

NORSK TILLITSMANN

NORWEGIAN TRUSTEE

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To the bondholders in:

ISIN: 001 032604.4 - FRN SeaBird Exploration Ltd Open Bond Issue 2006/2009

ISIN: 001 035391.5 - FRN SeaBird Exploration Ltd Callable Bond Issue 2007/2012

Oslo, 25 November 2011

Summons to Bondholders' Meeting – Restructuring Proposal

Norsk Tillitsmann ASA (the “**Bond Trustee**”) is appointed as trustee for the abovementioned Bond Issues with ISIN 001 032604.4 (the “**SBX01 Bond**”) and ISIN 001 035391.5 (the “**SBX02 Bond**”) and together with the SBX01 Bond the “**Bond Loans**”) where SeaBird Exploration plc is the Issuer (the “**Issuer**” or the “**Company**”).

All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the agreement for the Bond Loans, as previously amended (the “**Bond Agreements**”).

The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.

The Issuer has engaged ABG Sundal Collier Norge ASA (“**ABGSC**”) and Fearnley Fonds ASA (“**Fearnleys**”) as its financial advisors (jointly the “**Advisors**”) in connection with the Proposal as defined below. Bondholders may accordingly contact Nicolay Friis at ABGSC (tel.: +47 2201 6145 or e-mail: nicolay.friis@abgsc.no) or Thomas Berg-Nielsen at Fearnleys (tel.: +47 2293 6351 or e-mail: t.berg-nielsen@fearnleys.no) for further information. ABGSC and Fearnleys act solely for the Issuer and no one else in connection with the Proposal (as defined below). *No due diligence investigations have been carried out by ABGSC or Fearnleys with respect to the Issuer, and ABGSC and Fearnleys expressly disclaim any and all liabilities whatsoever in connection with the Proposal.*

1. BACKGROUND INFORMATION

The Company has approached the Bond Trustee with a request to summon a Bondholders' meeting in order to put forward a proposal to the Bondholders to amend the Bond Agreements in connection with the matters described in this summons letter. In addition, the Issuer has provided a separate document which is intended to give an overview of the Restructuring Plan (as defined below), as well as an update on the Issuer's financial and operational status pro forma for the Fugro Transaction (as defined below), (the “**Company Update**”) enclosed as **Exhibit 1** to this summons. Bondholders are encouraged to read both documents. Reference is further made to the Company's third quarter 2011 report to be published on 30 November 2011, and made available on the Company's website www.sbexp.com and on www.newsweb.no.

The Issuer has approached the Bond Trustee with a proposal to be put forward to the Bondholders in the Bond Loans, covering a restructuring of the Issuer's financial debt, as described below (together the “**Restructuring Plan**”).

1.1. The Fugro Transaction

As announced in the stock exchange notice dated 3 October 2011, the Company entered into a letter of intent (the “LOI”) with Fugro Norway AS (“Fugro”) on 3 October 2011 to sell the Ocean Bottom Node (“OBN”) business, and subsequently the share purchase agreement (the “SPA”) was signed on 18 November 2011. Under the SPA, Fugro will acquire SeaBird Technologies AS and Seabed Navigation Co Ltd which collectively holds all of the Company’s rights and assets related to the OBN business for the agreed acquisition price of USD 125 million payable in cash plus certain other compensations related to working capital build up for the on-going OBN survey (the “Fugro Transaction”). In order to achieve an effective handover and transition of the OBN business the Issuer will complete the on-going survey (the “Survey”). Fugro Finance AS will finance any working capital required in connection with the Survey through a credit facility (the “Fugro Facility”) of up to USD 25 million until completion of the seismic acquisition under the Survey and thereafter reduced to USD 5 million until the last payment is received according to the Survey contract. SeaBird Exploration FZ LLC is the borrower under the Fugro Facility. The Fugro Facility will *inter alia* be secured by assignment of earnings from the Survey and a guarantee from the Issuer. Earnings from the OBN contract will be used to service and repay the Fugro Facility in full at the earlier of the date of last payment according to the Survey contract and 31 December 2012.

In addition, the Company will enter into a time charter agreement with Fugro for the vessel Munin Explorer for a firm period of three years and a further time charter agreement for a second vessel for a firm period of one year, plus one year plus one year in charterers’ option. The contract value for the firm part of these two contracts will be in the range of USD 75 million. The Company will also provide services to Fugro including crewing and other services required to operate the OBN business for a firm period of six months plus six months at Fugro’s discretion (the “Service Agreement”).

The SPA includes certain conditions precedent for closing of the Fugro Transaction, such as *inter alia* (i) the requirement for the Company to reach an agreement with all of the Company’s key creditors, including both the Bond Loans, the Perestroika convertible loan (the “Perestroika CB”) and the PGS convertible loan (the “PGS CB”), on distribution of the proceeds from the Fugro Transaction and (ii) that the Company will continue as a going concern following the Fugro Transaction.

As at signing of the LOI, the Company had the following financial indebtedness outstanding:

Table 1 – The Company’s debt structure as at signing of the LOI

Facilities	Interest	Outstanding (USDm)	Accrued unpaid interest (USDm)	Maturity	Security
SpB 1 SMN/Glitnir	Libor + 7.5%	39.8	1.7	14-Sep-14	1st pri: Osprey, Aquila, Harrier and OBN
Standard Chartered	Libor + 4.5%	4.2	0.0	30-Sep-11	1st pri: Northern and Geo Mariner
SBX01 (NOK net 78.75m)	NIBOR + 9.25%	14.2	1.0	14-Sep-11	Senior Unsecured
SBX02 (NOK 402m)	NIBOR + 6.50% + 2% PIK	69.9	2.8	14-Feb-14	Senior Unsecured
Perestroika CB	1% PIK	21.5	0.0	22-Sep-14	Senior Unsecured
PGS CB	9% PIK	44.3	1.9	25-Jan-16	Senior Unsecured
Total		193.9	7.5		

Note: Based on a USD/NOK exchange rate of 5.75. Accrued unpaid interest calculated as at 22 December 2011. Financial lease obligations not included in the table. Certain deviations from the above numbers may occur.

In addition, the Company has about USD 34 million in overdue accounts payable that will need to be honoured with the sales proceeds in order to continue as a going concern.

1.2. New equity

The Company has approached its existing key shareholders and proposed to raise new common equity in conjunction with the Fugro Transaction. The Company has received subscriptions for USD 6 million in new Equity (the “New Equity”) at a subscription price of NOK 0.25 per share. The equity proceeds, together with the proceeds from the Fugro Transaction will be used to redeem financial indebtedness and strengthen the Company’s liquidity position. The Company has called for an EGM to be held 9 December 2011.

1.3. Use of proceeds

At the time of entering into the LOI, Fugro acquired 11% of the two OBN subsidiaries, SeaBird Technologies AS and Seabed Navigation Co Ltd, and transferred USD 13.75 million to the Issuer. This was required to improve the Company's liquidity situation during the due diligence phase. About USD 4.7 million of the USD 13.75 million was used to reduce the Sparebanken 1 SMN/Glitnir and the Standard Chartered Bank facilities (the "**Senior Facilities**"), while the remaining has been used to repay overdue trade creditors and to improve the Company's working capital position.

The Company propose to use the proceeds from the Fugro Transaction and proceeds from the New Equity as follows (the "**Use of Proceeds**"):

- First, to pay transaction costs estimated to total approximately USD 4.0 million;
- Second, to repay the Senior Facilities in full, including accrued and unpaid interest and any costs related thereto, estimated to total approximately USD 45.7 million;
- Third, to repay overdue trade creditors including overdue Hawk leases, estimated to total approximately USD 29.0 million however up to such level required in order for overdue trade creditors to be at an acceptable level not exceeding USD 5.0 million;
- Fourth, to retain USD 12.5 million as a working capital and liquidity buffer of the Issuer; and
- Fifth, any remaining proceeds, estimated to be approximately USD 49.8 million (but in no event less than USD 47 million), shall be used to partially redeem the Bond Loans, the PGS CB and the Perestroika CB on a pro rata basis. This is expected to give a partial redemption of about 32% for each of the bond facilities (the "**Partial Redemption**").

Table 2 – Estimated Use of Proceeds

Sources	USDm	Uses	USDm
Sales proceeds	125.0	Transaction costs	4.0
Working capital compensation	10.0	SpB 1 SMN/Glitnir repayment	41.5
Equity Issue	6.0	Standard Chartered repayment	4.2
		Trade creditors downpayment	29.0
		Cash buffer and WC build up	12.5
		Partial Redemption	49.8
Sum	141.0	Sum	141.0

Note: Based on a USD/NOK exchange rate of 5.75. Accrued unpaid interest calculated as at 22 December 2011. Certain deviations from the above numbers may occur.

1.4. The Exchange Bond

To implement the Restructuring Plan, holders in each of the Bond Loans and the PGS CB are asked to accept a mandatory exchange of their remaining principal amount outstanding under such loans (following the Partial Redemption) and accrued and unpaid interest held as at the Effective Date (as defined below), into a single new senior secured USD denominated bond (the "**Exchange Bond**") with the following key terms and conditions:

Issuer:	SeaBird Exploration PLC
Guarantors:	Each of the 100% owned vessel owning subsidiaries
Loan amount:	~USD 91 million
Tenor:	4 years
Coupon rate:	6.00% p.a., semi-annually interest payments
Security:	<i>Inter alia</i> first priority mortgages over the four 100% owned 2D seismic and source vessels
Call options:	First 2 years: Make-whole at T+50 bps. Year 3: 106.0%. Year 4: 104.0%

A detailed draft term sheet is enclosed as **Exhibit 2**. Following the Partial Redemption and the subsequent issuance of the Exchange Bond, the Company's pro forma debt structure is estimated as follows:

Table 3 – The Company’s estimated pro forma debt structure

Facilities	Interest	Outstanding (USDM)	Maturity	Security
Exchange Bond	6% p.a.	91.3	Dec-15	1st pri: Osprey, Aquila, Harrier and Northern
Perestroika CB	1% PIK p.a.	14.6	Feb-14	Senior Unsecured

Note: The table does not include (i) the Fugro Facility as it relates to the divested OBN business and (ii) financial lease obligations

1.5. Settlement and timeline

The Fugro Transaction is expected to close shortly after the Bondholders’ meeting and the EGM, assuming a positive resolution. The proceeds from the Fugro Transaction, net of transaction costs, certain trade creditors and repayment of the Senior Facilities, will be placed on an Escrow Account in the name of ABG Sundal Collier Norge ASA and held with Nordea Bank Norge ASA. The New Equity will be issued immediately after the EGM. The Partial Redemption is expected to take place as soon as possible after closing of the Fugro Transaction.

The remaining Bond Loans and the PGS CB, including accrued and unpaid interest, will be settled in kind through the issuance of the Exchange Bond. This is expected to take place on or about 22 December 2011 (the “**Effective Date**”). The Bond Loans will consequently be converted from NOK to USD based on the prevailing USD/NOK exchange rate using the official USD/NOK fixing rate of exchange provided by the Norwegian Central Bank at close of business in Oslo on the day falling two business days prior to the Effective Date.

2. THE RESTRUCTURING PROPOSAL

In accordance with the relevant provisions under the Bond Agreements, the Issuer has requested the Bond Trustee to convene a joint Bondholders’ meeting in respect of the Bond Loans to obtain the necessary consents and approvals to enable the Issuer to complete and implement the Restructuring Plan. Accordingly, the Issuer requests the Bondholders’ meetings to approve the following proposal in relation to the Restructuring Plan (the “**Proposal**”):

- (i) The Fugro Transaction as described in 1.1 above;
- (ii) The New Equity as described in 1.2 above;
- (iii) The Use of Proceeds as described in 1.3 above; and
- (iv) The Exchange Bond as described in 1.4 above.

3. CONDITIONS

The completion of the Proposal, as set out in clause 2 of this summons, (when adopted) is conditional upon and subject to the following conditions precedent being satisfied or waived by the Bond Trustee within 31 December 2011 or such later date as the Bond Trustee may agree in its discretion. Failure to do so will result in the Bondholder resolution being deemed null and void:

- a) Bondholder Meetings in each of the SBX01 Bond and the SBX02 Bond approving the Proposal;
- b) The lender in the PGS CB approving the Proposal and approving a similar restructuring proposal of outstanding principal and accrued interest under the PGS CB. In addition, by approving the Proposal Petroleum Geo-Services ASA agrees to terminate the strategic cooperation agreement related to the OBN business;
- c) The lender in the Perestroika CB approving the Proposal and approving to remain in the Perestroika CB at current terms following the pro rata Partial Redemption;
- d) The Issuer has made all the necessary corporate resolutions required to implement the Proposal;

- e) A minimum of USD 6 million in New Equity is subscribed for and paid in to either of the Managers' client accounts;
- f) A bond agreement for the Exchange Bond and any ancillary documents duly executed by the parties thereto;
- g) completion of the Partial Redemption with an amount which in no event shall be less than USD 47 million;
- h) evidence that all security in respect of the Senior Facilities has been released;
- i) Any legal opinion that the Bond Trustee reasonably may request related to the Proposal to be obtained by the Issuer;
- j) No new information with respect to the Issuer is disclosed before the settlement of the Exchange Bond that results in the basis for the Proposal being untrue or misleading in any material adverse respect; and
- k) Until the restructuring has been completed, and subject to the Proposal being approved and the restructuring being completed before 31 December 2011, the Bondholders waive any Event of Default having occurred or threatening under each of the Bond Agreements, except in the event triggered by acceleration by any other creditor of the Company.

4. EVALUATION OF THE PROPOSAL

4.1 THE ISSUER'S EVALUATION

The Company, together with its Advisors, has over the last four months evaluated several alternatives to strengthen the Company's financial position. The Company has worked intensively with all key stakeholders and the Fugro Transaction was evaluated against other options with the overall goal of maximizing values for all stakeholders and meeting the financial obligations of the Company. The Company is of the opinion that long-term financial stability can best be addressed within the wider scope of the Restructuring Plan. The Issuer acknowledges that significant concessions are required from the Bondholders, however firmly believes that the Restructuring Plan represents a balanced proposal that will substantially reduce financial risk profile of the Company, and thereby safeguard values for the Bondholders in the current continued challenging seismic market. Consequently, the Issuer is respectfully asking the Bondholders to approve the Proposal.

The Issuer has informed the Bond Trustee that Bondholders representing more than 2/3 of the SBX01 Bond and more than 2/3 of the SBX02 Bond have granted their pre-approval to the Proposal and have irrevocably undertaken to vote in favor of the Proposal in the Bondholders' meeting.

4.2 Non-reliance

The request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. The Bondholders must independently evaluate whether the proposed changes are acceptable.

5. SUMMONS TO BONDHOLDERS MEETING

A joint bondholders' meeting will be held for both Bond Loans. Voting procedures will be carried out separately for each Bond Loan.

Bondholders are hereby summoned to a Bondholders' meeting:

Time: 5 December 2011 at 13:00 hours (Oslo time),
Place: The premises of Norsk Tillitsmann ASA,
 Haakon VII's gt 1, 0116 Oslo - 5th floor

Agenda for the SBX01 Bond:

1. Approval of the summons.
2. Approval of the agenda.
3. Election of two persons to co-sign the minutes together with the chairman.
4. Consent to the Proposal

It is proposed that the Bondholders' meeting of the SBX01 Bond resolve the following:

"The Bondholders' meeting approve the Proposal as described in Clause 2, subject to the fulfilment of the conditions described in clause 3, in the summons to this bondholders' meeting. The Bond Agreement is hereby deemed amended as required to complete any activity contemplated by the Proposal.

The Bond Trustee is hereby authorised to complete the negotiation of form, terms, conditions and timing in relation to the Proposal, without any obligation to notify the Bondholders as provided for in Clause 16.2 of the Bond Agreement. Further, the Bond Trustee is given power of attorney to enter into the necessary agreements in connection with documenting the decisions made by the Bondholders' Meetings as well as to carry out the necessary completion work, including making amendments to the Bond Agreement and enter into the bond agreement for the Exchange Bond."

Agenda for the SBX02 Bond:

1. Approval of the summons.
2. Approval of the agenda.
5. Election of two persons to co-sign the minutes together with the chairman.
6. Consent to the Proposal

It is proposed that the Bondholders' meeting of the SBX02 Bond resolve the following:

"The Bondholders' meeting approve the Proposal as described in Clause 2, subject to the fulfilment of the conditions described in clause 3, in the summons to this bondholders' meeting. The Bond Agreement is hereby deemed amended as required to complete any activity contemplated by the Proposal.

The Bond Trustee is hereby authorised to complete the negotiation of form, terms, conditions and timing in relation to the Proposal, without any obligation to notify the Bondholders as provided for in Clause 16.2 of the Bond Agreement. Further, the Bond Trustee is given power of attorney to enter into the necessary agreements in connection with documenting the decisions made by the Bondholders' Meetings as well as to carry out the necessary completion work, including making amendments to the Bond Agreement and enter into the bond agreement for the Exchange Bond."

To approve the above resolutions in the Loans, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favour of the resolution. In order to have a quorum, at least 2/10 of the voting Bonds in the SBX01 Bond and 5/10 of the voting Bonds in the SBX02 Bond must be represented at the meetings. If the proposal is not adopted, the Bond Agreements will remain unchanged.

Please find attached a Bondholder's Form from the Securities Depository (VPS), as **Exhibit 3**, indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders' meeting. (If the bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm; (i) the owner of the Bonds, (ii) the aggregate nominal amount of the Bonds and (iii) the account number in VPS on which the Bonds are registered.)

The individual bondholder may authorise the Norsk Tillitsmann ASA to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Norsk Tillitsmann ASA to vote, must then be returned to Norsk Tillitsmann ASA in due time before the meeting is scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the bondholders' meeting, either in person or by proxy other than to Norsk Tillitsmann ASA, to notify Norsk Tillitsmann ASA by telephone or by e-mail (as set out at the first page of this letter) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely

Norsk Tillitsmann ASA



Fredrik Lundberg

Enclosures:

Exhibit 1: Company Update

Exhibit 2: Draft term sheet New Bond Loan

Exhibit 3: VPS Statement /Power of attorney form.

Exhibit 1 to Summons Company Update

25 November 2011

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Background

- SeaBird Exploration Plc ("**SeaBird**") or the "**Company**") announced on 8 August 2011 that the Company is evaluating alternatives to strengthen the financial position going forward and avoiding possible bankruptcy
- SeaBird and its advisors have been in dialog with key stakeholders over the last months to address the distressed financial situation and on 3 October 2011 SeaBird entered into a letter of intent with Fugro Norway AS ("**Fugro**") to sell the OBN business
- SeaBird and Fugro is expected to shortly agree on a share purchase agreement (the "**SPA**") regarding the sale of the OBN Business and expect to enter into this as soon as an agreement is reached with the key creditors with regards to distribution of sales proceeds
- In order to finalise the SPA as well as to secure the restructuring of the Company, SeaBird is seeking approval from bondholders
- SeaBird has engaged ABG Sundal Collier Norge ASA and Fearnley Fonds ASA as its financial advisors and is currently coordinating the process to acquire bondholders approval with the bond trustee
- This presentation outlines the OBN Business divestment and the proposed changes to the unsecured creditors

Agenda

- 1 The Fugro transaction
- 2 Restructuring proposal

Summary of SPA with Fugro

Description

- As soon as an agreement on how to distribute the sales proceeds is reached among the key creditors, SeaBird is expected to enter into a SPA with Fugro comprising a 100% acquisition of SeaBird's rights and assets related to the OBN Business (i.e. SeaBird Technologies AS and Seabed Navigation Co Ltd, (jointly the "**OBN Business**"))
- The SPA comprises cash settlement for the acquisition of the OBN Business, working capital compensation related to the working capital build up for the ONGC contract and a time charter arrangement for two of SeaBird's vessels

Cash settlement

- The main terms of the SPA include:
- Sale price is USD 125 million on a cash and debt-free basis
- Fugro has as of 3 October 2011 acquired 11% of the OBN Business with settlement in cash to improve the liquidity situation of SeaBird
- Proceeding the signing of the SPA, Fugro will acquire the remaining 89% of the OBN Business with settlement in cash

Working capital

- Working capital compensation for the ONGC contract is estimated at USD 10 million in total

Time charter arrangement

- The SPA includes a time charter arrangement comprising Munin for a firm period of 3 years and another vessel for a firm period of 1 year plus 1 + 1 year optional
- Value of firm part is estimated to ~USD 75 million



Use of proceeds estimates

Input	
<p>The OBN sales price is USDm 125, plus "working capital compensation" for the current ONGC contract</p>	
Assumptions	USDm
Sale assumptions	
OBN sale price	125.0
WC compensation	10.0
Transaction costs	(4.0)
NOK/USD	5.75
Creditor overview ¹⁾	USDm
BnBank	41.5
SCB	4.2
SBX01 (NOK 81.75m)	15.2
SBX02 (NOK 400m)	72.8
Perestroika CLA	21.5
PGS CLA	46.2
Hawk finance lease	17.7
Trade creditors	34.0
Total	253.1
<p>New equity of USDm 6 to come from existing shareholders</p>	
Net equity proceeds	USDm
	6.0
Total	(6.0)

Sale calculations	
Use of proceeds	USDm
Sales proceeds + new equity	135.0
OBN Sale + WC compensation	6.0
Net equity proceeds	(4.0)
Transaction costs	137.0
Net proceeds	137.0
1st use of sales proceeds	USDm
BnBank	41.5
SCB	4.2
Cash and WC build up	12.5
Remaining proceeds	78.8
2nd use of sales proceeds	USDm
Trade creditors downpayment	29.0
Unsecured HY/ICB creditors	49.8
Percentage to HY/ICB creditors	32%
Pro forma debt in 2D company post sale	USDm
1st priority bond loan	91.3
Perestroika CLA	14.6
Hawk finance lease	16.9
Total	(122.8)

Given current assumptions the unsecured creditors will receive a 32% partial redemption of their principal from the sale proceeds

Seabird will continue as a going concern without the OBN Business with total debt amounting to USDm 122.8, of which USDm 91.3 is 1st priority bond loan



1) Includes principal amount and accrued and unpaid interest for unsecured creditors

Agenda

- 1 The Fugro transaction
- 2 Restructuring proposal

Capital structure assumptions

Status for SBX01, SBX02, PGS CLA and Perestroika CLA

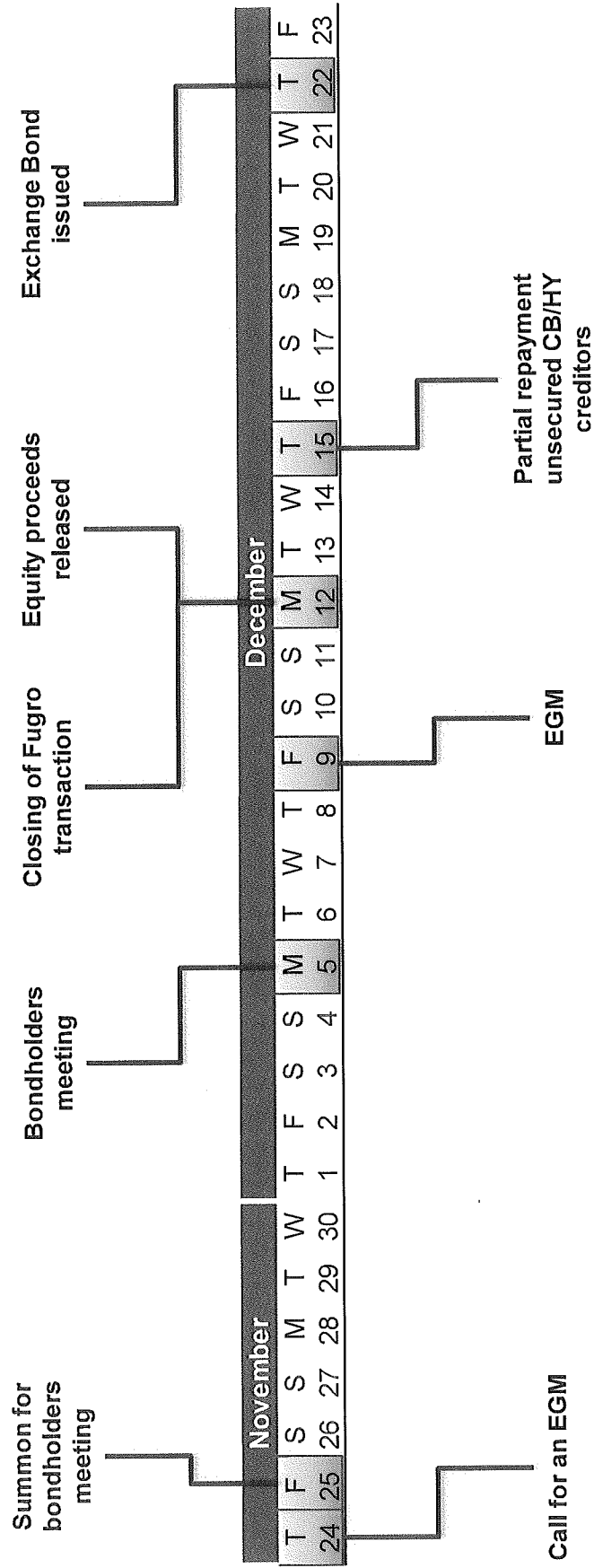
- Partial repayment of unsecured creditors of all remaining proceeds post repayment of secured creditors, trade creditors and a working capital/cash buffer of USD 12.5 million. Gives an expected repayment of USD 49.8 million in aggregate for the unsecured HY/CB creditors (approximately 32% repayment for each of the HY /CB loans

	SBX01, SBX02 & PGS CLA	Perestroika CLA
<i>Status post sale</i>	Merged into a new four year senior secured bond loan	Remains unchanged under same terms as today
<i>Security</i>	<i>Inter alia</i> 1st priority pledge in Northern, Osprey, Harrier and Aquila	Senior Unsecured
<i>Coupon</i>	6% p.a.	1% PIK p.a.
<i>Size</i>	~USD 91 million	~USD 14.6 million
<i>Maturity</i>	December 2015	September 2014

Status secure creditors and new equity

- Secured creditors (BnBank and SCB) repaid in full amounting to USD 45.7 million
- Transaction costs assumed of USD 4 million
- Overdue trade creditors repaid to an acceptable level not to exceed USD 5 million. Assumed USD 29 million repaid in total
- USD 12.5 million of the sales and equity proceeds will be used for cash, Capex and WC build up
- New equity of minimum USD 6 million to come from existing shareholders at share price NOK 0.25

Expected time line¹⁾



1) All dates are "expected on or about"

Pro forma capital structure

Post OBN divestment and new equity - Debt estimates¹⁾

Facility	Interest	USDm	Maturity	Security
Consolidated bond loan	6% p.a.	91.3	Dec-15	1st pri: Osprey, Aquila, Harrier and Northern
- SBX01		10.3		
- SBX02		49.5		
- PGS		31.5		
Perestroika CLA	1% PIK p.a.	14.6	Feb-14	Senior Unsecured
Hawk finance lease	USD 9,500 p/d	46.9	Aug-17	Hawk
Total remaining debt post equity		122.8		

New equity of USDm 6 gives a total debt of USDm 122.8 post OBN divestment

Note: Does not include the Fugro Facility as it relates to the divested OBN business

Shareholdings and capital structure post OBN divestment and new equity

Shareholder structure

	# shares (m)	Percent (%)	USDm
Post conversion	174.9	55.9%	7.6
Existing shareholders	138.0	44.1%	6.0
Shares post conversion	312.9	100.0%	13.6

Assumes USDm 6 in new equity at NOK 0.25 per share

EV calculation based on new equity

	USDm
EV calculation	13.6
Equity value	12.5
Cash	110.3
Net debt (incl. fin. lease.)	123.9
EV	123.9

In the post divestment scenario the company will end up with USDm 110.3 in net debt and USDm 123.9 in EV post OBN divestment

Preliminary key terms & conditions¹⁾

Consolidated 1st lien bond issue

Issuer	SeaBird Exploration Plc
Guarantors	Osprey Navigation Company Inc, Aquila Explorer Inc, Sana Navigation Company Ltd (Northern) and Harrier Navigation Company Ltd
Borrowing amount	USD [91] million
Expected Settlement/Maturity date	[22] December 2011 / [22] December 2015 (4 years after settlement date)
Coupon rate	6.00% p.a., semi-annually interest payments
Issue price / Redemption price	100.0% of par value / 100.0% of par value
Status	Senior secured with <i>inter alia</i> first priority mortgage over Northern Explorer, Osprey Explorer, Aquila Explorer and Harrier Explorer
Amortization	USD 2 million on each interest payment date after year one
Cash sweep	▪ Cash sweep above USD 15 million in cash and cash equivalents
Dividend restriction	No dividends for life
General covenants	Norwegian bond market standards, hereunder standard covenants and provisions such as <i>inter alia</i> : <ul style="list-style-type: none"> ▪ Merger / de-merger ▪ Continuation of business ▪ Disposal of business ▪ Ownership to Vessel ▪ Financial assistance ▪ Arm's length transaction ▪ Financial indebtedness limitations with standard carve-outs
Cross default	Yes, subject to a USD 2.0 million threshold
Call options	First two years: Make whole @ T+50 bps. Third year: 106.0%. Fourth year: 104.0%.
Change of control	Yes, put at 101.0 % of par value plus accrued interest
Listing / Trustee	Oslo Stock Exchange or ABM / Norsk Tillitsmann ASA

¹⁾ See term sheet for further details

Utilization agreement with PGS

Description

- As part of the restructuring, PGS and SeaBird have entered into a utilization agreement
- PGS has the possibility to take one of SeaBird's vessels on either a 12 month charter or 2 times 6 months charter
- The utilization agreement will provide SeaBird with a potential backlog of 12 months with a strong counterparty

Utilization agreement summary

<i>Duration</i>	36 months from signing the agreement
<i>Scope</i>	12 vessel operating months during the period, including mobilization and demobilization time. Can be either one charter of 12 months, alternatively 2 times 6 months charters
<i>Term</i>	Time charter based on standard Bimco terms with logical amendments
<i>Taxes</i>	Charterer to pay income & withholding tax, VAT and any crew taxation over and above SeaBird standard levels caused by country of operation
<i>Vessel types and rates</i>	(a) Source – USD 37,500 p/d (b) 2D long offset – USD 50,000 p/d (c) 3D 2-4 streamer – USD 84,000 p/d

Board composition post restructuring

The nomination committee's proposal for the EGM 2011

Structure

- Number of board members will be no more than 5
- The management of the company will not be represented on the board
- Board remuneration will be based on fixed amount compensation

Proposed board members

<i>Henrik Christensen</i>	New
<i>John Olav Økland</i>	New
<i>Per Inge Remmen</i>	New
<i>Kjell Mathiassen</i>	Existing
<i>Melvin Teigen</i>	Existing

DRAFT Term Sheet



ISIN: NO [●]

SeaBird Exploration PLC - Senior Secured Bond Issue 2011/2015 (the “Bonds” /the “Bond Issue”)

Settlement date: Expected to be 22 December 2011

- Issuer:** SeaBird Exploration PLC, company registration number C259593, with registered office in 333, 28th October Street Ariadne House, Limassol, Cyprus.
- Guarantors:** The following 100% owned subsidiaries of the Issuer:
- (i) Harrier Navigation Company Ltd. (registration no. HE 171227), being the 100% owner of the vessel Harrier Explorer, incorporated in Cyprus;
 - (ii) Aquila Explorer Inc. (incorporated by Public Deed No. 19,858 of August 17, 2006), being the 100% owner of the vessel Aquila Explorer, incorporated in Panama;
 - (iii) Osprey Navigation Company Inc. (incorporated by Public Deed No. 22,064 of September 11, 2006), being the 100% owner of the vessel Osprey Explorer, incorporated in Panama; and
 - (iv) Sana Navigation Company Limited (registration no. HE 100821), being the 100% owner of the vessel Northern Explorer, incorporated in Cyprus;
- Group:** “Group” means the Issuer and all its (direct or indirect owned) subsidiaries from time to time and a “Group Company” means the Issuer or any of its subsidiaries.
- Loan Amount:** Expected to be USD 91 million, however not more than USD 94 million.
- Coupon Rate:** 6.00% p.a., semi-annually interest payments.
- Issue Price:** 100.0% of par value.
- Settlement Date:** Expected to be 22 December 2011. Notice to be given to subscribers minimum three banking days prior to Settlement Date.
- Final Maturity Date:** 22 December 2015 (4 years after Settlement Date).
- First Interest Payment Day:** 22 June 2012 (6 months after Settlement Date).
- Last Interest Payment Day:** Final Maturity Date.
- Interest Payments:** Interest on the Bonds will commence to accrue on Settlement Date and shall be payable semi-annually in arrears on the interest payment day in June and December each year. The day-

count fraction for the coupon is 30/360 unadjusted.

- Nominal value:** The Bonds will have a nominal value of USD 1.0 each.
- Status of the Bonds:** The Bonds shall be senior debt of the Issuer, secured on first priority over the Vessels, and certain other assets of the Issuer and the Guarantors (as the case may be) as set out herein, and otherwise rank at least *pari passu* with all other senior obligations of the Issuer other than obligations which are mandatorily preferred by law. The Bonds shall accordingly rank ahead of any subordinated capital.
- Amortization:** Commencing on the interest payment date one year after Settlement Date, the Bonds shall be repaid by the Issuer with an amount of USD 2.0 million on each interest payment date (the “**Scheduled Instalments**”). At the Final Maturity Date any outstanding Bonds shall be repaid at par value (plus accrued and unpaid interest).
- Scheduled Instalments shall be carried out at par value (100 %) plus accrued interest on the redeemed amount. Scheduled Instalments must be carried out pro rata between the Bonds (according to the procedures of the Security Depository).
- Purpose of the Bond Issue:** The Bond Issue shall exclusively be applied for “in kind” settlement of the net Senior Unsecured Bonds following the partial distribution from the Fugro Sale and New Equity.
- The employment of the proceeds from the Bonds shall be satisfactory evidenced to the Trustee.
- Settlement:** Subscription amounts for the Bonds shall be settled by delivery of bonds in the Senior Unsecured Bonds (valued at (i) par value for SBX02 and the PGS CLA and (ii) 104% of par value for SBX01 according to the respective bond agreements), to be specified in a separate application form. VPS and the Trustee are authorised to carry out the aforesaid in the best practical way.
- Fugro Sale:** “**Fugro Sale**” means the sale of the OBN Assets and Operating Assets to Fugro.
- New Equity:** The Issuer shall prior to Settlement Date raise new equity of minimum USD 6 million (the “**New Equity**”). The net proceeds from such New Equity shall be applied according to the Application of Proceeds.
- Application of Proceeds:** The net proceeds (net of fees, legal costs and any other agreed costs and expenses) from the Fugro Sale and the New Equity shall be applied as follows (the “**Application of Proceeds**”):
- (i) First, to repay the Senior Facilities, and any costs related thereto of approximately USD 45.7 million;
 - (ii) Second, repay Overdue Accounts Payable with approximately USD 29 million, however up to such level required in order for Overdue Accounts Payable to be at an acceptable level not exceeding USD 5 million;
 - (iii) Third, USD 12.5 million shall be kept as cash buffer and working capital build-up; and
 - (iv) Fourth, all remaining proceeds, however not less than USD 47 million, shall be applied for partial settlement of the Senior Unsecured Bonds and the Perestroika CLA on a pro rata basis.
- Vessels:** “**Vessels**” means the following 2D seismic and source vessels 100% owned by the respective vessel owning Guarantors:
- (i) M/V Harrier Explorer (IMO No. 7807380) built in 1979 and converted for seismic operation in 2007;
 - (ii) M/V Aquila Explorer (IMO No. 8107115) built in 1982 and converted for seismic operation in 2007;

- (iii) M/V Osprey Explorer (IMO No. 8416906) built in 1985 and converted for seismic operation in 2006; and
- (iv) M/V Northern Explorer (IMO No. 8606460) built in 1987 and converted for seismic operation in 1998, and further upgraded in 2005.

Security:

All amounts outstanding under the Finance Documents, including but not limited to interests and expenses, shall, to the extent permitted by applicable law, be secured by:

- (i) **Guarantee:** Unconditional and irrevocable on-demand guarantees from each of the Guarantors;
- (ii) **Mortgage:** first priority ship mortgages in the amount of USD [125] million over the Vessels including all relevant equipment being legally part of the Vessels and subject to vessel mortgage under applicable law;
- (iii) **Guarantors Share Pledge:** first priority pledge granted by the Issuer over all its shares (100%) in each of the Guarantors;
- (iv) **Assignment of Earnings:** first priority assignment of Earnings payable to the Guarantors under any Charters with a duration of 6 months or more, and the Guarantors and the Issuer shall give notices and ensure that any intra-group charterers give notices and endeavour in good faith to procure the acknowledgements of such assignment from its respective counterparties;
- (v) **Assignment of Charter:** to the extent legally permitted, a first priority assignment of all rights and obligations under any Charter with a duration exceeding 6 months, to the extent such rights and obligations can be assigned without consent from the third party pursuant to the terms of the relevant charter contract (and where such assignment requires consent from the end-users pursuant to the relevant contract, the Issuer will have no obligation to assign all rights and obligations if consent cannot be obtained, but shall use its best efforts to obtain such consent). The Trustee shall be obliged to issue a quiet enjoyment letter if so required by any charterer on customary terms and reasonably acceptable to the Trustee;
- (vi) **Earnings Account Pledge:** first priority pledge over the Issuer's and/or the Guarantors' (as the case may be) claim against the bank for the amount from time to time standing to the credit of the Issuer or the Guarantors in the respective Earnings Accounts;
- (vii) **Bond Service Account Pledge:** A first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Bond Service Account;
- (viii) **Cash Sweep Account Pledge:** A first priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Cash Sweep Account;
- (ix) **Assignment of Insurances:** first priority assignment in any relevant insurances taken out on the Vessels and its equipment;
- (x) **Pledge of Intercompany Loans:** first priority pledge over all Intercompany Loans including any intra group receivables from the Issuer to the Guarantors; and
- (xi) **Assignment of Technical Management Agreement:** first priority assignment of any rights of each of the Issuer or the Guarantors (as the case may be) under the Technical Management Agreement (to the extent legally permissible). The assignment to contain

(to the extent legally permissible) direct cure and step-in rights and termination rights in case of default.

The Security shall be established as soon as possible after the Settlement Date and in any case no later than 31 January 2012, unless waived by the Bond Trustee (in its sole discretion). In the event the Security is not established in full (including perfection) within the said date, the Coupon Rate shall be increased to 11.00 per cent p.a. in the period from and including 1 February 2012 (or such other date as may be agreed) to but excluding the date all Security is established in full (including perfection). Any payment of increased Coupon Rate shall not in any way preclude the Bondholders from exercising any of their rights under the Bond Agreement. The Security (or the assets being subject to the Security) may not be assigned or mortgaged/pledged to any other party with worse, equal or better priority. The Security as listed above to be referred to herein as the “**Security Documents**”.

Accounts:

The Guarantors and the Issuer shall maintain the following accounts with a bank acceptable to the Trustee (together, the “Account”):

- (i) Earnings Accounts;
- (ii) Bond Service Account; and
- (iii) Cash Sweep Account

Earnings Account(s):

All Earnings related to each Vessel payable to the relevant Guarantor or the Issuer (as the case may be) shall be paid directly from the relevant contracting party to each of the Guarantors’ Earnings Accounts. The Earnings Accounts shall be pledged in favour of the Trustee (on behalf of the Bondholders), but not blocked (unless there is an outstanding default) pursuant to the Issuer’s Earnings Account Pledge.

“**Earnings**” means all moneys whatsoever which now or later become payable (actually or contingently) to the Guarantors in respect of:

- a) all hire moneys payable with respect to the Vessels, including (without limitation) payments of any nature under any contract or any agreement for the employment, use, possession, management and/or operation;
- b) any claim under any guarantees related to the hire payable to the Guarantors as a consequence of the operation of the Vessels;
- c) any compensation payable to the Guarantors in the event of any requisition of the Vessels or for the use of the Vessel by any government authority or other competent authority;
- d) all moneys which are at any time payable under the insurances in respect of loss of earnings from the Vessels; and
- e) any other money which arise out of the use of or operation of the Vessels and moneys whatsoever due or to become due to the Issuer from third parties in relation to the Vessels.

Bond Service Account:

The Guarantors shall from:

- a) the Settlement Date to, but not including, the Final Maturity Date transfer monthly (on an aggregate basis) from the Guarantors’ Earnings Accounts into the Bond Service Account an amount equal to 1/6 of the Interest Payment payable on the next interest payment day; and
- b) the First Interest Payment Day to, but not including, the Final Maturity Date transfer monthly from the Guarantors’ Earnings Accounts into a Bond Service Account an amount equal to 1/6 of the next Scheduled Instalment.

The Bond Service Account shall be pledged and blocked in favour of the Trustee (on behalf of the Bondholders) pursuant to the Bond Service Account Pledge. The deposited amount shall only be released for payment of interest and Scheduled Instalments as and when they fall due.

Cash Sweep:

The Issuer undertakes, on a consolidated basis, to transfer all Free Cash in excess of USD 15.0 million to the cash sweep account (the “**Cash Sweep Account**”). Free Cash shall be measured on each Quarter Date, and certified and transferred to the Cash Sweep Account by the Issuer within each quarterly and annual financial statement.

All cash deposited on the Cash Sweep Account shall be used to repay the Bonds on a pro rata basis at 100% of par value (plus accrued interest on redeemed amount). Such redemption shall take place on the first interest payment day after (if and when) the credit balance on the Cash Sweep Account reaches an amount equal to or more than USD 2.0 million and then for the full amount on the Cash Sweep Account on such date.

The Cash Sweep Account shall be pledged and blocked in favour of the Trustee (on behalf of the Bondholders) pursuant to the Cash Sweep Account Pledge.

**Pre-Settlement
Conditions
Precedent:**

Settlement of the Bond Issue will be subject to the fulfilment of certain conditions precedent, to the satisfaction of the Trustee, as customary for these types of transactions, including but not limited to:

- a) the Bond Agreement duly executed;
- b) an agreement between the Trustee and the Issuer related to expenses and fees duly executed;
- c) positive resolution from the bondholders’ meeting expected to be held on or about 1 December 2011 (the “**Bondholders’ Meeting**”);
- d) satisfactory documentation evidencing that Petroleum Geo-Services ASA approves the restructuring proposed in the Bondholders’ Meeting and accepts a conversion and settlement of the PGS CLA on or about the Settlement Date;
- e) duly establishment of the Accounts;
- f) satisfactory documentation evidencing that the lenders of the Senior Facilities have released all security following the full repayment of the Senior Facilities;
- g) corporate documents and necessary corporate resolutions of the Issuer and the Guarantors to enter into the Bond Agreement, issue the Bonds and execute the Finance Documents;
- h) financial statements/ reports of the Issuer and the Guarantors;
- i) satisfactory documentation evidencing full payment of Application of Proceeds;
- j) all customary insurances in respect of the Vessels having been taken out;
- k) copy of all on-going or future Charters with a duration of 6 months or more and Technical Management Agreements; and
- l) any statements or legal opinions reasonably required by the Trustee.

**Conditions
Subsequent:**

The Bond Issue will be subject to certain conditions subsequent to be fulfilled as soon as possible, but in no event later than 31 January 2012, including but not limited to:

- a) all legal opinions regarding each relevant jurisdiction have been received in form and substance satisfactory to the Trustee;
- b) execution and perfection of all relevant Security Documents; and

- c) delivery of any other documents that the Trustee may reasonably request.

**Financial
Covenant:**

All financial covenants shall be calculated on a consolidated basis for the Group during the term of the Bond Issue. The Issuer undertakes to comply with the following financial covenants:

- a) **Liquidity:** The Issuer shall ensure that the Group, starting from year end 2012, at all times maintains minimum Free Cash of USD 10 million
- b) **Book Equity Ratio:** The Issuer shall ensure that the Group at all times maintains a Book Equity Ratio:
- a. from and including Settlement Date to the interest payment day 1 year after Settlement Date, of minimum 20.0%;
 - b. from and including the interest payment day 1 years after Settlement Date to the interest payment day 2 years after Settlement Date, of minimum 22.5%; and
 - c. anytime thereafter, of minimum 25.0%;
- c) **Overdue Accounts Payable:** The Issuer shall ensure that the Group at all times does not have Overdue Accounts Payable:
- a. from and including Settlement Date to the interest payment day 1 year after Settlement Date, in excess of USD 7.5 million
 - b. from and including the interest payment day 1 years after Settlement Date to the interest payment day 2 years after Settlement Date, in excess of USD 5.0 million; and
 - c. anytime thereafter, in excess of USD 2.5 million;
- d) **Accounts Payable:** The Issuer shall ensure that the Group at all times maintains average days outstanding on Accounts Payable of less than 120 days; and
- e) **Accounts Receivable:** The Issuer shall ensure that the Group at all times maintains average days outstanding on Accounts Receivable of less than 90 days, however excluding any receivables outstanding from Persia Petroleum Services plc, Petrodel Resources Limited, and Trident Energy Limited as at Settlement Date.

The Issuer undertakes to comply with the above Financial Covenants at all times, such compliance to be measured (i) on a monthly basis for a) and c) above and (ii) on each Quarter Date and certified by the Issuer with each annual financial statement and quarterly financial statement for b), d) and e) above.

**Issuer's and
Guarantors'
General
Undertakings:**

During the term of the Bonds, the Issuer and the Guarantors (where relevant) shall (unless the Trustee or the Bondholders' meeting (as the case may be) in writing has agreed to otherwise) comply with inter alia the following general covenants and undertakings at any time:

- a) **Issuer Dividends:** The Issuer shall not within any financial year, during the term of the Bonds, declare or make any dividend payment, repurchase of shares or make other distributions to its shareholders;
- b) **Mergers:** The Issuer shall not, and shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving consolidating the assets and obligations of the Issuer or such Group Company with any other company or entity not being a member of the Group if such transaction would have a Material Adverse Effect. The Issuer shall notify the Bond Trustee of any such transaction, providing relevant details thereof, as well as its reasons for believing that the proposed transaction would not have a Material Adverse Effect;

- c) **De-mergers:** The Issuer shall make sure that no Group Company shall carry out any de-merger or other corporate reorganization involving splitting the Group Company into two or more separate companies or entities, if such transaction would have a Material Adverse Effect. The Issuer shall notify the Bond Trustee of any such transaction, providing relevant details thereof, as well as its reasons for believing that the proposed transaction would not have a Material Adverse Effect;
- d) **Continuation of business:** The Issuer shall not cease to carry on its business, and the Issuer shall ensure that no other Group Company shall cease to carry on its business, if such transaction would have a Material Adverse Effect. The Issuer shall procure that no material change is made to the general nature or scope of the business of the Group from that carried on at the date of the Bond Agreement, or as contemplated by the Bond Agreement;
- e) **Disposal of business:** The Issuer shall not, and shall ensure that no Group Company shall sell or otherwise dispose of all or a substantial part of the Group's assets or operations, unless the transaction is carried out at a fair market value, on terms and conditions customary for such transactions; and such transaction would not have a Material Adverse Effect;
- f) **Negative pledge:** The Issuer shall not, and shall ensure that no Group Company, without the prior written consent of the Bond Trustee, incur or permit to subsist any encumbrance over all or any of its present or future revenues or asset, as security for any financial indebtedness other than Permitted Secured Indebtedness.

Permitted Secured Indebtedness means:

- (a) this Bond Issue;
 - (b) any finance lease and operational lease existing at the Settlement Date;
 - (c) the Fugro Facility;
 - (d) any encumbrance existing at the time of acquisition on or over any asset acquired by the Issuer or a Group Company after the Settlement Date and not created in contemplation of or in connection with that acquisition;
 - (e) any encumbrance arising by operation of law and/or by agreement evidencing the same in the ordinary course of its business; and
 - (f) any recourse liability incurred by any Subsidiary in the ordinary course of business to any financial institution in respect of bid or performance bonds, guarantees or letters of credit issued by such financial institution as security for the performance of the Vessels or for any tenders for employment of such Vessels;
- g) **Financial indebtedness restriction:** The Issuer shall not, and shall ensure that no Group Company, without the prior written consent of the Bond Trustee, incur any financial indebtedness (including guarantees) other than:
 - (a) Permitted Secured Indebtedness;
 - (b) the Perestroika CLA;
 - (c) any explicitly subordinated financial indebtedness with the Issuer as borrower and with a maturity minimum one year after the Bond Issue and no interest payments to be made in cash;
 - (d) any unsecured intra-group loans granted by the Issuer or the Guarantors; and
 - (e) any guarantee issued on arm's length terms and in the ordinary course of business but not in respect of any monies borrowed by any member of the Group;
 - h) **Subsidiaries' distributions:** The Issuer shall not permit any Group Company to create or permit to exist any contractual obligation (or encumbrance) restricting the right of any such Group Company to (i) pay dividends or make other distributions to its shareholders, (ii) service any financial indebtedness to the Issuer, make any loans to the Issuer or (iii)

transfer any of its assets and properties to the Issuer. This clause shall not apply to Seabird Exploration FZ LLC as regulated under the Fugro Facility;

- i) **Ownership to Material Subsidiaries:** The Issuer shall not sell, transfer, assign or otherwise dilute or dispose of any shares or any other ownership interest in any Material Subsidiary to any person not being a member of the Group, unless the transaction is carried out at fair market value, on terms and conditions customary for such transaction and further provided that such transaction does not have a Material Adverse Effect;
- j) **Reporting:** Each of the Issuer and the Guarantors shall of its own accord make customary financial reports (quarterly for the Issuer and annually for the Guarantors, on a consolidated basis (if applicable), written in the English language) available to the Trustee and on its web page for public distribution no later than 150 days after the end of each financial year and not later than 60 days after the end of each relevant interim period (the Issuer only);
- k) **Listing:** During the term of the Bonds, the Issuer shall ensure that the Issuer's shares remain listed on Oslo Børs or another recognized stock exchange;
- l) **Financial assistance:** The Issuer shall not, and shall ensure that no Group Company shall, grant any loans, guarantees or other financial assistance (including, but not limited to granting security) to any third party not being a member of the Group, other than (i) in ordinary course of business and (ii) in relation to what is permitted under f) (*Financial indebtedness restriction*), (a) to (e), above;
- m) **Arm's length transaction:** The Issuer shall not engage in, or permit any Group Company to engage in, directly or indirectly, any transaction with any party (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and pursuant to the reasonable requirement of the Issuer's or such Group Company's business and upon fair and reasonable terms that are no less favourable to the Issuer or such Group Company, as the case may be, than those which might be obtained in an arm's length transaction at the time;
- n) **Capital expenditures:** No Guarantors shall make any acquisitions of other companies or the assets of other companies, nor make any investments or capital expenditures, other than solely related to the ownership in and operation of the Vessels;
- o) **Insurance:** The Issuer shall, and the Issuer shall procure that each Group Company will, maintain with financially sound and reputable insurance companies, funds or underwriters adequate insurance or captive arrangements with respect to its vessels, equipment and business against such liabilities, casualties and contingencies and of such types and in such amounts as are consistent with prudent business practice; and
- p) **Organization:** The Issuer shall not, and shall ensure that no Material Subsidiary, change its type of organization or jurisdiction of organization if such change may have a Material Adverse Effect.

**Vessels
Covenants:**

Standard Vessel covenants applicable to the Vessels, the Guarantors and the Charter (if party to a Charter). The Issuer and the vessel owning Guarantors undertake to (*inter alia*):

- a) ensure that the Vessels at all times are registered in jurisdictions acceptable to the Trustee;
- b) arrange for the Trustee, and/or any persons appointed by the Trustee, to inspect the Vessels without interference to the daily operation of the relevant Vessel and once every 12-month period at the expense of the Issuer;

- c) procure that technical and commercial management of the Vessels shall be undertaken by the Issuer or another wholly owned subsidiary of the Issuer (acceptable to the Trustee), and the Issuer shall not, without prior written consent of the Trustee, change the Vessel Manager;
- d) procure that any Charter is entered into with the relevant Guarantor;
- e) ensure that the Vessels at all times are classed with a class notation and with a classification society acceptable to the Trustee;
- f) ensure that the Vessels are in the possession of proper trading certificates and complying with all relevant regulations;
- g) ensure the Vessels to be kept in a good and safe condition and maintained and repaired consistent with prudent ownership and good industry standards;
- h) comply with all applicable laws including all environmental laws, regulations, licenses, treaties and conventions;
- i) procure that the Vessel Manager operates the Vessels in accordance with good industry standards and in compliance with the terms hereof and the Security Documents;
- j) comply with the International Management Code for the Safe Operation of Ships and for Pollution Preservation (the "ISM Code");
- k) procure that the Vessels and all relevant Equipment are adequately insured with first class insurers in accordance with industry standards for Hull and Machinery, Hull Interest, P&I and War Risk as well as other industry standard insurances of the Vessels and all relevant equipment related thereto at all times. The Hull and Machinery cover shall in total be no less than 120 % of the outstanding amount under the Bond Agreement. The P&I insurance for pollution liability shall be according to industry standards. The insurances shall be in accordance with the Norwegian Marine Insurance Plan or similar terms; and
- l) notify the Trustee of any accidents involving repairs or losses in excess of USD 2.5 million, and/or arrest of any of the Vessels.

**Call options
(American):**

The Issuer may redeem the Bonds (in whole or in parts) as follows:

- (i) anytime from and including Settlement Date to, but not including, the date falling 2 years after Settlement Date at a price equivalent to the sum of:
 - a. the present value on the relevant record date of 106 % of the par value as if such payment originally should have taken place on the interest payment day 2 years after Settlement Date; and
 - b. the present value on the relevant record date of the remaining coupon payments (less any accrued but unpaid interest) through and including the interest payment day 2 years after Settlement Date,

both calculated by using a discount rate of 50 basis points over the comparable U.S. Treasury Rate (i.e. comparable to the remaining duration of the Bonds until the mentioned interest payment day 2 years after Settlement Date) (plus accrued interest on redeemed amount) and where "relevant record date" shall mean a date agreed upon between the Trustee, the Paying Agent, VPS and the Issuer in connection with the such repayment;
- (ii) anytime from and including the interest payment day 2 years after Settlement Date to,

but not including, the interest payment day 3 years after Settlement Date at a price equal to 106.0 % of par value (plus accrued interest on redeemed amount); and

- (iii) anytime from and including the interest payment day 3 years after Settlement Date to, but not included, the final Maturity Date at a price equal to 104.0 % of par value (plus accrued interest on redeemed amount).

Change of Control clause: Upon a Change of Control Event occurring, each Bondholder shall have a right of prepayment (Put Option) of the Bonds at a price of 101% of par value (plus accrued interest) during a period of 60 days following the notice of a Change of Control Event.

Change of Control Event: Change of Control Event means any person or group of affiliated persons, becomes the owner, directly or indirectly, of more than 50% of the issued share capital or the voting rights of the Issuer.

Mandatory Prepayment: Upon a Mandatory Prepayment Event the Issuer shall, on or about the day the proceeds are received following the relevant Mandatory Prepayment Event, use all the proceeds to redeem Bonds at a price equalling the Call Option prices (plus accrued interest on redeemed amount). For avoidance of doubt, if the proceeds exceed the amount of outstanding Bonds *multiplied* with the relevant Call Option price, the excess proceeds shall be made available to the Issuer upon redemption of the Bonds.

Total Loss: Upon a Total Loss Event, the Issuer shall as soon as insurance proceeds are available (however no later than 240 days after occurrence of the Total Loss Event) redeem Bonds equalling the amount of insurance proceeds at 100.0% of par value (plus accrued interest on redeemed amount) on a pro rata basis.

Mandatory Prepayment Event: Means if (a) any of the Vessels are sold or disposed of, or (b) the Issuer's shares in any of the Guarantors are sold or disposed of, unless any such disposal set out in (a) and/or (b) is made by transferring such assets to a Guarantor.

Total Loss Event: Means if there is an actual or constructive total loss of any of the Vessels.

Event of Default: The Bond Agreement shall include standard remedy and event of default provisions, including cross default provisions (subject to a threshold of USD 2.0 million) for any other financing of the Group. The Finance Documents will contain waterfall provisions in case of partial payments i.e. first to cover costs, fees and expenses of the Trustee (the "Trustee Expenses") and thereafter any other outstanding amounts under the Finance Documents. In case the Issuer does not pay the Trustee for incurred fees, then the Trustee may seek funding of the Trustee Expenses from other sources, in which case such other sources will be subrogated into the position of the Trustee, but subordinated any further Trustee expenses.

Finance Documents: Mean:

- (i) the Bond Agreement;
- (ii) the Security Documents;
- (iii) the Trustee's fee agreement; and
- (iv) any other document designated as a Finance Document by the Issuer and the Trustee.

Other Definitions: "Accounts Payable" means on any date the consolidated accounts payable as reported in accordance with the relevant accounting principles to be shown in the Issuer's most recent financial statements.

"Account Receivable" means on any date the consolidated accounts receivable as reported in accordance with the relevant accounting principles to be shown in the Issuer's most recent financial statements.

“Book Equity Ratio” to be defined as Total Book Equity to Total Assets.

“Charter” means any time- and/or bareboat charter and/or other contract of employment in respect of any of the Vessels entered or to be entered into between any of the Guarantors and the relevant contracting party.

“Free Cash” means on any date the Group’s unrestricted, unpledged and freely available cash, including cash equivalents. For the avoidance of doubt Free Cash shall not include cash on the Bond Service Account and the Cash Sweep Account.

“Fugro Facility” means the secured credit facility extended by Fugro Finance AS, as lender, to Seabird Exploration FZ LLC, as borrower, for the sole purpose to finance the required working capital paid or payable in connection with the on-going OBN contract. Earnings from the on-going OBN contract will be used to service and redeem the Fugro Facility in full at the earlier of the date of last payment under the on-going OBN contract and 31 December 2012.

“Intercompany Loans” mean any financial indebtedness between the Issuer and the Guarantors, and between the Guarantors.

“Material Adverse Effect” means an event or circumstance which has a material adverse effect on: (a) the business, financial condition or operations of the Issuer or the Group taken as a whole; (b) the Issuer’s ability to perform and comply with its obligations under the Bond Agreement; or (c) the validity or enforceability of this Bond Agreement.

“Material Subsidiaries” means any subsidiary whose total consolidated assets represent at least 5% of the total consolidated assets of the Group and/or any subsidiary whose total consolidated net sales represent at least 5% of the total consolidated net sales of the Group, always provided that subsidiaries not being a Material Subsidiary shall in aggregate not exceed 20% of the consolidated turnover, gross assets or net assets of the Group.

“OBN Assets” means all tangible assets of Seabed Navigation Company Limited.

“Operating Assets” mean the fixed assets and intellectual property (*driftstilbehør*) of Seabird Technologies AS.

“Overdue Accounts Payable” means Accounts Payable exceeding 60 days of contractual credit terms.

“Perestroika CLA” means the USD 21.5 million non-transferable convertible loan in favour of Perestroika AS with redemption price of 100% of par value and maturity 22 September 2014.

“PGS CLA” means the USD 42.9 million convertible loan in favour of Petroleum Geo-Services ASA with redemption price of 100% of par value and maturity 25 January 2016.

“Quarter Date” means each 31 March, 30 June, 30 September and 31 December.

“SBX01” means the NOK 81.75 million bond loan (ISIN: NO0010326044) with a redemption price of 104.0% of par value and maturity on 14 September 2011.

“SBX02” means the NOK 402.02 million bond loan (ISIN: NO0010353915) with a redemption price of 100.0% of par value and maturity 14 February 2014.

“Senior Facilities” mean the (i) four secured loans advanced by Sparebank 1 SMN and Glitnir with about USD 41.2 million outstanding and (ii) secured loan advanced by Standard

Chartered Bank with about USD 4.2 million outstanding.

“**Senior Unsecured Bonds**” means (i) the PGS CLA, (ii) SBX01 and (iii) SBX02.

“**Total Assets**” means on any date the consolidated total asset as reported in accordance with the relevant accounting principles to be shown in the Issuer’s most recent financial statements.

“**Total Book Equity**” means the consolidated book equity as reported in accordance with the relevant accounting principles to be shown in the Issuer’s most recent financial statements.

“**Technical Management Agreement**” means the technical management agreement entered into between the Vessel Manager and each of the vessel owning Guarantors.

“**Vessel Manager**” means in respect of the technical management SeaBird Exploration FZ-LLC.

- Approvals:** The Bonds have been issued in accordance with the Issuer and Guarantors’ board approvals dated [●] 2011.
- Stock Exchange listing:** An application will be made for the Bonds to be listed on Oslo Børs or Oslo ABM.
- Issuer’s ownership of Bonds:** The Issuer has the right to acquire and own the Bonds. Such Bonds may at the Issuer’s discretion be retained by the Issuer, sold or discharged.
- Joint Lead Managers:** ABG Sundal Collier Norge ASA, Munkedamsveien 45 E, NO-0115 Oslo; and Fearnley Fonds ASA, Grev Wedels Plass 9, NO-0107 Oslo,
- Trustee:** Norsk Tillitsmann ASA, Postboks 1470 Vika, 0116 Oslo.
- Governing Law:** Norwegian for the Bond Agreement and any other appropriate governing laws for the other Finance Documents.
- Registration:** The Norwegian Central Securities Depository (VPS). Principal and interest accrued will be credited the bondholders through VPS.
- Paying Agent:** [●]
- Taxation:** The Issuer shall pay any stamp duty and other public fees accruing in connection with the Bonds, but not in respect of trading in the secondary market (except to the extent required by applicable laws), and shall deduct at source any applicable withholding tax payable pursuant to law.
- Bond Agreement:** The Bond Agreement and the Finance Documents will be entered into by the Issuer, the Guarantors and the Trustee acting as the Bondholders’ representative. The Bond Agreement shall regulate the Bondholders’ rights and obligations with respect to the Bonds, and it shall be based on Norwegian bond market standard at the time of Settlement Date. If any discrepancy should occur between this Term Sheet and the Bond Agreement, then the Bond Agreement shall prevail.

Each subscriber in the Bonds, such subscription documented by an application form, a taped telephone conversation, e-mail or otherwise, is deemed to have granted authority to the Trustee to finalize the Bond Agreement. Minor adjustments to the structure described in this Term Sheet may occur.

Each subscriber in the Bonds either through the application form (if applied) or documented

as otherwise specified in the foregoing, specifically authorizes the Trustee to execute and deliver the Bond Agreement on behalf of the prospective Bondholders. On this basis, the Issuer and the Trustee will execute and deliver the Bond Agreement and the latter's execution and delivery is on behalf of all of the subscribers, such that they thereby will become parties to the Bond Agreement. The Bond Agreement specifies that all Bond transfers shall be subject to the terms thereof, and the Trustee and all Bond transferees shall, when acquiring the Bonds, be deemed to have accepted the terms of the Bond Agreement, which specifies that all such transferees shall automatically become parties to the Bond Agreement upon completed transfer having been registered in the VPS, without any further action required to be taken or formalities to be complied with. The Bond Agreement shall specify that it shall be made available to the general public for inspection purposes and may, until redemption in full of the Bonds, be obtained on request by the Trustee or the Issuer, and such availability shall be recorded in the VPS particulars relating to the Bonds.

The Trustee has appointed external counsel to draft and/or review the Finance Documents.

- Market making:** No market-maker agreement has been made for this Issue.
- Eligible purchasers:** The Bonds are not being offered to and may not be purchased by investors located in the United States except for "Qualified Institutional Buyers" (QIBs) within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended ("Securities Act"). In addition to the Subscription Agreement that each investor will be required to execute, each U.S. investor that wishes to purchase Bonds will be required to execute and deliver to the Issuer a certification in a form to be provided by the Issuer stating, among other things, that the investor is a QIB. The Bonds may not be purchased by, or for the benefit of, persons resident in Canada.
- Transfer restrictions:** Bondholders located in the United States will not be permitted to transfer the Bonds except (a) subject to an effective registration statement under the Securities Act, (b) to a person that the Bondholder reasonably believes is a QIB within the meaning of Rule 144A that is purchasing for its own account, or the account of another QIB, to whom notice is given that the resale, pledge or other transfer may be made in reliance on Rule 144A, (c) outside the United States in accordance with Regulation S under the Securities Act in a transaction on the Oslo Børs, and (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available). The Bonds may not, subject to applicable Canadian laws, be traded in Canada for a period of four months and a day from the date the Bonds were originally issued.
- Subject to:** The issue of Bonds shall be subject to finalized loan documentation and approval of loan documentation by the Issuer's and the Guarantors' boards and the Trustee

Oslo, 25 November 2011



ABG SUNDAL COLLIER
As Joint Lead Manager

 **Fearnley Fonds**
As Joint Lead Manager