SAExploration Holdings, Inc.
Form 10-K/A
April 14, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2013**

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number **001-35471**

SAExploration Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-4867100**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1160 Dairy Ashford, Suite 160, Houston, Texas	**77079**
3333 8th Street SE, 3rd Floor, Calgary, Alberta	**T2G 3A4**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code **(281) 258-4400**

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.0001 Par Value	**The NASDAQ Global Market**
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

Warrants, Each to Purchase One Share of Common Stock

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No x

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation in S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter was $64,404,673, calculated by reference to the closing price of $10.15 for the registrant's common stock on The Nasdaq Global Market on that date.

Number of shares of Common Stock, $0.0001 par value, outstanding as of March 31, 2014: 14,870,549

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III, Items 10, 11, 12, 13 and 14, will be included in a definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K, and is incorporated herein by reference.

Exhibit Index Located on Page 3

EXPLANATORY NOTE

This Form 10-K/A is being filed as an amendment ("Amendment No. 1") to the Annual Report on Form 10-K filed by SAExploration Holdings, Inc. with the Securities and Exchange Commission on April 3, 2014 (the "Original Filing"), to replace in its entirety Part IV of the Original Filing solely to add the conformed signature of our independent registered accounting firm to its report included in our consolidated financial statements for the years ended December 31, 2013 and 2012, which was inadvertently omitted from the exhibit filed with the Original Filing. In addition, with this Amendment No. 1, we are including a currently dated consent of our independent registered public accountant as Exhibit 23.1 and currently dated certifications by our chief executive officer and chief financial officer as Exhibits 31.1, 31.2, 32.1 and 32.2 under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended.

Except as described above, no other sections of the Original Filing have been amended. This Amendment No. 1 is presented as of April 3, 2014, the filing date of the Original Filing, and has not been updated to reflect other events, occurring after the date of the Original Filing, or to modify or update those disclosures affected by subsequent events. More current information is contained in our other filings with the Securities and Exchange Commission.

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PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) *Financial Statements.*

The following consolidated financial statements of the Company appear on pages F-1 through F-40 and are incorporated by reference into Part II, Item 8:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Operations for the Years Ended December 31, 2013 and 2012

Consolidated Statements of Comprehensive (Loss) Income for the Years Ended December 31, 2013 and 2012

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2013 and 2012

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013 and 2012

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules.

All schedules are omitted because they are either not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits.

The information required by this item 15(a)(3) is set forth in the Index to Exhibits accompanying this Annual Report on Form 10-K/A and is hereby incorporated by reference.

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAEXPLORATION HOLDINGS, INC.

Date: April 14, 2014 By: /s/ Brent Whiteley
Brent Whiteley

Chief Financial Officer, General Counsel and Secretary

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	**TITLE**	**DATE**
/s/ Jeff Hastings Jeff Hastings	Executive Chairman and Director	April 14, 2014
/s/ Brian A. Beatty Brian A. Beatty	Chief Executive Officer, President and Director (Principal Executive Officer)	April 14, 2014
/s/ Brent Whiteley Brent Whiteley	Chief Financial Officer, General Counsel, Secretary, and Director (Principal Financial Officer and Principal Accounting Officer)	April 14, 2014
* Eric S. Rosenfeld	Director	April 14, 2014

*	Director	April 14, 2014
David D. Sgro		
*	Director	April 14, 2014
Gary Dalton		
*	Director	April 14, 2014
Arnold Wong		
*	Director	April 14, 2014
Gregory R. Monahan		

*By: /s/ Brent Whiteley
Brent Whiteley

(Attorney-in-Fact)

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

SAEXPLORATION HOLDINGS, INC.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

SAExploration Holdings, Inc.

We have audited the accompanying consolidated balance sheets of SAExploration Holdings, Inc. (a Delaware corporation, formerly Trio Merger Corp.) and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SAExploration Holdings, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Miami, Florida

April 3, 2014

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SAExploration Holdings, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	As of December 31,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$17,351	$15,721
Restricted cash	638	3,701
Accounts receivable, net of allowance for doubtful accounts of $254 and $0, respectively	40,928	27,585
Deferred costs on contracts	3,190	5,911
Prepaid expenses	4,619	8,553
Deferred tax asset	1,371	902
Total current assets	68,097	62,373
Property and equipment, net	64,572	70,456
Intangible assets, net	1,260	1,478
Goodwill	2,150	2,306
Deferred loan issuance costs, net	9,115	9,066
Deferred tax asset, net	743	1,622
Other assets	13	674
Total assets	$145,950	$147,975

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$16,511	$12,309
Accrued liabilities	3,124	5,435
Income and other taxes payable	7,073	5,896
Accrued payroll liabilities	4,497	3,247
Notes payable – current portion	800	800
Notes payable to related parties	500	53
Deferred revenue – current portion	7,927	6,145
Deferred tax liabilities – current portion	69	—
Capital leases – current portion	485	818
Total current liabilities	40,986	34,703
Long-term portion of notes payable, net	79,888	78,493
Long-term portion of notes payable to related parties, at fair value	12,406	—
Long-term portion of capital leases	618	1,054
Deferred revenue – non-current portion	—	3,175
Deferred tax liabilities	1,114	241

Warrant liabilities	—	1,244
Total liabilities	135,012	118,910
Commitments and contingencies		
Convertible preferred stock of Former SAE, $0.0001 par value, 5,000,000 shares authorized;		
Series A preferred stock, $1.00 stated value, 5,000,000 shares outstanding at December 31, 2012, and retired as a result of the Merger	—	5,000
Stockholders' equity:		
Preferred stock, $0.0001 par value, 1,000,000 shares authorized and no shares outstanding	—	—
Common Stock, $0.0001 par value, 55,000,000 shares authorized, and 13,428,736 and 6,321,848 issued and outstanding at December 31, 2013 and December 31, 2012, respectively.	2	1
Additional paid-in capital	27,485	1,907
Retained earnings (accumulated deficit)	(14,511)	21,801
Accumulated other comprehensive (loss) income	(2,083)	356
Total stockholders' equity attributable to the Corporation	10,893	24,065
Non-controlling interest	45	—
Total stockholders' equity	10,938	24,065
Total liabilities and stockholders' equity	$ 145,950	$ 147,975

The accompanying notes are an integral part of these consolidated financial statements.

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SAExploration Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Years Ended December 31, 2013	2012
Revenue from services	$245,268	$257,359
Direct operating expenses, including depreciation expense of $14,843 and $11,411, respectively	202,336	212,540
Gross profit	42,932	44,819
Selling, general and administrative expenses	32,103	25,714
Merger costs	1,188	—
Depreciation and amortization	1,253	720
Loss on disposal/sale of assets	133	148
Income from operations	8,255	18,237
Other income (expense):		
Change in fair value of notes payable to related parties	(631)	—
Interest expense, net	(15,256)	(3,786)
Loan prepayment fee	—	(2,209)
Foreign exchange (loss) gain, net	(1,755)	320
Other, net	(1,124)	(1,133)
Total other expense, net	(18,766)	(6,808)
(Loss) income before income taxes	(10,511)	11,429
Provision for income taxes	10,495	1,444
Net (loss) income	$(21,006)	$9,985
Less: income attributable to non-controlling interest	(45)	—
Net (loss) income attributable to the Corporation	$(21,051)	$9,985
Basic and diluted (loss) income per common share		
Weighted average shares outstanding - basic	10,010,492	5,746,161
(Loss) income per share - basic	$(2.10)	$1.74
Weighted average shares outstanding - diluted	10,010,492	5,755,392
(Loss) income per share - diluted	$(2.10)	$1.73

The accompanying notes are an integral part of these consolidated financial statements.

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SAExploration Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)

	Years Ended December 31,	
	2013	2012
Net (loss) income	$(21,006)	$9,985
Other items of comprehensive (loss) income, foreign currency translation	(2,439)	966
Total comprehensive (loss) income	(23,445)	10,951
Less: Comprehensive income attributable to non-controlling interest	(45)	—
Comprehensive (loss) income attributable to the Corporation	$(23,490)	$10,951

The accompanying notes are an integral part of these consolidated financial statements.

SAExploration Holdings, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Corporation's Number of Common Shares Issued and Outstanding	Common Stock at Par Value	Additional Paid-In Capital	Retained Earnings (Accumulated deficit)	Accumulated Other Comprehensive Income (Loss)	Total Corporation stockholders' equity	Non-controlling interest	Total stockholders' equity
Balance at December 31, 2011	5,685,288	$ 1	$ 1,886	$ 12,341	$ (610)	$ 13,618	$ —	$ 13,618
Dividends	—	—	—	(525)	—	(525)	—	(525)
Foreign currency translation	—	—	—	—	966	966	—	966
Share-based Compensation	636,560	—	21	—	—	21	—	21
Net income	—	—	—	9,985	—	9,985	—	9,985
Balance at December 31, 2012	6,321,848	$ 1	$ 1,907	$ 21,801	$ 356	$ 24,065	$ —	$ 24,065
Dividends	—	—	—	(15,261)	—	(15,261)	—	(15,261)
Forfeitures of restricted stock	(8,549)	—	—	—	—	—	—	—
Warrants converted to stock as a result of the Merger	135,144	—	1,293	—	—	1,293	—	1,293
Merger transaction	6,954,221	1	28,014	—	—	28,015	—	28,015
Merger costs	—	—	(5,027)	—	—	(5,027)	—	(5,027)
Issuance of restricted shares to non-employee directors	26,072	—	200	—	—	200	—	200
Share-based compensation	—	—	1,098	—	—	1,098	—	1,098
Foreign currency translation	—	—	—	—	(2,439)	(2,439)	—	(2,439)
Net (loss) income	—	—	—	(21,051)	—	(21,051)	45	(21,006)
Balance at December 31, 2013	13,428,736	$ 2	$ 27,485	$ (14,511)	$ (2,083)	$ 10,893	$ 45	$ 10,938

The accompanying notes are an integral part of these consolidated financial statements.

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SAExploration Holdings, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31, 2013	2012
Operating activities:		
Net (loss) income attributable to Corporation	$(21,051)	$9,985
Net income attributable to non-controlling interest	45	—
Net (loss) income	(21,006)	9,985
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,096	12,257
Write off of loan issuance cost	—	1,229
Amortization of loan costs and debt discounts	2,860	213
Payment in kind interest	2,040	—
Deferred income taxes	1,352	(1,566)
Loss on disposal/sale of property and equipment	133	148
Change in fair value of notes payable to related parties	631	—
Share-based compensation	1,298	21
Provision for doubtful accounts	254	—
Changes in operating assets and liabilities		
Accounts receivable	(13,597)	6,287
Restricted cash	3,063	(3,593)
Prepaid expenses	3,947	(5,964)
Deferred costs on contracts	2,721	(2,911)
Accounts payable	3,915	(22,505)
Accrued liabilities	(2,488)	2,355
Deferred revenues	(1,393)	(865)
Income and other taxes payable	1,177	1,932
Other, net	1,960	1,489
Net cash provided by (used in) operating activities	2,963	(1,488)
Investing activities:		
Purchase of property and equipment	(11,110)	(49,949)
Business acquisition, net of cash acquired	—	(760)
Proceeds from sale of property and equipment	—	849
Net cash (used in) investing activities	(11,110)	(49,860)
Financing activities:		
Principal borrowings on notes payable	—	118,247
Net proceeds from Merger	35,277	—
Repayments of notes payable	(800)	(44,362)
Repayments of advances from related parties	(53)	(1,917)
Payment of debt issuance costs	(2,750)	(8,657)
Merger costs	(5,027)	—
Repayments of capital lease obligations	(797)	(1,122)

Dividend payments on common shares	(10,000)	—
Dividend payments on preferred shares	(5,084)	(168)
Net cash provided by financing activities	10,766	62,021
Effects of exchange rate changes on cash and cash equivalents	(989)	70
Net change in cash and cash equivalents	1,630	10,743
Cash and cash equivalents at the beginning of period	15,721	4,978
Cash and cash equivalents at the end of period	$17,351	$15,721
Supplemental disclosures of cash flow information:		
Interest paid	$9,256	$5,813
Income taxes paid	$4,163	$2,503
Non-cash investing and financing activities:		
Dividends accrued but unpaid on preferred shares	$1,072	$525
Capital assets acquired under capital leases	$98	$410
Cash flow impact of Merger	See Note 3	N/A

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 — GENERAL INFORMATION

SAExploration Holdings, Inc. and its subsidiaries (collectively, the “Corporation”) is a geophysical seismic services company offering a full range of seismic data acquisition services including program design, planning and permitting, camp services, survey, drilling, recording, reclamation and in-field processing. The Corporation’s services include the acquisition of 2D, 3D, time-lapse 4D and multi-component seismic data on land, in transition zones between land and water and in shallow water, as well as seismic data field processing. The Corporation’s customers include national oil companies, major international oil companies and independent oil and gas exploration and production companies in North America, South America and Southeast Asia. Seismic data is used by the Corporation’s customers to identify and analyze drilling prospects and maximize successful drilling.

NOTE 2 — COMPLETED MERGER

The Corporation was initially formed on February 2, 2011 as a blank check company in order to effect a merger, capital stock exchange, asset acquisition or other similar business combination with one or more business entities. On December 10, 2012, the Corporation entered into an Agreement and Plan of Reorganization (the “Merger Agreement”), as amended by a First Amendment to Agreement and Plan of Reorganization dated as of May 23, 2013, with Trio Merger Sub, Inc. (“ Merger Sub”), the entity formerly known as SAExploration Holdings, Inc. (“Former SAE”), and CLCH, LLC (“CLCH”), which contemplated Former SAE merging with and into Merger Sub with Merger Sub surviving as a wholly-owned subsidiary of the Corporation (the “Merger”). The Merger was consummated on June 24, 2013, at which time, the Corporation’s business became the business of Former SAE.

The Merger was accounted for as a reverse acquisition in accordance with U.S. GAAP. Under this method of accounting, Merger Sub was treated as the “acquired” company for financial reporting purposes. This determination was primarily based on Former SAE comprising the ongoing operations of the combined entity, Former SAE senior management comprising the senior management of the combined company, and the Former SAE common stockholders having a majority of the voting power of the combined entity. In accordance with guidance applicable to these circumstances, the Merger was considered to be a capital transaction in substance. Accordingly, for accounting purposes, the Merger was treated as the equivalent of Former SAE issuing stock for the Corporation’s net assets, accompanied by a recapitalization. The Corporation’s assets were stated at fair value, with no goodwill or other intangible assets recorded. Operations prior to the Merger are those of Former SAE. The equity structure after the Merger reflects the Corporation’s equity structure.

On June 21, 2013, the Corporation held its special meeting in lieu of an annual meeting of stockholders (the “Special Meeting”), at which the stockholders considered and adopted, among other matters, the Merger Agreement. On June 24, 2013, the parties consummated the Merger (the “Closing”). Pursuant to the Merger Agreement, the Former SAE common stockholders, on a fully-diluted basis, as consideration for all shares of Former SAE common stock they held or had the right to acquire prior to the Merger, received: (i) an aggregate of 6,448,443 shares (which includes 30 shares issued in lieu of fractional shares) of the Corporation's common stock at the Closing; (ii) an aggregate of $7.5 million in cash at the Closing; (iii) an aggregate of $17.5 million represented by a promissory note issued by the Corporation at the Closing, discussed in Note 10; and (iv) the right to receive up to 992,108 additional shares (which includes 44 shares that may be issued in lieu of fractional shares) of the Corporation's common stock after the Closing based on the achievement of specified earnings targets by the Corporation for the 2013 and/or the 2014 fiscal years. Additionally, the Corporation paid to CLCH, the holder of all of the outstanding shares of Former SAE preferred stock and a company controlled by Jeff Hastings, the Corporation's Executive Chairman, an aggregate of $5.0 million in cash for all of such shares. Of the shares of the Corporation's common stock issued to the Former SAE stockholders at Closing, an aggregate of 545,635 shares were deposited in escrow to secure the indemnification obligations owed to the Corporation under the Merger Agreement. On the first anniversary of the closing of the Merger, 272,818 of the escrow shares, less amounts previously applied in satisfaction of or reserved with respect to indemnification claims (other than tax or environmental indemnification claims, except to the extent such claims exceed 272,817 shares) that are made prior to that date, will be released to the Former SAE stockholders. The remaining 272,817 escrow shares will be released 30 days after the Corporation files its annual report on Form 10-K for its 2015 fiscal year, less any shares reserved to satisfy tax or environmental indemnification claims made prior to such date.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 2 — COMPLETED MERGER – (continued)

The portion of the merger consideration payable at Closing that is allocable to holders of certain derivative securities of Former SAE that were not converted or exchanged prior to the Merger is being held in a separate escrow pending the conversion or exercise of those derivative securities (the “Merger Consideration Escrow”). Those derivative securities include Former SAE’s warrants outstanding for 2% of its stock immediately prior to the Merger, which were convertible into 135,144 shares of Former SAE common stock immediately prior to the Merger, and the common shares issued by a wholly-owned Canadian subsidiary of the Corporation, which were exchangeable for 48,793 shares of Former SAE common stock immediately prior to the Merger. The escrow agreement for the Merger Consideration Escrow provides that CLCH as nominee of the Corporation will have voting control over all shares of the Corporation’s common stock held in that escrow.

The following table summarizes the effects of the Merger on the Corporation’s assets, liabilities, and capital structure:

Cash and cash held in trust, after conversions	$47,777
Payment to Former SAE common stockholders	(7,500)
Net released from escrow to the Corporation after conversions	40,277
Other assets and liabilities remaining in the Corporation:	
Other assets	13
Note payable to Former SAE common stockholders	(11,775)
Related party notes	(500)
Contingent consideration	—
	28,015
Merger costs	(5,027)
Pre-acquisition value of Former SAE warrants deemed equity under their terms	1,293
Net increase in the Corporation's equity resulting from the Merger	$24,281

Of the $40,277 of cash transferred from the Corporation’s trust account at Closing, $5,000 was transferred to a transfer agent to purchase Former SAE’s preferred stock, and the consolidated statement of cash flows for the year ended December 31, 2013 reflects $35,277 of merger proceeds received directly by Former SAE in cash provided by financing activities. The Corporation incurred $6,215 of merger related costs, $5,027 of which were treated as equity issuance costs and reported as a reduction of equity, and the remaining $1,188 was reported as Merger costs on the consolidated statement of operations as these costs did not qualify for equity presentation because they were not directly related to the issuance of equity.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 2 — COMPLETED MERGER – (continued)

In connection with the Merger, holders of 987,634 shares of the Corporation's outstanding common stock issued in its initial public offering ("public shares") exercised their rights to convert those shares to cash at a conversion price of approximately $10.08 per share, or an aggregate of approximately $9.96 million. After giving effect to the issuance of the shares of the Corporation's common stock to Former SAE stockholders at the Closing (excluding the additional shares that may be issued to the Former SAE stockholders based on the achievement of the earnings targets), the issuance of 100,000 shares of the Corporation's Common Stock in exchange for the options to purchase up to a total of 600,000 shares of common stock and 600,000 warrants held by EarlyBirdCapital, Inc. and its designees for 100,000 shares of Corporation common stock and the conversion of 987,634 of the Corporation's public shares, there were 13,402,664 shares of the Corporation's common stock outstanding as of June 24, 2013. The conversion price for holders of public shares electing conversion was paid out of the Corporation's trust account, which had a balance immediately prior to the Closing of $61.7 million. The remaining trust account funds were used to pay the Corporation's transaction expenses of approximately $4.0 million and the cash portion of the Merger consideration payable to the Former SAE preferred and common stockholders, totaling $12.5 million, and the balance of approximately $35.3 million was released to the Corporation.

Additionally, immediately prior to the closing of the Merger, Former SAE paid cash dividends to its stockholders of $5 million on shares of its preferred stock and $10 million on shares of its common stock outstanding immediately prior to the Merger, for an aggregate dividend amount of $15 million.

At the Special Meeting, the Corporation's stockholders voted to approve an amendment to the Corporation's amended and restated certificate of incorporation to change the Corporation's name to SAExploration Holdings, Inc. Accordingly, effective upon the Closing, the Corporation changed its name to SAExploration Holdings, Inc. and Merger Sub, the surviving entity in the Merger, changed its name to SAExploration Sub, Inc. Thus, the Corporation is now a holding company called SAExploration Holdings, Inc., operating through its wholly-owned subsidiary, Merger Sub, and its subsidiaries.

At the Special Meeting, the Corporation's stockholders also approved other amendments to the Corporation's amended and restated certificate of incorporation to adjust the classification of directors such that the three classes' respective terms expire upon the annual meetings of stockholders in 2014, 2015 and 2016, with each class serving three-year terms thereafter, and to delete certain provisions that are no longer applicable since the Merger was consummated.

At the Closing, the Corporation also entered into an amendment to the warrant agreement ("Warrant Amendment") with Continental Stock Transfer & Trust Company for all outstanding warrants as of the Merger date, as warrant agent, and for warrants subject to conversion by the Corporation's convertible notes, which amended the Corporation's warrants to (i) increase the exercise price of the warrants from $7.50 to $12.00 per share of the Corporation's common stock and (ii) increase the redemption price of the warrants from $12.50 to $15.00 per share of the Corporation's common stock. On December 10, 2012, the Corporation obtained written consents from the holders of a majority of the then outstanding warrants approving the Warrant Amendment. The Warrant Amendment became effective upon the closing of the Merger. Since the amendments were a pre-Merger modification by the Corporation, the effects of the change in fair value were reflected in the equity of the Corporation and were not reflected in the pre-Merger net assets recorded by the Corporation.

At the Closing of the Merger, the pre-Merger stockholders of the Corporation owned approximately 51.5% of the Corporation, and the pre-Merger stockholders of Former SAE owned approximately 48.5% of the Corporation. In connection with the Merger, certain of the initial stockholders of the Corporation granted voting proxies to CLCH, which was the majority stockholder of Former SAE, such that CLCH, along with certain other stockholders of Former SAE, control at least 50.5% of the voting power of the Corporation following the Merger. The Merger completes the Corporation's objective to acquire, through a merger, share exchange, asset acquisition, or other similar business combination, one or more businesses or entities.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Merger has been accounted for as a reverse acquisition. The accompanying consolidated financial statements have been retrospectively restated to present the financial position and results of operations of Former SAE as if the Merger had been effective as of the beginning of the earliest period presented.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of SAExploration Holdings, Inc. and its wholly-owned subsidiaries as well as a variable interest entity in which the Corporation is the primary beneficiary. During 2013 the Corporation accomplished the Merger, adding Former SAE's subsidiaries. During 2013, The Corporation also formed a new subsidiary in Malaysia as well as a variable interest entity in which the Corporation is the primary beneficiary. All significant intercompany balances and transactions have been eliminated upon consolidation. The consolidated financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenues and expenses during the reporting period.

The more significant areas requiring the use of management estimates and assumptions include accounting for contracts in process, determining useful lives for depreciation and amortization purposes, allowance for doubtful accounts, the valuation of fixed assets, fair value of certain financial instruments recognized at fair value on a recurring basis, deferred tax assets, income tax uncertainties, share-based compensation, warrants and other contingencies, While management believes current estimates are reasonable and appropriate actual results could differ materially from current estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Corporation has cash in banks which, at times, may exceed insured limits, established in the United States and foreign countries. The Corporation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. The Corporation conducts operations outside the United States, which exposes the Corporation to market risks from changes in exchange rates. As of December 31, 2013 and December 31, 2012, the balances of cash in subsidiaries outside of the United States totaled $13,962 and $7,473, respectively.

Restricted Cash

Restricted cash consists primarily of cash collateral for performance guarantees, letters of credit and custom bonds. As of December 31, 2013 and December 31, 2012 restricted cash was $638 and $3,701, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized obligations recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The cyclical nature of the Corporation’s industry may affect the Corporation’s customers’ operating performance and cash flows, which could impact the Corporation’s ability to collect on these obligations.

Additionally, some of the Corporation’s customers are located in certain international areas that are inherently subject to economic, political and civil risks, which may impact the Corporation’s ability to collect receivables.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

The Corporation maintains an allowance for doubtful accounts for estimated losses in its accounts receivable portfolio. It utilizes the specific identification method for establishing and maintaining the allowance for doubtful accounts. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. As of December 31, 2013 and 2012, the Corporation had $254 and $0, in the allowance for doubtful accounts, respectively. For the years ended December 31, 2013 and 2012, the Corporation recorded $254 and $0, in bad debt expense, respectively.

The following table summarizes the change in our allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

	2013	2012
	(in thousands)	
Beginning balance	$ —	$ —
Charges to expense	254	—
Ending Balance	$ 254	—

Revenue Recognition

The Corporation’s services are provided under master service agreements with its customers that set forth certain obligations of the Corporation and its customers. A supplemental agreement setting forth the terms of a specific project, which may be cancelled by either party on short notice, is entered into for every data acquisition project. Customer contracts for services vary in terms and conditions. Contracts are either “turnkey” (fixed price) agreements that provide for a fixed fee per unit of measure to be paid to the Corporation, or “term” (variable price) agreements that provide for a fixed hourly, daily or monthly fee during the term of the project. Under turnkey agreements, the Corporation recognizes revenue based upon output measures as work is performed. This method requires that the Corporation recognize revenue based upon quantifiable measures of progress, such as square or linear kilometers surveyed or each unit of data recorded. Expenses associated with each unit of measure are immediately recognized. If it is determined that a contract will have a loss, the entire amount of the loss associated with the contract is immediately recognized. Revenue under a “term” contract is billed as the applicable rate is earned under the terms of the agreement. With respect to those contracts where the customer pays separately for the mobilization of equipment, the Corporation recognizes such mobilization fees as revenue during the performance of the seismic data acquisition, using the same output measures as for the seismic work. To the extent costs have been incurred in relation to the Corporation’s service contracts where the revenue is not yet earned, those costs are capitalized and deferred within deferred costs on contracts until the revenue is earned at which point the costs are recognized to direct operating expenses over the life of the contract or the Corporation determines that they are not recoverable, at which time they are expensed.

The Corporation invoices customers for certain out-of-pocket expenses under the terms of the contracts. Amounts billed to customers are recorded in revenue at the gross amount including out-of-pocket expenses. The Corporation also utilizes subcontractors to perform certain services to facilitate the completion of customer contracts. The Corporation bills its customers for the cost of these subcontractors plus an administrative fee. The Corporation records amounts billed to its customers related to subcontractors at the gross amount and records the related cost of subcontractors as direct operating expenses.

Sales taxes collected from customers and remitted to government authorities are accounted for on a net basis and are excluded from revenues in the consolidated statements of operations.

Deferred Revenue

Deferred revenue primarily represents amounts billed or payments received for services in advance of the services to be rendered over a future period or advanced payments from customers related to equipment leasing. Deferred revenue as of December 31, 2013 of $7,927 and 2012 of $9,320 consists primarily of $3,175 and $7,409, respectively, of advanced equipment leasing payments and $4,172 and $1,911, respectively, of payments related to mobilization and seismic services.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

Multiple-Element Arrangements

The Corporation evaluates each contract to determine if the contract is a multiple-element arrangement requiring different accounting treatments for varying components of the contract. If a contract is deemed to have separate units of accounting, the Corporation allocates arrangement consideration based on their relative selling price and the applicable revenue recognition criteria are considered separately for each of the separate units of accounting. The Corporation accounts for each contract element when the applicable criteria for revenue recognition have been met. During 2013 and 2012, the Corporation delivered both professional services and equipment under a lease arrangement. The equipment leased under the contracts is highly customized and specialized to perform specific surveying operations.

The Corporation uses its best estimate of selling price when allocating multiple-element arrangement consideration. In estimating its selling price for the leased equipment, the Corporation considers the cost to acquire the equipment, the profit margin for similar arrangements, customer demand, effect of competitors on the Corporation’s equipment, and other market constraints.

Lease Income

As a result of the terms of its contracts, the Corporation may bill for the use of its equipment as part of the billing for its services. One of the Corporation’s contracts with a customer had such unique equipment needs that the equipment was separately listed and a composite rate established for all the equipment in the service contract. This contract reserves the use of this equipment solely for the customer for the first three years. The carrying value of leased equipment included in property and equipment as of December 31, 2013 and 2012 was $21,692 and $28,763 respectively, net of accumulated depreciation of $9,215 and $5,067, respectively. Equipment fee income, included in revenue, as a result of this contract was $8,184 and $6,494 for the years ended December 31, 2013 and 2012, respectively. Future required fees payable by the customer (exclusive of deferred revenue) embedded in this contract relate to equipment lease payments total $3,175 and are due in 2014.

Leases as Lessee

In accordance with applicable guidance, the Corporation classifies leases as capital leases if they meet certain specified criteria. All other leases are accounted for as operating leases where the cost of the rental of the property is expensed throughout the term of the lease.

Property and Equipment

Property and equipment is capitalized at historical cost and depreciated over the useful life of the asset. Assets held under capital leases are recorded at lower of the net present value of minimum lease payments or fair value of leased assets at the inception of the lease. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets or the lesser of the lease term, as applicable. Management's estimate of this useful life is based on circumstances that exist in the seismic industry and information available at the time of the purchase of the asset. Repairs and maintenance, which are not considered betterments and do not extend the useful life of the property, are charged to expense as incurred.

When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is reflected in (gain) or loss on sale of assets.

Income Taxes

The Corporation accounts for income taxes under Accounting Standards Codification ("ASC"), 740 Income Taxes ("ASC 740"). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statements and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Corporation is required to file income tax returns in the United States (federal) and in various state and local jurisdictions, as well as in international jurisdictions. Based on the Corporation's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Corporation's current financial statements. The reserves made in 2011 and 2012 for a Colombian uncertain tax position were reversed in 2013 due to both expiration of the statute of limitation and completion of the audit by the relevant tax authority without any additional assessment.

The Corporation's policy for recording interest and penalties associated with uncertain tax positions is to record such expense in accounts identified as non-deductible expense for income tax purposes. Management is currently unaware of any issues under review that could result in significant payments or accruals of material amounts for the current year.

Long-Lived Assets

Long-lived assets, such as property and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Corporation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds it fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No long-lived assets were impaired as of December 31, 2013 or 2012.

Foreign Exchange Gains and Losses

The Corporation's reporting currency is the U.S. dollar ("USD"). For foreign subsidiaries and branches using local currency as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet dates. Revenues and expenses of these foreign subsidiaries are translated at average exchange rates for the period. Equity is translated at historical rates, and the resulting cumulative foreign currency translation adjustments resulting from this process are included, net of tax as a component of accumulated other comprehensive (loss) income. Therefore, the USD value of these items in the financial statements fluctuates from period to period, depending on the value of the USD against these functional currencies. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in the consolidated statement of operations and comprehensive (loss) income as foreign exchange gains (losses). The foreign subsidiaries and branches using USD as their functional currency are Bolivia, Peru, Malaysia and Singapore.

The unrealized foreign currency translation gain (loss) included in accumulated other comprehensive (loss) income was $(2,083) and $356 at December 31, 2013 and 2012, respectively.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

Commitments and Contingencies

The Former SAE common stockholders, as a result of the Merger, have the right to receive up to 992,108 additional shares (which includes 44 shares that may be issued in lieu of fractional shares) of the Corporation's common stock after the Closing based on the achievement of specified earnings targets by the Corporation for the 2013 and the 2014 fiscal years. The target was not met for the fiscal year ended December 31, 2013, so no shares have been issued for 2013, however, the Former SAE common stockholders still have the right to receive up to the full 992,108 additional shares depending on the Corporation's performance in 2014.

Since the contingent consideration is considered to be equity, it did not impact the net assets recorded by the Corporation.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

In the ordinary course of business, the Corporation can be involved in legal proceedings involving contractual and employment relationships, liability claims, and a variety of other matters. Although the ultimate outcome is uncertain, as of December 31, 2013 and December 31, 2012, the Corporation did not have any legal proceedings for which the ultimate outcome is expected to have a material impact on its financial position or results of operations.

Goodwill and Intangible Assets

Goodwill represents the excess of costs over the fair value of the net assets acquired in the Datum Exploration Ltd. acquisition in 2011. All of the Corporation's goodwill resides in its Canadian operations reporting unit. The change in the carrying value of goodwill in the year ended December 31, 2013 is the result of currency translation.

In accordance with ASC Topic 350, "Goodwill and Other", the Corporation reviews its goodwill for impairment annually, or more frequently, if facts and circumstances warrant a review, at the reporting unit level. The provisions of ASC Topic 350 require that a two-step test be performed to assess goodwill for impairment. First, the fair value of the reporting unit is compared to its carrying value. If the fair value exceeds the carrying value, goodwill is not impaired and no further testing is performed. The second step is performed if the carrying value exceeds the fair value. The implied fair value of the reporting unit's goodwill must be determined and compared to the carrying value of the goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded. In determining the fair value of the Corporation's reporting unit, the Corporation relied on the Income Approach and the Market Approach. Under the Income Approach, the fair value of a business unit is based on the discounted cash flows it can be expected to generate over its remaining life. The estimated cash flows are converted to their present value equivalent using an appropriate rate of return. Under the Market Approach, the fair value of the business is based on the Guideline Public Company ("GPC") methodology using guideline public companies whose stocks are actively traded that were considered similar to the Corporation as of the valuation date. Valuation multiples for the GPCs were determined as of the valuation date and were applied to the Corporation's operating results to arrive at an estimate of value.

Intangible assets include customer relationships and are recorded at cost. Intangible assets are amortized over their estimated useful lives of 13 years.

The Corporation completed its annual goodwill impairment test as of its annual assessment date of July 31, 2013 and determined that the carrying amount of goodwill was not impaired. Further, there were no events subsequent to the Corporation's annual assessment date which would have resulted in an impairment of its goodwill.

Comprehensive Income

Comprehensive income includes net (loss) income as currently reported and also considers the effect of additional economic events that are not required to be recorded in determining net income but rather reported as a separate component of stockholders' equity. The Corporation reports foreign currency translation gains and losses as a component of comprehensive (loss) income.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

Variable Interest Entities

The Corporation evaluates its joint venture and other entities in which it has a variable interest (a “VIE”), to determine if it has a controlling financial interest and is required to consolidate the entity as a result. The reporting entity with a controlling financial interest in the VIE will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefit from the VIE that could potentially be significant to the VIE. See discussion of the Corporation’s joint venture at Note 19.

Fair Value Measurements

The Corporation follows ASC 820, “Fair Value Measurements and Disclosures”, as it relates to financial assets and liabilities, which defines fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Hierarchical levels, as defined in this guidance which are directly related to the amount of subjectivity associated with the inputs to the estimation of the fair values of these assets and liabilities, are as follows:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted process for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 — Inputs that are both significant to the fair value measurement and unobservable. Unobservable inputs reflect the Corporation’s judgment about assumptions market participants would use in pricing the asset or liability estimated impact to quoted market prices.

The Corporation’s financial instruments include cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and accrued liabilities. Due to the short-term maturities of each or the contractual interest rate, the carrying amounts approximate fair value at the respective balance sheet dates.

ASC 825-10, Financial Instruments (“ASC 825-10”), provides a fair value option election that allows companies an irrevocable election to use fair value as the initial and subsequent accounting measurement attribute for certain financial assets and liabilities. ASC 825-10 permits entities to elect to measure eligible financial assets and liabilities at fair value on an ongoing basis. Changes in the fair value of items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument-by-instrument basis, which must be applied to an entire instrument, and not only specified risks, specific cash flows, or portions of that instrument, and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately from those instruments measured using another accounting method.

The Corporation’s financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 are notes payable to Former SAE stockholders, and at December 31, 2012 are warrants. The fair values of these financial instruments at the applicable valuation dates are based on Level 3 inputs using an income and market approach.

As of December 31, 2013 and 2012, the Corporation’s notes payable, with the exception at December 31, 2013 of the notes payable to the Former SAE stockholders, are recorded at historical cost net of applicable discounts.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

Deferred Loan Issuance Costs

Deferred loan issuance costs as of December 31, 2013 and 2012 include deferred costs of $12,029 and $9,279, respectively, less accumulated amortization of $2,914 and $213, respectively, associated with the 2012 Credit Agreement, as discussed further in Note 10. The increase in the deferred costs in 2013 is deferred costs related to the 2012 Credit Agreement of $2,750. These costs are being amortized over the life of the debt. The amortization of debt issuance costs is included in interest expense using the effective interest method.

Credit Agreement Discount

The discount associated with the 2012 Credit Agreement (see Note 10) is being amortized over the life of the debt. The amortization of debt discount is included in interest using the effective interest method. The consolidated balance sheet as of December 31, 2013 includes the original discount of $607, less accumulated amortization of $158.

Share-Based Compensation

The Corporation records the grant date fair value of share-based compensation arrangements as compensation cost using a straight-line method over the service period.

Off-Balance Sheet Arrangements

The Corporation's policies regarding off-balance sheet arrangements as of and for the year ended December 31, 2013 are consistent with those in place during, as of and for the year ended December 31, 2012. The Corporation did not have any off-balance sheet arrangements as of December 31, 2013 or 2012.

Net (Loss) Income Per Share

The Corporation follows the accounting and disclosure requirements of ASC 260, "Earnings Per Share." Net (loss) income per share is computed by dividing net (loss) income by the weighted-average number of shares of common stock outstanding during the period. Prior to the Merger on June 24, 2013, the Corporation had not considered the effect of warrants to purchase 14,000,000 shares of common stock or 1,000,000 warrants issuable upon conversion of notes payable to two of its stockholders in the calculation of diluted loss per share, since the exercise of the warrants were then contingent upon the occurrence of future events. Additionally, the contingent consideration associated with the Merger Agreement will not be included in the calculation of earnings per share until or if the related targets are obtained. Due to the Corporation's net loss for the year ended December 31, 2013, all potentially dilutive instruments were excluded because their inclusion would have been anti-dilutive. The warrants to purchase 14,000,000 shares of common stock or 1,000,000 warrants issuable upon conversion of notes payable have been excluded from the calculation of dilutive net loss per share, as their effect would be anti-dilutive. For the year ended December 31, 2012, the effect of Former SAE warrants issued in November 2012 for 135,144 shares as well as the 636,560 restricted shares issued in November 2012 were included in the computation of diluted net income per share. Potentially dilutive securities are not considered in the calculation of diluted (loss) income per share during periods in which there is a net loss, as the effect would be anti-dilutive.

Recently Issued Accounting Pronouncements

Foreign Currency Matters

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-05, which amends ASC Topic 830, "Foreign Currency Matters." This ASU provides guidance on foreign currency translation adjustments when a parent entity ceases to have a controlling interest on a previously consolidated subsidiary or group of assets. The guidance is effective for fiscal years beginning on or after December 15, 2013. The Corporation is still evaluating what impact, if any, the adoption of this guidance will have on its financial condition, results of operations, cash flows or financial disclosures.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 3 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES – (continued)

Comprehensive Income

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. For public entities, this ASU is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of this ASU has not had nor is it expected to have a material impact on the Corporation's results of operations, financial position or disclosures.

Income Taxes

In July 2013, the FASB issued ASU No. 2013-11- "Income Taxes (Topic 740): Presentation Of An Unrecognized Tax Benefit When A Net Operating Loss Carryforward, A Similar Tax Loss, Or A Tax Credit Carryforward Exists" requiring the presentation of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryfoward. This net presentation is required unless a net operating loss carryforward, a similar tax loss, or a tax credit carryfoward is not available at the reporting date or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset to settle any additional income tax that would result from the disallowance of the unrecognized tax benefit. The standards update is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. The adoption of this ASU will not have a material impact on the Corporation's consolidated financial statements.

NOTE 4 — SIGNIFICANT RISKS AND UNCERTAINTIES INCLUDING BUSINESS AND CREDIT CONCENTRATIONS

The Corporation’s primary market risks include fluctuations in oil and gas commodity prices which affect demand for and pricing of services. All of the Corporation’s customers are involved in the oil and natural gas industry, which expose the Corporation to credit risk because the customers may be similarly affected by changes in economic and industry conditions. Further, the Corporation generally provides services and extends credit to a relatively small group of key customers that account for a significant percentage of accounts receivable of the Corporation at any given time. Due to the nature of the Corporation’s contracts and customers’ projects, the largest customers can change from year to year and the largest customers in any year may not be indicative of the largest customers in any subsequent year. If any key customers were to terminate their contracts or fail to contract for future services due to changes in ownership or business strategy or for any other reason, the Corporation’s results of operations could be affected.

The Corporation has cash in banks, including restricted cash, which, at times, may exceed insured limits established in the United States and foreign countries. The Corporation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Corporation conducts operations outside the United States, which exposes the Corporation to market risks from changes in foreign exchange rates.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 5 — PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at December 31, 2013 and 2012:

	Estimated Useful Life	2013	2012
Field operating equipment	3 – 10 years	$85,990	$82,798
Vehicles	3 – 5 years	3,550	2,408
Leasehold improvements	2 – 5 years	455	473
Software	3 – 5 years	1,122	1,063
Computer equipment	3 – 5 years	4,358	4,080
Office equipment	3 – 5 years	968	864
		96,443	91,686
Less: Accumulated depreciation and amortization		(31,871)	(21,230)
Total		$64,572	$70,456

The Corporation reviews the useful life and residual values of property and equipment on an ongoing basis considering the effect of events or changes in circumstances.

Total depreciation and amortization expense for the years ended December 31, 2013 and 2012 was $16,096 and $12,131, respectively, of which $14,843 and $11,411, respectively, was recorded in direct operating expenses and $1,253 and $720, respectively, was recorded in depreciation and amortization.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 6 — INTANGIBLE ASSETS AND GOODWILL

The carrying amounts of intangible assets at December 31, 2013 and 2012 are as follows:

	2013	2012
Customer relationships	$1,478	$1,684
Less: annual amortization	(121)	(126)
	1,357	1,558
Foreign currency translation	(97)	(80)
Balance at December 31,	$1,260	$1,478

Amortization expense included in direct operating expenses in the accompanying statements of operations for each of the years ended December 31, 2013 and 2012 were $121 and $126, respectively.

Amortization expense for each of the next five years is as follows:

2014	$121
2015	121
2016	121
2017	121
2018	121
Thereafter	655
Total	$1,260

The Corporation's goodwill balance at December 31, 2013 and 2012 was as follows:

	2013	2012
Datum acquisition	$2,150	$2,306

The differences in the gross amounts of goodwill and customer relationships between the years relate to foreign currency translations.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 7 — PREPAID EXPENSES

Prepaid expenses at December 31, 2013 and 2012 include the following:

	2013	2012
Prepaid other taxes	$1,009	$3,610
Advances to suppliers	2,442	2,158
Prepaid VAT tax	121	2,104
Deposits	355	490
Other	692	191
Total	$4,619	$8,553

NOTE 8 — ACCRUED LIABILITIES

Accrued liabilities at December 31, 2013 and 2012 include the following:

	2013	2012
Accrued supplier expenses	$801	$3,910
Accrued Former SAE convertible preferred dividends (See Note 13)	1,072	894
Accrued interest payable (See Note 10)	686	—
Other	565	631
Total	$3,124	$5,435

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 9 — LEASES

Capital Leases

The Corporation leases certain machinery and equipment under agreements that are classified as capital leases. As of December 31, 2013, the future minimum lease payments required under the capital leases and the present value of the net minimum lease payments, are as follows:

Year Ending December 31,	Amounts
2014	$ 583
2015	518
2016	148
2017	8
Total minimum lease payments	1,257
Less: Amount representing interest	(154)
Present value of net minimum lease payments	1,103
Less: Current maturities of capital lease obligations	(485)
Long-term capital lease obligations	$ 618

Assets recorded under capital leases and included in property and equipment in the Corporation's consolidated balance sheets consist of the following at December 31, 2013 and 2012:

	2013	**2012**
Field operating equipment	$2,062	$1,934
Vehicles	437	204
Computer equipment	292	274
Office equipment	152	142
	2,943	2,554

Less: Accumulated depreciation	(1,280)	(580)
Total	$1,663	$1,974

Operating Leases

The Corporation also has several non-cancelable operating leases, primarily for office, warehouse space, and corporate apartments that are set to expire over the next five years. These leases generally contain renewal options for a one-year period and require the Corporation to pay all executory costs such as maintenance and insurance.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 9 — LEASES– (continued)

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases for the years ended December 31, 2013 and 2012 was $1,880 and $1,801, respectively.

As of December 31, 2013, future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) were:

2014	$8,360	(1)
2015	8,954	(1)
2016	156	
2017	134	
2018	124	
Total	$17,728	

(1) Includes a two-year equipment lease agreement in North America, for which terms regarding discounted rates for additional rental beyond the minimum have not yet been finalized, with minimum guaranteed rental commitment of $6,720 and $8,400 for 2014 and 2015, respectively.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 10 — NOTES PAYABLE

Notes payable at December 31, 2013 and December 31, 2012 consist of the following:

	2013	2012
Amount outstanding under 2012 Credit Agreement	$81,137	$79,900
Unamortized loan discount	(449)	(607)
Net note payable	80,688	79,293
Less current portion of note payable	(800)	(800)
Long-term portion of note payable	79,888	78,493
Notes payable to Former SAE stockholders - related parties – long-term at fair value	12,406	—
Notes payables to related parties - current	500	53
Total notes payable to related parties	12,906	53
Total notes payable, excluding current portion of note payable	$92,794	$78,546

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 10 — NOTES PAYABLE – (continued)

All of the Corporation’s outstanding debt in 2012 as described below was paid off from proceeds of the 2012 Credit Agreement (defined below) prior to December 31, 2012 except for the loan payable to CLCH that was paid off in February 2013.

The Corporation had ten bank loans with various financial institutions in Colombia that were used to fund short-term working capital requirements, included in notes payable (the “Colombia Loans”). The Colombia Loans had maturity dates in 2012 and interest rates that ranged between 8.2% and 13.87%. The Colombia Loans were repaid in full in December 2012.

During 2012, the Corporation entered into additional short-term working capital loans with five financial institutions in Colombia for an aggregate amount of $8,698. These loans had maturity dates between October 2012 and June 2013 with interest rates between 6.8% and 13.5% and were partially secured by Colombian accounts receivable, with an average interest rate of 9.24% for the year ended December 31, 2012. All of these Colombian loans were repaid in full in December 2012.

The Corporation entered into two loan agreements with entities owned by stockholders of the Corporation to fund working capital needs. The agreement with Encompass LLP (“Encompass”) was entered by the Corporation on January 1, 2009 for a maximum credit line of $3,000. The line carried an annual interest rate of 15% and was due on demand. There was no outstanding balance on this credit line on December 31, 2012, and the line has been cancelled as of December 31, 2012. Another agreement with CLCH was entered by the Corporation on January 1, 2009 for a maximum credit line of $3,000 and carried an annual interest rate of 8.5% and was due on demand. The Corporation had $53 outstanding under this credit line as of December 31, 2012. The credit line has been closed and the balance of this loan was paid off in February 2013.

The Corporation also had a loan with a third-party dated September 30, 2011 related to the purchase of equipment with an original balance of $162 or C$(157). The loan was secured by the equipment, was due in monthly installments of $21 or C$(20) and carried an annual interest rate of 8.25%. The loan matured May 15, 2012, and was paid in full in December 2012.

On January 1, 2012, the Corporation entered into a Promissory Note for working capital purposes in the principal amount of $375 at an annual interest rate of 9% with a stockholder of the Corporation. The note was paid in full in December 2012.

On July 3, 2012, NES LLC, a wholly-owned subsidiary of the Corporation, as Issuer and the Corporation as a Guarantor, entered into a Note Purchase Agreement with Prudential Capital Group for the issuance of secured promissory notes in the principal amount of $15,000 at an interest rate of 8.75% per annum (the “NES Note”). The NES Note was secured by field operating equipment and was to mature November 1, 2015. This loan was repaid in full in December 2012.

On July 6, 2012, SAExploration (Canada) Ltd., a wholly-owned subsidiary of the Corporation, as Issuer and the Corporation as a Guarantor, entered into a Note Purchase Agreement with Prudential Capital Group for the issuance of secured promissory notes in the principal amount of $5,000 at an interest rate of 8.75% per annum (the “Canadian Note”). The Canadian Note was secured by certain field operating equipment and was to mature July 1, 2016. The Canadian Note was paid in full in December 2012. The two above Prudential notes had a prepayment fee of $2,209, which was paid in December 2012 and charged to loan prepayment fee in the accompanying consolidated statement of operations for the year ended December 31, 2012.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 10 — NOTES PAYABLE – (continued)

The Corporation issued a promissory note to CLCH, as a representative of the Former SAE stockholders, at the Closing on June 24, 2013, as Merger consideration to the Former SAE stockholders with a stated amount of $17,500. At issuance, the Corporation elected the fair value option for recording the note on a recurring basis at issuance. The fair value as of June 24, 2013 was $11,775. The Corporation determined that the net present value approach would be the best method to estimate the fair value. In calculating the net present value, the Corporation used the average yield for similar instruments to determine the discount rate. As of June 24, 2013 the discount rate was determined to be 17.6%. Any change in the fair value of the note is recorded on the statement of operations as a change in fair value of notes payable to related parties. The note is unsecured, is subordinate to the borrowings outstanding under the 2012 Credit Agreement, carries an annual interest rate of 10%, with interest payments subject to certain restrictions under the 2012 Credit Agreement, and is due and payable in full on June 24, 2023. As of December 31, 2013, the Corporation determined the discount rate to be consistent to the rate at inception. As of December 31, 2013, the outstanding balance was $17,500 with a fair value of $12,406. The change in the fair value of the Former SAE stockholders note for the period ended December 31, 2013 was $631.

The Corporation owes convertible promissory notes of Eric S. Rosenfeld and David D. Sgro, who are directors and founding stockholders of the Corporation, with aggregate principal amounts of $300 and $200, respectively. These $500 related party notes are convertible into 1,000,000 warrants with an exercise price of $12 per warrant. On October 10, 2013 the Corporation mailed an information statement on Schedule 14C to Corporation's stockholders (which became effective on November 1, 2013) relating to amending the convertible promissory notes of Eric S. Rosenfeld and David D. Sgro to extend the maturity date to December 31, 2013. Also, the principal balance of the Notes may be converted, at the holder's option, to warrants at a price of $0.50 per warrant, or up to an aggregate of 1,000,000 warrants (the "Convertible Debt Warrants"), upon the effectiveness of stockholder approval of the conversion. Each Convertible Debt Warrant will be exercisable for one share of our common stock at a cash exercise price of $12.00, or on a "cashless basis" at the holder's option. The Convertible Debt Warrants will expire on June 24, 2016. The Corporation records these notes payable at a combined carrying amount of $500 and estimated their combined fair value to be $886 as of December 31, 2013.

2012 Credit Agreement

On November 28, 2012, Former SAE entered into a four year term Credit Agreement for $80 million (as amended, the "2012 Credit Agreement"). The 2012 Credit Agreement is collateralized by all the assets of Former SAE. Of the proceeds from this transaction, approximately $40 million retired all the outstanding debt in 2012, except for the loan payable to CLCH that was paid off in February 2013. As part of this transaction, warrants were issued for 1% of the "Common Stock Deemed Outstanding" of Former SAE, which takes into account any securities or contract of a dilutive nature which are exercisable.

The cost associated with the issuance of the 2012 Credit Agreement, in the amount of $12,029 is being amortized in interest expense over the life of the 2012 Credit Agreement using the effective interest method. The total amount of amortization of the debt cost and discount for the years ended December 31, 2013 and 2012 was $2,860 and $213, respectively.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 10 — NOTES PAYABLE – (continued)

The Corporation joined the 2012 Credit Agreement, in the same capacity as Former SAE, in connection with the consummation of the Merger, and Merger Sub, as the surviving entity in the Merger, succeeded to the obligations of Former SAE. The 2012 Credit Agreement has requirements for principal payments of $200, plus 0.25% of any additional amounts borrowed under the 2012 Credit Agreement, per quarter until the note is due, at which time the entire outstanding principal balance must be repaid. The interest rate on borrowings under the 2012 Credit Agreement is 13.5%. The Corporation may elect to pay up to 2.5% of the interest as a payment in kind ("PIK"); the PIK amount of interest is added to the balance of the note. For the year ended December 31, 2013 the Corporation elected to exercise the PIK option and $2,040 was expensed to interest and added to the balance of the note. At the time Former SAE entered into the Amendment No. 2 and Consent to Credit Agreement on June 24, 2013, Former SAE and the Borrowers under the 2012 Credit Agreement received a commitment to fund, at Former SAE's election and subject to the satisfaction of customary closing conditions, the full $20 million of the additional loans available to the borrowers under the 2012 Credit Agreement. The commitment expired unexercised on October 5, 2013.

The 2012 Credit Agreement provides for certain prepayment penalties if the Corporation prepays any portion of the outstanding principal balance prior to its due date that decline over the term of the agreement.

On October 31, 2013, the Corporation entered into Amendment No. 3, which revised certain financial covenant ratios, lowered capital expenditure limits for 2013 and 2014, granted waivers for any failure to comply with the financial covenants for the quarter ended September 30, 2013, and limited the payment of interest under the Corporation's $17.5 million subordinated note issued in connection with the Merger.

On October 31, 2013, in connection with the execution of Amendment No. 3 to the 2012 Credit Agreement, CLCH, Seismic Management Holdings Inc. and Brent Whiteley, entered into a waiver agreement with the Corporation, pursuant to which they agreed to allow the withholding of the interest payments payable to them in respect of their individual interests as stockholders of Former SAE under the $17.5 million subordinated note issued in connection with the Merger, until such payments are permitted to be made under the 2012 Credit Agreement. The Corporation accrued $686 of such interest payments for the fourth quarter of 2013 related to the $17.5 million subordinated note.

The following table represents the future principal payments for the 2012 Credit Agreement per year, as of December 31, 2013:

2014	$800
2015	800
2016	79,537
Total	$81,137

The Corporation records its 2012 Credit Agreement at a carrying amount, net of discount, of $80,688 and $79,293, respectively, and estimated its fair value to be $90,536 and $79,737, respectively, as of December 31, 2013 and 2012, respectively. Fair values of the 2012 Credit Agreement are derived using the net present value of expected cash flow discounted based on using yield curves for similar USD debt instruments adjusted for the specific terms of the 2012 Credit Agreement and other factors such as the Corporation's own cost of capital in recent financing transactions.

At December 31, 2013, and December 31, 2012, the Corporation was in compliance with all covenants of the 2012 Credit Agreement. The Corporation notes that it has an obligation under the 2012 Credit Agreement to deliver annual consolidated financial statements with 90 days following the end of the Corporation's fiscal year. The Corporation was not able to deliver such financial statements until the completion of its 2013 financial statement audit and the filing of the Corporation's Form 10-K. The failure to timely deliver such financial statements resulted in a technical event of default under the 2012 Credit Agreement. The remedies provided to the lenders in the 2012 Credit Agreement for an event of default are only available if the event of default is continuing.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 11 — INCOME TAXES

(Loss) income before income taxes attributable to U.S. (including its foreign branches) and foreign operations for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
U.S.	$(6,159)	$4,554
Foreign	(4,352)	6,875
Total	$(10,511)	$11,429

No income taxes are attributable to the non-controlling interest.

The provision for income taxes shown in the consolidated statements of operations and comprehensive (loss) income consists of current and deferred expense (benefit) for the years ended December 31, 2013 and 2012 as shown in the following table.

	2013	2012
Current tax expense:		
U.S. – federal and state	$1	$161
Foreign	9,139	2,849
Total current expense	9,140	3,010
Deferred tax expense (benefit):		
U.S. – federal and state	1,812	(1,711)
Foreign	(457)	145
Total deferred expense (benefit)	1,355	(1,566)
Total provision for income taxes	$10,495	$1,444

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 11 — INCOME TAXES – (continued)

A reconciliation of the income tax (benefit) provision expected at the U.S. federal statutory income tax rate to the effective income tax rate is as follows:

	2013	2012
Expected tax (benefit) provision at 35% for the years ended December 31, 2013 and 2012	$(3,678)	$4,000
IRC Section 956 deemed dividend	5,645	—
Effects of expenses not deductible for tax purposes	1,614	624
Tax effect of valuation allowance on deferred tax assets	1,144	(1,747)
Taxes in lieu of income taxes	3,126	745
Reduction in reserve for uncertain tax position	(329)	—
Effects of differences between U.S. and foreign tax rates, net of federal benefit, and other	2,973	(2,178)
Provision for income taxes	$10,495	$1,444

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 11 — INCOME TAXES – (continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012 are presented below:

	2013	2012
Deferred tax assets:		
Deferred charges	$—	$74
Deferred revenue	1,206	2,327
Related party accrued expenses	33	346
Deferred contract costs	398	—
Other accruals	581	482
Restricted stock	—	8
Capital lease obligation	240	424
Foreign tax credit and AMT credit carry forwards	7,764	2,386
Financing costs	334	—
Unrealized gain/loss	379	—
Fixed assets	636	—
Net operating loss carry forwards	3,590	5,433
Total deferred tax assets	15,161	11,480
Less: Valuation allowance	(6,998)	(29)
Total deferred tax assets, net	8,163	11,451
Deferred tax liabilities:		
Other receivables	(69)	—
Fixed assets	(6,787)	(8,798)
Foreign exchange (gain) loss	(61)	—
Intangible assets	(315)	(370)
Total deferred tax liabilities	(7,232)	(9,168)
Net deferred tax assets	$931	$2,283

The net deferred tax assets as of December 31, 2013 and 2012 consist of the following:

	2013	2012
Current deferred tax asset, net	$1,371	$902
Non-current deferred tax asset, net	743	1,622
Current deferred tax liability, net	(69)	—
Non-current deferred tax liability, net	(1,114)	(241)
Net deferred tax asset	$931	$2,283

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 11 — INCOME TAXES – (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Corporation has evaluated the available evidence and the likelihood of realizing the benefit of its net deferred tax assets. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. From its evaluation, the Corporation has concluded that based on the weight of available evidence, it is not more likely than not to realize the benefit of its deferred tax assets recorded in Malaysia, the United States, Brazil and Canada at December 31, 2013 and Brazil in 2012. Accordingly, the Corporation had a valuation allowance totaling $6,998 and $29, respectively, at December 31, 2013 and 2012 for the deferred tax assets in U.S., Canada, Malaysia and Brazil that more likely than not will not be realized. Should the factors underlying management's analysis change, future valuation adjustments to the Corporation's net deferred tax assets may be necessary. The valuation allowance was increased by $6,969 and $1,747, respectively, during the years ended December 31, 2013 and 2012. Of the total $6,998 valuation allowance, $1,144 relates to prior year deferred tax assets that were fully valued during 2013.

The Corporation is subject to examination in all jurisdictions in which it operates. The Corporation is no longer subject to examination by the Internal Revenue Service or other foreign taxing authorities in which it files for years prior to 2010.

The Corporation recognized benefit of $329 during 2013 related to uncertain tax positions existing as of December 31, 2012 which was included in income tax expense. These unrecognized tax benefits relate to income tax contingencies in Colombia.

Foreign earnings are considered to be permanently reinvested in operations outside the USA and therefore the Corporation has not provided for U.S. income taxes on these un-repatriated foreign earnings.

Uncertain tax positions as of December 31, 2013 and 2012 are shown below:

	2013	2012
Unrecognized tax benefits, beginning balance	$329	$323
Additions for prior year tax positions	—	6
Reductions for lapse in statute	(329)	—
Unrecognized tax benefits, ending balance	$—	$329

The details of the Corporation's tax attributes as of December 31, 2013 and 2012 are shown below:

Net Operating Losses	**2013** Balance carried forward	**2012** Balance carried forward
U.S.	$5,563	$9,129
Canada	440	4,898
Malaysia	5,743	—
Others	526	249
Total	$12,272	$14,276

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 11 — INCOME TAXES – (continued)

Foreign Tax Credits	**2013** Balance carried forward	**2012** Balance carried forward
U.S.	$ 6,938	$ 2,011
Canada	515	214
Total	$ 7,453	$ 2,225

Net Deferred Tax Assets (Liabilities)	**2013** Balance carried forward	**2012** Balance carried forward
U.S.	$ —	$ 1,812
Canada	(156)	(241)
Others	1,087	712
Total	$ 931	$ 2,283

The total amount of accrued interest and penalties included in accrued expenses as of December 31, 2013 and 2012 was $0 and $15, respectively. To the extent interest and penalties are assessed with respect to the uncertain tax positions, amounts accrued will be reflected as income tax expense.

Net Operating Losses

As of December 31, 2013, the Corporation had U.S. federal tax net operating loss (“NOLs”) carryforwards of approximately $5.6 million, which begin to expire in fiscal year 2032. These net operating loss carryforwards, subject to certain requirements and restrictions, including limitations on their use as a result of an ownership change, may be used to offset future taxable income and thereby reduce the Corporation's U.S. federal income taxes otherwise payable. Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), imposes an annual limit on the ability of a corporation that undergoes an ownership change to use its net operating loss carry forwards to reduce its tax liability. The amount of taxable income in each tax year after the ownership change that may be offset by pre-change NOLs and certain other pre-change tax attributes is generally equal to the product of (a) the fair market value of the corporation's outstanding stock immediately prior to the ownership change and (b) the long-term tax exempt rate (i.e., a rate of interest established by the Internal Revenue Service that fluctuates from month to month). An ownership change would occur if stockholders, deemed under Section 382 to own five percent or more of our capital stock by value, increase their collective ownership of the aggregate amount of the Corporation's capital stock to more than fifty percentage points over a defined period of time. As a result of the Merger, the Corporation has experienced an ownership change as defined in Section 382 of the Code. Accordingly, the Corporation's use of the net operating loss carryforwards and foreign tax credit carryforwards are limited to the applicable annual limitation amount. Management has estimated the annual Section 382 limitation to be approximately $3.7 million.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 11 — INCOME TAXES – (continued)

Repairs and Maintenance Regulations in the United States

In September 2013, the U.S. Internal Revenue Service ("IRS") issued new regulations for capitalizing and deducting costs incurred to acquire, produce, or improve tangible property. These new regulations are effective in the U.S. for taxable years beginning on or after January 1, 2014; however, they are considered enacted as of the date of issuance. As a result of the new regulations, the Corporation is required to review its existing income tax accounting methods related to tangible property, and determine which, if any, income tax accounting method changes are required; whether the Corporation will file any income tax accounting method changes with its 2014 federal income tax return; and the potential financial statement impact. Because additional implementation guidance from the IRS is anticipated, the Corporation is in the process of reviewing its existing income tax accounting methods related to tangible property; however, the Corporation believes that certain of its historical income tax accounting policies may differ from what is prescribed in the new regulations. Based on the Corporation's initial assessment, the new regulations will not have a material effect on the Corporation's consolidated financial statements.

NOTE 12 — WARRANTS

Warrants

In February 2011, the Corporation sold 6,500,000 warrants to the holders of its common stock in a private sale of units, consisting of warrants and common stock. It also sold 600,000 warrants to EarlyBirdCapital, Inc., the representative of the underwriters for the Corporation's initial public offering. On June 24, 2011, the Corporation closed its initial public offering of 6,000,000 units, with each unit consisting of one share of common stock and one warrant, each to purchase one share of common stock at an exercise price of $7.50 per share. On June 27, 2011, the Corporation closed on the sale of an additional 900,000 units, which were subject to an over-allotment option granted to the underwriters. The units from the initial public offering (including the over-allotment option) were sold at an offering price of $10.00 per unit. As of December 31, 2013 and 2012, the 14,000,000 warrants were outstanding.

At the Closing of the Merger, the Corporation also entered into an amendment to the warrant agreement (“Warrant Amendment”) with Continental Stock Transfer & Trust Company for all outstanding warrants as of Merger date, as warrant agent, and for warrants subject to conversion by the Corporation’s convertible notes, which amended the Corporation’s warrants to (i) increase the exercise price of the warrants from $7.50 to $12.00 per share of the Corporation’s common stock and (ii) increase the redemption price of the warrants from $12.50 to $15.00 per share of the Corporation’s common stock. On December 10, 2012, the Corporation obtained written consents from the holders of a majority of the then outstanding warrants approving the Warrant Amendment. The Warrant Amendment became effective upon the closing of the Merger (Note 2).

Former SAE Warrants

Two classes of liability warrants were issued in 2012 convertible into an aggregate of 2% of Former SAE’s common stock deemed outstanding at the time of the exercise, including any securities or contracts of a dilutive nature, whether or not exercisable at the time of the determination. The fair value of the warrants issued is based on a third party valuation which used an income and market approach weighted for a merger or sale. The warrants have an exercise price of $0.01 a share.

The lenders pursuant to the senior credit facility hold warrants totaling 1% of Former SAE’s common stock deemed outstanding that have a cash settlement provision or “put option” that allows the warrant holders to ask for the fair value in cash once the debt is repaid. These warrants are exercisable at any time by the holders.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 12 — WARRANTS - continued

The remaining warrant is for 1% of SAE common stock deemed outstanding and does not have a cash settlement provision. This warrant is exercisable at any time at the option of the holder or at the option of Former SAE, and is not automatically exercised in connection with a reorganization, merger, sale or similar transaction.

The Former SAE warrants remain outstanding as a contractual obligation to receive their allocable portion of the Merger consideration. This allocable portion of Merger consideration was determined upon consummation of the Merger and the allocable portion of shares included in the Merger consideration, into which the warrants are convertible are being held in escrow as of December 31, 2013.

NOTE 13 — FORMER SAE CONVERTIBLE PREFERRED STOCK

As of December 31, 2012, the outstanding shares of Series A Convertible Preferred Stock of Former SAE (the "Preferred Shares") were presented outside of stockholders' equity due to the characteristics described below. The holder of Preferred Shares was entitled to receive cumulative dividends at the rate of 10.5% per annum on the face value of the Preferred Shares, which were payable monthly commencing January 1, 2010. The distributions to holders of Preferred Shares were required to be paid prior to any distributions to the other shares in Former SAE and the shares of Preferred Stock had limited voting rights. The total face value of the Preferred Shares in the Former SAE was one USD ($1.00) per share, or $5,000. The liquidation value of the Preferred Shares at December 31, 2012 was equal to the face value plus any cumulative unpaid dividends.

The Corporation has declared and accrued but not paid $1,072 and $894 respectively, of dividends on the Preferred Shares for the years ended December 31, 2013 and 2012 (See Note 8).

The following table represents the accrued, paid and unpaid dividends included in accrued liabilities for Former SAE preferred shares, which were retired as a result of the Merger on June 24, 2013, as of the dates set forth below:

	2013	2012
January 1	$894	$537
Accrual	5,262	525
Payment	(5,084)	(168)
December 31	$1,072	$894

NOTE 14 — STOCKHOLDERS' EQUITY

Preferred Stock

The Corporation is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share with such designation, rights and preferences as may be determined from time to time by the Corporation's board of directors. As of December 31, 2013, there are no shares of preferred stock issued or outstanding.

Common Stock

The Corporation is authorized to issue 55,000,000 shares of common stock with a par value of $0.0001 per share. As of December 31, 2013, a total of 13,428,736 shares were issued and outstanding.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 14 — STOCKHOLDERS' EQUITY– (continued)

Share-Based Compensation

With the consent of the Former SAE's stockholders and board of directors, effective November 20, 2012, the Former SAE 2012 Stock Compensation Plan was established. The plan provided for the issuance of either restricted stock or incentive stock options up to a maximum of 125,020 shares. After adoption of this plan, 111,691 restricted shares (1,500 of which were forfeited during 2013 prior to the Merger) were issued to certain employees of Former SAE, with five-year cliff vesting based on the anniversary date of the grant. No restricted shares under the plan were forfeited in 2012. In addition, no restricted shares were issued in 2013. Prior to the Merger, Former SAE's board of directors approved the full vesting of the 111,691 restricted shares. In addition, the 2012 Stock Compensation Plan terminated upon consummation of the Merger. The Corporation recorded share-based compensation of $1,098 and $21 related to these restricted shares during the years ended December 31, 2013 and 2012, respectively.

On June 21, 2013 the stockholders approved the Corporation's 2013 Long-Term Incentive Compensation Plan for the benefit of certain employees performing services for the Corporation. The plan reserves up to 792,513 shares of the Corporation's common stock for issuance in accordance with the plan's terms including a maximum of up to 396,256 shares that may be issued pursuant to awards of restricted stock. As of December 31, 2013, no shares have been issued under the plan.

On November 1, 2013, the Corporation's non-employee director share incentive plan (the "2013 Non-Employee Director Plan") became effective, which provides for discretionary grants of stock awards to the Corporation's independent non-employee directors, as determined by the Corporation's board of directors from time to time. The awards may take the form of unrestricted or restricted shares of the Corporation's common stock or options to purchase shares of the Corporation's common stock. The Corporation has reserved 400,000 shares of common stock for issuance under the 2013 Non-Employee Director Plan. As of December 31, 2013, 26,072 shares have been issued under the plan. These shares vested immediately at issuance and the Corporation recorded share-based compensation of $200.

NOTE 15 — RELATED PARTY TRANSACTIONS

From time to time, the Corporation enters into transactions in the normal course of business with related parties.

Prior to the Merger, the Corporation reimbursed its officers and directors for reasonable out-of-pocket business expenses incurred by them in connection with certain activities on the Corporation’s behalf such as identifying and investigating possible target businesses and business combinations. As of June 24, 2013 and December 31, 2012, the Corporation had reimbursed its Initial Stockholders an aggregate of approximately $28 and $20, respectively, for out-of-pocket business expenses incurred by them in connection with activities on the Corporation’s behalf.

Prior to the Merger, Crescendo Advisors II, LLC, an affiliate of Eric S. Rosenfeld, the chairman of the board and chief executive officer of the Corporation prior to the Merger and now a member of the Corporation’s board of directors, made available to the Corporation certain general and administrative services, including office space, utilities and administrative support, as the Corporation required from time to time. The Corporation paid Crescendo Advisors II, LLC $10 per month for these services. Eric S. Rosenfeld is the majority owner of Crescendo Advisors II, LLC. Accordingly, Mr. Rosenfeld benefitted from providing these services to the extent of his interest in Crescendo Advisors II, LLC. However, this arrangement was solely for the Corporation’s benefit and was not intended to provide Mr. Rosenfeld compensation in lieu of a salary. Payment of these fees ended upon consummation of the Merger.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 15 — RELATED PARTY TRANSACTIONS – (continued)

Prior to the Merger, Jeff Hastings, the Corporation's Chairman, individually and through his controlled company CLCH, LLC, which was the majority stockholder of Former SAE, periodically paid expenses on behalf of Former SAE, which Former SAE reimbursed on a dollar-for-dollar basis as cash became available. During the year ended December 31, 2012, Former SAE reimbursed Mr. Hastings $1,100 in the aggregate. The largest aggregate amount of unreimbursed expenses during 2012 was $302. As of December 31, 2012, there was $109 in unreimbursed expenses paid by Mr. Hastings on behalf of Former SAE for operations; these expenses were recorded in "Direct operating expenses." On February 27, 2013, the remaining $109 of unreimbursed expenses was paid in full. For the period January 1, 2013 to June 24, 2013, Former SAE reimbursed Mr. Hastings $192 for expenses incurred on behalf of Former SAE. Former SAE also reimbursed Brian A. Beatty, the Corporation's President and CEO, $69 for the expenses incurred on behalf of Former SAE

For the period January 1, 2013 to June 24, 2013, Former SAE paid CLCH, LLC $84 in dividends on preferred shares.

Immediately prior to the Merger, Former SAE, at the direction of the board of directors, distributed dividends to CLCH, LLC and Seismic Management, LLP, of $7,923 and $5,009, respectively.

In connection with the Merger, CLCH, LLC, which was the majority stockholder of Former SAE and Seismic Management, LLP, owned by Brian A. Beatty, the Corporation's President and CEO, and his wife, received $8,803 and $1,392, respectively, in Merger consideration at Closing.

During the period June 25, 2013 to December 31, 2013, the Corporation reimbursed Mr. Hastings and Mr. Beatty, $11 and $18 in the aggregate expenses incurred on behalf of the Corporation.

On January 1, 2009, Former SAE entered into a revolving credit agreement with CLCH, which provided for a credit line to Former SAE for working capital purposes of up to $3,000. Amounts outstanding under this credit agreement bore interest at a rate of 8.5% per annum and were payable on demand. During the year ended December 31, 2012, Former SAE made no payments of principal and interest to CLCH. The largest aggregate amount of principal outstanding under the credit agreement with CLCH during 2012 was $53. On February 7, 2013, the loan was repaid in full and the line has been closed.

Former SAE leased seismic equipment from Encompass and Seismic Management, LLP, pursuant to lease agreements executed in 2010. Brian A. Beatty, the Corporation's President and CEO, together with his wife, owns a controlling interest in Encompass and owns all of the outstanding partnership interests in Seismic Management. The leases may be terminated by any party at any time. Aggregate rent paid by the Corporation to Encompass and Seismic Management was $0 and $1,326 for the years ended December 31, 2013 and 2012, respectively. Former SAE purchased leased equipment in the amount of $1,483, for the year ended December 31, 2013 from Encompass and Seismic Management.

On January 1, 2009, Former SAE entered into a revolving credit agreement with Encompass, which provided for a credit line to Former SAE for working capital purposes of up to $3,000. Amounts outstanding under this credit agreement bore interest at a rate of 15% per annum and were payable on demand. During the year ended December 31, 2012, Former SAE made payments of principal and interest to Encompass of $2,000 and $445, respectively. The largest aggregate amount of principal outstanding under the credit agreement with Encompass during 2012 was $2,100. As of December 31, 2012, this line was closed.

On January 1, 2012, Former SAE borrowed approximately $375 for working capital purposes from Peggy Siegfried. Mrs. Siegfried is the wife of David Siegfried, Former SAE's and our current executive vice president of business development, and Mr. and Mrs. Siegfried collectively own 15,404 exchangeable shares issued by our subsidiary, 1623753 Alberta Ltd., which may be exchanged for their allocable portion of the Merger consideration. The loan was evidenced by a promissory note made payable to Mrs. Siegfried, which provided for interest on the outstanding principal amount at a rate of nine percent per annum and was due in full by December 31, 2012. On December 17, 2012, Former SAE repaid the full principal amount of the promissory note, plus all accrued interest, in the aggregate amount of $405.

Also see Note 10 for discussion of the Corporation's note with Former SAE stockholders and notes with related parties.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 16 — EMPLOYEE BENEFITS

The Corporation offers a Retirement Registered Saving Plan for all eligible employees of its Canadian operations. The Corporation matches each employee's contributions up to a maximum of 10% of the employee's base salary or until the Canada Revenue Agency annual limit is reached. For the years ended December 31, 2013 and 2012, respectively, the Corporation expensed matching contributions totaling of $338 and $325, respectively.

The Corporation offers a 401(k) Plan for all eligible employees of its United States operations. The Corporation matches each employee's contributions up to a maximum of 4% of the employee's base salary. For the years ended December 31, 2013 and 2012, respectively, the Corporation expensed matching contributions totaling $72 and $0, respectively.

NOTE 17 — GEOGRAPHIC AND RELATED INFORMATION

The Corporation reports its contract services operations as a single reportable segment: Contract Seismic Services. The consolidation of its contract seismic operations into one reportable segment is attributable to how the Corporation's business is managed, and the fact that all of its seismic equipment is dependent upon the worldwide oil industry. The equipment operates in a single, global market for contract seismic services and is often redeployed globally due to changing demands of the Corporation's customers, which consist largely of major non-U.S. and government owned/controlled oil and gas companies throughout the world. The Corporation's contract seismic services segment currently conducts operations in North America, South America, and Southeast Asia.

The accounting policies of the Corporation's reportable segment are the same as those described in the summary of significant accounting policies. The Corporation has one operating segment for which the financial information is regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess the performance. The Corporation evaluates the performance of its operating segment based on gross profit and income before income taxes.

The following table sets forth significant information concerning the Corporation's reportable segment as of and for the years ended December 31, 2013 and 2012.

	Contract Seismic Services (In Thousands) For the Year Ended December 31,	
	2013	2012
Revenue for services	$245,268	$257,359
Gross profit	$42,932	$44,819
(Loss) income before income taxes	$(10,511)	$11,429
Assets	$145,950	$147,975

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 17 — GEOGRAPHIC AND RELATED INFORMATION-continued

Revenues and identifiable assets by region based on the location of the service provided, is shown in the following table.

	Revenue for Services (In Thousands) For the Year Ended December 31,		**Identifiable Assets** (1) (In Thousands) As of December 31,	
	2013	2012	2013	2012
North America	$103,198	$122,060	$51,397	$68,485
South America	112,022	118,577	16,412	6,316
Southeast Asia	30,048	16,722	2,287	1,963
Total	$245,268	$257,359	$70,096	$76,764

(1) Identifiable assets include property and equipment, deferred tax assets, intangible assets and goodwill.

For the year ended December 31, 2013, two customers individually exceeded 10% of the Corporation’s 2013 consolidated revenue which aggregated 52% of the Corporation’s 2013 consolidated revenue. Customer D revenue was $48.4 million and customer E revenue was $78.4 million. As of December 31, 2013, two customers individually exceeded 10% of the Corporation’s consolidated accounts receivable which aggregated 64% of the Corporation’s consolidated accounts receivable. Customer F accounts receivable balance was $5.3 million or 13% of total consolidated accounts receivable and Customer E receivable balance was $21.1 million or 52% of total consolidated accounts receivable.

For the year ended December 31, 2012, three customers individually exceeded 10% of the Corporation’s consolidated revenue, aggregating 56% of the Corporation’s 2012 consolidated revenue. Customer A revenue was $27.6 million, customer B revenue was $30.0 million and customer C revenue was $84.6 million. As of December 31, 2012, two customers individually exceeded 10% of the Corporation's consolidated accounts receivable which aggregated 54% of the Corporation's consolidated accounts receivable. Customer E receivable balance was $10.7 million or 39% of total consolidated accounts receivable. Customer D receivable balance was $4.3 million or 16% of total consolidated accounts receivable.

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 18 — FINANCIAL INSTRUMENTS

The following table presents the carrying amount and estimated fair value of the Corporation's financial instruments recognized at fair value on a recurring basis as of December 31, 2013.

	Carrying Amount	Fair Value Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Note payable to Former SAE stockholders as of December 31, 2013	$ 12,406	—	—	$ 12,406

Fair values of the note payable to Former SAE stockholders are derived using the net present value of expected cash flow discounted using a rate based on yield curves for similar U.S. Dollar debt instruments adjusted for the specific terms of the note payable to the Former SAE stockholders and other factors such as the Corporation's own cost of capital in recent financing transactions. As of December 31, 2013, the face amount of the note payable to Former SAE stockholders was $17,500 with a fair value of $12,406. An increase of 2% in the discount rate would result in a decrease in the fair value of $1,067 and a decrease of 2% would result in an increase in the fair value of $1,235.

The following table summarizes the change in fair value of the note payable to Former SAE stockholders for the respective periods:

	Notes payable to Former SAE Stockholders

Beginning balance	$ 11,775
Unrealized (Gain)/Loss	631
Ending balance	$ 12,406

The following table presents the carrying amount and estimated fair value of the Corporation's financial instrument recognized at fair value on a recurring basis as of December 31, 2012.

	Carrying Amount	Fair Value Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant liabilities as of December 31, 2012	$ 1,244	—	—	$ 1,244

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SAExploration Holdings, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share amounts and as otherwise noted)

NOTE 19 — JOINT VENTURE

Effective November 19, 2012, an agreement was entered into between the Corporation and a village corporation in the north slope of Alaska (“Village Corp”) to form a separate legal entity (“Joint Venture”) for the purpose of performing contracts for the acquisition and development of geophysical and seismic data and for geophysical and seismic services and any and all related work anywhere on the north slope of Alaska (onshore or offshore), for a period of five years. The Joint Venture subcontracts exclusively with the Corporation to provide the resources necessary to perform the services called for in contracts obtained by the Joint Venture. The Joint Venture earns 10% of the gross contract revenues, which are distributed based on the relative percentage ownership of the Corporation and Village Corp. The Corporation and Village Corp’s percentage ownership interest in the Joint Venture are 49.0% and 51.0%, respectively, based on consideration provided of $490 and $510, respectively. The Joint Venture was formed as a limited liability company, granting both the Corporation and Village Corp the ability to designate two of the four members of the Joint Venture’s management committee. The Corporation, however, based on its power to influence the significant business activities of the Joint Venture is determined to be the primary beneficiary and as such consolidates the Joint Venture in accordance with the variable interest entities subsection under ASC 810-10. The results of the Joint Venture are presented gross and all intercompany transactions are eliminated upon consolidation. For the years ended December 31, 2013 and 2012, the Corporation recorded income of less than $0.1 million and $0, respectively. As of December 31, 2013 and 2012, the Corporation had accounts payable of less than $0.1 million and $0, respectively to Village Corp.

NOTE 20 — SUBSEQUENT EVENTS

Warrant Exchange

On January 7, 2014, the Corporation commenced an offer to exchange warrants to purchase 15.0 million shares of its common stock for up to 1.5 million shares of its common stock (the “Warrant Exchange”). Each warrant holder had the opportunity to receive one share of the Corporation’s common stock in exchange for every ten outstanding warrants tendered by the holder and exchanged pursuant to the Warrant Exchange. In lieu of issuing fractional shares of common stock, the Corporation paid cash to each holder of warrants who would otherwise have been entitled to receive fractional shares, after aggregating all such fractional shares of such holder, in an amount equal to such fractional part of a share multiplied by the last sale price of a share of the Corporation's common stock on the Nasdaq Global Market on February 7, 2014.

The Warrant Exchange offer period expired on February 7, 2014 and a total of 14,418,193 warrants were tendered and accepted for exchange. On February 14, 2014, the Corporation issued 1,441,813 shares and paid $52 cash in lieu of fractional shares in exchange for such tendered warrants.

Conversion of Convertible Notes

On January 8, 2014, Eric S. Rosenfeld and David D. Sgro, two of the Corporation's founding stockholders and current directors, elected to convert promissory notes in the aggregate principal amounts of $300 and $200, respectively, into Convertible Debt Warrants to purchase an aggregate of 600,000 and 400,000 shares, respectively, of the Corporation's common stock. Messrs. Rosenfeld and Sgro each exchanged such warrants for common stock, at a ratio of ten warrants for one share, in the Warrant Exchange.

Conversion of Exchangeable Shares

On March 7, 2014, the holders of the common shares issued by 1623739 Alberta Ltd., a wholly-owned Canadian subsidiary of the Corporation, elected to exchange those shares for their allocable portion of the consideration issued to the Former SAE stockholders in the Merger, which included 254,558 shares of the Corporation's common stock that were released from the Merger Consideration Escrow. The exchanged shares of 1623739 Alberta Ltd. are no longer outstanding.

EXHIBIT INDEX

Exhibit No.	Description	Included	Form	Filing Date
1.1	Form of Underwriting Agreement.	By Reference	S-1/A	April 28, 2011
2.1	Agreement and Plan of Reorganization dated as of December 10, 2012, by and among the Registrant, Trio Merger Sub, Inc., SAExploration Holdings, Inc. and CLCH, LLC.	By Reference	8-K	December 11, 2012
2.2	First Amendment to Agreement and Plan of Reorganization dated as of May 23, 2013, by and among the Registrant, Trio Merger Sub, Inc., SAExploration Holdings, Inc. and CLCH, LLC.	By Reference	8-K	May 28, 2013
3.1	Second Amended and Restated Certificate of Incorporation.	By Reference	8-K	June 28, 2013
3.2	Amended and Restated Bylaws.	By Reference	8-K	June 28, 2013
4.1	Specimen Common Stock Certificate.	By Reference	8-K	June 28, 2013
4.2	Specimen Warrant Certificate.	By Reference	8-K	June 28, 2013
4.3	Form of Warrant Agreement by and between Continental Stock Transfer & Trust Company and the Registrant.	By Reference	S-1/A	April 28, 2011
4.4	Amendment to Warrant Agreement dated June 24, 2013, by and between Continental Stock Transfer & Trust Company and the Registrant.	By Reference	8-K	June 28, 2013
10.1	Credit Agreement dated as of November 28, 2012, by and among SAExploration Holdings, Inc., as parent, SAExploration, Inc., SAExploration Seismic Services (US), LLC and NES, LLC, as borrowers, the lenders party thereto, and CP Admin Co LLC, as Administrative Agent.	By Reference	8-K/A	October 10, 2013
10.2	Amendment No. 1 to Credit Agreement dated as of December 5, 2012, by and among SAExploration Holdings, Inc., SAExploration, Inc., SAExploration Seismic Services (US), LLC, NES, LLC, the lenders party thereto, and CP Admin Co LLC, as Administrative Agent.	By Reference	8-K/A	October 10, 2013
10.3	Amendment No. 2 and Consent to Credit Agreement dated as of June 24, 2013, by and among SAExploration Holdings, Inc., SAExploration, Inc., SAExploration Seismic Services (US), LLC, NES, LLC, the lenders party	By Reference	8-K/A	October 10, 2013

	thereto, and MC Admin Co LLC, as Administrative Agent.			
10.4	Joinder to Credit Agreement dated as of June 24, 2013, between the Registrant and MC Admin Co LLC.	By Reference	8-K	June 28, 2013

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10.5	Amendment No. 3 to Credit Agreement dated as of October 31, 2013, by and among the Registrant, SAExploration Sub, Inc., SAExploration, Inc., SAExploration Seismic Services (US), LLC, NES, LLC, the lenders party thereto, and MC Admin Co LLC, as Administrative Agent.	By Reference	8-K	November 1, 2013
10.6	Waiver Agreement dated as of October 31, 2013, among the Registrant, CLCH, LLC, Seismic Management Holdings Inc. and Brent Whiteley.	By Reference	S-4	November 1, 2013
10.7	Indemnity Escrow Agreement dated as of June 24, 2013, by and among SAExploration Holdings, Inc., CLCH, LLC, and Continental Stock Transfer & Trust Company.	By Reference	8-K	June 28, 2013
10.8	Merger Consideration Escrow Agreement dated as of June 24, 2013, by and among SAExploration Holdings, Inc., CLCH, LLC, and Continental Stock Transfer & Trust Company.	By Reference	8-K	June 28, 2013
10.9	Registration Rights Agreement dated June 24, 2013 by and between SAExploration Holdings, Inc. and CLCH, LLC.	By Reference	8-K	June 28, 2013
10.10	Form of Indemnification Agreement.	By Reference	8-K	June 28, 2013
10.11	Unsecured Promissory Note in the amount of $17,500,000 by SAExploration Holdings, Inc. for the benefit of CLCH, LLC, as representative.	By Reference	8-K	June 28, 2013
10.12	Employment Agreement dated June 24, 2013, by and between SAExploration Holdings, Inc. and Jeff Hastings.	By Reference(*)	8-K	June 28, 2013
10.13	Employment Agreement dated June 24, 2013, by and between SAExploration Holdings, Inc. and Brian Beatty.	By Reference(*)	8-K	June 28, 2013
10.14	Employment Agreement dated June 24, 2013, by and between SAExploration Holdings, Inc. and Brent Whiteley.	By Reference(*)	8-K	June 28, 2013
10.15	Form of Non-Disclosure Agreement between the Registrant and each of Jeff Hastings, Brian Beatty and Brent Whiteley.	By Reference	8-K	June 28, 2013
10.16	Form of Lock-Up Agreement between the Registrant and each of the former stockholders of SAExploration Holdings, Inc.	By Reference	8-K	June 28, 2013
10.17	Employment Agreement dated July 1, 2011, by and between SAExploration, Inc. (f/k/a South American Exploration LLC) and Mike Scott.	By Reference(*)	8-K	June 28, 2013

10.18	Employment Agreement dated July 15, 2011, by and between SAExploration, Inc. (f/k/a South American Exploration LLC) and Darin Silvernagle.	By Reference(*)	8-K	June 28, 2013
10.19	SAExploration Holdings, Inc. 2013 Long-Term Incentive Plan.	By Reference(*)	8-K	June 28, 2013
10.20	SAExploration Holdings, Inc. 2013 Non-Employee Director Share Incentive Plan.	By Reference(*)	8-K	August 19, 2013
10.21	Form of Notice of Stock Award and Agreement under the SAExploration Holdings, Inc. 2013 Non-Employee Director Share Incentive Plan between the Registrant and each of Gary Dalton, Gregory R. Monahan, Eric S. Rosenfeld and David D. Sgro.	By Reference(*)	S-4/A	December 10, 2013
10.22	Form of Letter Agreement among the Registrant, EarlyBirdCapital, Inc. and each of the Registrant's Officers, Directors and Initial Stockholders.	By Reference	S-1/A	April 28, 2011
10.23	Form of Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and the Registrant.	By Reference	S-1/A	May 23, 2011
10.24	Form of Escrow Agreement between the Registrant, Continental Stock Transfer & Trust Company and the Initial Stockholders.	By Reference	S-1/A	April 28, 2011
10.25	Form of Registration Rights Agreement among the Registrant and the Initial Stockholders and EarlyBirdCapital, Inc.	By Reference	S-1/A	April 28, 2011
10.26	Form of Subscription Agreements among the Registrant, Graubard Miller and the Purchasers of Insider Warrants and EBC Warrants.	By Reference	S-1/A	April 28, 2011
10.27	Form of Warrant Consent and Support Agreement.	By Reference	8-K	December 11, 2012
14.1	Code of Ethics.	By Reference	S-1/A	April 28, 2011
21.1	List of subsidiaries.	By Reference	10-K	April 3, 2014
23.1	Consent of Grant Thornton LLP.	Herewith		
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Herewith		
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Herewith		
32.1		Herewith		

	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Herewith

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101.IN	XBRL Instance Document	By Reference(**)	10-K	April 3, 2014
101.SCH	XBRL Taxonomy Extension Scheme Document	By Reference(**)	10-K	April 3, 2014
101.CAL	XBRL Taxonomy Calculation Linkbase Document	By Reference(**)	10-K	April 3, 2014
101.DEF	XBRL Taxonomy Extension Definition Document	By Reference(**)	10-K	April 3, 2014
101.LAB	XBRL Taxonomy Label Linkbase Document	By Reference(**)	10-K	April 3, 2014
101.PRE	XBRL Taxonomy Presentation Linkbase Document	By Reference(**)	10-K	April 3, 2014

(*) Denotes compensation arrangement.

(**) Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files attached as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or Section 12 of the Securities Act of 1933, as amended, and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.