



SeaBird Exploration Group

Interim Financial Report

First Quarter

2006

Overview

SeaBird Exploration (“the Group”) provides marine seismic services for the international oil and gas industry. SeaBird Exploration Limited (“the Company”) is a limited liability company incorporated in the British Virgin Islands. The Group has its operating office in Dubai, United Arab Emirates and a representative office in Oslo, Norway.

The Group is a global provider of 2D and 3D seismic data and associated products and services to the oil and gas industry. The Group specializes in high quality operations within the high end of the source vessel and 2D market, as well as in the shallow water 2D/3D market. Main focus for the Group is proprietary seismic surveys (contract seismic). SeaBird does not have a multi-client data library. Main success criteria for the Group are an unrelenting focus on Quality, Health, Safety and Environment (QHSE), combined with efficient collection of high quality seismic data. The Group operates a seismic fleet of 4 vessels with two additional vessels under conversion with expected completion during the first half of 2006.

Seismic operations are generally weather sensitive and as a result of this, there are typically seasonal differences in the dayrates and vessel utilisation. The Group strives to maximise dayrates and earnings by positioning vessels in less weather sensitive areas during the less favourable seasons, such as monsoon or winter seasons in harsh areas. In fact, despite record earnings, seasonal weather conditions did affect negatively on operations of one vessel in the first quarter of 2006. Furthermore, seismic operations are dependent on the market conditions of oil and gas and the number of vessels at any time available in the market.

Basis of preparation of financial statements

The interim financial report is prepared in accordance with the International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”. A general description of the Group, and the principal accounting policies applied in the preparation of these consolidated and condensed interim financial statements, are presented in the Consolidated Financial Statements for 2005. These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2005 as they provide an update of previously reported information. The accounting policies used and the presentation of the Interim Financial Statements are consistent with those used in the Consolidated Financial Statements for 2005 unless otherwise stated.

The presentation of the Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the Interim Financial Statements. If, in the future, such estimates and assumptions, which are based on management’s best judgement at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Group’s auditors have carried out a limited review of the 2006 figures in accordance with International Standards on Review Engagements (ISRE 2410).

Highlights and significant events in Q1 - 2006

The current market situation and outlook remains strong, however, oil prices and instability in the Middle East remain inherent risk factors.

The Group has continued its strong growth revenues with an increase of more than 80% year-to-date compared to the corresponding period in 2005. Operating profit has increased by nearly 30%.

In Q1 the Group has strengthened management and operating capacity in order to consolidate for further growth, to manage operation of two new vessels from the second half of 2006 and to meet requirements as a listed company.

In December 2005, the Group entered into a long term financial lease, securing the deep-sea factory trawler “Høgifossur” TBN “Hawk Explorer”, and ordered key long lead items such as compressors and seismic streamer necessary for the conversion to a 2D seismic vessel. In Q1 the Group has entered into a one year bareboat agreement, with a purchase option, for the “MV Gepard” TBN “Osprey Explorer”. Furthermore, the Group has entered into conversion contracts for both the Hawk Explorer and the Osprey Explorer with Nauta Shipyard in Poland. Additionally, the Group has ordered new compressors for the Osprey Explorer. The vessels should be ready for operations in respectively the 2nd and the 3rd quarter in 2006. Both ships are under conversion at a shipyard in Poland.

As for the two new vessels under conversion, the Company has been successful in signing long term contracts with large seismic companies giving full revenues from the date of delivery.

The Group has secured two additional compressor sets, both with delivery before the end of 2006 in order to continue its fleet expansion plans.

Key Financial Performance Figures

The Group’s consolidated Q1 2006 revenues were US\$ 7,344,177, compared to US\$ 4,050,224 in the corresponding period last year, an increase of approximately 80%.

For the 12 month period ended 31 March 2006, the Group reported revenues of US\$ 25,259,353 which is an increase of 65% compared to corresponding 12 month period ended 31 March 2005.

The geographical operations of the Group are split in three different areas (in US\$):

Geographical area	Q1 06	Q1 05	2005	2004
Europe, Africa & Middle East (EAME)	5,554,729	2,182,484	14,385,154	9,772,139
North and South America (NSA)	1,789,448	1,867,740	7,581,246	6,308,755
Far East (FE)	0	0	0	0
Total	7,344,177	4,050,224	21,965,400	16,080,894

Operating profit for Q1 2006 was US\$ 2,453,450, against an operating profit of US\$ 1,756,150 in the corresponding period last year. The main reason for this is the improved gross profit as a consequence of more favourable rates achieved. Operating profit is split between EAME and NSA with US\$ 1,602,231 and US\$ 851,219 for Q1 2006 compared to US\$ 701,677 and US\$ 1,054,473 for 1Q 2005.

The Consolidated Financial Statements and the report from the Board of Directors for 2005 commented on negative results from the 30% associate GeoSeas, and the vessel Odin Explorer. The Odin Explorer was sold in 2004. However, the Group entered into a Joint Venture which is operating the vessel. In connection with the secondary sale of shares in the Group and the IPO, it was agreed that Bartica, at that time being more than 80% shareholder in The Company, was to take the responsibility for the engagement in the Joint Venture. Consequently, results for the associate's operations in Q1 2006 are not consolidated in the accounts. The Group and Bartica are in the process of closing their engagement with the Joint Venture and reaching an agreement with the associates.

Key Balance Sheet Items

As at 31 March 2006, total assets amounted to US\$ 64.4 mill, which is an increase of US\$ 41.7 mill compared to 31 March 2005. The increase is mainly explained by a private placement in October 2005 and to capitalized costs and work in progress relating to the two new vessels under conversion, contributing approximately \$24 and US\$ 25 mill respectively.

Total equity at 31 March 2006 is US\$ 45.6 mill, which implies an equity/asset ratio of 70.8%. The corresponding figures at 31 March 2005 were US\$ 16.9 mill and 74.7%. At 31 March 2006, long term borrowings were US\$ 7.4 mill, which mainly relate to the financial leases of the Northern Explorer and the Hawk Explorer

The accounting policies relating to property, plant and equipment are disclosed in detail in the Consolidated Financial Statements for 2005. The Group applies the revaluation method on property, plant and equipment relating to vessels and seismic and seismic related equipment. The assets were revalued based on external independent valuers at the year end 2005 and no revaluations have been considered at the end of the first quarter of 2006. As regards decomposing of the vessels in seismic vessel (hull, engine and compressors) and seismic equipment, useful lives are differentiated being respectively 10 and 8 years. The shorter useful life is used for equipment installed on chartered vessels. Costs relating to the 5 year special dry docking are balanced and depreciated separately.

Open account with the associate GeoSeas (Odin Explorer) is presented under receivables from and payables to related parties (Bartica). Otherwise, transactions in the period and balances with related parties as at 31 March only relate to marine management agreement with GeoBird Management as described in notes to the Consolidated Financial Statements for 2005.

In notes to the Consolidated Financial Statements for 2005 two distinct disputed claims regarding a joint venture agreement (The Northern Explorer) were commented on. There is no new information indicating that these claims have any merit. Trade receivables include US\$ 2.9 mill as a receivable from GGS relating to a completed contract. GGS has refused full settlement and the case is to be brought to arbitration in the autumn 2006. The management

believe the decision will be fully in favour of the Group. Trade receivables are presented after a provision for bad debts of US\$ 0.6 mill.

Future commitments on bareboat charters regarded as finance leases are presented in the balance sheet split as to 1 year (current) and 2 to 5 years (long term). Corresponding commitments regarding bareboat charters regarded as operating leases are respectively US\$ 730,000 and US\$ 4,318,000 (including more than 5 years).

A long term investment of US\$ 300,000, representing 30% (increased from US\$ 200,000 at the year end), is reclassified as an associate using the equity method. The investment is in a special purpose company and is not in a core or related business for the Group.

Post balance sheet events

The most significant event in the first four months of 2006 has been the carrying out of a successful share offering in connection with the Company being listed on Oslo Børs. The listing took place on Tuesday 11 April. The final price of NOK 20 per share corresponds to market capitalisation of NOK 1,448 million for the Company after completion of the offering. Paid in capital to The Company was net US\$ 29 mill

The Group announced on 16 March that it has contracted two Source Vessels to Veritas DGC. Kondor Explorer is fixed for 12 months commencing May 2006 with a 6 month option. Osprey Explorer, a source vessel under conversion, is fixed for 6 months from August 2006 with a 6 month option. Contract value is estimated to be in the range of USD 19.7 mill. for the firm periods. The vessels are intended as source vessels for a wide azimuth survey in the US Gulf of Mexico commencing in the second half of 2006. At the same date the Group announced that it has chartered its 2D seismic ship R/V Hawk Explorer for 29 months plus a 12 month extension option to an undisclosed industry player. The charter will commence upon delivery of the vessel from the shipyard where she is currently under conversion. Delivery is scheduled for June 2006. Contract value is estimated to be in the range of USD 33 mill. for the firm period.

The Group announced on 5 May that it has reached an agreement to acquire SeaBed Geophysical AS for a price of NOK 68 mill plus a warrant of 2% of the Company's market capitalization above the IPO price of NOK 20 per share. The transaction is subject to a final due diligence and is expected to be completed before June 2006. SeaBed Geophysical AS "SeaBed" is a geophysical company that specializes in seabed seismic. The main concept is to deploy geophone sensor nodes into the seabed and acquire high quality multi-component data. SeaBed can provide all aspects of seabed seismic; feasibility studies and pre-survey planning, data acquisition, on site QC, minor data processing and interpretation.

The objective of SeaBed is to provide services to the oil industry in order to reduce the economic risks in the exploration phase and reduce uncertainties related to reservoir description, fluid-flow and reservoir management. With the industry's strong demands for a reduction in field development and operating costs, improved technology and techniques are absolutely necessary. The concept of acquiring high quality pressure and shear wave data on the seabed will have a great impact by reducing costs and giving higher production on existing and new fields. SeaBed's strategy is to develop innovative and cost efficient solutions which can meet each client's specific needs and requirements. The flexibility available in the use of this highly target oriented data acquisition method make it well suited for application in exploration prospecting, reservoir description and reservoir monitoring. Solutions for the

Seabed acquisition of 2D, 3D and 4D multimode pressure and shear wave data have been developed by the company.

The company has implemented an Employee Stock Options Incentive Plan. This plan does not include any of the Bartica shareholders, as stated in the IPO Prospectus. Key SeaBed employees are included in the Employee Stock Option Incentive Plan. The total number of shares that may be issued under the incentive scheme shall not exceed 2,000,000.

Approval

These Interim Financial Statements were approved for issue by the Board of Directors on May 19th 2006.

Consolidated income statement

All figures in USD

	Quarter ended		Year ended
	March 31		December 31
	2006	2005	2005
Revenue	7 344 177	4 050 224	21 965 400
Charter hire and operating expenses	(2 652 704)	(1 049 868)	(9 166 084)
Depreciation	(532 886)	(294 543)	(1 328 496)
Gross profit	4 158 587	2 705 813	11 470 820
Administration and general expenses	(2 329 639)	(1 384 455)	(8 392 332)
Other income	700 384	434 792	3 909 714
Other expenses	-	-	(89 387)
Other (losses)/gains - net	(75 882)	-	93 845
Operating profit	2 453 450	1 756 150	6 992 660
Finance cost	(158 837)	(9 769)	(120 167)
Share of (loss)/profit from associates		(24 626)	(335 869)
Profit for the year	2 294 613	1 721 755	6 536 624
Attributable to equity shareholders	2 294 613	1 721 755	6 536 624
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in \$ per share)			
- basic	0,04	34,44	0,21
- diluted	0,04	34,44	0,21
weighted average number of shares	62 381 000	50 000	31 215 500

Consolidated balance sheet

All figures in USD	As at 31 March		As at 31 December
	2006	2005	2005
ASSETS			
Non current assets			
Property, plant and equipment	20 189 350	10 506 208	20 616 060
Capital work in progress	25 779 381	78 994	7 637 384
Investment in associate	300 000		
	46 268 731	10 585 202	28 253 444
Current assets			
Inventories	123 470		162 606
Trade and other receivables	7 895 246	3 351 069	6 910 367
Due from related parties	511 228	7 757 212	559 196
Available for sale financial assets	-	91 314	449 000
Other financial assets at fair value		100 000	200 000
Bank balances and cash	9 617 527	847 049	21 957 347
	18 147 471	12 146 644	30 238 516
Total assets	64 416 202	22 731 846	58 491 960
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	62 381	50 000	62 381
Other reserves	38 042 349	9 880 252	38 393 399
Retained earnings	7 520 688	7 016 820	4 871 389
	45 625 418	16 947 072	43 327 169
LIABILITIES			
Non current liabilities			
Borrowings	7 411 732	1 441 226	7 132 127
Provision for end of service gratuities	20 215	3 230	13 027
	7 431 947	1 444 456	7 145 154
Current liabilities			
Trade and other payables	8 571 729	4 340 318	5 255 620
Due to related parties	409 878	-	325 783
Loans - current portion	2 377 230	-	2 438 234
	11 358 837	4 340 318	8 019 637
Total liabilities	18 790 784	5 784 774	15 164 791
Total equity and liabilities	64 416 202	22 731 846	58 491 960

Specification of other reserves

	Share Premium	Other Reserves	Revaluation Reserve	Currency Translation Reserve	Total
Balance at 1 January 2005	0	56,328	9,327,517	(203,761)	9,180,084
Private Placement	23,742,461				23,742,461
Revaluation – gross (Note 6)	0	0	6,234,353	0	6,234,353
Depreciation transfer – gross	0	0	(932,751)	0	(932,751)
Other reserves movements:	0	(56,328)	0	0	(56,328)
Currency translation differences:					
– Group	0	0	0	225,580	225,580
Balance at 31 December 2005	23,742,461	0	14,629,119	21,819	38,393,399
Balance at 1 January 2006	23,742,461	0	14,629,119	21,819	38,393,399
Other reserves movements:	1,392	0	0	0	1,392
Depreciation transfer – gross	0	0	(365,728)	0	(365,728)
Currency translation differences:					
– Group	0	0	0	13,286	13,286
Balance at 31 March 2006	23,743,853	0	14,263,391	35,105	38,042,349
Balance at 1 January 2005	0	56,328	9,327,517	(203,761)	9,180,084
Other reserves movements:	0	0	176,730	0	176,730
Balance at 31 March 2005	0	56,328	9,504,247	(203,761)	9,356,814

Consolidated cash flow statement

All figures in USD	Quarter ended 31 March		31 December
	2006	2005	2005
Cash generated from operating activities			
Net Profit for the period	2,294,613	1,746,381	6,536,624
Adjustments for:			
– Depreciation	532,886	294,543	1,682,479
– Interest expense	158,837	110,558	120,167
– Provision for employees' end of service gratuities	7,188	0	13,027
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
– Decrease/(Increase) in inventories	39,136	0	(162,606)
– Increase in trade and other receivables	(984,879)	(147,295)	(3,706,593)
– Decrease/(increase) in due from related	47,968	79,503	7,277,519
– Increase in trade and other payables	3,316,109	(1,295,822)	(383,750)
– Increase in due to related parties	84,095	0	325,783
– Decrease in margin deposit	0	0	374,124
– Decrease / (increase) in investment fair value	449,000	0	0
Cash generated from operations	5,944,953	787,868	12,076,774
Interest paid	(158,837)	(110,558)	(120,167)
Income tax paid	0	0	0
Net cash generated from operating activities	5,786,116	677,310	11,956,607
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)	(106,175)	0	(12,900,819)
Increase in capital work in progress	(18,141,997)	(78,994)	0
Proceeds from sale of PPE	0	523,438	0
Purchases of available-for-sale financial assets	(100,000)	0	(457,686)
Net cash (used in)/ generated from investing activities	(18,348,172)	444,444	(13,358,505)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	0	0	23,754,842
Proceeds From borrowings	0	0	7,790,194
Decrease in margin money	0	374,124	0
Repayments of borrowings	218,601	(338,941)	0
Net movement in general reserve	(9,650)	(431,914)	0
Dividends paid to Company's shareholders	0	0	(8,504,101)
Net movement in shareholders account	0	(27,031)	(56,328)
Net movement in currency fluctuations	13,286	0	225,580
Net cash used in financing activities	222,237	(423,762)	23,210,187
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(12,339,819)	697,992	21,808,289
Cash, cash equivalents and bank overdrafts at beginning of the period/year	21,957,346	149,057	149,057
Cash, cash equivalents and bank overdrafts at end of the period / year	9,617,527	847,049	21,957,346

Consolidated statement of changes in equity

All figures in USD	Share capital	Other reserves	Retained earnings	Total Equity
Balance at 1 January 2005	50,000	9,180,084	5,906,115	15,136,199
– Revaluation surplus	0	5,245,274	932,751	6,178,025
Currency translation differences	0	225,580	0	225,580
Net income/(expense) recognised directly in equity	0	5,470,854	932,751	6,403,605
Profit for the year	0	0	6,536,624	6,536,624
Total recognised income for the year	0	5,470,854	7,469,375	12,940,229
Private Placement	12,381	23,792,411	0	23,754,842
Non-cash dividend relating to 2004	0	0	(8,504,101)	(8,504,101)
	12,381	23,792,411	(8,504,101)	15,250,741
Balance at 31 December 2005	62,431	38,393,349	4,871,389	43,327,169
Balance at 1 January 2006	62,381	38,393,399	4,871,389	43,327,169
Currency translation differences		13,286		13,286
Net income/(expense) recognised directly in equity	0	(365,728)	365,728	
Movement in retained earnings	0	1,392	(11,041)	(9,649)
Profit for the quarter	0	0	2,294,612	2,294,612
Total recognised income for the quarter	0	(351,050)	2,649,299	2,284,963
Balance at 31 March 2006	62,381	38,042,349	7,520,688	45,625,418
Balance at 1 January 2005	50,000	9,180,084	5,906,115	15,136,199
Movement in retained earnings	0	0	(611,050)	(611,050)
Profit for the quarter	0	0	1,721,755	1,721,755
Total recognised income for the quarter	50,000	9,180,084	7,016,820	16,246,904
Movement in other reserves	0	176,730	0	176,730
Balance at 31 March 2005	50,000	9,356,814	7,016,820	16,423,634