporation tax rate is 10%.

Due to tax losses sustained in the year, no tax liability arises on the company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2012, the balance of tax losses which is available for offset against future taxable profits amounts to US$23,155 thousand for which no deferred asset is recognized in the statement of financial position.

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	21,738	21,738
Accumulated depreciation	(9,774)	(9,774)
Net book amount	11,964	11,964
Year ended 31 December 2011		
Opening net book amount	11,964	11,964
Additions	498	498
Disposals	(868)	(868)
Impairments	(3,378)	(3,378)
Depreciation	(2,470)	(2,470)
Closing net book amount	5,746	5,746
At 31 December 2011/1 January 2012		
Cost or valuation	21,368	21,368
Accumulated impairments	(3,378)	(3,378)
Accumulated depreciation	(12,244)	(12,244)
Net book amount	5,746	5,746
Year ended 31 December 2012		
Opening net book amount	5,746	5,746
Additions	2,110	2,110
Depreciation	(1,724)	(1,724)
Closing net book amount	6,132	6,132
At 31 December 2012		
Cost or valuation	23,478	23,477
Accumulated impairment	(3,378)	(3,378)
Accumulated depreciation	(13,968)	(13,968)
Net book amount	6,132	6,132

The vessel and equipment has been provided as security for bonds issued by the parent company, Seabird Exploration Plc.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

11. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
At 1 January 2011		
Cost or valuation	1,787	1,787
Accumulated amortization	(1,422)	(1,422)
Net book amount	365	365
Year ended 31 December 2011		
Opening net book amount	365	365
Amortization	(365)	(365)
Closing net book amount	-	-
At 31 December 2011/1 January 2012		
Cost or valuation	1,787	1,787
Accumulated amortization	(1,787)	(1,787)
Net book amount	-	-
At 31 December 2012		
Cost or valuation	1,787	1,787
Accumulated amortization	(1,787)	(1,787)
Net book amount	-	-

12. Inventories

	2012 US$'000	2011 US$'000
Inventory	-	673
	-	673

The opening balance at 1 January 2012 of US$673 thousand related to bunker fuel has been recognized as expense in 2012.

13. Trade and other receivables

	2012 US$'000	2011 US$'000
Trade receivables	4,375	1,467
Other current assets	836	-
Refundable VAT	2	-
	5,213	1,467

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

14. Cash at bank

	2012 US$'000	2011 US$'000
Cash at bank and in hand	2	1
	2	1

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

15. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of €1.71 each	2,000	3	2,000	3
Issued and fully paid				
Balance at 1 January	1,020	2	1,020	2
Balance at 31 December	1,020	2	1,020	2

16. Borrowings

	2012 US$'000	2011 US$'000
Current borrowings		
Loans from related companies (Note 18)	22,914	18,449
	22,914	18,449

The weighted average effective interest rates at the reporting date were as follows:

	2012	2011
Loans from related companies	6.32%	9.10%

The company borrowings are denominated in the following currencies:

	2012 US$'000	2011 US$'000
United States Dollars	22,914	18,449
	22,914	18,449

17. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	1,767	783
Accrued salaries	167	154
Overseas tax	349	349
Other current liabilities	-	54
Accrued expenses and other payables	-	546
	2,283	1,886

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. Except as disclosed in note 10, the following transactions were carried out with related parties:

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

18. Related party transactions (continued)

18.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	410	2,580
	410	2,580

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

18.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services (Note 7)	1,185	690
	1,185	690

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

18.3 Payables to related parties (Note 17)

	2012 US$'000	2011 US$'000
Due to related companies	-	370
	-	370

18.4 Loans from companies within Seabird Group (Note 16)

	2012 US$'000	2011 US$'000
At the beginning of the year	12,074	-
Additional loans during the year	-	11,892
Interest charged	-	182
Repayments	(12,074)	-
At the end of the year	-	12,074

18.5 Loans from parent company

	2012 US$'000	2011 US$'000
At the beginning of the year	6,375	7,578
Interest charged	1,277	70
Additional loans during year	15,262	-
Loan repaid during the year	-	(1,273)
At the end of the year	22,914	6,375

The above loan was provided at 6.32% (2011:9.10%) interest rate and is repayable on demand.

19. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

20. Commitments

The company had no capital or other commitments as at 31 December 2012.

MUNIN NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

21. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

MUNIN NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000	US$'000
Net loss per statement of comprehensive income	5		(1,402)
Add:			
Depreciation		1,724	
			1,724
			322
Less:			
Capital allowances		1,724	
			(1,724)
Net loss for the year			(1,402)
			€
Converted into € at US$'000 1.285800 = €1			(1,090)
Loss brought forward			(16,432)
Loss carried forward			(17,522)

OREO NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

OREO NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (appointed on 22 November 2007, resigned on 22 April 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

OREO NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company, which is unchanged from last year, is operating a Panama-flagged vessel providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

Review of current position, future developments and significant risks
The net profit of the company for the year ended 31 December 2013 was US$1,246 thousand (2012: US$3,524 thousand). On 31 December 2013 the total assets of the company were US$7,536 thousand (2012: US$8,484 thousand) and the net assets of the company were US$840 thousand (2012: net liabilities US$406 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 21 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The board of directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 22 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

Independent auditor's report
To the members of Oreo Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Oreo Navigation Company Limited (the "company") on pages 5 to 26 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Oreo Navigation Company Limited as at 31 December 2013, and of its financial performance and its 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 21 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 21 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

OREO NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue		33,266	12,876
Charter hire and operating expenses	7	(26,432)	(5,411)
Selling, general and administration expenses	7	(2,447)	(1,005)
Other income	5	178	-
Earnings before interest, depreciation and amortization		4,565	6,460
Depreciation and amortization expense		(2,554)	(1,966)
Earnings before interest and taxes	6	2,011	4,494
Net finance costs	8	(30)	(156)
Interest expense	8	(697)	(814)
Profit before tax		1,284	3,524
Tax	9	(38)	-
Net profit for the year		1,246	3,524
Other comprehensive income		-	-
Total comprehensive income for the year		1,246	3,524

OREO NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	6,344	6,896
		6,344	6,896
Current assets			
Inventories	11	920	1,263
Trade and other receivables	12	271	319
Cash and cash equivalents	13	1	6
		1,192	1,588
Total assets		7,536	8,484
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2	2
Retained earnings /(accumulated losses)		838	(408)
Total equity		840	(406)
Non-current liabilities			
Borrowings	15	4,119	-
		4,119	
Current liabilities			
Trade and other payables	16	2,539	6,646
Borrowings	15	-	2,244
Current tax liabilities	17	38	
		2,577	8,890
Total liabilities		6,696	8,890
Total equity and liabilities		7,536	8,484

On 1 April 2015 the board of directors of Oreo Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Møngerod
Director

Dag Wilfred Reynolds
Director

OREO NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Retained earnings/ (accumulated losses) US$'000	Total US$'000
Balance at 1 January 2012	2	(3,932)	(3,930)
Comprehensive income			
Net profit for the year	-	3,524	3,524
Balance at 31 December 2012/ 1 January 2013	2	(408)	(406)
Comprehensive income			
Net profit for the year	-	1,246	1,246
Balance at 31 December 2013	2	838	840

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

OREO NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,284	3,524
Adjustments for:			
Depreciation and amortization	10	2,554	1,966
Unrealized exchange (profit)		-	(98)
Interest expense	8	697	814
Cash flows from operations before working capital changes		4,535	6,206
Decrease/(increase) in inventories		343	(536)
Decrease in trade and other receivables		48	234
Decrease in trade and other payables		(4,107)	(296)
Cash flows from operations		819	5,608
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		567	-
Capital expenditure		(2,569)	(1,443)
Net cash flows used in investing activities		(2,002)	(1,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(2,244)	(4,166)
Proceeds from borrowings		3,506	-
Interest paid		(84)	-
Net cash flows from/(used in) financing activities		1,178	(4,166)
Net decrease in cash and cash equivalents		(5)	(1)
Cash and cash equivalents:			
At beginning of the year		6	7
At end of the year	13	1	6

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. Incorporation and principal activities

Country of incorporation

The company Oreo Navigation Company Limited (the "company") was incorporated in Cyprus on 26 February 1998 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is operating a Panama-flagged vessel providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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 financial statements are disclosed in Note 4.

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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendment to IAS32 "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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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).

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to the historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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.

2. Accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

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.

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 the company 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments

Financial assets

(1) Classification

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

- <u>Loans and receivables</u>

  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.

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.

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.

- <u>Interest bearing debts and borrowings</u>

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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments (continued)

- <u>Financial liabilities at fair value through profit or loss</u>

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.

- <u>Trade payables</u>

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

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.

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.

Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	(4,119)	(2,244)
	(4,119)	(2,244)

In addition cash and cash equivalents of US$1 thousand at 31 December 2013 and cash and cash equivalents of US$6 thousand at 31 December 2012 are interest bearing assets with variable rates.

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 US$41 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000	2012 US$'000
Trade and other receivables	271	319
Cash at bank	1	6
	272	325

3. Risk factors and financial risk management (continued)

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	2,539	-	2,539	-	-
Loans from related companies	4,119	4,119	-	-	-
	6,658	4,119	2,539	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	6,646	-	6,646	-	-
Loan from parent company	2,244	2,244	-	-	-
	8,890	2,244	6,646	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **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.

- Estimated impairment of vessels and equipment

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

5. Other income

	2013 US$'000	2012 US$'000
Miscellaneous income	178	-
	178	-

6. Operating profit

	2013 US$'000	2012 US$'000
Operating profit is stated after the following items:		
Auditors' remuneration	-	4

7. Expenses by nature

	2013 US$'000	2012 US$'000
Charter hire	9,186	4,941
Crew	5,850	470
Seismic and marine expenses	11,390	-
Other operating expenses	6	
Total charter hire and operating expenses	26,432	5,411

	2013 US$'000	2012 US$'000
Legal and professional	-	6
Management fee	2,447	979
Other expenses	-	20
Total selling, general and administration expenses	2,447	1,005

8. Finance costs

	2013 US$'000	2012 US$'000
Net foreign exchange transaction losses	29	156
Interest expense	697	814
Sundry finance expenses	1	-
	727	970

OREO NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

9. Tax

	2013 US$'000	2012 US$'000
Corporation tax - current year	38	-
Charge for the year	38	-

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Profit before tax	1,284	3,524
Tax calculated at the applicable tax rates	161	352
Tax effect of expenses not deductible for tax purposes	319	197
Tax effect of allowances and income not subject to tax	(319)	(197)
Tax effect of tax losses brought forward	-	(352)
Tax effect of entering tonnage tax system	(126)	-
10% additional charge	3	-
Tax charge	38	-

The corporation tax rate is 12.5% (2012:10%).

With effect from 21 March 2013, the company has entered the Cyprus tonnage tax system.

OREO NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

10. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
At 1 January 2012		
Cost or valuation	7,813	7,813
Accumulated depreciation	(394)	(394)
Net book amount	7,419	7,419
Year ended 31 December 2012		
Opening net book amount	7,419	7,419
Additions	1,467	1,467
Depreciation	(1,990)	(1,990)
Closing net book amount	6,896	6,896
At 31 December 2012/1 January 2013		
Cost or valuation	9,280	9,280
Accumulated depreciation	(2,384)	(2,384)
Net book amount	6,896	6,896
Year ended 31 December 2013		
Opening net book amount	6,896	6,896
Additions	2,569	2,569
Disposals	(567)	(567)
Derecognition of cost of property, plant and equipment	(311)	(311)
Derecognition of accumulated depreciation	311	311
Depreciation	(2,554)	(2,554)
Closing net book amount	6,344	6,344
At 31 December 2013		
Cost or valuation	10,971	10,971
Accumulated depreciation	(4,627)	(4,627)
Net book amount	6,344	6,344

11. Inventories

	2013 US$'000	2012 US$'000
Inventories	920	1,263
	920	1,263

12. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	156	-
Other current asset	114	319
Refundable VAT	1	-
	271	319

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

13. Cash and cash equivalents

	2013 US$'000	2012 US$'000
Cash at bank and in hand	1	6
	1	6

14. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	1,000	2	1,000	2
Issued and fully paid				
Balance at 1 January	1,000	2	1,000	2
Balance at 31 December	1,000	2	1,000	2

15. Borrowings

	2013 US$'000	2012 US$'000
Current borrowings		
Loan from parent company (Note 18)	-	2,244
	-	2,244
Non current borrowings		
Loans from related companies (Note 18)	4,119	-
Total	4,119	2,244

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	6.32%

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	4,119	2,244
	4,119	2,244

16. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	1,629	5,900
Accrued salaries	86	225
Provisions and accruals	824	521
	2,539	6,646

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

17. Current tax liabilities

	2013 US$'000	2012 US$'000
Corporation tax	38	-
	38	-

18. Related party transactions

The Company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The Company's parent is Seabird Exploration Limited incorporated in Cyprus. The following transactions were carried out with related parties:

18.1 Sales of goods and services

	2013 US$'000	2012 US$'000
Intercompany bare boat hire	12,533	12,876
	12,533	12,876

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

18.2 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services (Note 7)	6,244	979
Internal charter hire	4,258	-
	10,502	979

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

18.3 Loans from companies within Seabird Group (Note 15)

	2013 US$'000	2012 US$'000
At beginning of year	-	46
Additional loans during the year	3,506	-
Interest charge	613	-
Repayments	-	(46)
At the end of the year	4,119	-

The above loans bear interest at 6.17% (2012: 6.32%) per annum and are repayable on demand.

18.4 Loans from parent company (Note 15)

	2013 US$'000	2012 US$'000
At beginning of the year	2,244	5,648
Interest charge	30	718
Repayments	(2,274)	(4,122)
At the end of the year	-	2,244

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

19. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

20. Commitments

The company had no capital or other commitments as at 31 December 2013.

21. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

22. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
• Issue new equity for a total of approximately $11.6 million
• Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
• Issue a 3-year secured credit facility of $2.4 million.
• Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

22. Events after the reporting period (continued)

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 21, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

OREO NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Profit before tax	5		1,284
Add:			
Depreciation		2,554	2,554
			3,838
Less:			
Capital allowances		2,554	(2,554)
Chargeable income for the year			1,284
			€
Converted into € at US$'000 1.328000 = €1			967
Income under tonnage tax			(758)
Chargeable income under corporation tax			209

Calculation of corporation tax	Income €	Rate %	Total € c	Total US$'000
Tax at normal rates:				
Chargeable income as above	209	12.50	26.13	35
10% additional charge			2.61	3
TAX PAYABLE			28.74	38

OREO NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

OREO NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

CONTENTS

OREO NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (resigned on 22 April 2013) Timothy Nicholas Isden (resigned on 29 February 2012)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

OREO NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The principal activity of the company, which is unchanged from last year, is operating of a Panama-flagged vessel providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net profit for the company for the year ended 31 December 2012 was US$3,524 thousand (2011: net loss US$3,932 thousand). On 31 December 2012 the total assets of the company were US$8,484 thousand (2011: US$8,706 thousand) and the net liabilities of the company were US$406 thousand (2011: US$3,930 thousand). The financial position, development and performance of the company as presented in these financial statements are considered satisfactory.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 19 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Dag Wilfred Reynolds
Director

Nicosia, 8 July 2013

Independent auditor's report
To the Members of Oreo Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Oreo Navigation Company Limited (the "company") on pages 5 to 24 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Oreo Navigation Company Limited as at 31 December 2012, and of its financial performance and its 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.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia, Cyprus

.....8/03/... 2013

OREO NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Revenue		12,876	1,278
Charter hire and operating expenses	6	(5,411)	(4,444)
Selling, general and administration expenses	6	(1,005)	(275)
Earnings before interest, depreciation and amortization		6,460	(3,441)
Depreciation and amortization expense		(1,966)	(394)
Earnings before interest and taxes/(loss)	5	4,494	(3,835)
Interest expense	7	(814)	(78)
Finance costs	7	(156)	(19)
Net profit/(loss) for the year		3,524	(3,932)
Other comprehensive income		-	-
Total comprehensive income for the year		3,524	(3,932)

The notes on pages 9 to 24 form an integral part of these financial statements.

OREO NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	6,896	7,419
		6,896	7,419
Current assets			
Inventories	10	1,263	727
Trade and other receivables	11	319	553
Cash and cash equivalents	12	6	7
		1,588	1,287
Total assets		8,484	8,706
EQUITY AND LIABILITIES			
Equity			
Share capital	13	2	2
Accumulated losses		(408)	(3,932)
Total equity		(406)	(3,930)
Current liabilities			
Trade and other payables	15	6,646	6,942
Borrowings	14	2,244	5,694
		8,890	12,636
Total equity and liabilities		8,484	8,706

On 8 July 2013 the Board of Directors of Oreo Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

The notes on pages 8 to 24 form an integral part of these financial statements.

OREO NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	2	-	2
Comprehensive income			
Net loss for the year	-	(3,932)	(3,932)
Balance at 31 December 2011/ 1 January 2012	2	(3,932)	(3,930)
Comprehensive income			
Net profit for the year	-	3,524	3,524
Balance at 31 December 2012	2	(408)	(406)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

OREO NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		3,524	(3,932)
Adjustments for:			
Depreciation and amortization	9	1,966	394
Unrealized exchange (profit) /loss		(98)	78
Interest income	7	-	(10)
Interest expense	7	814	(78)
Cash flows from/(used in) operations before working capital changes		6,206	(3,548)
Increase in inventories		(536)	(727)
Decrease/(increase) in trade and other receivables		234	(551)
(Decrease)/increase in trade and other payables		(296)	6,942
Cash flows from operations		5,608	2,116
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		-	10
Capital expenditure		(1,443)	(7,813)
Net cash flows used in investing activities		(1,443)	(7,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(4,166)	-
Proceeds from borrowings		-	5,694
Net cash flows (used in)/from financing activities		(4,166)	5,694
Net (decrease) /increase in cash and cash equivalents		(1)	7
Cash and cash equivalents:			
At beginning of the year		7	-
At end of the year	12	6	7

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The company Oreo Navigation Company Limited (the "company") was incorporated in Cyprus on 26 February 1998 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, which is unchanged from last year, is operating of a Panama-flagged vessel providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is shown net of value added tax, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

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).

2. Accounting policies (continued)

Property, plant and equipment (continued)

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 group changed its accounting policy on the measurement of property, plant and equipment from the revaluation model to historical cost model. 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. The change in policy had no effect on the carrying value of property, plant and equipment of the company as stated within these financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method (historical cost less residual value) over their estimated 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. 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.

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 the company 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 admin 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 admin expenses' in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

Impairment of non-financial assets

Assets that have an indefinite useful life 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

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 raw materials, direct labor, other direct costs and related production overheads (based on normal operating activity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

OREO NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest - bearing financial instruments was:

	2012 US$'000	2011 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	2,244	5,694
	2,244	5,694

In addition cash and cash equivalents of US$6 thousand at 31 December 2012 and cash and cash equivalents of US$7 thousand at 31 December 2011 are interest bearing assets with variable rates.

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 US$22 thousand, based on an average of 1 January and 31 December for long term interest bearing liabilities. The analysis assumes that all other variables remain constant.

c. Credit risk

The company 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.

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

	2012 US$'000	2011 US$'000
Trade and other receivables	319	551
Cash at bank	6	7
Receivables from related companies	-	2
	325	560

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	6,646	-	6,646	-	-
Loans from related companies	2,244	2,244	-	-	-
	8,890	2,244	6,646	-	-

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	6,942	-	6,942	-	-
Loans from related companies	5,694	5,694	-	-	-
	12,636	5,694	6,942	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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.

- Estimated impairment of vessels and equipment

  Impairment is tested regularly, in accordance with the accounting policy stated in Note 2. 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.

4. Critical accounting estimates and judgments (continued)

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Operating profit/(loss)

	2012 US$'000	2011 US$'000
Operating profit/(loss) is stated after charging the following items:		
Auditors' remuneration	4	-

6. Expenses by nature

	2012 US$'000	2011 US$'000
Charter hire	4,941	2,228
Crew	470	966
Seismic and marine expenses	-	1,250
Total charter hire and operating expenses	5,411	4,444

	2012 US$'000	2011 US$'000
Legal and professional	6	32
Management fee	979	230
Other expenses	20	13
Total selling, general and administration expenses	1,005	275

7. Finance income/cost

	2012 US$'000	2011 US$'000
Interest income	-	10
Finance income	-	10
Net foreign exchange transaction losses	(156)	(28)
Interest expense	(814)	(78)
Sundry finance expenses	-	(1)
Finance costs	(970)	(107)
Net finance costs	(970)	(97)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

8. Tax

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Profit/(loss) before tax	3,524	(3,932)
Tax calculated at the applicable tax rates	352	(393)
Tax effect of expenses not deductible for tax purposes	197	39
Tax effect of allowances and income not subject to tax	(197)	(39)
Tax effect of tax losses brought forward	(352)	-
Tax effect of tax loss for the year	-	393
Tax charge	-	-

The corporation tax rate is 10%.

9. Property, plant and equipment

	Seismic vessel and equipment (owned) US$'000	Total US$'000
Year ended 31 December 2011		
Opening net book amount	-	-
Additions	7,813	7,813
Depreciation and amortization	(394)	(394)
Closing net book amount	7,419	7,419
At 31 December 2011/1 January 2012		
Cost or valuation	7,813	7,813
Accumulated depreciation and amortization	(394)	(394)
Net book amount	7,419	7,419
Year ended 31 December 2012		
Opening net book amount	7,419	7,419
Additions	1,467	1,467
Depreciation and amortization	(1,990)	(1,990)
Closing net book amount	6,896	6,896
At 31 December 2012		
Cost or valuation	9,280	9,280
Accumulated depreciation and amortization	(2,384)	(2,384)
Net book amount	6,896	6,896

10. Inventories

	2012 US$'000	2011 US$'000
Inventories	1,263	727
	1,263	727

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

11. Trade and other receivables

	2012 US$'000	2011 US$'000
Receivables from related companies (Note 16)	-	2
Other current asset	319	551
	319	553

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

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. Cash and cash equivalents

	2012 US$'000	2011 US$'000
Cash at bank and in hand	6	7
	6	7

13. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of €1.71 each	1,000	2	1,000	2
Issued and fully paid				
Balance at 1 January	1,000	2	1,000	2
Balance at 31 December	1,000	2	1,000	2

14. Borrowings

	2012 US$'000	2011 US$'000
Current borrowings		
Loans from related companies (Note 16)	-	46
Loan from parent company (Note 16)	2,244	5,648
	2,244	5,694

The weighted average effective interest rates at the reporting date were as follows:

	2012	2011
Loans from related companies	6.32%	9.10%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

15. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	5,900	5,852
Accruals	746	1,090
	6,646	6,942

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

16. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. The following transactions were carried out with related parties:

16.1 Sales of goods and services

	2012 US$'000	2011 US$'000
Intercompany bare boat hire	12,876	1,278
	12,876	1,278

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

16.2 Purchases of goods and services

	2012 US$'000	2011 US$'000
Intercompany crew management and administration services	979	230
	979	230

Services are usually negotiated with related parties on a cost-plus basis considered to be on arms' -length, allowing a margin ranging from 4% to 10%.

16.3 Receivables from related parties (Note 11)

	2012 US$'000	2011 US$'000
Due from related parties	-	2
	-	2

16.4 Loans from related undertakings (Note 14)

	2012 US$'000	2011 US$'000
At the beginning of year	46	-
Additional loans during the year	-	46
Loans repaid during the year	(46)	-
Total current borrowings	-	46
At end of year	-	46

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

16. Related party transactions (continued)

16.5 Loans from parent company

	2012 US$'000	2011 US$'000
At the beginning of year	5,648	-
Additional loans during the year	-	5,597
Loans repaid during the year	(4,122)	-
Interest charged	718	51
At end of year	2,244	5,648

The above loan was provided at 6.32% (9.10% in 2011) interest rate and is repayable on demand.

17. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

18. Commitments

The company had no capital or other commitments as at 31 December 2012.

19. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

OREO NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000	US$'000
Net profit per statement of comprehensive income	5		3,524
Add:			
Depreciation		1,966	
			1,966
			5,490
Less:			
Annual wear and tear allowances		1,966	
			(1,966)
Chargeable income for the year			3,524
			€
Converted into € at US$'000 1.285800 = €1			2,741
Loss brought forward			(2,824)
Loss carried forward			(83)

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 8 November 2013 to 31 December 2013

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 8 November 2013 to 31 December 2013

CONTENTS

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Dag Wilfred Reynolds (appointed on incorporation) Helen Georgiades (appointed on incorporation) Vasilios Trikoupis (appointed on incorporation)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its first report and audited financial statements of the company for the period from 8 November 2013 to 31 December 2013.

Incorporation
The company Seabird Exploration Multi-Client Limited was incorporated in Cyprus on 8 November 2013 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

Principal activity
The principal activity of the company, is to license seismic data surveys to customers. The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net loss of the company for the year ended 31 December 2013 was US$263 thousand. On 31 December 2013 the total assets of the company were US$2,288 thousand and the net liabilities of the company were US$263 thousand. The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the Group is discussed in note 15 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the period are set out on page 5. The net loss for the period is carried forward.

Share capital
Authorized capital
Under its Memorandum the company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.
Issued capital
Upon incorporation on 8 November 2013 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the board continue in office.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 16 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Dag Wilfred Reynolds
Director

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17 April 2015

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Independent auditor's report

To the members of Seabird Exploration Multi-Client Limited

Report on the financial statements

We have audited the financial statements of Seabird Exploration Multi-Client Limited (the "company") on pages 5 to 22 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the period from 8 November 2013 to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Seabird Exploration Multi-Client Limited as at 31 December 2013, and of its financial performance and its cash flows for the period from 8 November 2013 to 31 December 2013 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 15 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 15 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Independent auditor's report (continued)

To the members of Seabird Exploration Multi-Client Limited

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia,
17 April 2015

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Period from 8 November 2013 to 31 December 2013

	Note	2013 US$'000
Selling, general and administration expenses	5	(250)
Earnings before interest, depreciation, amortization and taxes		(250)
Interest expense	6	(13)
	6	-
Net loss for the period		(263)
Other comprehensive income		-
Total comprehensive income for the period		(263)

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000
ASSETS		
Non-current assets		
Multi-client library	8	2,287
		2,287
Current assets		
Trade and other receivables	9	1
		1
Total assets		2,288
EQUITY AND LIABILITIES		
Equity		
Share capital	10	1
(Accumulated losses)		(263)
Total equity		(262)
Non-current liabilities		
Borrowings	11	2,550
		2,550
Total equity and liabilities		2,288

On 17 April 2015 the board of directors of Seabird Exploration Multi-Client Limited authorized these financial statements for issue.

....
Dag Wilfred Reynolds
Director

....
Helen Georgiades
Director

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

STATEMENT OF CHANGES IN EQUITY
Period from 8 November 2013 to 31 December 2013

	Note	Share capital US$'000	Accumulated (losses) US$'000	Total US$'000
Comprehensive income				
Net loss for the period		-	(263)	(263)
Transactions with owners				
Issue of share capital	10	1	-	1
Balance at 31 December 2013		1	(263)	(262)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the company for the account of the shareholders.

SEABIRD EXPLORATION MULTI-CLIENT LIMITED

CASH FLOW STATEMENT
Period from 8 November 2013 to 31 December 2013

	2013 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(263)
Cash flows used in operations	(263)
CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings	263
Net cash flows from financing activities	263
Net increase in cash and cash equivalents	-
Cash and cash equivalents:	
At beginning of the period	-
At end of the period	-

1. Incorporation and principal activities

Country of incorporation

The company Seabird Exploration Multi-Client Limited (the "company") was incorporated in Cyprus on 8 November 2013 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company is to license seismic data surveys to customers. The company is part of the Seabird Exploration Group.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113

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 financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current period 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 8 November 2013.

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 IAS32 "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).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

2. Accounting policies (continued)

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, the company 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: "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.

Financial Instruments

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.

2. Accounting policies (continued)

Financial instruments (continued)

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Period from 8 November 2013 to 31 December 2013

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest–bearing financial instruments was:

	2013 US$'000
Variable rate instruments	
LIBOR based USD intercompany loans	2,550
	2,550

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 US$26 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Loans from related companies	2,550	2,550	-	-	-
	2,550	2,550	-	-	-

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

e. Risks related to debt arrangements

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Period from 8 November 2013 to 31 December 2013

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines.

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **Estimated impairment of multi-client surveys**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

  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.

4. Critical accounting estimates and judgments (continued)

- **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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Expenses by nature

	2013 US$'000
Management fee	25
Total selling, general and administration expenses	25

6. Finance costs

	2013 US$'000
Interest expense	13
	13

7. Tax

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000
Loss before tax	(263)
Tax calculated at the applicable tax rates	(33)
Tax effect of tax loss for the period	33
Tax charge	-

The corporation tax rate is 12.5% (2012: 10%).

8. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
Period ended 31 December 2013		
Additions	2,287	2,287
Amortization	-	-
Closing net book amount	2,287	2,287
At 31 December 2013		
Cost or valuation	2,287	2,287
Accumulated amortization	-	-
Net book amount	2,287	2,287

Multi-client data library has been acquired from a fellow group subsidiary.

9. Trade and other receivables

	2013 US$'000
Shareholders' current accounts - debit balances (Note 12)	1
	1

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

10. Share capital

	2013 Number of shares	2013 US$'000
Authorized		
Ordinary shares of €1,00 each	10,000	10
Issued and fully paid		
Issue of shares	1,000	1
Balance at 31 December	1,000	1

Authorized capital
Under its Memorandum the company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.

Issued capital
Upon incorporation on 8 November 2013 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

11. Borrowings

	2013 US$'000
Non current borrowings	
Loans from related companies (Note 12)	2,550

11. Borrowings (continued)

The weighted average effective interest rates at the reporting date were as follows:

	2013
Loans from related companies	6.17%

The company borrowings are denominated in the following currencies:

	2013 US$'000
United States Dollars	2,550
	2,550

12. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. Except as disclosed in note 8, the following transactions were carried out with related parties:

12.1 Purchases of goods and services

	2013 US$'000
Intercompany crew management and administration services (Note 7)	250
	250

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

12.2 Loans from companies within Seabird Group (Note 11)

	2013 US$'000
Additional loans during the period	2,537
Interest charge	13
At the end of the year	2,550

The above loans bear interest at 6.17% per annum and are repayable on demand.

12.3 Shareholders' current accounts - debit balances (Note 9)

	2013 US$'000
Shareholders' current accounts	1
	1

The shareholders' current accounts are interest free, and have no specified repayment date.

13. Contingent liabilities

As part of the group restructuring agreed in March 2015, TGS Nopec have a first priority floating charge over the assets of the Company.

The company had no other contingent liabilities as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS
Period from 8 November 2013 to 31 December 2013

14. Commitments

The company had no capital or other commitments as at 31 December 2013.

15. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS
Period from 8 November 2013 to 31 December 2013

16. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented. We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 16, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

SEABIRD EXPLORATION CYPRUS LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 7 November 2013 to 31 December 2013

SEABIRD EXPLORATION CYPRUS LIMITED

REPORT AND FINANCIAL STATEMENTS
Period from 7 November 2013 to 31 December 2013

CONTENTS

SEABIRD EXPLORATION CYPRUS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Vasilios Trikoupis (appointed on incorporation) Dag Wilfred Reynolds (appointed on incorporation) Helen Georgiades (appointed on incorporation)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House Limassol Cyprus

SEABIRD EXPLORATION CYPRUS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its first report and audited financial statements of the company for the period from 7 November 2013 to 31 December 2013.

Incorporation
The company Seabird Exploration Cyprus Limited was incorporated in Cyprus on 7 November 2013 as a private limited liability company under the Cyprus Companies Law, Cap. 113.

Principal activity
The principal activity of the company, is the provision of management services to other group companies. During the period, the company also chartered a vessel from a group company, providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net loss of the company for the year ended 31 December 2013 was US$17 thousand. On 31 December 2013 the total assets of the company were US$4,048 thousand and the net liabilities of the company were US$16 thousand. The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the Group is discussed in note 17 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results
The company's results for the period are set out on page 5. The net loss for the period is carried forward.

Share capital
Authorized capital
Under its Memorandum the company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.
Issued capital
Upon incorporation on 7 November 2013 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

Board of directors
The members of the company's Board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the board continue in office.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 18 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Dag Wilfred Reynolds
Director

Nicosia,
17 April 2015

BDO

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Independent auditor's report

To the members of Seabird Exploration Cyprus Limited

Report on the financial statements

We have audited the financial statements of Seabird Exploration Cyprus Limited (the "company") on pages 5 to 23 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the period from 7 November 2013 to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Seabird Exploration Cyprus Limited as at 31 December 2013, and of its financial performance and its cash flows for the period from 7 November 2013 to 31 December 2013 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 17 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 17 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Independent auditor's report (continued)

To the members of Seabird Exploration Cyprus Limited

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia,
17 April 2015

SEABIRD EXPLORATION CYPRUS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Period from 7 November 2013 to 31 December 2013

	Note	2013 US$'000
Revenue	5	3,789
Charter hire and operating expenses	6	(3,602)
Selling, general and administration expenses	6	(196)
Earnings before interest, depreciation, amortization and taxes		(9)
Net finance income	7	13
Interest expense	7	(21)
Net loss for the period		(17)
Other comprehensive income		-
Total comprehensive income for the period		(17)

SEABIRD EXPLORATION CYPRUS LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000
ASSETS		
Non-current assets		
Non-current loans receivable	9	2,550
		2,550
Current assets		
Trade and other receivables	10	1,498
		1,498
Total assets		4,048
EQUITY AND LIABILITIES		
Equity		
Share capital	11	1
(Accumulated losses)		(17)
Total equity		(16)
Non-current liabilities		
Borrowings	12	4,034
		4,034
Current liabilities		
Trade and other payables	13	30
		30
Total liabilities		4,064
Total equity and liabilities		4,048

On 17 April 2015 the board of directors of Seabird Exploration Cyprus Limited authorized these financial statements for issue.

Helen Georgiades
Director

Dag Wilfred Reynolds
Director

SEABIRD EXPLORATION CYPRUS LIMITED

STATEMENT OF CHANGES IN EQUITY
Period from 7 November 2013 to 31 December 2013

	Note	Share capital US$'000	Accumulated (losses) US$'000	Total US$'000
Comprehensive income				
Net loss for the period		-	(17)	(17)
Transactions with owners				
Issue of share capital	11	1	-	1
Balance at 31 December 2013		1	(17)	(16)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the company for the account of the shareholders.

SEABIRD EXPLORATION CYPRUS LIMITED

CASH FLOW STATEMENT
Period from 7 November 2013 to 31 December 2013

	2013 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(17)
Cash flows used in operations before working capital changes	(17)
Increase in trade and other receivables	(13)
Increase in trade and other payables	30
Cash flows used in operations	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	-
Net increase in cash and cash equivalents	-
Cash and cash equivalents:	
At beginning of the period	-
At end of the period	-

NOTES TO THE FINANCIAL STATEMENTS
Period from 7 November 2013 to 31 December 2013

1. Incorporation and principal activities

Country of incorporation

The company Seabird Exploration Cyprus Limited (the "company") was incorporated in Cyprus on 7 November 2013 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company, is the provision of management services to other group companies. During the period, the company also chartered a vessel from a group company, providing proprietary seismic surveys (contract seismic). The company is part of the Seabird Exploration Group.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113

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 financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current period 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 7 November 2013. .

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 IAS32 "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).*

NOTES TO THE FINANCIAL STATEMENTS
Period from 7 November 2013 to 31 December 2013

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

2. Accounting policies (continued)

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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 the company 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.

Financial assets

(1) Classification

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

- 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.

2. Accounting policies (continued)

Financial instruments (continued)

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

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.

Dividend distribution

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

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

SEABIRD EXPLORATION CYPRUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Period from 7 November 2013 to 31 December 2013

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000
Variable rate instruments	
LIBOR based USD intercompany receivables	2,550
LIBOR based USD intercompany payables	(4,034)
	(1,484)

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 US$15 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000
Loans receivables from related parties	2,550
Trade and other receivables	1,497
Receivables from related parties	1
	4,048

3. Risk factors and financial risk management (continued)

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	31	-	31	-	-
Loans from related companies	3,603	3,603	-	-	-
Loan from parent company	430	430	-	-	-
	4,064	4,033	31	-	-

e. Risks related to debt arrangements

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines.

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- 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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- 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.

5. Revenue

	2013 US$'000
Contract revenue	3,789
	3,789

6. Expenses by nature

	2013 US$'000
Charter hire	1,92
Crew	71
Seismic and marine expenses	96
Total charter hire and operating expenses	3,60

	2013 US$'000
Management fee	18
Other expenses	1
Total selling, general and administration expenses	19

7. Finance income

	2013 US$'000
Interest income	13
Finance income	13
Interest expense	(21)
Finance costs	(21)
Net finance costs	(8)

8. Tax

The tax on the company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000
Loss before tax	(17)
Tax calculated at the applicable tax rates	(2)
Tax effect of tax loss for the period	2
Tax charge	-

The corporation tax rate is 12.5% (2012:10%).

9. Non-current loans receivable

	2013 US$'000
Loans to related companies (Note 14)	2,550
	2,550

The exposure of the company to credit risk is reported in note 3 of the financial statements.

9. Non-current loans receivable (continued)

The fair values of non-current receivables approximate to their carrying amounts as presented above.

10. Trade and other receivables

	2013 US$'000
Trade receivables	600
Shareholders' current accounts - debit balances (Note 14)	1
Other current assets	897
	1,498

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

11. Share capital

	2013 Number of shares	2013 US$'000
Authorized		
Ordinary shares of €1,00 each	10,000	1
Issued and fully paid		
Issue of shares	1,000	1
Balance at 31 December	1,000	1

Authorized capital
Under its Memorandum the company fixed its share capital at 10,000 ordinary shares of nominal value of €1 each.

Issued capital
Upon incorporation on 7 November 2013 the company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par.

12. Borrowings

	2013 US$'000
Non current borrowings	
Loans from related companies (Note 14)	3,602
Loan from parent company (Note 14)	432
	4,034

The weighted average effective interest rates at the reporting date were as follows:

	2013
Loans from related companies	6.17%

12. Borrowings (continued)

The company borrowings are denominated in the following currencies:

	2013 US$'000
United States Dollars	4,034
	4,034

13. Trade and other payables

	2013 US$'000
Accrued salaries	18
Accrued expenses	12
	30

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

14. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. The following transactions were carried out with related parties:

14.1 Sales of goods and services

	2013 US$'000
Intercompany bare boat hire	2,292
	2,292

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

14.2 Purchases of goods and services

	2013 US$'000
Intercompany crew management and administration services (Note 6)	697
Internal charter hire (Note 6)	1,922
	2,619

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

14.3 Loans to companies within Seabird Group (Note 9)

	2013 US$'000
Additional loans during the period	2,537
Interest charge	13
	2,550

The above loans bear interest at 6.17% per annum and are repayable on demand.

14. Related party transactions (continued)

14.4 Loans from companies within Seabird Group (Note 12)

	2013 US$'000
Additional loans during the period	3,584
Interest charge	19
At the end of the year	3,603

The above loans bear interest at 6.17% per annum and are repayable on demand.

14.5 Shareholders' current accounts - debit balances (Note 10)

	2013 US$'000
Shareholders' current account	1
	1

The shareholders' current accounts are interest free, and have no specified repayment date.

14.6 Loans from parent company (Note 12)

	2013 US$'000
Additional loans during the period	429
Interest charge	3
At the end of the year	432

The above loan bears interest at 6.17% per annum and is repayable on demand.

15. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

16. Commitments

The company had no capital or other commitments as at 31 December 2013.

17. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS
Period from 7 November 2013 to 31 December 2013

18. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.
- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 16, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

SEABIRD EXPLORATION ASIA PACIFIC PTE. LTD.

(Company registration number: 201223807H)

Report of the Directors and Financial Statements for the financial period from 27 September 2012 (date of incorporation) to 31 December 2013

REPORT OF THE DIRECTORS

The Directors present their report to the member together with the audited financial statements of the Company for the financial period from 27 September 2012 (date of incorporation) to 31 December 2013.

1. Directors

The Directors in office at the date of this report are:

Pers Nils Christian Haugestad	(appointed on 27 September 2012)
Dag Wilfred Reynolds	(appointed on 27 September 2012)
Philip David Gunn	(appointed on 28 January 2014)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

3. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors holding office at the end of the financial period had any interest in the shares or debentures of the Company and its related corporations, except as disclosed below:

	Shareholdings in which Directors are deemed to have an interest	
	As at 27 September 2012 (date of incorporation) or date of appointment, if later	As at 31 December 2013
Immediate and ultimate holding company		
Seabird Exploration Plc		
	Number of ordinary shares	
Pers Nils Christian Haugestad	-	9,770
Dag Wilfred Reynolds	-	100,000
	Number of options to subscribe ordinary shares	
Pers Nils Christian Haugestad	1,265,822	843,882
Dag Wilfred Reynolds	3,000,000	3,000,000

4. Directors' contractual benefits

Since the date of incorporation, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

5. Share options

There were no share options granted by the Company during the financial period.

There were no shares issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under options as at the end of the financial period.

6. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Pers Nils Christian Haugestad
Director

Dag Wilfred Reynolds
Director

Singapore
11 May 2014

In our opinion,

(a) the accompanying financial statements comprising the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Company for the financial period from 27 September 2012 (date of incorporation) to 31 December 2013; and

(b) at the date of this statement, on the basis of the immediate and ultimate holding company's written confirmation to provide continuing financial support, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Pers Nils Christian Haugestad
Director

Dag Wilfred Reynolds
Director

Singapore
11 May 2014

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BDO LLP
Chartered Accountants
31 Merchant Road #05-01
Singapore 058267

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SEABIRD EXPLORATION ASIA PACIFIC PTE. LTD.

We have audited the accompanying financial statements of Seabird Exploration Asia Pacific Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 27 September 2012 (date of incorporation) to 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of 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 management, as well as evaluating the overall presentation of the financial statements.

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

Report on the financial statements (Continued)

Opinion

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Company for the financial period from 27 September (date of incorporation) to 31 December 2013.

Emphasis of matter

We draw attention to Note 3 in the financial statements which indicates that the Company incurred a net loss amounting to US$685,913 during the financial period from 27 September 2012 (date of incorporation) to 31 December 2013, and as of that date, the Company's total liabilities exceeded its total assets by US$685,834. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our audit opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
11 May 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	US$
Non-current assets		
Amount due from related companies	5	40,809,581
Current assets		
Trade and other receivables	6	463,618
Cash and bank balances	7	1,249,373
		1,712,991
Less:		
Current liabilities		
Trade and other payables	8	240,916
Net current assets		1,472,075
Non-current liabilities		
Amount due to related companies	5	42,967,490
Net assets		(685,834)
Equity		
Share capital	9	79
Accumulated losses		(685,913)
		(685,834)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD FROM 27 SEPTEMBER 2012 (DATE OF INCORPORATION) TO 31 DECEMBER 2013

	Note	US$
Revenue	10	62,309,205
Cost of services		(54,011,373)
Gross profit		8,297,832
Other income	11	1,579,425
Administrative expenses		(6,214,777)
Other expenses		(36,440)
Finance costs	12	(1,298,100)
Profit before income tax	13	2,327,940
Income tax expense	14	(3,013,853)
Lots for the financial period, representing total comprehensive income for the financial period		(685,913)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 27 SEPTEMBER 2012 (DATE OF INCORPORATION) TO 31 DECEMBER 2013

	Note	Share capital US$	Accumulated losses US$	Total US$
Contributions by owners:				
Issue of subscriber's shares on 27 September 2012 (date of incorporation)	7	79	-	79
Loss for the financial period		-	(685,913)	(685,913)
Total comprehensive income for the financial period		-	(685,913)	(685,913)
Balance as at 31 December 2013		79	(685,913)	(685,834)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD FROM 27 SEPTEMBER 2012 (DATE OF INCORPORATION) TO 31 DECEMBER 2013

	Note	US$
Operating activities		
Profit before income tax, representing operating cash flows before working capital changes		2,327,940
Working capital change:		
Trade and other receivables		(463,618)
Amount due to related companies		42,967,490
Trade and other payables		240,916
Cash generated from operations		45,072,728
Income tax paid		(3,013,853)
Net cash from operating activities		42,058,875
Investing activity		
Amount due from related companies, representing cash used in investing activity		(40,809,581)
Financing activity		
Issue of shares, representing cash from financing activity		79
Net change in cash and bank balances		1,249,373
Cash and cash balances at beginning of financial period		-
Cash and cash balances at end of financial period	7	1,249,373

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

Seabird Exploration Asia Pacific Pte. Ltd. (the "Company") (Registration number is 201223807H) is a private limited company, incorporated and domiciled in Singapore with its registered office of business at 8 Cross Street #10-00 PWC Building Singapore 048424.

The Company's immediate and ultimate holding company is Seabird Exploration Plc, a company incorporated in Cyprus.

The principal activities of the Company are those service activities incidental to oil and gas extraction.

The financial statements for the financial period from 27 September 2012 (date of incorporation) to 31 December 2013 were authorised for issue in accordance with a Directors' resolution dated 11 May 2014.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn-up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related interpretations of FRS (INT FRS) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements of the Company are measured and presented in United States dollar, which is the currency of the primary economic environment in which the entity operates ("functional currency").

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Company's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 4.

In the current financial period, the Company has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial period. The adoption of these new/revised FRS and INT FRS did not result in changes to the Company's accounting policies and had no material effect on the amounts reported for the current period.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these statements, the following FRS and INT FRS that may be relevant to the Company were issued but not effective:

		Effective date (annual periods beginning on or after)
FRS 19 (Amendments)	: *Defined Benefits Plans: Employee Contributions*	1 July 2014
FRS 32 (Amendments)	: *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
FRS 36 (Amendments)	: *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
FRS 39 (Amendments)	: *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
INT FRS 121	: *Levies*	1 January 2014
Improvements to FRSs 2014		1 July 2014
FRS 16	: *Property, Plant and Equipment*	
FRS 24	: *Related Party Disclosure*	
FRS 113	: *Fair Value Measurement*	

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

2.2 Impairment of non-financial assets

At the end of each financial year, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. Summary of significant accounting policies (Continued)

2.2 Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.3 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

<u>Financial assets</u>

All financial assets are recognised on trade date where the purchases of a financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are intestinally measured at fair value, plus transaction costs.

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

<u>Loans and receivables</u>

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's loans and receivables in the statement of financial position comprise trade and other receivables, amount due from related companies and cash and bank balances.

2. Summary of significant accounting policies (Continued)

2.3 Financial instruments (Continued)

<u>Financial assets</u> (Continued)

<u>Impairment of financial assets</u>

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment in value directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

If in a subsequent period, the amount of the impairment in value decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment in value is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

<u>Derecognition of financial assets</u>

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

<u>Financial liabilities and equity instruments</u>

<u>Classification as debt or equity</u>

Financial liabilities and equity instruments issued by Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2. **Summary of significant accounting policies** (Continued)

2.3 Financial instruments (Continued)

<u>**Financial liabilities and equity instruments**</u> (Continued)

<u>Financial Liabilities</u>

The Company classifies its financial liabilities as other financial liabilities.

<u>Other financial liabilities</u>

Trade and other payables and amount due to related companies

Trade and other payables and amount due to related companies are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

<u>Derecognition of financial liabilities</u>

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in the statement of comprehensive income.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash deposits with banks and financial institutions. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

2.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

<u>Revenue from services</u>

Sales of services are recognised 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 services provided as a proportion of the total services to be provided.

<u>Interest income</u>

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. **Summary of significant accounting policies** (Continued)

2.6 Foreign currency transactions and translations

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current income tax</u>

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

<u>Deferred tax</u>

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

3. Going concern

The Company incurred a net loss amounting to US$685,913 during the financial period from 27 September 2012 (date of incorporation) to 31 December 2013, and as of that date, the Company's total liabilities exceeded its total assets by US$685,834. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern depends on the holding company's written confirmation to provide continuing financial support to the Company to meet its obligations as and when they fall due.

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Company may have to reclassify non-current assets and liabilities. No such adjustments have been made to these financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgements in applying the Company's accounting policies

In the process of applying the accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Allowance for trade and other receivables and amount due from related companies

The provision policy for doubtful debts of the Company is on a case-by-case basis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers and related companies were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of trade and other receivables and amount due from related companies as at 31 December 2013 was US$463,618 and US$40,809,581 respectively.

(ii) Income taxes

Significant judgement is involved in determining the Company's provision for income taxes. The Company has exposure to income taxes in some jurisdictions of which a portion of these taxes arose from certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made.

5. Amount due from/(to) related companies

	2013
	US$
Non-trade:	
- Amount due from related companies	33,344,151
- Amount due from immediate and ultimate holding company	7,465,430
	40,809,581
Trade:	
- Amount due to related companies	42,967,490

The non-trade amount due from related companies relates to advances to related companies which are unsecured, bears a weighted average rate of 6.20%, with no fixed repayment terms and are not expected to be repaid within the next 12 months from the end of the financial year.

The trade amount due to related companies relates to the internal cost allocations charged by the related companies, bears a weighted average rate of 6.20%, with no fixed repayment terms and are not expected to be repaid within the next 12 months from the end of the financial year.

The amount due from/(to) related companies are denominated in United States dollar.

6. Trade and other receivables

	2013 US$
Trade receivables:	
- third parties	397,930
Allowance for doubtful trade receivables	(13,050)
	384,880
Other receivables:	
- Deposits	78,738
	463,618

Trade receivables from third parties are unsecured, interest-free and generally on 30 days credit terms.

In the current financial period, allowance for doubtful debts amounting to $13,050 was recognised in "administrative expenses" in the statement of comprehensive income subsequent to a debt recovery assessment performed by the management.

Trade and other receivables are denominated in United States dollar.

7. Cash and bank balances

The cash and bank balances are denominated in United States dollar.

8. Trade and other payables

	2013 US$
Trade payables	
- third parties	154,366
Accrued operating expenses	86,550
	240,916

Trade payables from third parties are unsecured, interest-free and generally on 30 days credit terms.

Trade and other payables are denominated in United States dollar.

SEABIRD EXPLORATION ASIA PACIFIC PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM
27 SEPTEMBER 2012 (DATE OF INCORPORATION) TO 31 DECEMBER 2013

9. Share capital

	2013 US$
Issued and fully-paid:	
Issue of 100 subscriber's share on 27 September 2012 (date of incorporation)	79
100 ordinary shares at the end of financial period	79

The Company issued 100 subscriber's share at S$1 each for cash at the date of incorporation. The issued shares are denominated in Singapore dollar.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

10. Revenue

Revenue represents the invoiced value of services rendered.

11. Other income

	Period from 27 September 2012 to 31 December 2013 US$
Interest income on:	
- Amount due from related companies	1,380,758
Foreign exchange gain	19,359
Miscellaneous income	179,308
	1,579,425

12. Finance cost

	Period from 27 September 2012 to 31 December 2013 US$
Interest expenses on:	
- Amount due to related companies	1,298,100

13. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Period from 27 September 2012 to 31 December 2013 US$
Cost of services:	
- Charter hire	21,325,559
- Crew cost	5,956,141
- Direct cost allocation from related companies	25,555,206
- Commission	1,097,054
Administration expenses:	
- Marketing and management fees	6,201,727

14. Income tax expense

	Period from 27 September 2012 to 31 December 2013 US$
Current income tax:	
- Withholding tax expense	3,013,853

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:

	Period from 27 September 2012 to 31 December 2013 US$
Profit before income tax	2,327,940
Income tax calculated at statutory income tax rate of 17%	395,750
Tax effect of income tax exemption	(20,442)
Tax credit	(351,653)
Income tax rebate	(23,655)
Withholding tax expense	3,013,853
	3,013,853

15. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Many of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

During the financial period, in addition to the information disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Period from 27 September 2012 to 31 December 2013 US$
Immediate and ultimate holding company	
Interest expense	(467,919)
Marketing and management fees	(6,201,727)
Intercompany loan allocation	(10,527,121)
Advances to	25,000,000
Related companies	
Interest income	1,380,758
Interest expense	(765,933)
Charter hire	(21,325,559)
Crew cost	(5,956,141)
Direct cost allocation from related companies	(25,555,206)
Recharge cost	(2,340,145)
Intercompany loan allocation	13,469,444
Advances to	32,943,612

16. Financial instruments and financial risk

The following sets out the financial instruments at the end of financial period:

	2013 $
Financial assets	
Loans and receivables	
Trade and other receivables	463,618
Amount due from related companies	40,809,581
Cash and bank balances	1,249,373
Total loans and receivables	42,522,572
Financial liabilities	
Other financial liabilities	
Trade and other payables	240,916
Amount due to related companies	42,967,490
Total financial liabilities carried at amortised cost	43,208,406

The Company's activities expose it to credit risks, market risks (including interest rate risks) and liquidity risks. The Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

The directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. The management then establishes the detailed policies such as authority levels, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the directors.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

16.1 Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

As at 31 December 2013, 93% of the Company's trade receivables was due from 1 customer.

Based on the Company's historical experience in collection of trade receivables, the management believes that there is no credit risk arising from these trade receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

The Company's major classes of financial assets are cash and bank balances, trade and other receivables and amount due from related companies.

The carrying amount of financial assets recorded in the financial statements, represents the Company's maximum exposure to credit risk.

16. Financial instruments, financial risk and capital management (Continued)

16.1 Credit risks (Continued)

Analysis of trade receivables:

	2013 US$
Not past due and not impaired	23,302
Past due but not impaired	
- 1 to 30 days	275,427
- 31 to 60 days	-
- 61 to 90 days	9,739
- More than 90 days	89,462

16.2 Market risk

Interest rate risks

Interest rate risk is the risk that fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rate. The Company's interest rate risk relate to interest bearing assets and liabilities, such as amount due from/(to) related companies as detailed in Note 5 to the financial statements.

The sensitivity analysis for changes in interest rate is not disclosed as the effect on the statement of comprehensive income is considered not significant.

16.3 Liquidity risk

Liquidity risks refer to the risks in which the Company encounters difficulties in meeting its short-term obligations.

The Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

All of the Company's financial instruments are due within one year, except for amount due from/(to) to related companies which have no repayment terms and are not expected to be repaid within the next 12 months from end of the financial period.

The following table details the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Company is expected to pay. The table includes both interest and principal cash flows.

16. Financial instruments, financial risk and capital management (Continued)

16.3 Liquidity risk (Continued)

	2013 Within one financial year $
Financial liabilities	
Trade and other payables	240,916
Total undiscounted financial liabilities	240,916

17. Fair value of financial assets and financial liabilities

The carrying amounts of trade and other receivables, cash and bank balances and trade and other payables approximate their respective fair values due to the relative short term maturity of these financial instruments. In the opinion of the Directors, the carrying amount of the amount due from/(to) related companies approximate its fair value.

18. Capital risk management policies and objectives

The Company manages its capital to ensure that the Company is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder's value.

The capital structure of the Company consists of equity, comprising issued capital and accumulated losses. The Company's management reviews the capital structure on an annual basis.

The management constantly reviews the capital structure to ensure the Company is able to service any debt obligations based on its operating cash flows and continuing financial support from its immediate and ultimate holding company.

The Company is not subject to externally imposed capital requirements for the financial period ended 31 December 2013.

19. Comparative figures

There are no comparative figures as this is the first set of audited financial statements prepared since the date of incorporation of the Company on 27 September 2012.

RESULTATREGNSKAP

SEABIRD EXPLORATION SHIPPING AS

OPERATING INCOME AND OPERATING EXPENSES	Note	2013
Revenue		64 189 090
Other operating income		789 281
Operating Income		**64 978 371**
Project expenses	2	58 510 367
Other operating expenses	2	6 832 356
Operating expenses		**65 342 723**
Operating profit		**(364 352)**
FINANCIAL INCOME AND EXPENSES		
Interest income from group entities	2, 11	116 278
Other financial income		941 966
Interest expense to group entities	2, 11	366 559
Other financial expenses		1 103 945
Net financial income and expenses		**(412 260)**
Operating result before tax		(776 612)
Operating result after tax		**(776 612)**
Annual net profit		**(776 612)**
BROUGHT FORWARD		
Loss brought forward		776 612
Net brought forward		**(776 612)**

BALANSE

SEABIRD EXPLORATION SHIPPING AS

ASSETS	Note	2013
FIXED ASSETS		
INTANGIBLE FIXED ASSETS		
TANGIBLE FIXED ASSETS		
FINANCIAL FIXED ASSETS		
Investments in shares	1	500 220
Total financial fixed assets		**500 220**
Total fixed assets		**500 220**
CURRENT ASSETS		
DEBTORS		
Accounts receivables		50 029 425
Accrued income		21 279 416
I/C accounts - gruoup companies	2	1 962 843
Total debtors		**73 271 684**
Bank deposits	4	74 113
Total current assets		**73 345 797**
Total assets		**73 846 017**

BALANSE

SEABIRD EXPLORATION SHIPPING AS

	Note	2013
EQUITY AND LIABILITIES		
RESTRICTED EQUITY		
Share capital	5	30 000
Share premium reserve		4 420
Total restricted equity		**34 420**
RETAINED EARNINGS		
Loss brought forward		(776 612)
Total retained earnings		**(776 612)**
Total equity	6	(742 192)
LIABILITIES		
CURRENT LIABILITIES		
Trade creditors		43 384
Public duties payable		4 579 989
I/C accounts - group companies	2	69 964 835
Total short term liabilities		**74 588 209**
Total liabilities		**74 588 209**
Total equity and liabilities		**73 846 017**

Oslo, 21.05.2014
The board of Seabird Exploration Shipping AS

Dag Wilfred Reynolds
Chairman of the board

Aslak Myklebostad
Member of the board

Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk for små foretak.

Salgsinntekter
Inntekter ved salg av varer og tjenester vurderes til virkelig verdi av vederlaget, netto etter fradrag for merverdiavgift, returer, rabatter og andre avslag. Inntektsføring ved salg av varer skjer på leveringstidspunktet. Tjenester inntektsføres etterhvert som de utføres.

Klassifisering av balanseposter
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Eiendeler som er knyttet til varekretsløpet er klassifisert som omløpsmidler. Fordringer klassifiseres som omløpsmidler hvis de skal tilbakebetales i løpet av ett år. For gjeld er analoge kriterier lagt til grunn. Første års avdrag på langsiktige fordringer og langsiktig gjeld klassifiseres likevel ikke som omløpsmiddel og kortsiktig gjeld.

Fordringer
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning for tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Investeringer i andre selskaper
Kostmetoden brukes som prinsipp for investeringer i andre selskaper. Kostprisen økes når midler tilføres ved kapitalutvidelse, mottatte utdelinger resultatføres i utgangspunktet som inntekt. Utdelinger som overstiger andel av opptjent egenkapital etter kjøpet føres som reduksjon av anskaffelseskost. Balanseført beløp skrives ned til antatt virkelig verdi når den er lavere.

Skatt
Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt beregnes med aktuell skattesats på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt eventuelt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet.

Netto utsatt skattefordel balanseføres ikke, i samsvar med unntaksreglene for små foretak.

Note 1 Langsiktige investeringer i andre selskaper

	Forretnings-kontor	Eierandel/ stemme-andel	Kostpris
Corsica LPG IS	Oslo	3 %	500 220

Note 2 Konsernrelaterte transaksjoner og mellomværender

Interne transaksjoner med konsernselskaper i regnskapsåret:

	2013
Kjøp av prosjektkostander/tjenester	-58 510 367
Kjøp av administrative kostnader/tjenester	-6 811 509
Renteinntekter konsernmellomværender	116 278
Rentekostnader konsernmellomværender	-366 559

	Fordringer 2013
Foretak i samme konsern	1 962 843

	Annen langsiktig gjeld 2013	Kortsiktig gjeld 2013
Foretak i samme konsern	0	69 964 835

Note 3 Fordringer og gjeld

	2013
Fordringer med forfall senere enn ett år	0
Langsiktig gjeld med forfall senere enn 5 år	0

Note 4 Bundne midler

	2013
Bundne bankinnskudd	0

Note 5 Aksjekapital og aksjonærinformasjon

Aksjekapitalen på kr. 30 000 består av 10 aksjer à kr. 3 000.

Alle aksjer er eid av morselskapet Seabird Exploration Plc - med forretningsadresse på Kypros. Konsernregnskapet som inkluderer Seabird Exploration Shipping AS kan innhentes på: www.sbexp.com

Note 6 Egenkapital

	Aksje-kapital	Overkurs	Annen egenkapital	Udekket tap	Sum
Egenkapital 01.01.2013	0	0	0	0	0
Nystiftelse	30 000	20 000	0	0	50 000
Stiftelseskostnader		-15 580			-15 580
Årets resultat	0	0	0	-776 612	-776 612
Egenkapital 31.12.2013	**30 000**	**4 420**	**0**	**-776 612**	**-742 192**

Seabird Exploration Shipping AS
Noter til regnskapet for 2013

Note 7 Pantstillelser og garantier m.v.

Det er ikke avgitt pant i selskapets eiendeler som sikkerhet for gjeld eller garantier.

Note 8 Pensjoner

Selskapet har ikke egne ansatte, obligatorisk pensjonsordning er ikke relevant.

Note 9 Skatt

Selskapet beskattes etter reglene for rederibeskatning.

Beregning av utsatt skatt/utsatt skattefordel		**2013**
Midlertidige forskjeller		
Anleggsmidler		0
Omløpsmidler		0
Langsiktig gjeld		0
Kortsiktig gjeld		0
Netto midlertidige forskjeller		0
Fremførbart finansunderskudd		-409 188
Grunnlag for utsatt skattefordel		**-409 188**
Utsatt skatt	27 %	-110 481
Herav ikke balanseført utsatt skattefordel		110 481
Utsatt skatt i balansen		**0**
Utsatt skattefordel som kunne vært balanseført		**110 481**

Fordeling av skattekostnaden	**2013**
Betalbar skatt	0
For mye, for lite avsatt i fjor	0
Sum betalbar skatt	0
Endring i utsatt skatt/skattefordel med gammel sats	0
Endring i utsatt skatt/skattefordel som følge av endret skattesats	0
Skattekostnad	**0**

Note 10 Lønnskostnader, antall ansatte, godtgjørelser, lån til ansatte m.v.

Selskapet har ikke egne ansatte, selskapet administreres av morselskapet.
Det er ikke beregnet noen godtgjørelse til styret.

Kostnadsført godtgjørelse til revisor	**2013**
Revisjon	5 000
Andre tjenester	10 580
Sum godtgjørelse til revisor	**15 580**

Note 11 Spesifikasjon av finansinntekter og finanskostnader

Finansinntekter	2013
Renteinntekt fra andre foretak i samme konsern	116 278
Annen finansinntekt (agio)	941 966
Sum finansinntekter	**1 058 244**

Finanskostnader	2013
Rentekostnad til andre foretak i samme konsern	-366 559
Annen finanskostnad (agio)	-1 103 945
Sum finanskostnader	**-1 470 504**

SeaBird Exploration Shipping AS
Board of Directors' Report 2013

SeaBird Exploration Shipping AS is based in Oslo and operates as a service provider in the shipping and marine seismic sector. The company is part of the SeaBird Exploration Group delivering 2D and 3D seismic services to the international oil and gas industry.

There is a growing interest for seismic services and the Company believes that the present market gives a good basis for further growth.

The Company does not independently engage in research and development activities. Furthermore, the Company has no benefits, loans or guarantees to senior executives. Financial liquidity on the balance sheet date is considered to be good.

The Company accounts for 2013 have been prepared under the going concern assumption. The Board believes that the conditions necessary for continued operations are present. The Company has negative equity and has been primarily financed by loans from other companies in the SeaBird Group. The Board has assessed the situation and plans to carry out a rights issue to strengthen equity.

The Board believes that the financial statements give a fair presentation of the Company's assets and liabilities, financial position and result.

The Company has no employees. All the directors are men.

The Company does not pollute the environment and has therefore not initiated any special activities in regard to pollution.

Appropriation of profit

The loss NOK 776.612 to be recorded against uncovered losses.

There have not been any specific subsequent events that have had a material impact on the financial statements for 2013.

Oslo, 21 May 2014

Dag Wilfred Reynolds
Chairman of the Board

Aslak Myklebostad
Board member

BDO

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0121 Oslo

To the Annual Shareholders' Meeting of Seabird Exploration Shipping AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Seabird Exploration Shipping AS, which comprise the balance sheet as at 31 December 2013, and the income statement, showing a loss of NOK 776 612, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Seabird Exploration Shipping AS as at 31 December 2013, and its financial performance for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Emphasis of Matter

The operations and the financing of Seabird Exploration Shipping AS is for the material part related to the group. We draw attention to note 2.23 to the financial statements for the Group (www.sbexp.com) 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, casting also significant doubt regarding continued operations for, the subsidiary, Seabird Exploration Shipping AS. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 2 June 2014
BDO AS

Norunn Byrkjeland
Norunn Byrkjeland
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

RAVEN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

RAVEN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2013

CONTENTS

RAVEN NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (appointed on 22 November 2007, resigned on 22 April 2013)
Company secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 236 Strovolou Avenue 2048 Strovolos Nicosia Cyprus
Registered office:	333, 28th October Street Ariadne House, Limassol Cyprus

RAVEN NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2013.

Principal activity
The principal activity of the company is to license seismic data surveys to customers. The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net profit of the company for the year ended 31 December 2013 was US$320 thousand (2012: US$793 thousand). On 31 December 2013 the total assets of the company were US$21,403 thousand (2012: US$13,320 thousand) and the net assets of the company were US$13,637 thousand (2012: US$13,317 thousand). The financial position of the company as presented in these financial statements indicate reliance on other group companies in order to continue as a going concern. The going concern of the group is discussed in note 20 to these financial statements.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The board of directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of directors
The members of the company's board of directors as at 31 December 2013 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the board of directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the board of directors,

Kjell Norman Mangeroy
Director

Nicosia,
1 April 2015

BDO

Independent auditor's report
To the members of Raven Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Raven Navigation Company Limited (the "company") on pages 5 to 25 which comprise the statement of financial position as at 31 December 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Raven Navigation Company Limited as at 31 December 2013, and of its financial performance and its 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 20 to the financial statements which indicates that as at 31 December 2014 the company was a member of a group whose current liabilities exceeded its current assets by $134.6m. The group also incurred a loss of $99.8m on continuing operations for the year ended 31 December 2014. These conditions, along with other matters set forth in note 20 indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

BDO

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws 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 these books.
- The company's 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 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 financial statements.

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 (CY) and Registered Auditors

Nicosia, Cyprus,
1 April 2015

RAVEN NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Revenue		1,510	-
Charter hire and operating expenses	7	(27)	-
Selling, general and administration expenses	7	(712)	(1)
Other income	5	2	-
Earnings before interest, depreciation and amortization		773	(1)
Depreciation and amortization expense		(1,132)	-
Earnings before interest and taxes	6	(359)	(1)
Net finance income	8	872	794
Interest expense	8	(142)	-
Profit before tax		371	793
Tax	9	(51)	-
Net profit for the year		320	793
Other comprehensive income		-	-
Total comprehensive income for the year		320	793

RAVEN NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current assets			
Multi-client library	10	4,703	-
Non-current loans receivable	11	15,365	-
		20,068	-
Current assets			
Trade and other receivables	12	1,335	12
Loans receivable	11	-	13,308
		1,335	13,320
Total assets		21,403	13,320
EQUITY AND LIABILITIES			
Equity			
Share capital	13	2	2
Share premium		12,900	12,900
Retained earnings		735	415
Total equity		13,637	13,317
Non-current liabilities			
Borrowings	14	7,691	-
		7,691	-
Current liabilities			
Trade and other payables	15	24	3
Current tax liabilites	16	51	-
		75	3
Total liabilities		7,766	3
Total equity and liabilities		21,403	13,320

On 1 April 2015 the board of directors of Raven Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Margeroy
Director

Dag Wilfred Reynolds
Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2013

	Share capital US$'000	Share premium US$'000	Retained earnings US$'000	Total US$'000
Balance at 1 January 2012	2	12,900	(378)	12,524
Comprehensive income				
Net profit for the year	-	-	793	793
Balance at 31 December 2012/ 1 January 2013	2	12,900	415	13,317
Comprehensive income				
Net profit for the year	-	-	320	320
Balance at 31 December 2013	2	12,900	735	13,637

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

CASH FLOW STATEMENT
Year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		371	793
Adjustments for:			
Depreciation and amortization		1,132	-
Unrealized exchange (profit)		(1)	-
Interest income	8	(870)	(793)
Interest expense	8	142	-
Cash flows from operations before working capital changes		774	-
Increase in trade and other receivables		(1,323)	(3)
Increase/(decrease) in trade and other payables		21	(93)
Cash flows used in operations		(528)	(96)
CASH FLOWS FROM INVESTING ACTIVITIES			
Multi-client investment	10	(5,835)	-
Loans granted		(1,186)	(12,515)
Loans repayments received		-	12,611
Net cash flows (used in)/from investing activities		(7,021)	96
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		7,549	-
Net cash flows from financing activities		7,549	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents:			
At beginning of the year		-	-
At end of the year		-	-

1. Incorporation and principal activities

Country of incorporation

The company Raven Navigation Company Limited (the "company") was incorporated in Cyprus on 6 February 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The principal activity of the company is to license seismic data surveys to customers. The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

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.

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 IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *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).*

Amendments
- *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).*

The board of directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the company.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) <u>Functional and presentation currency</u>
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$'000), which is the company's functional and presentation currency.

2. Accounting policies (continued)

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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. Accounting policies (continued)

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, the company 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: "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.

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 the company 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments

Financial assets

(1) Classification

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

- 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.

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.

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

RAVEN NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

2. Accounting policies (continued)

Financial instruments (continued)

- Trade payables

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

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.

Dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management

Financial risk factors

The company'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.

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 the company.

a. 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.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

As the company 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.

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2013 US$'000	2012 US$'000
Variable rate instruments		
LIBOR based USD intercompany loans	15,365	13,308
LIBOR based USD intercompany loans	(7,691)	-
	7,674	13,308

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 US$77 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

The company 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.

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

	2013 US$'000	2012 US$'000
Loans receivables from related parties	15,365	13,308
Trade and other receivables	1,335	12
	16,700	13,320

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

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

31 December 2013	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	24	-	24	-	-
Loans from related companies	7,691	7,691	-	-	-
	7,715	7,691	24	-	-

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3	-	3	-	-
	3	-	3	-	-

e. **Risks related to debt arrangements**

The company'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. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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

3. Risk factors and financial risk management (continued)

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 the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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.

- **Estimated impairment of multi-client surveys**

  Impairment is tested at least annually, in accordance with the accounting policy stated in Note 2. 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.

  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.

4. Critical accounting estimates and judgments (continued)

- **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.

- **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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

5. Other income

	2013 US$'000	2012 US$'000
Miscellaneous income	2	-
	2	-

6. Operating (loss)

	2013 US$'000	2012 US$'000
Operating loss is stated after the following items:		
Auditors' remuneration	-	1

7. Expenses by nature

	2013 US$'000	2012 US$'000
Crew	24	
Seismic and marine expenses	3	
Total charter hire and operating expenses	27	

	2013 US$'000	2012 US$'000
Legal and professional	-	1
Management fee	712	
Total selling, general and administration expenses	712	1

8. Finance income/cost

	2013 US$'000	2012 US$'000
Interest income	870	793
Exchange profit	2	1
Finance income	872	794
Interest expense	(142)	-
Finance costs	(142)	-
Net finance income	730	794

9. Tax

	2013 US$'000	2012 US$'000
Corporation tax - current year	51	-
Charge for the year	51	-

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2013 US$'000	2012 US$'000
Profit before tax	371	793
Tax calculated at the applicable tax rates	46	79
Tax effect of expenses not deductible for tax purposes	142	-
Tax effect of allowances and income not subject to tax	(142)	-
Tax effect of group tax relief	-	(79)
10% additional charge	5	-
Tax charge	51	-

The corporation tax rate is 12.5% (2012:10%).

10. Multi-client library

	Multi-client Data Library US$'000	Total US$'000
Year ended 31 December 2013		
Additions	5,835	5,835
Amortization	(1,132)	(1,132)
Closing net book amount	4,703	4,703
At 31 December 2013		
Cost or valuation	5,835	5,835
Accumulated amortization	(1,132)	(1,132)
Net book amount	4,703	4,703

11. Non-current loans receivable

	2013 US$'000	2012 US$'000
Loans to related companies (Note 17)	1,034	-
Loans to parent (Note 17)	14,331	13,308
	15,365	13,308
Less current portion	-	(13,308)
Non-current portion	15,365	-

11. Non-current loans receivable (continued)

The exposure of the company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

12. Trade and other receivables

	2013 US$'000	2012 US$'000
Trade receivables	1,326	-
Prepaid expenses	9	12
	1,335	12

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

13. Share capital

	2013 Number of shares	2013 US$'000	2012 Number of shares	2012 US$'000
Authorized				
Ordinary shares of €1,71 each	2,000	2	2,000	2
Issued and fully paid				
Balance at 1 January	1,010	2	1,010	2
Balance at 31 December	1,010	2	1,010	2

14. Borrowings

	2013 US$'000	2012 US$'000
Non current borrowings		
Loans from related companies (Note 17)	7,691	-

The weighted average effective interest rates at the reporting date were as follows:

	2013	2012
Loans from related companies	6.17%	-

The company borrowings are denominated in the following currencies:

	2013 US$'000	2012 US$'000
United States Dollars	7,691	-
	7,691	-

15. Trade and other payables

	2013 US$'000	2012 US$'000
Trade payables	-	3
Accrued payroll tax	24	-
	24	3

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

16. Current tax liabilities

	2013 US$'000	2012 US$'000
Corporation tax	51	-
	51	-

17. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Limited incorporated in Cyprus. The following transactions were carried out with related parties:

17.1 Purchases of goods and services

	2013 US$'000	2012 US$'000
Intercompany crew management and administration services (Note 7)	712	-
	712	-

Services are usually negotiated with related parties on a cost-plus basis considered to be on arm's -length, allowing a margin ranging from 4% to 10%.

Included in the cost of intangible assets of US$5,835 thousand is the cost of a multi-client survey carried out by the vessel, Harrier Explorer. Harrier Explorer is owned and operated by a fellow group subsidiary.

17.2 Loans to companies within Seabird Group (Note 11)

	2013 US$'000	2012 US$'000
At beginning of the year	-	12,611
Additional loans during year	999	-
Interest charge	35	-
Repayments	-	(12,611)
	1,034	-

The above loans bear interest at 6.17% (2012: 6.32%) per annum and are repayable on demand.

17.3 Loans from companies within Seabird Group (Note 14)

	2013 US$'000	2012 US$'000
Additional loans during the year	7,549	-
Interest charge	142	-
At the end of the year	7,691	-

The above loans bear interest at 6.17% (2012: 6.32%) per annum and are repayable on demand.

17. Related party transactions (continued)

17.4 Loans to parent company (Note 14)

	2013 US$'000	2012 US$'000
At beginning of the year	13,308	-
Additional loans during the year	187	12,515
Interest charge	836	793
At the end of the year	14,331	13,308

The above loan bears interest at 6.17% (2012: 6.32%) per annum and is repayable on demand.

18. Contingent liabilities

The company had no contingent liabilities as at 31 December 2013.

19. Commitments

The company had no capital or other commitments as at 31 December 2013.

20. Going concern assumption

These financial statements are prepared under the going concern assumption.

The consolidated financial statements as at 31 December 2014 for the group of which the company is a member, does not have sufficient working capital to cover present requirements for a period of at least twelve months. As at 31 December 2014, the group's consolidated current assets were $47.3 million compared to consolidated current liabilities of $181.9 million.

The group was also in breach of covenants of several of its principle borrowings as at 31 December 2014.

In January 2015, the group announced an agreed restructuring proposal to reduce indebtness and provide additional funding. As a part of the restructuring, SeaBird agreed to issue $11.6 million of new equity with warrants, a $29.3 million three-year secured bond, a $2.4 million three-year secured credit facility and a $2.1 million three-year unsecured loan. These partially settled the group's most significant creditors and the remainder of its principle borrowings were converted into shares.

In light of the challenging market conditions, the group has initiated a process to reduce costs. Still, if cost reduction efforts are unsuccessful or and/or the group fails to meet its projected cash flow, there will be a significant adverse effect on the group. In such a scenario, the group will be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be lower than their fair values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use. Because of intergroup dependencies, the company is likely to be impacted by any such adverse conditions which affect the group.

For further information on the restructuring that has taken place, please refer to the group's consolidated financial statements for the year ended 31 December 2014.

21. Events after the reporting period

Subsequent to 2014 annual closing, SeaBird Exploration Plc announced an agreed restructuring proposal to reduce indebtedness and provide additional funding.

- Issue new equity for a total of approximately $11.6 million
- Issue a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical company ASA for $5.0 million in tranche A and $24.3 million in tranche B, originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue a 3-year secured credit facility of $2.4 million.
- Issue a $2.1 million unsecured loan.

RAVEN NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

21. Events after the reporting period (continued)

Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") is to be converted into SBX04 and the remaining approximately $64.7 million of SBX03 is to be converted into equity at NOK 0.30 per share. Further, approximately $3.0 million of the company's convertible loan with Perestroika AS to be converted into SBX04 and the remaining approximately $11.9 million of the Perestroika loan to be converted into equity. Additionally, the outstanding charter hire for the Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") is to be partially converted into SBX04 or a loan, partially converted into equity and/or partially written down and the ongoing charter obligations to undergo certain amendments, including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Moreover, $0.7 million of restructuring advisory fees are to be converted into SBX04 and $2.8 million of restructuring advisory fees are to be converted into equity. In addition, $11.6 million of equity is to be raised from certain investors. Fuel vendors' outstanding balances of $3.4 million are to be converted into SBX04 Tranche B and $2.4 million to be converted to the secured credit facility.

On 18 February 2015, the bondholders of SBX03 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 3 February 2015, the company called for an extraordinary general meeting ("EGM1") on 19 February 2015, for the creation of a new Class A of shares, conversion of debt into equity and exclusion of preemption rights in relation to new shares, all in order to carry out the restructuring as proposed. Additionally, on February 11, the company called for a second extraordinary general meeting ("EGM2") that was held on 5 March 2015 to approve conversion of Class A shares into ordinary shares and reduction in capital with simultaneous increase of authorized capital to its former amount. In the general meetings, all proposals on the agenda were adopted with requisite majority. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled. Further, preferred shares were issued to certain creditors and the restructuring as set out in the preceding paragraphs was implemented.

We refer to press releases issued by SeaBird Exploration Plc and the SeaBird Exploration Plc 2014 annual report to provide further details on the announced restructuring.

Except as described above and in Note 20, there were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

RAVEN NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2013

	Page	US$'000	US$'000
Profit before tax	5		371
Add:			
Depreciation		1,132	
			1,132
			1,503
Less:			
Capital allowances		1,132	
			(1,132)
Chargeable income for the year			371
			€
Converted into € at US$'000 1.328000 = €1			279

Calculation of corporation tax	Income €	Rate %	Total € c	Total US$'000
Tax at normal rates:				
Chargeable income as above	279	12.50	34.88	46
10% additional charge			3.49	5
TAX PAYABLE			38.37	51

RAVEN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

RAVEN NAVIGATION COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2012

CONTENTS

RAVEN NAVIGATION COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kjell Norman Mangeroy (appointed on 22 April 2013) Dag Wilfred Reynolds (appointed on 29 February 2012) Kjell Hjalmar Mathiassen Helen Georgiades Jan-Eivind Fondal (resigned on 22 April 2013) Timothy Nicholas Isden (resigned on 29 February 2012)
Company Secretary:	Adam Montanios 16 Pantelis Catelaris Street P.O. Box 25001 1306 Nicosia Cyprus
Independent Auditors:	BDO Ltd Certified Public Accountants (CY) and Registered Auditors 1 Erehthiou Street Antonis Zenios Tower Engomi 2413 Nicosia, Cyprus
Registered office:	333, 28th October Street Ariadne House, 1st floor Limassol Cyprus

RAVEN NAVIGATION COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the company for the year ended 31 December 2012.

Principal activity
The company had been dormant during both the current and prior year. The company is part of the Seabird Exploration Group.

Review of current position, future developments and significant risks
The net profit for the company for the year ended 31 December 2012 was US$793 thousand (2011: US$255 thousand). On 31 December 2012 the total assets of the company were US$13,320 thousand (2011: US$12,620 thousand) and the net assets of the company were US$13,317 thousand (2011: US$12,524 thousand). The financial position, development and performance of the company as presented in these financial statements are considered satisfactory.

The main risks and uncertainties faced by the company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results and Dividends
The company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the company during the year under review.

Board of Directors
The members of the company's Board of Directors as at 31 December 2012 and at the date of this report are presented on page 1.

In accordance with the company's Articles of Association all directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 16 to the financial statements.

Independent Auditors
The Independent Auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Dag Wilfred Reynolds
Director

Nicosia, 8 July 2013

BDO

Independent auditor's report
To the Members of Raven Navigation Company Limited

Report on the financial statements

We have audited the financial statements of Raven Navigation Company Limited (the "company") on pages 5 to 19 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as 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 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Raven Navigation Company Limited as at 31 December 2012, and of its financial performance and its 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.

BDO

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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.
- The company's 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 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 financial statements.

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 Law of 2009 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 (CY) and Registered Auditors

Nicosia, Cyprus

02/03/ 2013

RAVEN NAVIGATION COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Selling, general and administration expenses	6	(1)	(2)
Earnings before interest, depreciation, amortization and taxes	5	(1)	(2)
Interest expense	7	-	(3)
Finance costs	7	794	260
Profit before tax		793	255
Tax	8	-	-
Net profit for the year		793	255
Other comprehensive income		-	-
Total comprehensive income for the year		793	255

RAVEN NAVIGATION COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Current assets			
Other current assets	10	12	9
Due from related parties	9	13,308	12,611
		13,320	12,620
Total assets		13,320	12,620
EQUITY AND LIABILITIES			
Equity			
Share capital	11	2	2
Other reserves		12,900	12,900
Retained earnings / (accumulated losses)		415	(378)
Total equity		13,317	12,524
Current liabilities			
Trade and other payables	12	3	96
		3	96
Total equity and liabilities		13,320	12,620

On 8 July 2013 the Board of Directors of Raven Navigation Company Limited authorized these financial statements for issue.

Kjell Norman Mangeroy
Director

Dag Wilfred Reynolds
Director

RAVEN NAVIGATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital US$'000	Share premium US$'000	Accumulated losses US$'000	Total US$'000
Balance at 1 January 2011	2	12,900	(633)	12,269
Comprehensive income				
Net profit for the year	-	-	255	255
Balance at 31 December 2011/ 1 January 2012	2	12,900	(378)	12,524
Comprehensive income				
Net profit for the year	-	-	793	793
Balance at 31 December 2012	2	12,900	415	13,317

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

RAVEN NAVIGATION COMPANY LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		793	255
Adjustments for:			
Interest income	7	(793)	(218)
Cash flows from operations before working capital changes		-	37
Increase in trade and other receivables		(3)	-
(Decrease)/increase in trade and other payables		(93)	93
Cash flows (used in)/from operations		(96)	130
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(12,515)	(119)
Loans repayments received		12,611	-
Net cash flows from/(used in) investing activities		96	(119)
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net increase in cash and cash equivalents		-	11
Cash and cash equivalents:			
At beginning of the year		-	(11)
At end of the year		-	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The company Raven Navigation Company Limited (the "company") was incorporated in Cyprus on 06 February 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 333, 28th October Street, Ariadne House, 1st floor, Limassol, Cyprus.

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc, incorporated in Cyprus.

Principal activity

The company had been dormant during both the current and prior year. The company is part of the Seabird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2008 and relevant to the company have been adopted by the EU through the endorsement procedure established by the European Commission.

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 2012. 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 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments
IFRS Interpretations Committee
- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs
- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(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).*

Amendments
- *Amendments to IAS 19 - "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).*
- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 - Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *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).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

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

Finance income

Finance income includes interest income which is recognized based on an accrual basis.

Foreign currency translation

(1) Functional and presentation currency
Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$000), which is the company's functional and presentation currency.

2. Accounting policies (continued)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Current and deferred income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax asset is realized or the deferred tax liability is settled.

Deferred 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.

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 the company 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 admin 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 admin expenses' in the income statement.

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.

2. Accounting policies (continued)

Financial instruments (continued)

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

Share capital/Paid in capital

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

Going concern assumptions

These financial statements are prepared under a going concern assumption. The company is dependent upon the financial support of the Group in order to continue as a going concern and to meet its liabilities as they fall due. The Group's most recent annual report shows that it made a total loss for the year ended 31 December 2012 of $18m on continuing operations and net assets of US$53m.

The group's consolidated financial statements are prepared under a going concern assumption. The group's management is of the opinion that it has sufficient working capital for the coming twelve months. The group's performance over the past year as well as the current market outlook is positive. Management changes and restructuring efforts have solidified its financial position. The recent equity offering has strengthened the balance sheet and the group is in compliance with all debt covenants. As a result, management considers that the company will be able to meet its financial obligations for the foreseeable future.

Since the group appears able to continue to support the company, the company is therefore considered to be a going concern.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management

Financial risk factors

The company's activities expose it 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 monitor and control risks with a potential significant negative effect for the company and evaluate to minimize the risk if the cost of doing so is acceptable.

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.

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 the company.

a. 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 and UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company uses from time to time various foreign exchange contracts managed through Group Finance. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the company's functional currency.

b. Cash flow and fair value interest rate risk

The company's interest rate risk arises from long-term and short-term interest-bearing debt. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. As of 31 December 2011, all interest-bearing debt was issued at variable interest rates.

c. Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

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

	2012 US$'000	2011 US$'000
Due from related parties	13,308	12,611
Other current assets	12	9
	13,320	12,620

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the Group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the Group in order to meet its liabilities as they fall due.

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

31 December 2012	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	3	3	-	-	-
	3	3	-	-	-

31 December 2011	Carrying amounts US$'000	On demand US$'000	Less than 12 months US$'000	Between 1-5 years US$'000	More than 5 years US$'000
Trade and other payables	5	5	-	-	-
Payables to related parties	91	91	-	-	-
	96	96	-	-	-

e. Risks related to debt arrangements

The company'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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

Other risk factors

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

The company is exposed to the economic cycle, as changes in the general economic situation could affect demand for the company's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies, particularly exploration and development expenditures. 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 as the oil and gas companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by oil and gas companies may reduce the demand for the company's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the company's services will generally lag oil and gas price increases.

The company'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 the company's business strategy could have a material adverse effect on the company's business, operating results, or financial condition.

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

The company 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 the company will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The company'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. The company 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The company may be subject to claims as a result of these hazards. The company 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 e.g. a vessel is rendered a total loss, the charter party will be void and

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

3. Risk factors and financial risk management (continued)

the company will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the company's reputation.

The company is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The company 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.

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 the company 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. The company 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 the company 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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

5. Operating (loss)

	2012 US$'000	2011 US$'000
Operating loss is stated after charging the following items:		
Auditors' remuneration	1	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

6. Expenses by nature

	2012 US$'000	2011 US$'000
Legal and professional	(1)	(2)
Total selling, general and operating expenses	(1)	(2)

7. Finance income/cost

	2012 US$'000	2011 US$'000
Interest income	793	218
Exchange profit	1	42
Finance income	794	260
Interest expense	-	(3)
Finance costs	-	(3)
Net finance income	794	257

8. Tax

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2012 US$'000	2011 US$'000
Profit before tax	793	255
Tax calculated at the applicable tax rates	79	26
Tax effect of group tax relief	(79)	(26)
Tax charge	-	-

The corporation tax rate is 10%.

9. Due to related companies

	2012 US$'000	2011 US$'000
Loans to related companies (Note 13)	13,308	12,611
	13,308	12,611

The exposure of the company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

10. Other current assets

	2012 US$'000	2011 US$'000
Prepaid expenses	12	9
	12	9

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

11. Share capital

	2012 Number of shares	2012 US$'000	2011 Number of shares	2011 US$'000
Authorized				
Ordinary shares of €1.71 each	2,000	2	2,000	2
Issued and fully paid				
Balance at 1 January	1,010	2	1,010	2
Balance at 31 December	1,010	2	1,010	2

12. Trade and other payables

	2012 US$'000	2011 US$'000
Trade payables	3	5
Payables to related companies (Note 13)	-	91
	3	96

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

13. Related party transactions

The company is a subsidiary of Seabird Exploration Group, listed on the Oslo stock exchange. The company's parent is Seabird Exploration Plc incorporated in Cyprus. The following transactions were carried out with related parties:

13.1 Loans to other companies within the Seabird Group (Note 9)

	2012 US$'000	2011 US$'000
At the beginning of the year	12,611	12,274
Additional loans during year	-	119
Interest charge	-	218
Loans repaid during the year	(12,611)	-
At end of year	-	12,611

13.2 Loans to parent company (Note 9)

	2012 US$'000	2011 US$'000
Additions during the year	12,515	-
Interest charge	793	-
	13,308	-

The above loan bears interest at 6.32% per annum and is repayable on demand.

13.3 Due to related companies (Note 12)

	2012 US$'000	2011 US$'000
Due to related companies	-	91
	-	91

RAVEN NAVIGATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

14. Contingent liabilities

The company had no contingent liabilities as at 31 December 2012.

15. Commitments

The company had no capital or other commitments as at 31 December 2012.

16. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

RAVEN NAVIGATION COMPANY LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2012

	Page	US$'000
Net profit per statement of comprehensive income	5	793
Chargeable income for the year		793
		€
Converted into € at US$'000 1.285800 = €1		617
Losses surrendered to company from Group companies		
Losses surrendered from other Group companies		(617)
Chargeable income		-