



# SeaBird Exploration Group

## Interim Financial Report

### Third Quarter

2006

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## **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. SeaBird is, since April 2006, listed on the Oslo Stock Exchange.

The Group is a global provider of marine seismic data. The business segment comprises activities on 2D and 3D seismic data, solutions for seabed acquisition of 2D, 3D and 4C/4D multimode seismic 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). The operations are monitored in geographical areas. 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 four vessels with two additional vessels under conversion with expected completion during the early fourth quarter of 2006. Three more vessels are ordered for delivery in 2007, one Ocean Bottom Seismic/Source vessel, one Source/2D Vessel and one shallow water 2D/3D vessel. The source/2D vessel has already been chartered out from delivery date.

Seismic operations are generally weather sensitive and as a result of this, there are typically seasonal differences in the day rates and vessel utilisation. The Group strives to maximise day rates and earnings by positioning vessels in less weather sensitive areas during the less favourable seasons, such as monsoon or winter seasons in harsh areas. Furthermore, seismic operations are dependent on the political situation, market conditions of oil and gas and the number of vessels at any time available in the market. The current market situation and outlook remain strong. However, oil prices and instability in the Middle East (including Iran, Iraq and Lebanon) remain inherent risk factors.

### **Basis for 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 Q3-06 figures in accordance with International Standards on Review Engagements (ISRE 2410).

### **Highlights**

The Group has continued their aggressive investment plans. In Q3-06 the Group has announced the purchase of two additional vessels to be delivered and converted in early Q2-07.

In Q3-06 the Group has completed the conversion process of the two vessels the Hawk Explorer and the Osprey Explorer. This constitutes a big challenge to the organisation in a period with increasing shortage on building capacity. The conversion of the Hawk Explorer and the Osprey Explorer has been heavily delayed and suffered project costs overruns. Both vessels are in operation in Q4-06.

The Group is continuously strengthening management and operating capacity in order to consolidate for further growth and for its ongoing fleet expansion program which includes the managing of two additional vessels from Q4-06 and two additional vessels from early Q2-07. Further the Group's resources are being strengthened to meet requirements as a listed company.

Still the Group has continued its strong growth in revenues with an increase of more than 76% year to date and 96% for the Q3-06 compared to the corresponding periods in 2005. Net profit has increased by 100% and 249% respectively.

Net profit for Q3-06 was USD 2,485,558, against a net profit of USD 711,220 in the corresponding quarter last year. The main reason for this is the improved net profit as a consequence of more favourable rates achieved.

### **Significant events**

In Q3-06 the Group has announced the purchase of M/V Sentinel (TBN M/V Harrier Explorer), a DP (Dynamically Positioned) vessel, built in 1979. The vessel will be converted to a Source/Ocean Bottom Seismic ship. Total cost for the vessel, including upgrade and additional equipment, is expected to be up to USD 37 million.

Further the Group has acquired M/V Highland Patriot (TBN M/V Aquila Explorer). A platform supply vessel, built in 1982. The vessel will be converted to a Source/2D seismic vessel. Total cost for the vessel, including upgrade and additional equipment, is expected to be up to USD 33 Million. From delivery the vessel is contracted to Petroleum Geo-Services for 6 months with two 6 month options.

As for the two new vessels - the Hawk Explorer and the Osprey Explorer - long term contracts are in place and the vessels are on contracts from date of delivery in Q4-06. Purchase price and conversion costs on the Hawk Explorer and the Osprey Explorer are in total USD 74 millions. In Q3-06 the necessary ministry approvals were received from the Ukrainian State Enterprise "MARS" for the transfer of title of the Osprey Explorer.

The M/V Geo Mariner is contracted with Indago Petroleum until mid-October 2006 for a survey in Gulf of Oman. SeaBird has recently signed a contract for a shallow water survey at Indus Delta "A" with Oil & Gas Development Company Limited, a Pakistani Public Sector Company with a total contract value of USD 15.45 Million giving a dayrate in excess of USD 170,000. The project is expected to be completed in Q1-07.

As regards financing the Company has in Q3-06 issued a bond loan at Oslo Stock Exchange Alternative Bond Market (ABM) in NOK with a total limit equalling USD 30 million (NOK 200 Million) with a draw down equalling USD 24 million.(NOK 150 million).

The Company has carried out another private placement of 5,714,000 new shares. Paid in capital in NOK equals USD 29 million received in September 2006. Part financing of the new vessels – the Hawk Explorer, the Osprey Explorer and the Aquila Explorer has been negotiated. As regards the Hawk Explorer a finance lease agreement for USD 30 mill was entered into effective from September 06. Agreements for the two other vessels (Osprey Explorer and Aquila Explorer) were concluded in Q4-06.

The acquisition of SeaBed Geophysical AS is broadly commented in our Q2-06 report. A long term process is initiated to convert a vessel tailored for SeaBed operations and at the same time updating and increasing the production capacity for SeaBed (nodes and hydraulic systems) SeaBird strongly believes in the 4D ocean bottom technology, but is aware of that both ensuring the necessary production capacity and penetrating the market takes time and efforts. However, considerable projects are developing for 2007. SeaBed is already performing a feasibility study for nodal acquisitions for ONGC, the Indian state owned oil company as well as tendering for several other contracts.

### Key Financial Performance Figures

The Group's consolidated Q3-06 revenues were USD 10,094,293, compared to USD 5,130,993 in the corresponding quarter last year, an increase of approximately 96%.

For the 12 month period ended September 30, 2006, the Group reported revenues of USD 33,113,499, which is an increase of 61% compared to the corresponding 12 month period ended September 30, 2005.

The geographical operations of the Group are split into three different areas (in USD):

Geographical area - Revenue	Q3 06	Q3 05	YTD03-06	YTD03-05	2005 full year
Europe, Africa & Middle East (EAME)	6,782,293	4,389,406	17,985,889	9,177,175	14,385,154
North and South America (NSA)	3,312,000	741,587	7,749,948	5,411,563	7,581,246
Far East (FE)	0	0	0	0	0
<b>Total</b>	<b>10,094,293</b>	<b>5,130,993</b>	<b>25,735,837</b>	<b>14,588,738</b>	<b>21,965,400</b>

Geographical Area - Net profit	Q3 06	Q3 05	YTD 03-06	YTD 03-05	2005 full year
Europe, Africa & Middle East (EAME)	353,015	732,358	3,271,939	2,037,682	3,860,483
North & South America (NSA)	2,132,543	(21,138)	4,543,343	1,867,826	2,676,141
Far East (FE)	0	0	0	0	0
<b>Total</b>	<b>2,485,558</b>	<b>711,220</b>	<b>7,815,282</b>	<b>3,905,508</b>	<b>6,536,624</b>

The delay in the conversion process and the delivery of the Hawk Explorer and the Osprey Explorer has a negative effect on both revenue and net profit.

Further the income statement reflects increased costs from strengthened management and operating capacity in order to consolidate for further growth and for its ongoing fleet expansion program.

### **Key Balance Sheet Items**

As at September 30, 2006, total assets amounted to USD 210.3 million, which is an increase of USD 192.2 million compared to September 30, 2005. The increase is mainly explained by capitalized costs and work in progress relating to the four new vessels under conversion, two acquisitions (50% of Sana Navigation and 100% of SeaBed) during the period, revaluation of vessels and increase in cash and current assets, contributing approximately USD 90 million (excl SeaBed), USD 35 million, USD 35 million and USD 30 million respectively.

Total equity at September 30, 2006 is USD 110.8 million, which implies an equity/asset ratio of 52.7%. The corresponding figures at September 30, 2005 were USD 11.1 million and 61.1%. At September 30, 2006 borrowings and loans were USD 54.0 million, which mainly relate to the financial lease of the Hawk Explorer and the bond loan on the Alternative Bond Market.

Disclosures regarding Capital expenditures and business combinations are presented in Selected notes and disclosures.

### **Post balance sheet events**

The most significant event in the month of October 2006 has been that the Company has acquired M/V Tasneem 2 (TBN M/V Raven Explorer), an Anchor Handling Tug Supply (AHTS) Vessel, built in 2006. The vessel will be converted to a Shallow water 2D/3D seismic vessel. Total cost for the vessel, including upgrade and additional equipment, is expected to be up to USD 36 million. The vessel is expected to be in full operation from Q3-07.

The Company has exercised the draw down of 2<sup>nd</sup> tranche of ABM bond issue equal to USD 7,7 mill (NOK 50,000,000). The drawn down funds have been received in Q4-06.

In Q4-06 the Group has completed the negotiations of part loan financing of the Osprey Explorer and the Aquila Explorer through a credit facility agreement with Glitnir Bank ASA for a total facility of USD 30 million, which will be drawn down in 4 tranches during Q4-06 and Q1-07.

M/V Osprey Explorer has been released from the yard on 20 September 2006. As per contract signed with Veritas DGC, M/V Osprey Explorer has commenced her operations on 23 October, 2006. M/V Hawk Explorer also completed her conversion and released from the yard on 31 August 2006 and commenced operations in October 2006. However, due to some technical reasons, the contract was suspended in order to rectify same. The technical issues have been addressed and the contract is expected to resume later in Q4-06.

M/V Geo Mariner has completed her ongoing project with Indago Petroleum in Oman and sailed for Karachi, Pakistan for a 70-90 day survey at Indus Delta "A" with Oil & Gas Development Company Limited. Total contract value of this project is estimated to be USD 15.45 million and the dayrate expected to be in excess of USD 170,000. M/V Northern Explorer has completed her long term contract with TGS Nopec Geophysical ASA in

October, 2006. Thereafter, a new contract is signed for M/V Northern Explorer direct with an oil company for the operations in the Mediterranean region. Contracts are under negotiation for both vessels which are expected to secure their employment until March 2007.

The Group has entered into conversion contract for M/V Aquila Explorer with Singapore Technologies Marine Limited in their yard in Singapore. The vessel is expected to be ready for operations in Q2-07.

The Group has taken delivery of M/V Harrier Explorer from the ex-Owners. Conversion of M/V Harrier Explorer is still under discussions with suitable yards.

The group has set up their branch in Houston (USA). The core activity of the branch will be to oversee operations in Americas and also explore further business opportunities in the Gulf of Mexico and South America.

In spite of the later delivery of the Hawk Explorer and Osprey Explorer, and the consequent effect on earnings and results primarily in Q3-06, the Group is pleased with the contract position for Q4-06. It is estimated that Q4-06 will show additional revenue for the period of approximately USD 18 million, bringing by year end the full year revenue to approximately USD 43 million.

### **Approval**

These Interim Financial Statements were approved by the Board of Directors for issue on 20 November, 2006.

## Consolidated income statement

All figures in USD	Quarter ended		Nine months ended		Year ended
	September 30		September 30		December 31
	2006	2005	2006	2005	2005
<b>Revenue</b>	10 094 294	5 130 993	25 735 837	14 588 738	21 965 400
Charter hire and operating expenses	(5 718 066)	(3 609 847)	(14 184 716)	(8 767 636)	(13 248 624)
Depreciation	(1 008 321)	(331 871)	(2 219 306)	(994 510)	(1 328 496)
Gross profit	3 367 906	1 189 275	9 331 815	4 826 592	7 388 280
Administration and general expenses	(1 728 798)	(1 648 640)	(4 093 777)	(3 246 199)	(4 309 792)
Other income	358 226	1 171 754	2 379 579	2 336 636	3 909 714
Other expenses	-	-	-	-	(89 387)
Other gains - net	1 006 311	-	930 429	-	93 845
Operating profit	3 003 645	712 389	8 548 046	3 917 029	6 992 660
Finance cost	(518 088)	(1 169)	(732 765)	(11 521)	(120 167)
Share of (loss)/profit from associates	-	-	-	-	(335 869)
Profit for the year	2 485 557	711 220	7 815 281	3 905 508	6 536 624
Attributable to equity shareholders	2 485 557	711 220	7 815 281	3 905 508	6 536 624
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in \$ per share)					
- basic	0,03	0,01	0,11	0,08	0,13
- diluted	0,03	0,01	0,10	0,08	0,13

## Consolidated balance sheet

All figures in USD	As at 30 September		As at 31
	2006	2005	December 2005
<b>ASSETS</b>			
<b>Non current assets</b>			
<u>Tangible assets</u>			
Property, plant and equipment	49 236 635	9 850 784	20 616 060
Capital work in progress	99 356 962	74 561	7 637 384
Long term investments	2 880 883	-	-
<u>Intangible assets</u>			
Goodwill	7 575 040	-	-
Patent technology	4 421 222	-	-
Deferred tax asset	4 994 958	-	-
	<b>168 465 700</b>	9 925 345	28 253 444
<b>Current assets</b>			
Inventories	200 908	-	162 606
Trade receivables	9 852 650	4 010 173	4 826 293
Other receivables	7 613 377	1 006 613	2 084 074
Due from related parties	1 745 495	982 621	559 196
Available for sale financial assets	-	200 000	649 000
Bank balances and cash	22 424 813	1 991 195	21 957 347
	<b>41 837 243</b>	8 190 602	30 238 516
<b>Total assets</b>	<b>210 302 943</b>	18 115 947	58 491 960
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	75 581	50 000	62 381
Revaluation Reserve	24 563 317	-	-
Other reserves	69 006 898	8 405 722	38 393 399
Share options granted	4 507 435	-	-
Retained earnings	12 796 612	2 667 092	4 871 389
	<b>110 949 843</b>	11 122 814	43 327 169
<b>LIABILITIES</b>			
<b>Non current liabilities</b>			
Borrowings	26 983 031	-	7 132 127
Bonds	22 362 774	-	-
Debt from related parties	555 852	-	-
Provision for end of service gratuities	36 098	9 744	13 027
	<b>49 937 754</b>	9 744	7 145 154
<b>Current liabilities</b>			
Trade and other payables	44 453 502	4 757 723	5 255 620
Due to related parties	219 409	1 386 457	325 783
Loans - current portion	4 742 435	839 209	2 438 234
	<b>49 415 346</b>	6 983 389	8 019 637
<b>Total liabilities</b>	<b>99 353 100</b>	6 993 133	15 164 791
<b>Total equity and liabilities</b>	<b>210 302 943</b>	18 115 947	58 491 960

## Consolidated statement of changes equity

All figures in USD	Share capital	Current account	Share Premium	Revaluation Reserve	Currency fluctn. Reserve	Retained earnings	Share option granted	Total Equity
<b>Balance at 1 January 2005</b>	50,000	56,328	0	9,327,517	(203,761)	5,906,115	0	15,136,199
– Revaluation surplus	0	0	0	5,301,602	0	932,751	0	6,234,353
Currency translation differences	0	0	0	0	225,580	0	0	225,580
Net income recognised directly in equity	0	0	0	5,301,602	225,580	932,751	0	6,459,933
Profit for the year	0	0	0	0	0	6,536,624	0	6,536,624
<b>Total recognised income for the year</b>	0	0	0	5,301,602	225,580	7,469,375	0	12,996,557
Private Placement	12,381	0	23,742,461	0	0	0	0	23,754,842
Net movements in current account	0	(8,560,429)	0	0	0	0	0	(8,560,429)
Non-cash dividend relating to 2004	0	8,504,101	0	0	0	(8,504,101)	0	0
	12,381	(56,328)	23,742,461	14,629,119	0	(8,504,101)	0	15,194,413
<b>Balance at December 31, 2005</b>	62,381	0	23,742,461	14,629,119	21,819	4,871,389	0	43,327,169
<b>Balance at July 1, 2006</b>	75,581	0	68,896,652	25,310,712	(173,364)	10,158,597	6,172,969	110,441,147
Currency translation differences	0	0	0	0	283,612	0	0	283,612
Net income recognised directly in equity	75,581	0	68,896,652	25,310,712	110,248	10,158,597	6,172,969	110,742,759
ESOP remuneration written off	0	0	0	0	0	0	(1,665,534)	(1,665,534)
Adjusted IPO expenses	0	0	0	0	0	0	0	0
Depreciation transfer	0	0	0	(747,395)	0	747,395	0	0
Loss on investment available for sale	0	0	0	0	0	(594,940)	0	(594,940)
Profit for the quarter	0	0	0	0	0	2,485,557	0	2,485,557
<b>Balance at September 30, 2006</b>	75,581	0	68,896,652	24,563,317	110,248	12,796,609	4,507,435	110,949,843
<b>Balance at January 1, 2006</b>	62,381	0	23,742,461	14,629,119	21,819	4,871,389	0	43,327,169
Currency translation differences	0	0	0	0	88,427	0	0	88,427
Net income recognised directly in equity	62,381	0	23,742,461	14,629,119	110,246	4,871,389	0	43,415,596
Increase in share capital	13,200	0	47,459,489	0	0	0	0	47,472,689
Adjusted IPO expenses	0	0	(2,305,298)	0	0	0	0	(2,305,298)
Share option granted	0	0	0	0	0	0	6,172,969	6,172,969
Depreciation transfer	0	0	0	(1,578,306)	0	1,578,306	0	0
Loss on investment available for sale	0	0	0	0	0	(1,418,415)	0	(1,418,415)
Addition to revaluation reserve	0	0	0	11,512,504	0	0	0	11,512,504
ESOP remuneration written off	0	0	0	0	0	0	(1,665,534)	(1,665,534)
Movement in retained earnings	0	0	0	0	0	(49,950)	0	(49,950)
Profit for the period	0	0	0	0	0	7,815,281	0	7,815,281
<b>Balance at September 30 2006</b>	75,581	0	68,896,652	24,563,317	110,248	12,796,609	4,507,435	110,949,843

Consolidated statement of cash flows for the quarter ended September 30, 2006

All figures in USD	Year ended December 31		
	2006 USD	2005 USD	2005 USD
<b>Cash flows from operating activities</b>			
Net profit for the quarter/year	2,485,557	711,220	6,536,624
Adjustments for :			
Depreciation	1,008,321	331,871	1,682,479
Interest expense	518,088	1,169	120,167
Provision for employees' end of service gratuities	36,098	3,284	13,027
	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes	4,048,065	1,047,544	8,352,297
Decrease/(increase) in inventories	34,972	-	(162,606)
Increase in trade and other receivables	(8,196,764)	(729,138)	(3,706,593)
(Increase)/decrease in due from related parties	(1,716,386)	215,023	7,277,519
Increase/(decrease) in trade and other payables	31,573,350	(80,148)	(383,750)
(Decrease)/increase in due to related parties	(529,027)	66,626	325,783
Decrease in margin deposits under lien	-	-	374,124
Net movements in currency translation reserve	283,612	(20,452)	225,580
	<hr/>	<hr/>	<hr/>
Cash generated from operations	25,497,822	499,455	12,302,354
Interest paid	(518,088)	(1,169)	(120,167)
	<hr/>	<hr/>	<hr/>
<i>Net cash from operating activities</i>	24,979,734	498,286	12,182,187
	<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Movements in property, plant and equipment	(1,991,588)	(27,451)	(12,900,819)
Purchase of patent technology on acquisition	-	-	-
(Increase)/decrease in capital work in progress	(47,520,081)	(74,561)	-
Increase in investment in subsidiary	(345,974)	33,710	(457,686)
	<hr/>	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(49,857,643)	(68,302)	(13,358,505)
	<hr/>	<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares	-	-	23,754,842
Movements in borrowings	48,835,717	(393,707)	7,790,194
Dividends paid to Company shareholders	-	-	(8,504,101)
Payment of debt from related parties	(9,444,148)	-	(56,328)
	<hr/>	<hr/>	<hr/>
<i>Net cash from/(used in) financing activities</i>	39,391,568	(393,707)	22,984,607
	<hr/>	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	14,513,659	36,277	21,808,289
<b>Cash and cash equivalents at beginning of the quarter/year</b>	7,911,153	1,954,918	149,057
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the quarter/year</b>	22,424,813	1,991,195	21,957,346
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **Selected notes and disclosures**

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.

### **Property, plant and equipment**

The Group applies the revaluation model (IAS 16,31) on property, plant and equipment relating to vessels and seismic and seismic related equipment. The assets were re-valued based on external independent valuers at the year end 2005 and no revaluations have been considered at the end of Q3-06.

However, as a consequence of the acquisition of 50% of Sana, the Group has obtained full control over the Northern Explorer and consequently revaluated the previously held 50% (IFRS 3, Business combination achieved in stages).

As regards decomposing of vessels into seismic vessel (hull, engine and compressors) and seismic equipment, the Group's estimate of useful lives were 10 and 8 years respectively. 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. As regards new vessels acquired, converted and/or purchased in 2006 and onwards, useful lives are estimated to be up to 15 years. Consequently depreciation periods have been extended to 15 years.

### **Capital work in progress**

Capital work in progress is presented at historical cost and comprises vessels under conversion and node systems (SeaBed).

### **Intangible assets and business combinations**

As per 31 December 2005 the Group reported to have no intangible assets.

Intangible assets now arise from the acquisition of Sana Navigation Co Ltd and the acquisition of SeaBed Geophysical AS.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. A purchase price allocation has been carried out for each acquisition.

The remaining 50% of the associate Sana Navigation Co Ltd, the operating company of the Northern Explorer, was acquired in May 2006. The accounts are consolidated from that date. The excess value of the business was calculated at USD 5 million. The value of the vessel was set in accordance with external valuation.

As for SeaBed Geophysical the total purchase price was USD 18 million and allocated as follows

- Property, plant and equipment
- Patent technology
- Capital work in progress
- Deferred tax asset
- Goodwill

Property, plant and equipment are presented at historical cost.. Patent technology (intellectual property rights) is valued based on the cost method. The patents are for 20 years from 2004. Closing date for the acquisition was 13 June 2006 and the accounts are consolidated from June 2006.

Part of the purchase price is also financed through warrants (share options granted) to sellers and key personnel. Reference is made to Share Capital and Share options granted.

SeaBed moves towards the end of a development phase with successful trial test deliveries in recent years to Pemex and BP. In order to be operative and competitive in the market the investment remains mainly in deep water nodes, but also in upgrading the shallow water nodes. The combination with SeaBird creates new possibilities in accessibilities to vessel(s) The nodal operations will not be operative in the market until 2007. No depreciation is considered until the assets are operative. From the date of purchase (June 06) costs directly attributable to capital work in progress and preparation of operations are capitalized. Administrative and selling costs are expensed.

### **Non current investments in shares**

The investment equalling USD 4,302,019 represents a long term investment in the equity of Global Geo Services AS. The purchase price included a controlling premium above the stock market value in May 2006.

In accordance with IFRS the shares are presented in the financial statements as “available for sale” at stock market value at 30 September 2006, representing decline in value compared to the purchase price of USD 1,421,136. The decline in stock market value is in Q2-06 and in Q3-06 is presented as changes in equity. SeaBird holds 5,136,000 shares of Global Geo Services AS on 30 September 2006 which are recorded as per market price on balance sheet date.

Long term financial investments are to be impaired if fair value of the investment is lower than the purchase price. The development in the stock market price is a strong indicative. SeaBird is of the opinion that the volatility in the stock market price does not imply a significant or prolonged decline in the fair value which qualifies for impairment. Further the calculated amount includes the control premium that was paid. SeaBird’s investment still represents the largest shareholder of Global Geo Services AS.

### **Related parties**

Current account with Bartica, being the largest shareholder of SeaBird, is presented as receivable from, and / or payable to, related parties. Otherwise, transactions in the period and balances with related parties as at September 30, 2006 only relate to marine management

agreement with GeoBird Management as described in notes to the Consolidated Financial Statements for 2005.

Bartica holds a significant part of the listed ABM Bond loan.

### **Trade receivables**

Trade receivables include USD 4 million as a receivable from GGS and USD 592,000 from Thor International relating to completed contracts. GGS has refused full settlement and the case is to be brought to arbitration which is due for hearing in Oslo in November 2006. GGS has presented substantial counter claims. In the case of Thor International, the Dubai Court of First Instance has issued a judgement by referring the case to arbitration. However, the Company has been advised by its lawyers to go to appeal to the higher court in Dubai. The management and the Company's lawyers believe the decisions will be fully in favour of the Group. Trade receivables are presented after an adequate provision for doubtful debts.

### **Other receivables**

Other receivables include instalment relating to financing of the Hawk Explorer to be paid out in Q4-06 and other operational related advances and pre-payments.

### **Share capital and share options**

SeaBird has implemented an Employee Stock Options Incentive Plan. This plan does not include any of the Bartica shareholders, as stated in the IPO Prospectus. The total number of shares that may be issued under the incentive scheme shall not exceed 2,000,000. As per 30 Sep 2006, options have been granted for 1,130,000 shares. Calculated value of the options are presented as equity and expensed over the option period.

Warrants or share options were used as part of the payment for SeaBed Geophysical AS as specified:

Selling shareholders	1,477,163 shares
Key employees.	832,381 shares

Calculated value of the options are presented as equity and capitalized as part of the purchase price of the assets of SeaBed.

Estimated value of the share options granted – representing in total 3,439,544 shares – reduced for services not rendered as per September 30 - is presented in equity as Share options granted.

### **Share Capital**

The total share capital of 75,581,000 shares are issued and paid up as of 30 September 2006.

A private placement of 5,714,000 shares is registered in October 2006. Proceeds from issuance of these shares have been received in September 2006 under the stock lending agreement between ABG Sundal Collier and Bartica Company Limited, the largest shareholders in SBX. These are shown under Current Liabilities - Trade and other payables.

## **Borrowings and bonds**

Loans are presented in accordance with the amortized cost method. Borrowing costs are considered in the calculation of amortized cost and the loan commitments are presented net.

Borrowings include finance lease contract on the Hawk Explorer of USD 30 million presented as non-current and respectively current portion. As at 30 September 2006 USD 25 million is paid. The remaining USD 5 million shall be paid in Q4-06 and is presented under Other receivables.

The bond loan is NOK 150 million. Currency gains of USD 910,581 as at 30 September 2006, are included in Other (losses)/gains - net. The value of the loan on the ABM market as at 30 September 2006 is slightly above par value.

## **Financial Statements**

The presentation of and classifications of items in the Financial statements are consistent with the Consolidated Financial Statements of 2005 except for the Income statement. In the income statement personnel costs on vessel operation are regrouped and included in Gross profit.