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THE MONTHLY REPORT FROM WESTSHORE SHIPBROKERS AS

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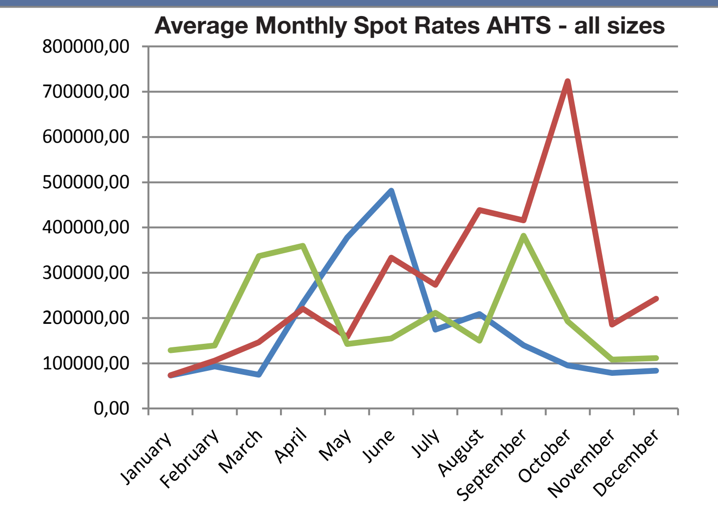
INSIDE THIS ISSUE:

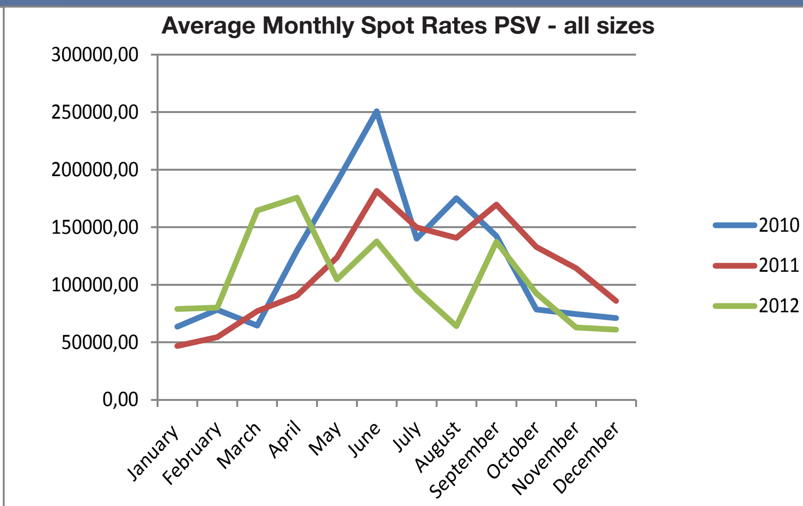
02 HEADLINE NEWS

What happened to the North Sea market in 2012?

The record rates expected to be seen in 2012 never really materialized and owners have been put to the test with regards to liquidity. The solid market predictions and strong start to the year may have actually worsened the situation, rates from March to May lead many owners to bring vessels back to the North Sea in expectation of even higher rates. This was off course made easier by limited activity in regions outside the North Sea that normally could have absorbed more tonnage such as Brazil and Greenland. However it is prudent to note that spot activity in the North Sea has none the less increased from 2011 with more than 10% both with regards to rig moves and supply duties. On the supply duties side the total number of spot fixtures has maintained at around 800 the last two years with the total for 2012 coming in at 927. The total number of Anchor Handler spot fixtures also increased with 120 more fixtures in 2012 than we saw in 2011, while there was a 15% increase in the number of rig moves. However the number of rig moves was the approximately the same as what was seen in 2010. In overview the activity has increased during the year and that is only natural when the number of rigs on the continental shelf has increased. 2012 saw nine new units enter the North Sea market with five jack ups and one semi-submersible entering the UK side, while Norway saw three semi-submersibles two of which only just entered in the final quarter of the year. When looking at the total number of rigs from the start to year end the number increased by approximately 14%, however on the whole the market has also been affected by a number of rigs in yards for longer periods than expected.

AHTS - Too many spot vessels! - January 2012 started out better than it has the last two years with five fewer vessels in the spot market than in 2011 and solid activity showing 16 rig moves performed with spot vessels and 37 fixtures during the month versus last year's 11 rig moves and 24 fixtures. The rate levels continued in fine fashion through the early months with activity running at a higher pace than the previous years and lengthier charter periods. After the start to 2012 with rates well above levels seen in 2011, the trend reversed in May with the number of vessels available in the spot market increasing as from late March due to many owners believing in a strong summer market, in addition the Elgin situation absorbed a number of vessels from the market that now were returning. These low market levels remained through May and June, seeing a decent increase in July a month where the number of rig moves performed by spot vessels hit 23 versus the 13 seen in May. The total average NOK market rates for all sizes increased from 142,380 per day in May to 211,480 per day in July, this same period saw average utilization increase from 67% to 74%. However relative to 2011 the rates were substantially lower and utilization was on average approximately 5% higher than in 2012. August saw a sharp decline in utilization of vessels with a fall to 59.2% and rate levels in the region of what we saw in the notoriously poor months of January and February. However a total of 18 rig moves in the month of August and the majority of them falling at the end of the month lined up for a better September which despite the low activity often seen during this month had average monthly rates of NOK 381,606 per day due to a strong utilization level during the month at 76.4%. Last year the average rates for August hit NOK 438,643 against the NOK 149,609 per day this year which can be attributed to only 46 vessels in the market in 2011 and 23 in the spot, while this year we saw in total 51 vessels and 36 in the spot. Although few fixtures in September, the time duration was long and the end of the month ended strong pushing a tight market into the month October. During the month of September the spot market increased with another two vessels, and going into October we saw the spot market increase to 43 vessels with only 13 on term. October this year was an active month with fixtures and the number of rig moves higher than were seen in October last year when rates reached an average of NOK 732,589 per day against this year's figures of 192,533 per day. A major contributor to this is the difference in vessel breakdown from the two periods. In October 2011 there were 19 term vessels and 31 spot vessels providing a total of 50 vessels, while this year we had 13 term vessels and 43 spot vessels. The difference in spot vessels is excessive and a clear reason for the lower rates when activity had actually increased. The solid activity in October continued into November with 61 fixtures in the spot versus 39 the year before, however with utilization levels at 67.7% average rates hit their lowest levels of the year coming close to the NOK 100,000 some NOK 80,000 less than the year before. This negative trend continued into December with activity similar to that of previous years yet rates more than half of the preceding year.





03 HEADLINE NEWS

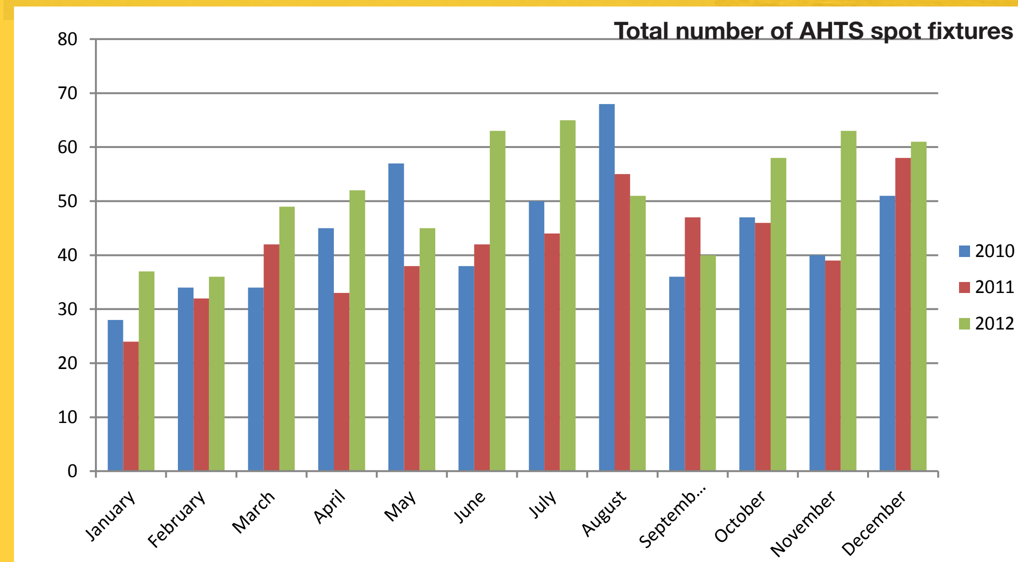
All in all the market has been weak with too many vessels available in the spot and projects having been performed efficiently in order to continuously refuel the availability for charterers on the spot. Important with regards to this availability was the lack of activity from other markets, like Greenland which in 2011 saw a number of vessels working off the west coast for Cairn. The offshore market in Brazil has also not absorbed what we have become accustomed to from North Sea. While Charterers in the NS have taken advantage of this substantial availability by avoiding options on term vessels in order to fish cheaper vessels on the spot. The only periods where rates really saw an increase was during moments of crisis such as the Elgin situation.

PSV - Delivery bonanza! - Similar to the anchor handler market the supply duties market started out well, with rates reaching summer figures already in March and April, however eventually the delivery bonanza caught up with the market and rates during the summer were substantially lower than we have seen the past two years. Spot activity held levels similar to that of the previous two years early on if not slightly less, however from May activity was on an incline reaching the highest number of spot fixtures ever seen in August. A total of 90 fixtures performed by PSVs and three fixtures picked up by AHTS. During the second half of 2012 only 22 supply duties fixtures were performed by anchor handlers against 75 in the first half of the year. Despite the significant increase in activity the PSV sector has been in a constant battle with newbuilds arriving to the market, the table shows all the relevant PSVs delivered from yards in 2012. As such activity levels had never been as high as they were in August, yet the rates were at that point the lowest they have been all year, falling to average levels of NOK 63,995 per day for all sizes almost three times less than rates achieved in 2010 and more than half of the what the average rates were in 2011. Utilization held itself at an average of 74.2% versus the low 90's we saw in the preceding two years. A slight rebound in September with utilization up to 92.7% given rougher weather conditions saw average rates increase to NOK 137,195 per day. Since then the rates have gradually fallen arriving at average rates for November of NOK 63,465 per day. After a slow November following a very active three months December saw a total of 95 supply duties fixtures and average utilization at 82.9%. Despite these figures we saw the lowest average rates of the year fall in December however it is prudent that these winter months are historically poor, however we haven't seen rates this low since January 2011 when utilization was at 76.9%.

Conclusion - Before the beginning of the year there was optimism about the increased number of rigs in the market during 2012, in the end three rigs entered the NCS and all of them later than expected, while a number of rigs have had extended stays in the yards. This dynamic has actually led to a decrease in the number of wells drilled on the NCS in 2012. After a record number of wells drilled in 2009 at 228 (163 development, 65 exploration) we have seen a decline reaching 166 (124 development, 42 exploration) in 2012, only slightly down from the 175 (123 development, 52 exploration) seen in 2011. The market

Delivery Date:	Vessel	Owner	Design
January	Normand Arctic	Solstad	STX 12 LNG
	Olympic Commander	Olympic Shipping	MT 6015
	Blue Fighter	Remøy Shipping	PX 121
	FD Remarkable	Gulf Offshore	UT 755 XL
February	Rem Supporter	Rem Supply	STX 06 CD
	Ocean Pride	Atlantic Offshore	Havyard 832 L
	Island Captain	Island Offshore	UT 776 CD
	Skandi Kvitsøy	PSV Invest I AS	STX 09 CD
	Stril Polar	Simon Møkster	STX 09 LCD
March	Sjøborg	PF Supply Service	Havyard 833
April	Loch Roag	Seahold Geoships	VS 470 MKII
	Viking Prince	Viking Suppy Ships	VS 489 LNG
May	Olympic Energy	Olympic Shipping	STX 06 LNG
	Brage Trader	Møkster	STX 09 CD
	Troms Sirius	Troms Offshore	STX 09 LCD
June	Island Crusader	Island Offshore	UT 776 CDG
	Far Scotsman	Farstad	STX 08 CD
	Olympic Orion	Olympic Shipping	MT 6015
	Evita	Ugland Offshore	VS 485 MKII
	FD Incomparable	Gulf Offshore	UT 755L
	Vestland Mistral	Vestland Offshore	VS 485
	Bourbon Clear	Bourbon	PX 105
	Torsborg	PF Supply Service	Havyard 832
July	C-Viking	Edison Chouest	UT 755 LCD
	Viking Fighter	Eidesvik	STX 08 CD
	Skandi Aukra	DOF	STX 09
August	Blue Prosper	Remøy Shipping	PX 121
	Bourbon Calm	Bourbon	PX 105
	Viking Princess	Eidesvik	VS 489 LNG
September	Island Contender	Island Offshore	UT 776
	Far Skimmer	Farstad	STX 08 CD
	Skandi Nova	*DOF ASA*	*STX MRV 05*
October	Vestland Mira	Vestland Offshore	Havyard 832 L
	Far Solitaire	Farstad	UT 754 WP
November	Olympic Taurus	Olympic Shipping	MT 6015
	Skandi Marøy	*DOF ASA*	*STX MRV 05*
December	STX Leader	STX Pan Ocean Ltd.	STX 09 CD
	Vestland Cetus	Norside Supply I	VS 485 MKIII
	Havila Charisma	Havila	Havyard 833 L
	Skandi Hugen	DOF ASA	STX MRV 05 ROV

04 HEADLINE NEWS

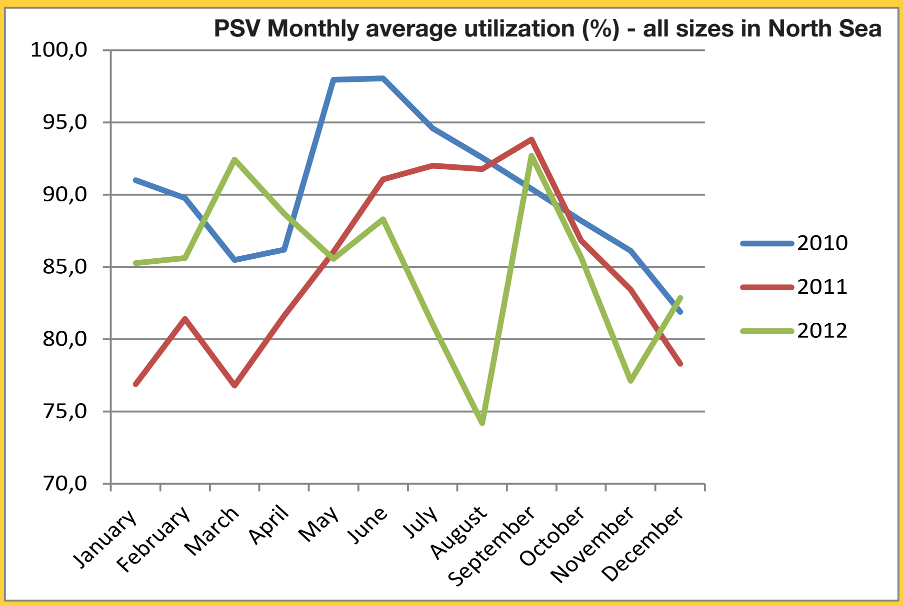


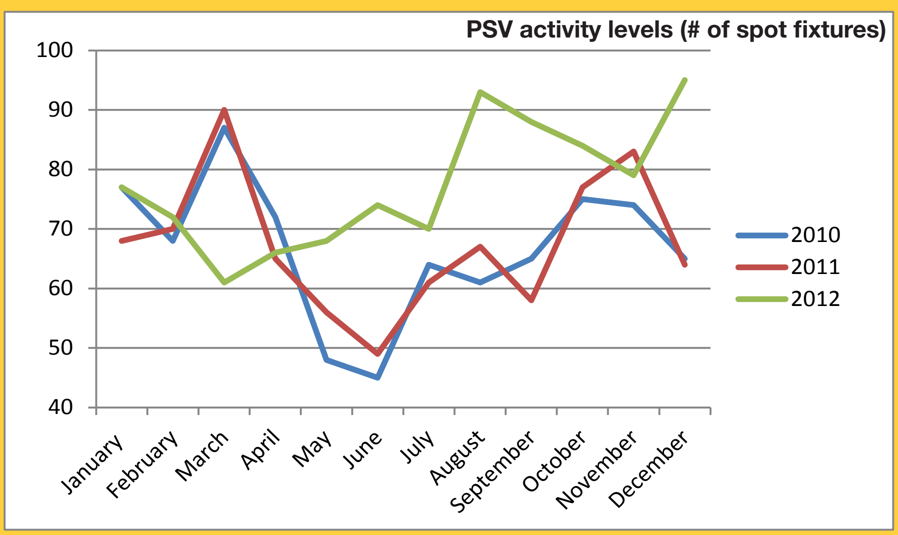
could have been much better had there been more rig capacity, as activity has been higher despite fewer wells, however this can also be attributed to fewer vessels on term meaning more spot fixtures have been released. On the UKCS we have also seen this downward trend, the figures for year-end have not yet been released however as per Q3 they looked to remain at 2011 levels which have systematically been on a downward trend since 2005 (Graph in Nov Navigator). This decline has been in spite of the increased rig capacity on the UKCS, however partly can be attributed to more time being spent on drilling the wells given more difficult circumstances or deeper water, also something that has occurred on the NCS.

There was no saving grace from Brazil this year, with Petrobras stepping on the breaks with regards to bringing in vessels across the Atlantic, however we are likely to see an increase on this front in 2013. The West African demand has changed slightly from 2011, with a slight increase of North Sea tonnage in 2012 as from the summer and onwards. Market rates have been suppressed in lengthy periods given the general negative feel in the market by owners and frequent refreshing of vessel availability. Owners held out more in the beginning of the year and were more stubborn when it came to rates, however as the year developed so did the competition through availability and we saw rates plummet when availability increased slightly and fresh requirements entered the market.

A weighted increase in the number of spot vessels versus the number of term vessels in the PSV market is also one of the reasons behind the increased number of spot fixtures seen during the year, obviously in addition to more rigs on the shelf and projects underway. This increase in spot vessels and the continual replenishment of the ports has led to the depressed rates we have seen this year.

For a strong market in the PSV sector, utilization needs to be in the 90's region, which is something that has been difficult to achieve in 2012. March and September held this and in return achieved high rates, while April approached the 90's mark and also saw strong rates however this was also a consequence of strong carry over from the preceding month. The number of term contracts maintained the same levels as seen in the preceding two years, with rates holding at floor level when it seemed rates might take a dive, since the summer owners were more resilient in maintaining levels.





05 MARKET SUMMARY

DECEMBER MARKET RECAP:

Entering into the month the AHTS utilization was high hovering around 80% with rates in the NOK 200,000 range on the Norwegian side having seen the average monthly rates for the previous month lie at approximately NOK 108,000 per day. There was decent activity in the beginning of the month, however by end of the first week utilization was already below 70% and the rates began to taper off from the higher levels seen in the beginning of the month and continued this negative trend throughout the remainder of the month. The average rates for all sizes came in at NOK 111,395 per day which is more than half the rate level seen last year in the same period and approximately on par with the rates seen in November. This is despite the fact that the activity levels during the month were nearly identical to the levels seen last year with 20 rigs moves and a total of 61 fixtures. The only major difference between this year and last was the total availability in the spot market as this year in total there were 41 vessels in the market while last year there were 34, while the total count of term and spot vessels was only separated by one vessel. The month closed out with three vessels fixed for the Maersk Guardian rig move for NOK 80,000 per day.

It was a fixing bonanza for PSV's during the month of December with a record number of 95 fixtures during the month however the all too prevalent supply ensured a yearly low for the monthly average rate coming in at NOK 60,878 per day. This was close to a 50% increase in fixtures from last year when average rates landed at NOK 85,958 per day. Once again the major difference would be the close to 30 additional vessels in the market and 30% increase in number of vessels operating in the spot market. On a positive note for shipowners with the solid Christmas and New Year's activity utilization closed out in the mid 80's leaving ground for a good start in 2013.

TERM FIXTURES

Date	Vessel	Operator	Scope	Rate (p/d)	Region
09.01.2013	KL Brofjord	SPD	Supply duties, 1 well firm + 1 well option	RNR	UKCS
02.01.2013	Brage Trader	SPD	Supply duties, 1 well firm + 1 well option	RNR	UKCS
02.01.2013	Normand Progress	EDT	General Support, Approx 60 days	RNR	Med. Sea
21.12.2012	Vestland Mira	Talisman	9 month + 2 X 6 months options	RNR	NCS
14.12.2012	Rem Leader	Lundin	5 wells firm (500 days) + 3 wells option (180 days)	RNR	NCS
14.12.2012	Evita	Lundin	5 wells firm (500 days) + 3 wells option (180 days)	NOK 135,000	NCS

OUTSTANDING TERM REQUIREMENTS

Date	Operator	Requirement	Scope / Period	Start up	Region
04.01.2012	RWE Dea	PSV	3 wells firm + 2 X 1 well option	01.02.2013	UKCS
04.01.2012	Senergy	PSV	1 well firm + 2 X 1 well option / or reverse	25.01.2013	UKCS
21.12.2012	BP UK	PSVs	Variety of contract lengths	01.03.2013 to 01.09.2014	UKCS
20.11.2012	BG UK	PSV	3 yrs or 5 yrs + options	01.02.2013	UKCS
13.11.2012	Statoil	AHTS	AHTS for 1+1/3+3/5+3 years	01.06.2013	NCS
01.11.2012	Peterson	PSV	1 yr firm + 2 yrs options	01.01.2013	UKCS
01.11.2012	Shell	Standby	Standby duties, Opt 1: Jan-Nov, Opt 2: 04/12 - 04/14	01.01.2012	NCS

AVERAGE MONTHLY STATISTICS

Average Monthly Rates (GBP)				
	Vessel Type	*des.12*	*nov.12*	*des.11*
AHTS	> 18,000	17 244	29 416	25 922
	15,000 to 18,000	8 091	18 500	17 676
PSV	> 800 m²	7 390	10 623	8 415
	< 799 m²	4 974	9 667	8 300

	des.12	nov.12	des.11	nov.11
# of spot supply fixtures	95	79	64	83
# of rig moves	20	21	20	15
Average Utilization (%)				
AHTS	68.2%	67.7%	78.9%	60.4%
PSV	82.9%	77.1%	78.3%	83.4%

06 NEWBUILDING NEWS

VESSEL NEWS

-The above is a picture of the offshore construction vessel Grand Canyon with the ST 259 CD design built at Bergen Group's Fosen shipyard, the vessel was well received by owner Volstad Maritime and was delivered in October last year.

-Swire Seabed confirmed the acquisition of an offshore vessel from Fjellstrand Yard with the Sawicon design for delivery May 2013, the light offshore construction vessel has accommodation for 60 persons and 800 square meters deck with 300 square meter cargo holds and 80 Te active heave compensated offshore crane.

-Spanish shipyard La Naval has won an order for two PSV's originally slated to be built at Astilleros de Sevilla for EDT Offshore in 2008 at a price of USD 45 million combined. The vessels were extensively delayed with the first vessel partially completed. The company will now take delivery of the Ulstein deigned PX105 vessels in Q4 2013 and Q1 2014.

-Jackson Offshore, a company led by its founder and CEO Lee Jackson and with Larry Rigdon providing backing has entered into a contract with BAE Systems in the US for the building of two vessels in Jacksonville, Florida. The company has been waiting for an opportune moment to invest in larger supply vessels and has already lined up contracts for the two vessels. There is a significant likelihood that more orders will be made.

-Wärtsilä Ship Design has signed a contract with China Oilfield Services Ltd (COSL) for the design delivery of two PSVs with the VK 485 MKIII design and four AHTSs with the VS 4612 design. Upon delivery the vessels are expected to work in the South China Sea and Bohai Bay.

-Arctech Helsinki Shipyard has signed a deal with Vyborg Shipyard to complete the construction and commissioning of a vessel after Vyborg will build the hull and provide the design and major components. The Icebreaker will have the ability to operate in temperatures below -40 degrees and is penned to work in the Arctic during summer season and the Baltic Sea during the remainder of the year.

-Olympic Shipping has confirmed an option they had at Kleven Shipyard for a second MT 6022 MKII with the first vessel setting them back NOK 600 million. The vessel is scheduled to be delivered in the second quarter of 2014 approximately six months after the first vessel is received.

-Island Offshore has through Island Ventures II their joint venture with Edison Chouest signed a contract with Ulstein Shipyard for the construction of a Multi-Purpose Offshore Construction vessel with the S X 121 design. The vessel will have accommodation for 130 persons with a 250 ton crane, and is expected to be delivered in May 2014.

Wartsila has confirmed a contract to supply the design for a diving support vessel for Subsea 7. The design will be the VS 4725 and will be built by Hyundai Heavy Industries with an expected delivery in 2015. The vessel will be 123 meters long with DP 3 and have accommodation for 110 people.

NEWBUILD DELIVERIES
NEXT SIX MONTHS

January 2013
Rem Leader (VS 499 LNG)
Energy Insula (VS 485 MKIII)
Sea Tantalus (STX 05 LCD)
Sea Falcon (PX 105)

February 2013
Far Sitella (STX PSV 08 CD)
Blue Power (PX 121)

March 2013
Ben Nevis (Havyard 832)
Dina Star (MT 6015)
Troms Lyra (STX PSV 08 CD)
Island Crown (UT 776 CD)
Far Spica (STX PSV 08 CD)

April 2013
Far Senator (UT 731 CD)
Blue Thunder (PX 121)
Sea Titus (STX 05 LCD)
TBN (VS 485 MKIII)

May 2013
Ocean Scout (UT 755 LC)
Far Starling (STX PSV 08 CD)
TBN (Havyard 833 L)
Sea Flyer (PX 105)

June 2013
North Pomor (ST 216 Arctic)
STX Megatrend (STX 09 CD)
Blue TBN (PX 121)
Far Statesman (UT 731 CD)
Iceman (STX AH 12)

Recently delivered
STX Leader (STX PSV 09 CD)
Vestland Cetus (VS 485 MKIII)
Havila Charisma (Havyard 833 L)

07 DRILLING & PRODUCTION

-Malaysia's largest O&G services company SapuraKencana Petroleum has confirmed an agreement to purchase Seadrill's tender rig operations in a deal totaling USD 2.9 billion. The deal includes remaining newbuild payments and debt for more than USD 1.1 billion which should provide Seadrill more room for their aggressive growth plan within the deep water fleet, and provide possibilities to for new investment in the jack up sector. However Seadrill will not completely leave the sector, increasing their ownership to 13% of the Malaysian company which was formed earlier this year through a merger. The deal comprises 16 tender rigs in operation and another five units under construction and is still awaiting approval.

-Husky Energy has confirmed its long term charter of the newbuild West Mira, a 6th generation ultra deepwater semisubmersible outfitted for operating in harsh environments like the arctic. Husky plan to utilize the rig for operations in the North Atlantic Canadian regions and Greenland where they hold two licenses. The contract has been signed for five years as from Q1 2015 at a total value of USD 1.18 billion which provides a rough estimate on the daily rate of USD 646,000 per day. The rig is to be delivered in Q4 2014 from Hyundai Samho shipyard in South Korea and is of the Moss CS60 design owned by North Atlantic Drilling, a subsidiary of Seadrill.

-An agreement between Wintershall and Gazprom has been confirmed where equity stakes in Western Siberian fields owned by Gazprom have been exchanged for equity in the North Sea including the UK, Netherlands and Denmark.

-Pacific Drilling has announced a charter agreement for the Pacific Khamsin drillship with Chevron. Chevron has stated that they will take the rig for two years firm commencing in Q3 2013 plus a third year option. The drillship is scheduled to be completed in Q2 2013 and the total value of the deal is USD 527 million.

-Offshore accommodation player Prosafe has signed a contract with Jurong Shipyard in Singapore for the construction of a harsh environment semi-submersible unit named Safe Zephyrus for delivery Q4 2014. The order of the unit follows their letter of intent earlier this year and the confirmation of the first unit Safe Boreas. The total cost of the unit will be USD 350 million.

-Sigma Drilling, a Vantage Drilling led joint venture has ordered a deepwater drillship from STX Offshore and Shipbuilding. The drillship is of BT UDS design and will be capable of operating in 12,000 ft. water depth. The total cost for the vessel will be USD 673 million and delivery can be expected from the South Korean yard in Q4 2015.

-Songa Offshore and Seadrill came to an agreement over the sale of the 2011 built ultra deepwater semi-submersible rig Songa Eclipse for USD 590 million. The rig is currently operating for Total offshore Angola on a firm contract ending December 2013 with three one year options.

-Chevron has confirmed that the contract signed with Dolphin Drilling for the Bollsta Dolphin to be delivered in 2015 will be used for its West of Shetlands Rosebank development.

08 IN AND OUT

PLATFORM SUPPLY VESSELS - IN

Vessel	Design	Manager	ENTRY	From
Siddis Skipper	VS 470 MKII	Siem Offshore	Mid – Jan	Statoil
Vestland Cetus	VS 485 MKIII	Vestland Offshore	Mid – Jan	Newbuild
Energy Insula	VS 485 MKIII	Golden Energy	Mid – Jan	Newbuild
Bourbon Tampen	UT 745E	Bourbon Offshore	End – Jan	Statoil
Dina Supplier	UT 755 LC	Myklebusthaug	End – Jan	MOUK
Normand Flipper	UT 745 E	Solstad	End –Jan	Drydock
Normand Arctic	STX 12 LNG	Solstad	End –Jan	Dong
Olympic Electra	MT 6009 L	Olympic Shipping	End –Jan	Centrica
Brage Supplier	STX 09 CD	Møkster	End –Jan	ConocoPhillips UK
Rem Supplier	UT 755 LN	Rem Offshore	Start – Feb	Perenco
Energy Swan	ST 261 LMV	Golden Energy	Start – Feb	Asco
Island Crusader	UT 776 CDG	Island Offshore	Start – Feb	Maersk Oil Norge

PLATFORM SUPPLY VESSELS - OUT

Vessel	Design	Manager	EXIT	To
FD Indomitable	UT 755L	Gulf Offshore	End – Jan	Taqa
Troms Castor	VS 485 CD	Troms Offshore	Start – March	Chevron Canada
Vestland Cetus	VS 485 MKIII	Vestland Offshore	Mid – March	MOUK

ANCHOR HANDLERS - IN

Vessel	Design	Manager	ENTRY	From
Tor Viking II	KMAR 808	Viking Supply Ships	Start – Jan	Shell Alaska
Maersk Laser	L-Type	Maersk	Start – Jan	MOUK
Normand Ranger	VS 490	Solstad	Mid – Jan	Technip
Bourbon Orca	AX 104	Bourbon	End – Jan	Inhouse/FiFi
Island Valiant	UT 787 LCD	Island Offshore	End – Jan	OIS
Olympic Poseidon	UT 722 L	Olympic	Start – Feb	Inhouse

ANCHOR HANDLERS - OUT

Vessel	Design	Manager	EXIT	To
Sea Tiger	KMAR 404	Deep Sea Supply	Start – Mar	Repsol/Brazil
Sea Bear	KMAR 404	Deep Sea Supply	Start – Mar	Repsol/Brazil
Magne Viking	VS 4622 CD	Viking Supply Ships	Start – Mar	Chevron/Canada

09 MARKET FORECAST

WHAT WILL HAPPEN IN THE NORTH SEA 2013?

The global offshore E&P spending according to Rystad Energy increased 9% from 2011 to 2012, and we expect this growth rate to maintain similar levels going into 2013. We have seen growth levels increase lately and I have written countless articles on the increased investment on both sides of the North Sea. However some of these investments take time before they generate tangible activity for offshore owners and with the limited rig capacity previously mentioned we have actually seen the number of wells drilled decrease. Generally when talking to owners today they hold a fairly gloomy outlook for the coming year, stating they feel 2013 will be a difficult year for most.

The investments of the past will and have already begun to pay off through increased activity in the North Sea, however there is little doubt that the increased E&P spending cannot overshadow the major concern of limited rig availability, which at its current state is not significant enough to offset the inflow of vessels to the market or those vessels already in the market. As mentioned in the summary for 2012 there were a good number of rigs off hire during 2012, these units will be fully operational in 2013 while some of those that were delayed should arrive in January of this year. I believe these arrivals and the already solid number of rigs in the North Sea combined with activity in other regions and increased activity up north in the Barents Sea should set the terrain for a slightly stronger year for vessel owners. Unfortunately many other aspects go against this positive development, and there is no doubt that some owners are already slightly stretched after a weak 2012 for spot vessels. 2013 should see a total of six rigs begin to work in the North Sea with four semi submersibles working in Norway, two for Statoil, one for Lundin and the final unit through a rig management consortium. The UK can expect two jack ups to arrive in the middle and end of the year. In addition to the new rigs entering the market we also see a couple of units returning from stints in the yard, which will boost activity levels. The total number of entrants will be less than last year, but the effect of nine new rigs in the market last year and early entrants in 2013 should provide an additional increase in activity. If one estimates 3 rig moves per year for a rig and three vessels per move, we are looking at a minimum of another twenty to thirty rig moves in the coming year and approaching 700 AHTS fixtures in the North Sea spot market for the rigs entering in 2013, let alone those that will now operate for a full year. That will be a 30% increase in rig moves and AHTS spot fixtures from the grand total in 2011. However despite this strong growth in activity, there is a need for absorption from foreign markets with too many vessels currently on the spot.

More PSVs to be delivered!

There are slightly fewer PSVs entering the North Sea market in 2013 than we saw in 2012 with another four vessels entering in December alone. We expect a minimum of 20 vessels to enter the Norwegian North Sea in 2013, while the UK can easily see a solid number of vessels further increase supply. Seatankers have already fixed two of their ten vessels to be delivered next year in the UK on term contracts and we could likely see more of these vessels entering although they are being marketed globally in areas like Brazil and West Africa. The rig to PSV spot ratio has been on a steady decline given the many deliveries and upon close of the year the ratio was at approximately 1.53, whilst in June of 2011 we saw average rates of just over NOK 180,000 per day and had a total of 2 rigs to every one platform supply vessel. This ratio is still on the decline and the continued delivery of vessels will bring this ratio even lower. Another negative development in the PSV sector is the expected poor pipehaul activity for 2013, which tends to absorb substantial tonnage during the year. Allseas have an expected program which is slightly less than 2012 with a program including completing the project West of Shetland, the Knarr project for BG Norway which has an expected production start in 2014 and an assignment for Conoco Phillips Norway.

North Sea AHTS need some foreign aid

The AHTS market saw its influx of vessels rise in the years running up to 2012 and we saw fewer vessels entering last year. However going into 2013 we see three vessels that will certainly enter the North Sea market with two Farstad vessels and the Skandi Iceman, otherwise Toisa have three vessels to be delivered from March and onwards that could potentially end up in the North Sea, however the market situation at that time will likely decide where they ply their trade. As mentioned in an earlier article the change needs to come in the Rig to AHTS spot ratio with current levels hovering around 1.61 while October last year when rates hit NOK 723,000 the level was 1.94 (i.e. close to two rigs for every vessel). This could only happen with Brazil and Greenland absorbing tonnage from the market, with the latter an event that will not happen until 2014.

We believe that rates for the AHTS will see a slight increase

10 MARKET FORECAST

from those seen in 2012 however the year is likely to develop similar to that of last year with no major changes in the horizon apart from more activity up North in the Barents Sea and more rigs on hire throughout the year. The Brazilian market is likely to need AHTS tonnage both from Petrobras and other international oil companies, while other regions in the Arctic will also absorb tonnage. However these limited additional demands will be covered by the number of incoming newbuilds should they all enter the market, otherwise we might experience a slight boost.

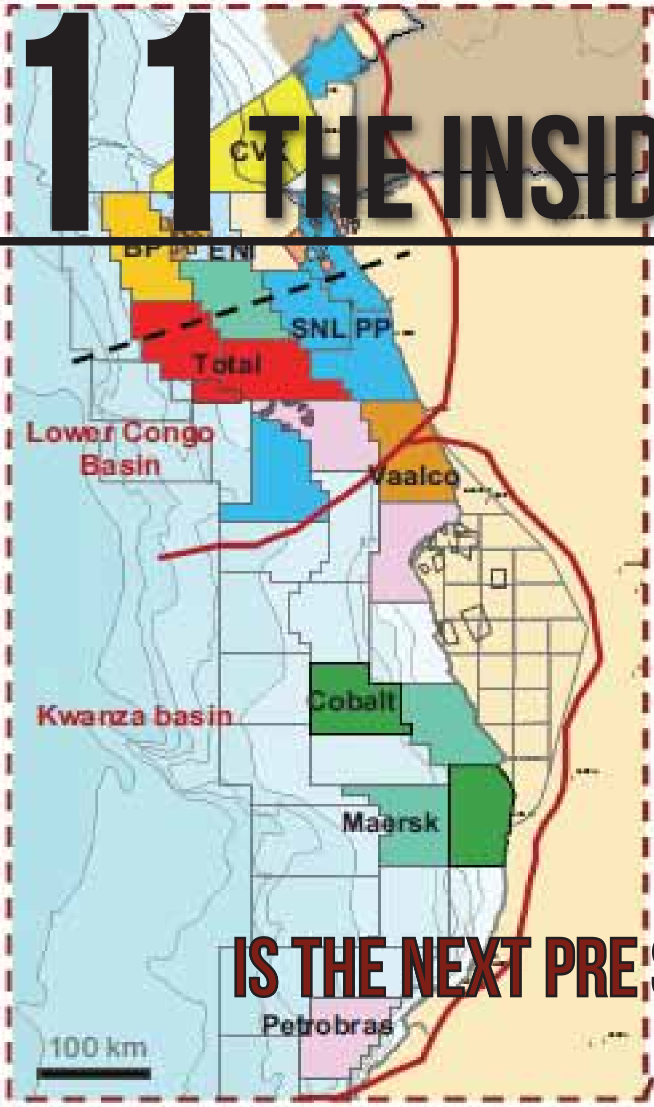
Conclusion

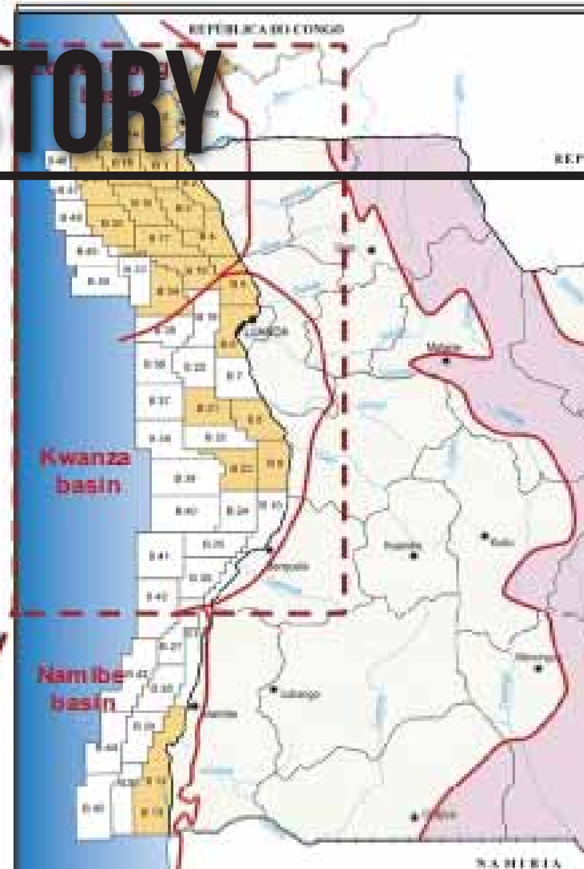
One aspect that certainly affected the AHTS market last year was the lack of activity in Greenland we can expect the same this year with most oil companies involved in the region slating 2014 as the start of their campaigns. We expect the Brazilian OSV market to provide opportunities in 2013 from Petrobras, the IOCs and Contractors. Petrobras presently havethree PSVs tenders under process (PSV 1500/3000/4500) for delivery during 2013. The exact number of vessels to be fixed is still unclear but should pull significant tonnage from the Far East and Europe. We already see a couple of Deep Sea Supply vessels on their way across the Atlantic. The demand from Petrobras demand for 2013 is still not finalized and however there will be demand for large AHTS due to unsuccessful tenders in 2012. In regard to the IOCs campaigns, we will see a decent amount of activity in 2013 with companies like Statoil, Vanco, BP and Total likely to drill in the upcoming year. The year that passed saw the demand from the West African market increase slightly from 2011 and the belief is that this increase will continue into 2013 with Angola, Nigeria (for those owners that venture there), Congo and Gabon leading the charge. Statoil have stated they intend to take three vessels to Mozambique, so the East African market will continue its march. The demand for larger tonnage in the region has been growing and we saw this past year a number of long term contracts for PSVs. Other areas like Ireland have really sprung onto the map in 2012 a major find and some smaller discoveries, however these campaigns have in reality very little effect on the market in the grand scheme of things however they lead to more exploration willingness from other oil companies, as can be seen with ExxonMobil fixing the Eirik Raude for the Dunquin prospect. Even a handful of vessels away from the market can make a significant impact and is welcomed by most owners. There are other developments that will have a slight effect on the market, such as some owners having set up their vessel to be easily converted to work in the subsea market, a market that is expected to be very strong. Olympic Shipping is a good example of this with three of their PSVs primed for just such a move. On the Anchor Handling side companies like Solstad have a trio of vessels that can move to the Subsea sector and all are on contracts to Technip as from March/April, which implies two of the vessels currently in the spot will be gone. There are another four to five vessels currently operating in the spot market that have the same abilities, and with the subsea market expected to be strong we could expect some of this tonnage to leave the AHTS spot market.

The term market was similar in 2012 relative to previous years, however rates did take a slight dive, but this fall eventually tapered off. A number of PSV contracts have recently been confirmed and the trend will likely continue into 2013. Statoil are already out for Anchor Handler vessels for startup in the summer of 2013. This year we are likely to maintain similar activity levels from previous years with rates for PSVs likely to maintain the levels seen at the close of 2012, while the AHTS term rates are likely to be solid.

It's always difficult to assess what will happen in the future, however I do not feel the next year will bring an as gloomy future as many predict with many of the belief that 2014 will be a good year and that only the strong will survive 2013. My thoughts for the market are very similar to what we saw in 2012 with a slight increase in rates for Anchor Handlers despite the lack of other regions absorbing tonnage, owners are more likely to take any opportunities outside the North Sea, which will certainly lighten the load on availability in these parts and we do see a solid number of projects coming online in 2013 including the carry on effect of the rigs that entered in 2012. The unexpected, like the Elgin of last year, combined with a very fine line in the market will lead to increased rates at any point during the year. Unexpected activity in other regions will have a very positive effect on the anchor handler market.

Although we expect a fairly strong demand for PSVs during the year and a record amount of activity, the market will not be able to absorb the influx of vessels and those already delivered, which will inevitably lead to rates below historical levels and poor utilization. The market will have to fare with the majority of deliveries coming early 2013, which is likely to depress the market at the early stages and will leave its mark through the year. However with the increase in activity on the shelf, we make it very clear that spot rates as always can be susceptible to rate peaks, especially when activity is expected to be so significant, this will obviously go both ways with a number of troughs expected. On the whole we see rates on par, if not slightly below what has been seen in 2012. One of the major issues pointed to this year was the significant amount of vessels on the spot market relative to previous years, and although there was a positive influx of term requirements towards YE 2012 we expect the activity levels to remain the same and thereby experience similar excessive spot availability, especially in the PSV market.





IS THE NEXT PRE SALT BOMB ABOUT TO EXPLODE IN THE OIL NATION ANGOLA?

The word "Presalt" is synonymous with Brazil and the extensive resources discovered in the region. It is however prudent to note that the West African coast is also a force to be reckoned with as geologists have estimated that approximately 120 million years ago there were offshore blocks in Angola that would have only been only about 80 kilometers for the Whale Complex basin in the Campos basin in Brazil. The presalt region stretches 1,500 kilometers across Angola, Namibia, Gabon and Congo waters from the current oil prone areas of Angola. Regardless of the presalt, Angola is an active region having demonstrated a solid growth ratio over the last decade increasing their production by 1 million barrels to approximately 1.9 million barrels a day, not much less than Brazil's current production. Some owners have actually noted that the operational aspects in the two countries are very similar with costs and challenges, current OPEX costs in Angola could fall in the region around USD 15,000 for a larger platform supply vessel (a good rule of thumb is slightly less than 50% of the rate).

The Angolan offshore region has three sedimentary basins in the Kwanza, Congo and Nimibe with only two of them having yielded commercial quantities. Angolan oil exploration began early in the twentieth century with the first offshore commercial discovery in 1966 and deepwater exploration commencing in the early 90's. The country is highly dependent on it oil production with 85% of its GDP related to the industry and total production in 2011 at 1.75 million boed and proved reserves of 13.5 billion only 1.6 billion less than Brazil and third largest in Africa behind Nigeria and Libya.

Activity in the region is heavy with many owners feeling that Angola will be that country that draws most tonnage requirements from West Africa in 2013. In 2012 we saw a number of vessels move from the North Sea market down to the region on decent contracts, such as the Energy Scout a 2005 built UT 755LN with 3,250 dwt for three years at approximately USD 27,500 per day. Sealion's Toisa Independent grabbed a two year contract this summer for slightly above USD 30,000 per day, while most recently the Skandi Aukra, a STX 09 CD designed vessel with 4,750 dwt picked up a two year deal. The companies that are actively involved with campaigns are big names such as Total, who have a major drilling program ongoing for the next two years with more than four exploration wells to be drilled. Cobalt International, an American oil company has a two rig program to drill four to six pre-salt wells in 2013 and is actively looking for tonnage having just picked up a Tidewater vessel with the VK480 design. Maersk Oil also has plans for drilling with extensive seismic campaigns undergone in 2011 and expected drilling in a couple of blocks during 2013, while Cabinda Gulf a Chevron subsidiary is also active in the region. Companies like BP and Eni also have a strong presence in the region with production and development ongoing. ExxonMobil also have two Transocean semisubmersibles under contract and fired up oil production from the Kizomba oil project this summer. Finally one cannot forget Sonangol the state owned Oil

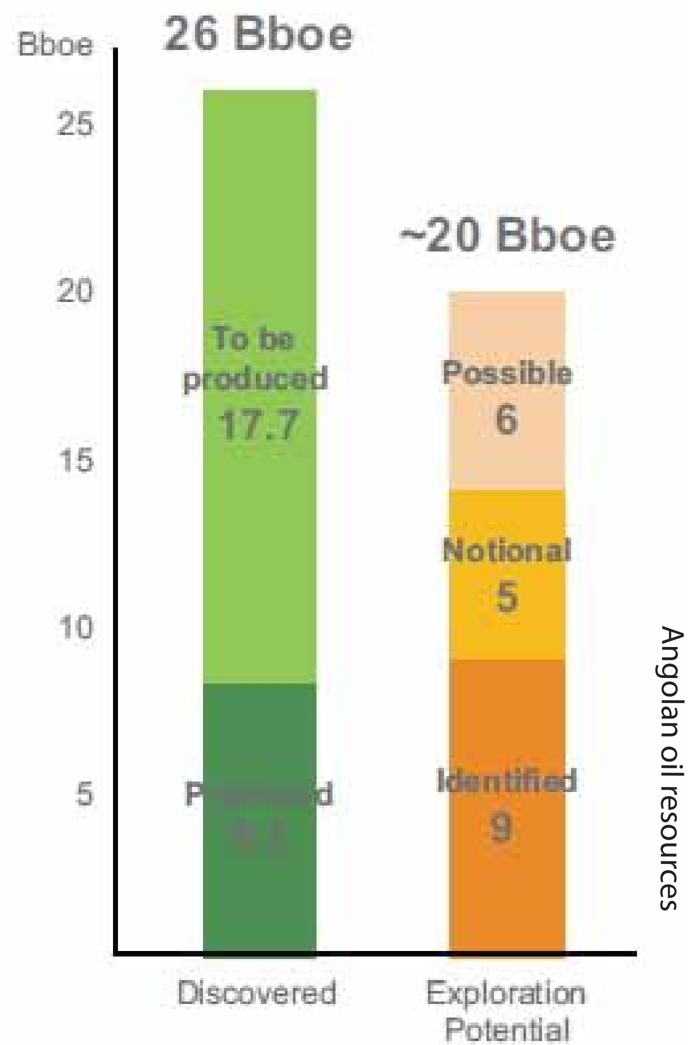

Skandi Aukra

Company that is actively involved in most facets of the oil industry. In 2011 a presalt auction round occurred with 11 pre salt blocks offered with 13 E&P companies participating showing the industry awareness of the presalt potential. Statoil was one of those companies participating, paying USD 1.4 billion for operatorship in two blocks and partner in three others. The region is ripe with big oil companies involved.

There are of course issues in the region with visa troubles for offshore personnel a common problem, finding spare parts and good service assistance not easy task. Many solve these issues with using bases in Congo or Namibia and bringing a good stock of spare parts down on projects. The Local Content requirements are also an issue with longer contracts requiring an increasing number of local sailors, a hard thing to come by and with people trained likely to be snapped up by Oil Companies aggressively increasing their manpower. Then there are the typical concerns in West Africa such are corruption that must be dealt with, however safety for personnel is nothing like the situation we see in Nigeria.

The current trend for vessels in Angola is large and simple with fields developed further offshore seeing a need for 4,000 dwt Platform Supply Vessels. The simpler they are, the


Energy Scout



easier it is to deal with them during technical breakdown situations. The current market requires owners to look to these borders to increase the contract coverage of their vessels. The time in which West Africa was solely a dumping ground for older and soon to be obsolete tonnage is disappearing with major oil companies increasing demands. We look forward to more action in Angola and see it as an area of demand for 2013.

13 THE LAST WORD

The Skandi Skansen, a versatile multipurpose Construction Anchor Handler docked in Kristiansand before heading to Dundee to commence its next charter. The vessel is 109 meters long with an A-Frame, winch capacity of 500 T and a 250t offshore crane including a working ROV.

HOPE YOUR NEW YEAR CELEBRATIONS WERE FANTASTIC, NOW LET'S GET TO WORK FOR A STELLAR 2013!

The team here at Westshore Shipbrokers would like to thank you for a great year that has been and look forward to the many opportunities that 2013 will bring within the offshore sphere. Please don't hesitate to get in touch with one of us should you have any questions or requests about the upcoming year.

As always Westshore Shipbrokers could use you help in finding good topics to cover in the monthly editions of the Navigator for the upcoming year. Please send us your suggestions and we will research the topic and include your ideas in our upcoming issues.

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