

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2014**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-35471**

### **SAEXPLORATION HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**27-4867100**

(I.R.S. Employer Identification No.)

**1160 Dairy Ashford, Suite 160, Houston, Texas, 77079**

(Address of principal executive offices)  
(Zip Code)

**(281) 258-4400**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

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 filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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

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  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Number of shares of common stock, \$0.0001 par value, outstanding as of October 31, 2014: 14,870,549

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 28,380	\$ 17,351
Restricted cash	627	638
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$254	76,975	40,928
Deferred costs on contracts	8,945	3,190
Prepaid expenses and other current assets	12,864	4,619
Deferred income tax assets	794	1,371
<b>Total current assets</b>	<b>128,585</b>	<b>68,097</b>
Property and equipment, net of accumulated depreciation and amortization of \$42,925 and \$31,871	67,103	64,572
Intangible assets, net of accumulated amortization of \$383 and \$311	1,122	1,260
Goodwill	2,060	2,150
Deferred loan issuance costs, net	6,521	9,115
Deferred income tax assets	714	743
Other assets	—	13
<b>Total assets</b>	<b>\$ 206,105</b>	<b>\$ 145,950</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 32,511	\$ 16,511
Accrued liabilities	12,012	3,124
Income and other taxes payable	5,528	7,073
Accrued payroll liabilities	11,034	4,497
Current portion of notes payable under credit agreement	—	800
Current portion of capital leases	339	485
Notes payable to related parties	—	500
Deferred revenue	1,420	7,927
Deferred income tax liabilities	69	69
<b>Total current liabilities</b>	<b>62,913</b>	<b>40,986</b>
Senior secured notes	150,000	—
Long-term portion of notes payable under credit agreement, net	—	79,888
Notes payable to Former SAE stockholders, at fair value	—	12,406
Long-term portion of capital leases	404	618
Deferred income tax liabilities	1,076	1,114
<b>Total liabilities</b>	<b>214,393</b>	<b>135,012</b>
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, \$0.0001 par value, 55,000,000 shares authorized, 14,870,549 and 13,428,736 issued and outstanding at September 30, 2014 and December 31, 2013	2	2
Additional paid-in capital	27,985	27,485
Accumulated deficit	(37,367)	(14,511)
Accumulated other comprehensive loss	(2,508)	(2,083)
<b>Total stockholders' equity (deficit) attributable to the Corporation</b>	<b>(11,888)</b>	<b>10,893</b>
Noncontrolling interest	3,600	45
<b>Total stockholders' equity (deficit)</b>	<b>(8,288)</b>	<b>10,938</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 206,105</b>	<b>\$ 145,950</b>

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



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue from services	\$ 107,812	\$ 47,429	\$ 298,615	\$ 174,575
Cost of services excluding depreciation and amortization expense	90,333	48,303	236,087	138,831
Depreciation and amortization expense included in cost of services	4,276	3,442	11,236	10,378
Gross profit (loss)	13,203	(4,316)	51,292	25,366
Selling, general and administrative expenses	10,057	7,951	30,267	22,169
Merger costs	—	591	—	1,174
Income (loss) from operations	3,146	(12,858)	21,025	2,023
Other income (expense):				
Loss on early extinguishment of debt	(17,157)	—	(17,157)	—
Change in fair value of notes payable to Former SAE stockholders	—	(492)	(5,094)	(492)
Interest expense, net	(4,196)	(4,185)	(12,367)	(10,997)
Foreign exchange gain (loss), net	(1,252)	120	(1,052)	(1,179)
Other, net	(181)	151	512	(1,294)
Total other expense	(22,786)	(4,406)	(35,158)	(13,962)
Loss before income taxes	(19,640)	(17,264)	(14,133)	(11,939)
Provision for income taxes	1,906	12,838	5,168	13,620
Net loss	(21,546)	(30,102)	(19,301)	(25,559)
Less: net income attributable to noncontrolling interest	1,862	—	3,555	—
Net loss attributable to the Corporation	\$ (23,408)	\$ (30,102)	\$ (22,856)	\$ (25,559)
Net loss attributable to the Corporation per common share:				
Basic	\$ (1.57)	\$ (2.25)	\$ (1.56)	\$ (2.88)
Diluted	\$ (1.57)	\$ (2.25)	\$ (1.56)	\$ (2.88)
Weighted average shares:				
Basic	14,870,549	13,402,664	14,632,888	8,861,612
Diluted	14,870,549	13,402,664	14,632,888	8,861,612

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net loss	\$ (21,546)	\$ (30,102)	\$ (19,301)	\$ (25,559)
Foreign currency translation loss	(638)	(47)	(425)	(2,337)
Total comprehensive loss	(22,184)	(30,149)	(19,726)	(27,896)
Less: comprehensive income attributable to noncontrolling interest	1,862	—	3,555	—
Comprehensive loss attributable to the Corporation	<u>\$ (24,046)</u>	<u>\$ (30,149)</u>	<u>\$ (23,281)</u>	<u>\$ (27,896)</u>

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

**SAExploration Holdings, Inc. and Subsidiaries**  
**UNAUDITED CONDENSED CONSOLIDATED**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
(In thousands, except share amounts)

	Common Shares Issued and Outstanding	Common Stock at Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss) - Foreign Currency Translation	Total Corporation Stockholders' Equity (Deficit)	Non- controlling Interest	Total Stockholders' Equity (Deficit)
Balance at January 1, 2014	13,428,736	\$ 2	\$ 27,485	\$ (14,511)	\$ (2,083)	\$ 10,893	\$ 45	\$ 10,938
Conversion - notes payable	—	—	500	—	—	500	—	500
Warrant exchange for common shares	1,441,813	—	—	—	—	—	—	—
Foreign currency translation	—	—	—	—	(425)	(425)	—	(425)
Net income (loss)	—	—	—	(22,856)	—	(22,856)	3,555	(19,301)
Balance at September 30, 2014	<u>14,870,549</u>	<u>\$ 2</u>	<u>\$ 27,985</u>	<u>\$ (37,367)</u>	<u>\$ (2,508)</u>	<u>\$ (11,888)</u>	<u>\$ 3,600</u>	<u>\$ (8,288)</u>

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

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

	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities:</b>		
Net loss attributable to the Corporation	\$ (22,856)	\$ (25,559)
Net income attributable to noncontrolling interest	3,555	—
Net loss	(19,301)	(25,559)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	12,125	11,159
Loss on early extinguishment of debt	17,157	—
Amortization of loan costs and debt discounts	1,836	1,985
Payment in kind interest	1,022	1,520
Deferred income taxes	568	1,812
Loss on disposal/sale of property and equipment	504	121
Notes payable early repayment penalty and fees to advisors	(9,174)	—
Change in the fair value of notes payable to Former SAE stockholders	5,094	492
Share-based compensation	—	1,100
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(36,047)	(18,679)
Accounts payable	15,920	18,773
Other assets and liabilities, net	(5,649)	143
Net cash used in operating activities	(15,945)	(7,133)
<b>Investing activities:</b>		
Purchase of property and equipment	(15,828)	(3,906)
Proceeds from sale of property and equipment	72	—
Net cash used in investing activities	(15,756)	(3,906)
<b>Financing activities:</b>		
Proceeds from issuance of senior secured notes	150,000	—
Net proceeds from Merger	—	35,277
Repayments of notes payable	(99,659)	(653)
Payment of loan issuance costs	(6,658)	(1,500)
Merger costs	—	(5,027)
Repayments of capital lease obligations	(396)	(637)
Dividend payments on Former SAE common shares	—	(10,000)
Dividend payments on Former SAE preferred shares	(1,072)	(5,084)
Net cash provided by financing activities	42,215	12,376
Effects of exchange rate changes on cash and cash equivalents	515	(296)
Net change in cash and cash equivalents	11,029	1,041
Cash and cash equivalents at the beginning of period	17,351	15,721
Cash and cash equivalents at the end of period	\$ 28,380	\$ 16,762
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 11,085	\$ 6,871
Income taxes paid	\$ 4,223	\$ 3,299
<b>Supplemental disclosures of cash flow information -- non-cash investing and financing activities:</b>		
Dividends accrued but unpaid on Former SAE preferred shares	\$ —	\$ 1,072
Capital assets acquired under capital lease	\$ 50	\$ 98
Capital assets acquired included in accounts payable	\$ 360	\$ 287
Cash flow impact of merger	\$ —	\$ 40,277

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



SAExploration Holdings, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except for share amounts and as otherwise noted)

NOTE 1 — DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Description of the Business*

SAExploration Holdings, Inc. and its Subsidiaries (collectively, the “Corporation”) is an internationally-focused oilfield services company offering seismic data acquisition and logistical support services in Alaska, Canada, South America, and Southeast Asia to its customers in the oil and natural gas industry. In addition to the acquisition of 2D, 3D, time-lapse 4D and multi-component seismic data on land, in transition zones and offshore in depths to 5,000 feet, the Corporation offers a full-suite of logistical support and in-field processing services. The Corporation operates crews around the world that utilize over 29,500 owned land and marine channels of seismic data acquisition equipment and other leased equipment as needed to complete particular projects. Seismic data is used by its customers, including major integrated oil companies, national oil companies and large international independent oil and gas exploration and production companies, to identify and analyze drilling prospects and maximize successful drilling. The results of the seismic surveys the Corporation conducts belong to its customers and are proprietary in nature; the Corporation does not acquire data for its own account or for future sale or maintain multi-client data libraries.

The Corporation specializes in the acquisition of seismic data in logistically complex and challenging environments and delicate ecosystems, including jungle, mountain, arctic and subaquatic terrains. The Corporation has extensive experience in deploying personnel and equipment in remote locations, while maintaining a strong quality, health, safety and environmental (“QHSE”) track record and building positive community relations in the locations where it operates. The Corporation employs highly specialized crews made up of personnel with the training and skills required to prepare for and execute each project and, over time, trains and employs large numbers of people from the local communities where it conducts its surveys. Its personnel are equipped with the technology necessary to meet the specific needs of the particular project and to manage the challenges presented by sensitive environments.

*Basis of Presentation*

The unaudited interim condensed consolidated financial statements of the Corporation as of September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013, included herein, have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The year-end condensed consolidated balance sheet data was derived from the audited financial statements as of December 31, 2013. Although the financial statements and related information included herein have been prepared without audit, and certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted, the Corporation believes that the note disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements and the notes thereto included in the Corporation’s 2013 Annual Report on Form 10-K/A. In the opinion of management, the unaudited interim financial statements included herein reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the Corporation’s financial position, results of operations, and cash flows for the periods presented. The results of operations for interim periods are not necessarily indicative of the results expected for the full year or any future period.

Certain amounts in the statements of operations for the three and nine months ended September 30, 2013 and statement of cash flows for the nine months ended September 30, 2013 presented herein have been reclassified to conform to the current period presentation. These reclassifications had no effect on net loss, stockholders’ equity, or cash flows.

*Significant Accounting Policies*

There have been no changes to the significant accounting policies of the Corporation from the information provided in Note 3 of the Notes to Consolidated Financial Statements in the Corporation’s 2013 Annual Report on Form 10-K/A.

*Recently Issued Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” which supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605).” ASU 2014-09 establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. The Corporation is currently reviewing this standard to assess

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except for share amounts and as otherwise noted)

the impact of adoption on its consolidated financial statements and, if the effect of implementation is material, which of the two retrospective application methods provided in ASU 2014-09 will be applied.

**NOTE 2 — MERGER BETWEEN TRIO MERGER CORP. AND SAEXPLORATION HOLDINGS, INC.**

The Corporation was initially formed on February 2, 2011 under the name Trio Merger Corp. 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 June 24, 2013 (the "Closing"), a wholly-owned subsidiary of the Corporation completed a merger ("Merger") under an Agreement and Plan of Reorganization, as amended ("Merger Agreement") with the entity formerly known as SAExploration Holdings, Inc. ("Former SAE"), at which time the business of Former SAE became the Corporation's business.

The Merger was accounted for as a reverse acquisition in accordance with U.S. GAAP. Under this method of accounting, the Corporation was treated as the "acquired" company for financial reporting purposes. 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 net 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. The accompanying condensed consolidated financial statements present the financial position, results of operations, and cash flows of Former SAE as if the Merger had been effective beginning with the earliest period presented.

As consideration for all Former SAE common and preferred shares held by Former SAE stockholders, and for shares they had the right to acquire, the Corporation issued common stock, cash, and a promissory note as further detailed in Note 2 of Notes to Consolidated Financial Statements as included in the Corporation's 2013 Annual Report on Form 10-K/A. An aggregate of 545,635 shares of the Corporation common stock issued to Former SAE stockholders at Closing were deposited in escrow to secure the indemnification obligations under the Merger Agreement. On June 24, 2014, 272,818 of the escrow shares were 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.

Additional purchase consideration of up to 992,064 shares of Corporation common stock may be earned by the Former SAE common stockholders based on achieving the Corporation earnings targets specified in the Merger Agreement for the 2013, 2014, or combined 2013 and 2014 fiscal years. The potential additional purchase consideration was valued at zero as of Closing and classified as an equity obligation. Common stock shares issued, if any, will be recorded in equity in the period the earnings target is achieved. The earnings target for 2013 was not achieved and no additional purchase consideration was issued. Additional purchase consideration of between zero and 496,032 shares of common stock can be earned for the 2014 fiscal year. Additional purchase consideration of between zero and 992,064 shares can be earned for achieving the combined 2013 and 2014 earnings target, but in no event can the total additional purchase consideration earned for all periods exceed 992,064 shares of common stock.

A portion of the merger consideration payable at Closing was allocable to holders of certain derivative securities of Former SAE that were not converted or exchanged prior to the Merger. As of September 30, 2014, a total of 97,075 shares of common stock were held in escrow pending the conversion or exercise of those derivative securities (the "Merger Consideration Escrow"). The escrow agreement provides that CLCH, LLC ("CLCH"), as nominee of the Corporation, will have voting control over all shares of Corporation common stock held in the Merger Consideration Escrow.

Expenses of \$591 and \$1,174 incurred for the Merger and not directly related to the issuance of equity were reported under merger costs in the unaudited condensed consolidated statement of operations for the three and nine months ended September 30, 2013.

**NOTE 3 — EARNINGS PER SHARE**

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the Corporation by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per share is computed by dividing net income (loss) attributable to the Corporation by the weighted-average number of shares outstanding during each period and the assumed exercise of dilutive stock options and warrants less the number of treasury shares assumed to be purchased from the exercise proceeds using the average market price of the Corporation's common stock for each of the periods presented.

The computation of basic and diluted net loss per share for the three and nine months ended September 30, 2014 and 2013 is as follows:

SAExploration Holdings, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except for share amounts and as otherwise noted)

	Three Months Ended			Nine Months Ended		
	Net Loss Attributable to Corporation	Shares	Per Share	Net Loss Attributable to Corporation	Shares	Per Share
<b>September 30, 2014</b>						
Basic loss per share	\$ (23,408)	14,870,549	\$ (1.57)	\$ (22,856)	14,632,888	\$ (1.56)
Effect of dilutive securities	—	—	—	—	—	—
Diluted loss per share	<u>\$ (23,408)</u>	<u>14,870,549</u>	<u>\$ (1.57)</u>	<u>\$ (22,856)</u>	<u>14,632,888</u>	<u>\$ (1.56)</u>
<b>September 30, 2013</b>						
Basic loss per share	\$ (30,102)	13,402,664	\$ (2.25)	\$ (25,559)	8,861,612	\$ (2.88)
Effect of dilutive securities	—	—	—	—	—	—
Diluted loss per share	<u>\$ (30,102)</u>	<u>13,402,664</u>	<u>\$ (2.25)</u>	<u>\$ (25,559)</u>	<u>8,861,612</u>	<u>\$ (2.88)</u>

Warrants to purchase 581,807 shares of common stock have been excluded from the calculation of diluted net loss per share in the three and nine month periods ended September 30, 2014, since the \$12.00 warrant exercise price was higher than the \$8.31 per share price on September 30, 2014. For the three and nine month periods ended September 30, 2013, 130,644 shares attributable to the warrants of Former SAE, which were convertible into its common stock as a result of the Merger, were excluded from the computation of diluted net loss per share as their effect would be anti-dilutive.

The common shares that may be earned as additional purchase consideration under the Merger Agreement will not be included in the calculation of earnings per share unless the related earnings targets are achieved.

**NOTE 4 — SENIOR SECURED NOTES**

On July 2, 2014, the Corporation entered into an Indenture ("Indenture") under which it issued \$150,000 of senior secured notes ("Notes") due July 15, 2019, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. The senior secured notes bear interest at the annual rate of 10.0% payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2015. The senior secured notes are guaranteed on a senior secured basis with a lien on substantially all assets of SAExploration Holdings, Inc. and each of the Corporation's existing and future domestic subsidiaries, except for any immaterial subsidiaries ("Guarantors"). The liens securing the senior secured notes are subject to certain exceptions and permitted liens, which are contractually subordinated to a first priority lien on certain assets should the Corporation enter into a new credit facility in the future.

The proceeds from the senior secured notes were used to pay the amounts outstanding under the 2012 Credit Agreement and the notes payable to the Former SAE stockholders discussed further in Note 5, pay related fees and expenses, fund the purchase of equipment related to the Corporation's Alaska operations, and for general corporate purposes. The Corporation has the right to redeem some or all of the Notes at a redemption price equal to the principal amount plus accrued and unpaid interest and a premium determined in accordance with the Indenture. The Indenture contains customary covenants including limitations on the transfer or sale of assets, payment of dividends, additional indebtedness or liens on assets, and entering into a merger or sale of substantially all of a subsidiaries' assets.

In connection with the issuance of the Notes, the Corporation entered into a registration rights agreement in which the Corporation agreed to use its best efforts to register with the SEC a new series of freely tradable notes ("Exchange Notes"), which will be exchanged for the current Notes. The Corporation and the Guarantors further agreed to use best efforts to: (i) file a registration statement for the Exchange Notes with the SEC within 300 days after the issuance of the Notes; (ii) cause the registration statement to be declared effective within 390 days after the issue date of the Notes; and (iii) close the exchange offer 30 days after such registration statement is declared effective. In certain circumstances, the Corporation may be required to file a shelf registration

statement to cover resale of the Notes. If the Corporation and the Guarantors do not meet the deadlines set forth above, additional interest as defined in the Indenture will be payable until the obligations described above are fulfilled.

## **NOTE 5 — NOTES PAYABLE**

### ***Notes Payable under Credit Agreement***

On November 28, 2012, Former SAE entered into a four year term Credit Agreement for \$80,000 (as amended, the "2012 Credit Agreement"), bearing interest at 13.5%. The 2012 Credit Agreement was collateralized by all the assets of Former SAE. The Corporation joined the 2012 Credit Agreement in the same capacity as Former SAE upon consummation of the Merger. The 2012 Credit Agreement required quarterly principal payments of \$200 plus 0.25% of any additional amounts borrowed, with the remaining unpaid balance due at maturity in 2016.

All amounts outstanding under the 2012 Credit Agreement were repaid on July 2, 2014 from proceeds of the issuance of senior secured notes (see Note 4), and the 2012 Credit Agreement was terminated. The repayment and termination of the 2012 Credit Agreement resulted in a \$17,157 charge to loss on early extinguishment of debt in the three and nine month periods ended September 30, 2014. The charge consisted of prepayment penalties of \$8,877, write-off of unamortized loan discount and issuance costs totaling \$7,983, and legal fees of \$297.

### ***Notes Payable to Former SAE Stockholders***

On June 24, 2013, as Merger consideration to the Former SAE stockholders, the Corporation issued a \$17,500 promissory note due June 24, 2023 and bearing interest of 10.0% to CLCH, the Former SAE stockholders' representative. At the date of issuance, the Corporation elected the fair value option for recording the note. As of the issuance date, the fair value of the promissory note was determined to be \$11,775, utilizing a net present value approach based on a discount rate of 17.6%. In calculating the net present value, the Corporation used the average yield for similar instruments to determine the discount rate. The resulting change in fair value is reported in the results of operations under change in fair value of notes payable to Former SAE stockholders. The change in fair value reported for the three months ended September 30, 2014 and 2013 was \$0 and \$492 and for the nine months ended September 30, 2014 and 2013 was \$5,094 and \$492. All amounts outstanding under the notes payable to Former SAE stockholders were repaid on July 2, 2014 from proceeds of the issuance of senior secured notes, and the promissory note was terminated.

In October 2013, CLCH, Seismic Management Holdings Inc. and Brent Whiteley entered into a waiver agreement with the Corporation, pursuant to which each agreed to allow the Corporation to defer payment of interest on the notes payable to Former SAE stockholders until such payments were permitted to be made under the 2012 Credit Agreement. Cumulative deferred interest payments totaling \$2,007 were recorded in accrued liabilities at June 30, 2014 and paid on July 2, 2014.

### ***Notes Payable to Related Parties***

At December 31, 2013, convertible promissory notes issued to Eric S. Rosenfeld and David D. Sgro, directors and founding stockholders of the Corporation ("Founders"), were outstanding in the amounts of \$300 and \$200, respectively. The Corporation recorded these notes payable at a combined carrying amount of \$500 and estimated their combined fair value to be \$886 as of December 31, 2013. When initially issued, the promissory notes were convertible into 1,000,000 warrants with an exercise price of \$12 per share (the "Convertible Debt Warrants"). On January 8, 2014, the Founders elected to convert these promissory notes in the aggregate principal amounts of \$300 and \$200, respectively, into Convertible Debt Warrants to exchange for an aggregate of 60,000 shares and 40,000 shares, respectively, of the Corporation's common stock, par value \$0.0001 per share. This transaction resulted in no gain or loss as the conversion feature was in the original convertible promissory notes agreements. Messrs. Rosenfeld and Sgro each exchanged such Convertible Debt Warrants for common stock, at a ratio of ten warrants for one share, in the Corporation's Warrant Exchange described in Note 8.

## **NOTE 6 — INCOME TAXES**

The Corporation records income tax expense for interim periods on the basis of an estimated annual effective tax rate. The estimated annual effective tax rate is recomputed on a quarterly basis and may fluctuate due to changes in forecasted annual operating income, positive or negative changes to the valuation allowance for net deferred tax assets, and changes to actual or forecasted permanent book to tax differences. In addition, the Corporation reflects the tax effect of discrete items such as merger expenses, specific capital issuance expenses and accelerated finance charges in the quarter these events occur.

For the three month period ended September 30, 2014, the effective tax rate was negative 9.7%. The primary reason the tax rate differs from the 35% Federal statutory corporate rate is the impact of increased valuation allowances and permanent tax differences including non-deductible financing costs and foreign tax expense. For the three month period ended September 30, 2013, the

effective tax rate was negative 74.4%. The primary reason the tax rate differs from the 35% Federal statutory corporate rate is the impact of permanent tax differences including non-deductible merger and financing costs and foreign tax expense.

For the nine month period ended September 30, 2014, the effective tax rate was negative 36.6%. The primary reason the tax rate differs from the 35% Federal statutory corporate rate is the impact of the full valuation allowance recorded and permanent tax differences including non-deductible financing costs and foreign tax expense. For the nine month period ended September 30, 2013, the effective tax rate was negative 114.1%. The primary reason the tax rate differs from the 35% federal statutory corporate rate is the impact of permanent tax differences including non-deductible merger and financing costs and foreign tax expense.

The Corporation believes that without positive evidence, it is more likely than not that the benefit from certain net operating losses (“NOL”) carryforwards and foreign tax credits may not be realized. In recognition of this risk, the Corporation has maintained a full valuation allowance for the deferred tax assets relating to these NOL carryforwards and foreign tax credits of certain countries, which has caused the unusually high effective tax rate.

#### **NOTE 7 — DIVIDENDS ON FORMER SAE CONVERTIBLE PREFERRED STOCK**

Former SAE issued an aggregate of \$5,000 in Series A Convertible Preferred Stock with cumulative dividends, payable monthly, at the rate of 10.5% per annum. In connection with the Merger, the Series A Convertible Preferred Stock were retired on June 24, 2013. Cumulative dividends of \$1,072 remained unpaid until July 2, 2014, when they were paid upon retirement of the 2012 Credit Agreement.

#### **NOTE 8 — 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 designations, rights, and preferences as may be determined from time to time by the Corporation’s Board of Directors. As of September 30, 2014, there were 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 September 30, 2014, a total of 14,870,549 shares were issued and outstanding.

##### ***Warrants***

On January 7, 2014, the Corporation commenced an offer to exchange warrants for up to 1,500,000 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. On February 14, 2014, the Corporation issued 1,441,813 shares and paid a total of \$0.05 cash in lieu of fractional shares in exchange for 14,418,193 warrants tendered in the Warrant Exchange. The Warrant Exchange was accounted for as a capital transaction involving an exchange of equity with no recognition of gain or loss. New shares of common stock were issued and the par value amount associated with that common stock of \$0.14 was added to additional paid in capital. The following table shows the roll forward of total public and private warrants for December 31, 2013 to September 30, 2014:

Total warrants outstanding at December 31, 2013	15,000,000
Less: warrants converted to common shares	(14,418,193) <sup>(1)</sup>
Total warrants outstanding at September 30, 2014	<u>581,807</u>

(1) Includes conversion of the Convertible Debt Warrants.

##### ***Conversion of Exchangeable Shares***

On March 7, 2014, the holders of the common shares issued by 1623753 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

SAExploration Holdings, Inc. and Subsidiaries

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in the Merger, which included 254,558 shares of the Corporation's common stock that were released from the escrow in which the Corporation's shares were held pending the exchange. The exchanged shares of 1623753 Alberta Ltd. are no longer outstanding.

*Share-Based Compensation*

Share-based compensation was expensed and additional paid-in capital increased by \$1,100 for the nine months ended September 30, 2013, as a result of the accelerated vesting of Former SAE restricted stock grants due to the Merger.

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 September 30, 2014, no shares have been issued under the plan.

On November 1, 2013, the Corporation's non-employee director share incentive 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 were issued under the plan. These shares vested immediately at issuance and the Corporation recorded share-based compensation of \$200. No shares were issued under the plan during the nine months ended September 30, 2014.

**NOTE 9 — FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Corporation has certain assets and liabilities that are required to be measured and disclosed at fair value in accordance with GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. When an asset or liability is required to be measured at fair value, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs using a fair value hierarchy as follows:

Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets.

Level 2: Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions. Measurement is based on prices or valuation models requiring inputs that are both significant to the fair value measurement and supported by little or no market activity.

The carrying amount of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses are a reasonable estimate of their fair values due to their short duration.

Corporation financial instruments measured at fair value on a recurring basis are as follows:

SAExploration Holdings, Inc. and Subsidiaries

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	Carrying Amount	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Notes payable to Former SAE stockholders:				
Balance at December 31, 2013	\$ 12,406	\$ —	\$ —	\$ 12,406
Realized loss	5,094	—	—	5,094
Repayment of notes	(17,500)	—	—	(17,500)
Balance at September 30, 2014	\$ —	\$ —	\$ —	\$ —
Balance at June 24, 2013	\$ 11,775	\$ —	\$ —	\$ 11,775
Unrealized loss	492	—	—	492
Balance at September 30, 2013	\$ 12,267	\$ —	\$ —	\$ 12,267

At June 30, 2014, the fair value of notes payable to Former SAE stockholders was derived based on a probability weighted approach including consideration of the risk of refinancing, resulting in an unrealized loss of \$5,094 reported under change in fair value of notes payable to Former SAE stockholders for the nine months ended September 30, 2014. On July 2, 2014, the notes payable to Former SAE stockholders were refinanced, resulting in their repayment and termination, and the realization of the loss previously recorded. During 2013, the fair value of the note payable to Former SAE stockholders was 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. An unrealized loss of \$492 was reported under change in fair value of notes payable to Former SAE stockholders for the three and nine months ended September 30, 2013.

Corporation financial instruments not recorded at fair value consist of the senior secured notes and notes payable under credit agreement. The senior secured notes were issued on July 2, 2014. At September 30, 2014, the carrying value of the senior secured notes was \$150,000 and the estimated fair value was \$148,875. The fair value is determined by a market approach using dealer quoted period-end bond prices. This instrument is classified as Level 2 as valuation inputs for fair value measurements are dealer quoted market prices at September 30, 2014 obtained from independent third party sources. However, no assurance can be given that the fair value would be the amount realized in an active market exchange.

At December 31, 2013, the carrying value of notes payable under credit agreement, net of discount, was \$80,688 and the estimated fair value was \$78,721. The fair value as of December 31, 2013 was derived using the net present value of expected cash flow discounted based on yields for similar U.S. Dollar debt instruments adjusted for the specific terms of the credit agreement and other factors. This instrument is classified as Level 3 since the fair value is principally based on a valuation model supported by little market activity. On July 2, 2014, the notes payable under credit agreement were repaid with proceeds from issuance of the senior secured notes.

The Corporation's non-financial assets include goodwill, property and equipment, and other intangible assets, which are classified as Level 3 assets. These assets are measured at fair value on a nonrecurring basis as part of the Corporation's impairment assessments and as circumstances require. Goodwill is subjected to an annual review for impairment or more frequently as required. The Corporation's 2014 evaluation of goodwill concluded that it was not impaired.

**NOTE 10 — NONCONTROLLING INTEREST**

Effective November 19, 2012, an agreement was entered into between a subsidiary of the Corporation and Kuukpik Corporation ("Kuukpik") 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 Corporation and Kuukpik's percentage ownership interest in the Joint Venture are 49.0% and 51.0%, respectively. The sole source of revenue of the Joint Venture is contracts performed by the Corporation. Pre-award costs incurred on potential contracts by Kuukpik and the Corporation are absorbed by

each party and not by the Joint Venture. The Joint Venture receives 10% of gross revenues of all contracts performed by the Corporation, which is distributed to Kuukpik and the Corporation based on their relative ownership percentages. Risk of loss on a contract, including credit risk, is the Corporation's sole responsibility. Based on its power to influence the significant business activities of the Joint Venture and its responsibility to absorb contract losses, the Corporation was determined to be the primary beneficiary under ASC Topic 810 and as such consolidates the Joint Venture. The results of the Joint Venture are combined with the Corporation and all intercompany transactions are eliminated upon consolidation. Amounts reflected for the Joint Venture in the unaudited condensed consolidated financial statements consist of the balances reported under net income attributable to noncontrolling interest for the three and nine month periods ended September 30, 2014 and 2013 and noncontrolling interest on the September 30, 2014 and December 31, 2013 balance sheets.

#### **NOTE 11 — COMMITMENTS AND CONTINGENCIES**

As of September 30, 2014, the Corporation has entered into commitments for the purchase of equipment to be utilized in its Alaska operations totaling approximately \$26,830, of which \$9,741 has been deposited with the equipment vendors and reported under property and equipment in the September 30, 2014 balance sheet.

On August 14, 2013, a former investment banker for the Corporation filed a lawsuit in Canada seeking damages for alleged entitlement to a success fee. On July 24, 2014, the Corporation entered into an agreement to settle the disputed fees resulting in a charge of \$657 to selling, general and administrative expenses for the nine months ended September 30, 2014. The settlement was accrued as of June 30, 2014 and paid during the third quarter of 2014.

The Corporation is involved in various legal proceedings involving contractual and employment relationships, liability claims, and a variety of other matters. The outcome of these legal proceedings and other matters is not expected to have, either individually or in the aggregate, a material adverse effect on the Corporation's financial position, results of operations, or cash flows.

#### **NOTE 12 — SUBSEQUENT EVENT**

On November 6, 2014, the Corporation entered into a credit and security agreement with Wells Fargo Bank, N.A. ("Wells Fargo") for a \$20,000 secured revolving line of credit ("Credit Facility"), maturing November 6, 2017. The Credit Facility will be used for working capital purposes and includes an accordion feature that allows for an increase in the line of credit of up to an additional \$10,000 with approval and a sub facility for letters of credit, as needed. The Credit Facility bears interest at the daily three month LIBOR plus 3.0%.

Borrowings under the Credit Facility are subject to borrowing base availability and shall not exceed 85% of the amount of eligible accounts receivable, as defined, plus the lesser of \$20,000 or 85% of the orderly net liquidation value of existing eligible equipment per appraisal and 85% of hard costs of acquired eligible equipment, less the aggregate amount of any reserves established by Wells Fargo. If borrowings under the Credit Facility exceed \$5,000, the Corporation is subject to minimum monthly EBITDA requirements on a consolidated basis and on the Corporation's United States operations. The Credit Facility contains customary covenants including limitations on the transfer or sale of assets, payment of dividends, permitting a change in control, and additional indebtedness or liens on assets.

#### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Management's Discussion and Analysis of Financial Condition should be read in conjunction with the accompanying unaudited condensed consolidated financial statements as of September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Part I, Item 1A of our 2013 Annual Report on Form 10-K, as amended, and in Part II, Item 1A in this Form 10-Q. See "Forward-Looking Statements" below. Amounts are in thousands, except for share amounts and as otherwise noted.*

#### **Highlights**

The following discussion is intended to assist in understanding our financial position at September 30, 2014, and our results of operations for the three and nine months ended September 30, 2014. Financial and operating results for the three months ended September 30, 2014 include:

- Revenues from services for the three months ended September 30, 2014 increased to \$107,812 from \$47,429 in 2013.



- Gross profit for the three months ended September 30, 2014 increased to 12.2% from a negative gross profit of (9.1)% in 2013.
- Operating income for the three months ended September 30, 2014 was \$3,146 compared to an operating loss of \$(12,858) in 2013.
- Net loss for the three months ended September 30, 2014 was \$(21,546) compared to net loss of \$(30,102) in 2013.
- Adjusted EBITDA for the three months ended September 30, 2014 increased to \$7,429 compared to \$(8,327) for 2013.
- Cash and cash equivalents totaled \$28,380 as of September 30, 2014 compared to \$16,762 as of September 30, 2013.

## **Overview**

We are an internationally-focused oilfield services company offering a full range of seismic data acquisition and logistical support services in Alaska, Canada, South America, and Southeast Asia to our customers in the oil and natural gas industry. We were 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 June 24, 2013, the Merger with Former SAE was consummated, at which time our 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, we were 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 our net assets, accompanied by a recapitalization. Our net 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 our equity structure.

Our 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 offshore in depths of up to 5,000 feet. In addition, we offer a full suite of logistical support and in-field processing services. Our customers include major integrated oil companies, national oil companies and independent oil and gas exploration and production companies. Our services are primarily used by our customers to identify and analyze drilling prospects and to maximize successful drilling, making demand for such services dependent upon the level of customer spending on exploration, production, development and field management activities, which is influenced by the fluctuation in oil and natural gas commodity prices. Demand for our services is also impacted by long-term supply concerns based on national oil policies and other country-specific economic and geo-political conditions. We have expertise in logistics and focus upon providing a complete service package, particularly in our international operations, which allows efficient movement into remote areas, giving us what we believe to be a strategic advantage over our competitors and providing us with opportunities for growth. Many of the areas of the world where we work have limited seasons for seismic data acquisition, requiring high utilization of key personnel and redeployment of equipment from one part of the world to another. All of our remote area camps, drills and support equipment are easily containerized and made for easy transport to locations anywhere in the world. As a result, if conditions deteriorate in a current location or demand rises in another location, we are able to quickly redeploy our crews and equipment to other parts of the world. By contrast, we tend to subcontract out more of our services in North America than in other regions, and our North American revenues tend to be more dependent upon data acquisition services rather than our full line of services.

While our revenues from services are mainly affected by the level of customer demand for our services, operating revenue is also affected by the bargaining power of our customers relating to our services, as well as the productivity and utilization levels of our data acquisition crews. Our logistical expertise can be a mitigating factor in service price negotiation with our customers, allowing us to maintain larger margins in certain regions of the world, particularly in the most remote or most challenging climates of the world. Factors impacting the productivity and utilization levels of our crews include permitting delays, downtime related to inclement weather, decrease in daylight working hours during winter months, time and expense of repositioning crews, the number and size of each crew, and the number of recording channels available to each crew. We have the ability to optimize the utilization of personnel and equipment, which is a key factor to stabilizing margins in the various regions in which we operate. Specifically, we are investing in equipment that is lighter weight and more easily shipped between the different regions. The ability to reduce both the costs of shipment and the amount of shipping time increases our operating margins and utilization of equipment. Similar logic applies to the utilization of personnel. We focus on employing field managers who are mobile and have the expertise and knowledge of many different markets within our operations. This allows for better timing of operations and the ability of

management staff to run those operations while at the same time minimizing personnel costs. An added benefit of a highly mobile field management team is better internal transfer of skill and operational knowledge and the ability to spread operational efficiencies rapidly between the various regions.

Our contracts are either term (variable pricing) or turnkey (fixed price). Revenue is recognized on the term contracts at the rate provided in the particular contract. Under turnkey contracts, we recognize revenue based upon measurable outputs from the project. Generally, these outputs are verified by a customer representative in the field on a daily or weekly basis. Once the progress from the field is acknowledged by the customer representative, the information is then used to assemble the monthly invoices.

Generally the choice of whether to subcontract out services depends on the expertise available in a certain region and whether that expertise is more efficiently obtained through subcontractors or by using our own labor force. For the most part, services are subcontracted within North America and our personnel are used in other regions where we operate. When subcontractors are used, we manage them and require that they comply with our work policies and QHSE objectives.

Our customers continue to request increased recording channel capacity on a per crew or project basis in order to produce higher resolution images, to increase crew efficiencies and to allow us to undertake larger scale projects. In order to meet these demands, we routinely deploy a variable number of land and marine channels through various sources with multiple crews in an effort to maximize asset utilization and meet customer needs. We believe that increased channel counts and more flexibility of deployment will result in increased crew efficiencies, which we believe should translate into higher revenues and margins.

The acquisition of seismic data for the oil and gas industry is a highly competitive business. Factors such as price, experience, availability, technological expertise and reputation for dependability and safety of a crew significantly affect a potential customer's decision to award a contract to us or one of our competitors. Our competitors include much larger companies with greater financial resources, more available equipment and more crews, as well as companies of comparable and smaller sizes. Our primary competitors are Compagnie Générale de Géophysique (CGG), Geokinetics, Inc., Global Geophysical Services, Inc. and ION Geophysical Corporation. In addition to those companies, we also compete for projects from time to time with smaller seismic companies that operate in local markets.

### ***Contracts***

We conduct data acquisition services under master service agreements with our customers that set forth certain obligations of our customers and us. 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. The supplemental agreements are either "turnkey" agreements that provide for a fixed fee to be paid to us for each unit of data acquired, or "term" agreements that provide for a fixed hourly, daily or monthly fee during the term of the project.

Turnkey agreements generally mean more profit potential, but involve more risks due to potential crew downtimes or operational delays. We attempt to negotiate on a project-by-project basis some level of weather downtime protection within the turnkey agreements. Under term agreements, we are ensured a more consistent revenue stream with improved protection from crew downtime or operational delays, but with a decreased profit potential.

### ***How We Generate Revenues***

We provide a full range of seismic data acquisition services, including infield processing services, and related logistics services. We currently provide our services on only a proprietary basis to our customers and the seismic data acquired is owned by our customers once acquired.

Our seismic data acquisition and logistics services include the following:

*Program Design, Planning and Permitting.* A seismic survey is initiated at the time the customer requests a proposal to acquire seismic data on its behalf. We employ an experienced design team, including geophysicists with extensive experience in 2D, 3D and time-lapse 4D survey design, to recommend acquisition parameters and technologies to best meet the customer's exploration objectives. Our design team analyzes the request and works with the customer to put an operational, personnel and capital resource plan in place to execute the project.

Once a seismic program is designed, we assist the customer in obtaining the necessary permits from governmental authorities and access rights of way from surface and mineral estate owners or lessees where the survey is to be conducted. It is usually our permitting crew that is first to engage with the local residents and authorities. We believe our knowledge of the local environment, cultural norms and excellent QHSE track record enable us to engender trust and goodwill with the local communities, which our customers are able to leverage over the longer exploration cycle in the area.

*Camp Services.* We have developed efficient processes for assembling, operating and disassembling field camps in challenging and remote project locations. We operate our camps to ensure the safety, comfort and productivity of the team working on each project and to minimize our environmental impact through the use of wastewater treatment, trash management, water purification, generators with full noise isolation and recycling areas.

In areas like South America and Papua New Guinea, logistical support needs to be in place to establish supply lines for remote jungle camps. To insure the quality of services delivered to these remote camps, we own ten supply and personnel river vessels to gain access to remote jungle areas. We also have five jungle camps and a series of 40 fly camps that act as advance camps from the main project camp. Each of these jungle base camps contains a full service medical facility complete with doctors and nurses in the remote chance we need to stabilize any potential injuries for medical transport. The camps are equipped with full meal kitchens held to high standards of cleanliness, sleeping and recreational quarters, power supply, communications links, air support, water purification systems, black water purification systems, offices, repair garages, fuel storage and many more support services.

*Survey and Drilling.* In a typical seismic recording program, the first two stages of the program are survey and drilling. Once the permitting is completed, our survey crews enter the project areas and begin establishing the source and receiver placements in accordance with the survey design agreed to by the customer. The survey crew lays out the line locations to be recorded and, if explosives are being used, identifies the sites for shot-hole placement. The drilling crew creates the holes for the explosive charges that produce the necessary acoustical impulse.

The surveying and drilling crews are usually employed by us but may be third party contractors depending on the nature of the project and its location. Generally the choice of whether to subcontract out services depends on the expertise available in a certain region and whether that expertise is more efficiently obtained through subcontractors or by using our own labor force. For the most part, services are subcontracted within Alaska and Canada and our personnel are used in other regions where we operate. When subcontractors are used, we manage them and require that they comply with our work policies and QHSE objectives. In Alaska and Canada, the surveying and drilling crews are typically provided by third party contractors but are supervised by our personnel. In Alaska and Canada, our vibroseis source units consist of the latest source technology, including eight AHV IV 364 Commander Vibrators and six environmentally friendly IVI mini vibrators, complete with the latest Pelton DR electronics. In South America and Southeast Asia, we perform our own surveying and drilling, which is supported by up to 200 drilling units, including people portable, low impact self-propelled walk behind, track driven and heli-portable deployed drilling rigs. Our senior drilling staff has a combined work experience of over 50 years in some of the most challenging environments in the world. On most programs there are multiple survey and drilling crews that work at a coordinated pace to remain ahead of the data recording crews.

*Recording.* We use equipment capable of collecting 2D, 3D, time-lapse 4D and multi-component seismic data. We utilize vibrator energy sources or explosives depending on the nature of the program and measure the reflected signals with strategically placed sensors. Onshore, geophones are manually buried, or partially buried, to ensure good coupling with the surface and to reduce wind noise. Offshore, the reflected signals are recorded by either hydrophones towed behind a survey vessel or by geophones placed directly on the seabed. We increasingly employ ocean bottom nodes positioned by remote operated vehicles on the seafloor in our marine acquisition operations. We have available over 29,500 owned land and marine seismic recording channels with the ability to access additional equipment through rental or long-term leasing sources. All of our systems record equivalent seismic information but vary in the manner by which seismic data is transferred to the central recording unit, as well as their operational flexibility and channel count expandability. We utilize 11,500 channels of Sercel 428/408 equipment, 6,000 channels of Fairfield Land Nodal equipment and 2,000 units of Fairfield Ocean Bottom Nodal equipment and 10,000 channels of Oyo GSR equipment.

We have made significant capital investments to increase the recording capacity of our crews by increasing channel count and the number of energy source units we operate. This increase in channel count demand is driven by customer needs and is necessary in order to produce higher resolution images, increase crew efficiencies and undertake larger scale projects. In response to project-based channel requirements, we routinely deploy a variable number of channels with a variable number of crews in an effort to maximize asset utilization and meet customer needs. When recording equipment is at or near full utilization, we utilize rental equipment from strategic suppliers to augment our existing inventories. We believe we will realize the benefit of increased channel counts and flexibility of deployment through increased crew efficiencies, higher revenues and increased margins.

During the past three years, we dedicated a significant portion of our capital investment to purchasing and leasing wireless recording systems rather than the traditional wired systems. We utilize this equipment as primarily stand-alone recording systems, but on occasion it is used in conjunction with cable-based systems. The wireless recording systems allow us to gain further efficiencies in data recording and provide greater flexibility in the complex environments in which we operate. In addition, we have realized increased crew efficiencies and lessened the environmental impact of our seismic programs due to the wireless recording systems because they require the presence of fewer personnel and less equipment in the field. We believe we will experience continued demand for wireless recording systems in the future.

We also utilize multi-component recording equipment on certain projects to further enhance the quality of data acquired and help our customers enhance their development of producing reservoirs. Multi-component recording involves the collection of different seismic waves, including shear waves, which aids in reservoir analysis such as fracture orientation and intensity in shales and allows for more descriptive rock properties. We maintain a surplus of equipment, and augment our needs with leased equipment from time to time, to provide additional operational flexibility and to allow us to quickly deploy additional recording channels and energy source units as needed to respond to customer demand.

*Reclamation.* We have experienced teams responsible for reclamation of the areas where work has been performed so as to minimize the environmental footprint from the seismic program. These programs can include reforestation or other activities to restore the natural landscape at our worksites.

*In-field Processing.* Our knowledgeable and experienced team provides our customers with superior quality in-field processing. We believe that our strict quality control processes meet or surpass industry-established standards, including identifying and analyzing ambient noise, evaluating field parameters and employing obstacle-recovery strategies. Using the latest technology, our technical and field teams electronically manage customer data from the field to the processing office, minimizing time between field production and processing. All of the steps employed in our in-field processing sequence are tailored to the particular customer project and objectives.

### **Results of Operations**

The following tables set forth, for the periods indicated, certain financial data derived from our unaudited condensed consolidated statements of operations. Percentages shown in the table below are percentages of total revenue.

#### ***Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013***

Our operating results for the three months ended September 30, 2014 and 2013 are highlighted below (amounts in thousands):

	<b>Three Months Ended September 30,</b>			
	<b>2014</b>	<b>% of Revenue</b>	<b>2013</b>	<b>% of Revenue</b>
Revenue from services:				
North America	\$ 39,856	37.0 %	\$ 32,545	68.6 %
South America	67,956	63.0 %	9,463	20.0 %
Southeast Asia	—	— %	5,421	11.4 %
Total revenue	107,812	100.0 %	47,429	100.0 %
Gross profit (loss)	13,203	12.2 %	(4,316)	(9.1)%
Selling, general and administrative expenses	10,057	9.3 %	7,951	16.8 %
Merger costs	—	— %	591	1.2 %
Income (loss) from operations	3,146	2.9 %	(12,858)	(27.1)%
Other income (expense)	(22,786)	(21.1)%	(4,406)	(9.3)%
Provision for income taxes	1,906	1.8 %	12,838	27.1 %
Less net income attributable to noncontrolling interest	1,862	1.7 %	—	— %
Net loss attributable to the Corporation	\$ (23,408)	(21.7)%	\$ (30,102)	(63.5)%

#### ***Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013***

Our operating results for the nine months ended September 30, 2014 and 2013 are highlighted below (amounts in thousands):

**Nine Months Ended September 30,**

	<b>2014</b>	<b>% of Revenue</b>	<b>2013</b>	<b>% of Revenue</b>
<b>Revenue from services:</b>				
North America	\$ 119,797	40.1 %	\$ 85,934	49.2 %
South America	178,068	59.6 %	64,690	37.1 %
Southeast Asia	750	0.3 %	23,951	13.7 %
<b>Total revenue</b>	<b>298,615</b>	<b>100.0 %</b>	<b>174,575</b>	<b>100.0 %</b>
Gross profit	51,292	17.2 %	25,366	14.5 %
Selling, general and administrative expenses	30,267	10.2 %	22,169	12.7 %
Merger costs	—	— %	1,174	0.6 %
Income from operations	21,025	7.0 %	2,023	1.2 %
Other income (expense)	(35,158)	(11.8)%	(13,962)	(8.0)%
Provision for income taxes	5,168	1.7 %	13,620	7.8 %
Less net income attributable to noncontrolling interest	3,555	1.2 %	—	— %
<b>Net loss attributable to the Corporation</b>	<b>\$ (22,856)</b>	<b>(7.7)%</b>	<b>\$ (25,559)</b>	<b>(14.6)%</b>

**Revenue from Services.**

**North America:** Revenues in North America for the three and nine months ended September 30, 2014 increased by \$7,311 or 22.5% and \$33,863 or 39.4%, respectively, compared to \$32,545 and \$85,934, respectively, for the three and nine months ended September 30, 2013. The increase in revenues was due principally to increased 2014 revenues in Alaska resulting from an overall increase in seismic activity and market share in the North Slope region compared to 2013, partially offset by significantly reduced revenues in Canada. The market in the North Slope region of Alaska experienced significant growth during the 2014 winter season as a result of favorable market and regulatory conditions for oil and gas producers. In 2014, the Canadian market was adversely impacted by regulatory issues that slowed the government approval process, which resulted in cancelled and delayed projects.

**South America:** Revenues in South America for the three and nine months ended September 30, 2014 increased by \$58,493 or 618.1% and \$113,378 or 175.3%, respectively, compared to \$9,463 and \$64,690, respectively, for three and nine months ended September 30, 2013. The increase in revenues during 2014 was due mainly to major projects in Peru and Bolivia and overall increased exploration activity in South America.

**Southeast Asia:** Revenues in Southeast Asia for the three and nine months ended September 30, 2014 decreased by \$(5,421) or (100.0)% and \$(23,201) or (96.9)%, respectively, compared to \$5,421 and \$23,951, respectively, for three and nine months ended September 30, 2013. The decrease in revenue for Southeast Asia was due primarily to Papua New Guinea and Malaysia, which had major projects during 2013 compared to no activity in 2014. Southeast Asia remains a burgeoning, yet competitive market for shallow-water seismic activity.

**Gross Profit.** Gross profit was \$13,203, or 12.2% of revenues for the three months ended September 30, 2014 compared to a negative gross profit of \$(4,316), or a negative (9.1)% of revenues, for the three months ended September 30, 2013. Factors contributing to the improvement in gross profit as a percentage of revenue during the three month period were:

- In 2013, costs were incurred on a shallow-water fixed-fee project in Malaysia as a result of a lead vessel experiencing more than a week's downtime for repair. The downtime in Malaysia resulted in the entire seismic acquisition crew being placed on stand-by for the duration of the repairs. These costs amounted to approximately \$6,300.
- In 2013, 52% of our revenues were in Canada during its off-season. Canada experiences a more competitive market during this time than is typical of its winter operations, resulting in lower margins.

For the nine months ended September 30, 2014, gross profit was \$51,292, or 17.2% of revenues, compared to gross profit of \$25,366, or 14.5% of revenues, for the nine months ended September 30, 2013. The lower 2013 gross profit as a percentage of revenues was primarily due to costs incurred on the shallow-water fixed-fee project in Malaysia discussed above.

Within the seismic data services industry, gross profit is presented both with or without depreciation and amortization expense on equipment used in operations. Our gross profit is presented after reduction for depreciation and amortization expense on equipment used in operations. The following table discloses gross profit on both bases:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014	% of Revenue	2013	% of Revenue	2014	% of Revenue	2013	% of Revenue
Gross profit (loss) as presented	\$ 13,203	12.2%	\$ (4,316)	(9.1)%	\$ 51,292	17.2%	\$ 25,366	14.5%
Depreciation and amortization expense included in cost of services	4,276	4.0%	3,442	7.3 %	11,236	3.7%	10,378	6.0%
Gross profit (loss) excluding depreciation and amortization expense included in cost of services	\$ 17,479	16.2%	\$ (874)	(1.8)%	\$ 62,528	20.9%	\$ 35,744	20.5%

**Selling, General and Administrative Expenses.** For the three months ended September 30, 2014, selling, general and administrative (“SG&A”) expenses increased by \$2,106 to \$10,057 or 9.3% of revenues compared to \$7,951 or 16.8% of revenues for the three months ended September 30, 2013. For the nine months ended September 30, 2014, SG&A increased by \$8,098 to \$30,267 or 10.2% of revenues compared to \$22,169 or 12.7% of revenues for the nine months ended September 30, 2013. The decrease in SG&A expenses as a percentage of revenues was due to the overall increase in revenue and the benefits from our previously planned scaling of internal infrastructure we are building to manage our continuing growth. The increase in 2014 SG&A expenses was due to higher administrative costs to support our continued growth in South America, higher compensation expenses, and expenses related to additional accounting and financial staff and outside consultants, attorneys and auditors to satisfy our increased obligations as a public company.

**Merger Costs.** Expenses of \$591 and \$1,174 were incurred during the three and nine months ended September 30, 2013 in connection with the merger of Trio Merger Corp. and SAExploration Holdings, Inc. as discussed in Note 2 to the unaudited condensed consolidated financial statements.

**Other Income (Expense).** Other income (expense) increased by expense of \$(18,380) for the three months ended September 30, 2014 and by expense of \$(21,196) for the nine months ended September 30, 2014. The increase in expense in the three and nine month periods was primarily due to the loss on early extinguishment of debt recorded in the three and nine months ended September 30, 2014 of \$17,157, which resulted from the repayment and termination of the 2012 Credit Agreement on July 2, 2014 as discussed further in Note 5 to the unaudited condensed consolidated financial statements. Additionally, for the nine months ended September 30, 2014, expense of \$5,094 was recorded to reflect the change in the fair value of notes payable to Former SAE stockholders to the amount repaid with the proceeds of the senior secured notes compared to expense of \$492 for the three and nine months ended September 30, 2013.

**Provision for Income Taxes.** For the three months ended September 30, 2014, the provision for income taxes was \$1,906 representing a negative 9.7% effective tax rate compared to the provision for income taxes of \$12,838 for the three months ended September 30, 2013 at a negative 74.4% effective tax rate. The decrease in the provision for income taxes of \$10,932 was primarily due to the larger increase in the valuation allowance recorded in 2013. For the nine months ended September 30, 2014, the provision for income taxes was \$5,168 representing a negative 36.6% effective tax rate compared to the provision for income taxes of \$13,620 for the nine months ended September 30, 2013 at a negative 114.1% effective tax rate. The decrease in the provision for income taxes of \$8,452 was primarily due to the larger increase in the valuation allowance recorded in 2013.

We record income tax expense for interim periods on the basis of an estimated annual effective tax rate. The estimated annual effective tax rate is recomputed on a quarterly basis and may fluctuate due to changes in forecasted annual operating income, positive or negative changes to the valuation allowance for net deferred tax assets, and changes to actual or forecasted permanent book to tax differences. In addition, we reflect the tax effect of discrete items such as merger expenses, specific capital issuance expenses and accelerated finance charges in the quarter these events occur. We believe that without positive evidence, it is more likely than not that the benefit from certain net operating losses (“NOL”) carryforwards and foreign tax credits may not be realized. In recognition of this risk, we maintain a full valuation allowance for the deferred tax assets relating to these NOL carryforwards and foreign tax credits of certain countries, which caused the unusually high effective tax rate.

**Net Loss Attributable to the Corporation.** For the three months ended September 30, 2014, net loss attributable to the Corporation was \$23,408 compared to \$30,102 for the three months ended September 30, 2013. For the nine months ended September 30, 2014, net loss attributable to the Corporation was \$22,856 compared to \$25,559 for the nine months ended September 30, 2013.

The decrease in net loss for the three months ended September 30, 2014 was primarily due to the following factors:

- Higher revenues, primarily in Peru and Alaska;
- Higher gross profit, and lower SG&A expenses as a percentage of revenues; and

- Proportionately lower provision for income taxes; partially offset by
- Loss on early extinguishment of debt resulting from the repayment of notes in connection with the issuance of the senior secured notes.

The decrease in net loss for the nine months ended September 30, 2014 was primarily due to the following factors:

- Higher revenues, primarily in Alaska, Peru and Bolivia;
- Higher gross profit, and lower SG&A expenses as a percentage of revenues; and
- Proportionately lower provision for income taxes; partially offset by
- Loss on early extinguishment of debt and change in fair value of notes payable to Former SAE stockholders resulting from the repayment of notes in connection with the issuance of senior secured notes.

**Adjusted EBITDA.** For the three months ended September 30, 2014, adjusted EBITDA was \$7,429 compared to \$(8,327) for the three months ended September 30, 2013. For the nine months ended September 30, 2014, adjusted EBITDA was \$34,423 compared to \$15,394 for the nine months ended September 30, 2013. The increase was due primarily to higher revenue earned during the 2014 periods, improved gross profit due in part to the downtime costs incurred in 2013 of approximately \$6,300 on the shallow-water fixed-fee project in Malaysia, and lower 2014 SG&A as a percentage of revenue resulting from the scaling of internal infrastructure we are building to manage our continuing growth.

#### **Liquidity and Capital Resources**

**Cash Flows.** Cash used in operations for the first nine months of 2014 was \$15,945, compared to cash used in operations of \$7,133 for the first nine months of 2013, an increase in cash used in operations of \$8,812. Cash provided by net loss and net cash adjustments to net loss increased to \$9,831 for the nine months ended September 30, 2014 compared to cash used by net loss and net cash adjustments to net loss of \$7,370 for the nine months ended September 30, 2013 as a result of higher income from operations in 2014. Net changes in operating assets and liabilities resulted in cash used of \$25,776 for the nine months ended September 30, 2014 compared to cash provided of \$237 for the nine months ended September 30, 2013, primarily due to higher accounts receivable from increased revenues and longer contractual payment terms in accordance with standard business practices for South American customers.

**Working Capital.** Working capital as of September 30, 2014 was \$65,672 compared to \$27,111 as of December 31, 2013. The increase in working capital during 2014 was principally the result of the increase in income from operations and the cash proceeds from the issuance of senior secured notes in July 2014.

**Capital Expenditures.** Cash used in investing activities for the first nine months of 2014 was \$15,756, compared to cash used in investing activities of \$3,906 for the first nine months of 2013, an increase in cash used of \$11,850. The increase was due to higher capital expenditures for the nine months ended September 30, 2014 of \$15,828 compared to \$3,906 for the nine months ended September 30, 2013. The increased capital expenditures consisted primarily of deposits on equipment for the Alaska operations, camp and drilling equipment purchases in Peru and Colombia in line with our focus on South American operations, and a combination of mechanical equipment, computer equipment and electronics associated with our wireless strategy in Southeast Asia and North and South America. Utilizing the proceeds of the senior secured notes discussed below, we intend to expend an additional \$20 million on equipment for the Alaska market during the fourth quarter of 2014.

Our focus on providing leading edge technology will be at the forefront of our capital expenditure plans in the coming years, which investments will continue to strengthen our position and growth in the global oil and gas exploration services market. Focusing on worldwide oil and gas markets, we will continue to employ and expand our wireless equipment on a worldwide basis while maintaining the ability to provide services to the still existing cable markets. Our capital purchases have and will allow us to take advantage of all aspects of the geophysical exploration services market, ranging from land, marine and transition zone data acquisition; 2D, 3D, 4D and multi-component data acquisition; and use of different methods to acquire data such as using vibroseis (vibrating) and impulsive sources; as well as vertical seismic profiling and reservoir monitoring. Investments in expanding further into our South America and Southeast Asia markets will also focus upon surveying, drilling and base camp operations.

During the last three years, in line with our focus on wireless land data acquisition, we purchased a cableless seismic data acquisition system which allows up to three crews to operate under the system at the same time. Following customer needs for higher density land programs using a single point receiver application and to answer the demand for conventional and unconventional oil and gas exploration, we purchased high sensitivity geophones and two types of vibrators, further strengthening our position as a full solution provider for land data acquisition methods and technologies. Additional equipment investments were made for ongoing operations in Alaska in order to increase efficiency. We also invested in cable equipment in order to provide customers in Latin America with cable systems as wireless technology is slower to take hold in that market.

**Financing.** Cash provided by financing activities for the first nine months of 2014 was \$42,215, compared to cash provided by financing activities of \$12,376 for the first nine months of 2013, an increase in cash provided of \$29,839. The increase in cash provided in the first nine months of 2014 was primarily due to the issuance of the senior secured notes discussed further below, less debt repaid with the proceeds and loan issuance costs incurred on the transaction. The increase in cash provided in the first nine months of 2013 was primarily from the net proceeds of the Merger, less Merger costs and dividends paid to Former SAE common and preferred stockholders.

On July 2, 2014, we issued senior secured notes ("Notes") totaling \$150,000 in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. The proceeds of these Notes were used to pay the amounts owed under the 2012 Credit Agreement, the notes payable to Former SAE stockholders, and related professional fees and expenses, and will be used to fund the purchase of equipment for our Alaska operations and for general corporate purposes.

The Notes bear interest at the annual rate of 10.0% payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2015. The Notes are guaranteed on a senior secured basis with a lien on substantially all assets of SAExploration Holdings, Inc. and each of our existing and future domestic subsidiaries, except for any immaterial subsidiaries ("Guarantors"). The liens securing the senior secured notes are subject to certain exceptions and permitted liens, which are contractually subordinated to a first priority lien on certain assets should we enter into a new credit facility in the future.

We have the right to redeem some or all of the Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, together with accrued and unpaid interest to, but not including, the redemption date, if redeemed on or after January 15, 2017 as indicated:

<b>Period</b>	<b>Percentage</b>
On or after January 15, 2017 and prior to July 15, 2017	107.50%
On or after July 15, 2017 and prior to July 15, 2018	105.00%
On and after July 15, 2018	100.00%

We also have the right to redeem some or all of the Notes at any time or from time to time prior to January 15, 2017, at a redemption price equal to 100% of the principal amount thereof plus an applicable premium determined in accordance with the Indenture and accrued and unpaid interest to, but not including, the redemption date. In addition, we have the right to redeem from time to time up to 35% of the aggregate outstanding principal amount of the Notes before January 15, 2017, with the net proceeds of an equity offering at a redemption price equal to 110% of the principal amount thereof, plus accrued but unpaid interest to, but not including, the redemption date.

Subject to certain exceptions, upon the occurrence of a Change of Control (as defined in the Indenture), each holder of Notes will have the right to require us to purchase that holder's Notes for a cash price equal to 101% of the principal amounts to be purchased, plus accrued and unpaid interest to the date of purchase. Upon the occurrence of an Asset Sale (as defined in the Indenture), each holder of Notes will have the right to require us to purchase that holder's Notes for a cash price equal to 100% of the principal amounts to be purchased, plus accrued and unpaid interest to the date of purchase, prepayment or redemption, from any proceeds from the Asset Sale in excess of \$7.5 million that are not otherwise used by us to either reduce our debt, reinvest in assets or acquire a permitted business.

The Indenture contains various covenants, including, but not limited to, covenants that, subject to certain exceptions, limit our ability and our restricted subsidiaries, including the Guarantors, to, among other things: (i) transfer or sell assets; (ii) pay dividends, redeem subordinated indebtedness or make other restricted payments; (iii) incur or guarantee additional indebtedness or, with respect to our restricted subsidiaries, issue preferred stock; (iv) create or incur liens; (v) incur dividend or other payment restrictions affecting its restricted subsidiaries; (vi) consummate a merger, consolidation or sale of all or substantially all of its or its subsidiaries' assets; (vii) enter into transactions with affiliates; (viii) engage in business other than its current business and reasonably related extensions thereof; and (ix) take or omit to take any actions that would adversely affect or impair in any material respect the collateral securing the Notes.

In connection with the issuance of the Notes, we entered into a registration rights agreement in which we agreed to use our best efforts to register with the SEC a new series of freely tradable notes ("Exchange Notes"), which will be exchanged for the current Notes. We and the Guarantors further agreed to use best efforts to: (i) file a registration statement for the Exchange Notes with the SEC within 300 days after the issuance of the Notes; (ii) cause the registration statement to be declared effective within 390 days after the issue date of the Notes; and (iii) close the exchange offer 30 days after such registration statement is declared



effective. In certain circumstances, we may be required to file a shelf registration statement to cover resale of the Notes. If the deadlines set forth above are not met, additional interest as defined in the Indenture will be payable until the obligations described above are fulfilled.

***Use of EBITDA (Non-GAAP measure) as a Performance Measure***

We use an adjusted form of EBITDA to measure period over period performance, which is not derived in accordance with U.S. GAAP. Adjusted EBITDA is defined as net income (loss) plus interest expense, less interest income, plus loss on early extinguishment of debt, plus unrealized loss on change in fair value of notes payable to Former SAE stockholders, plus income taxes, plus depreciation and amortization, plus non-recurring major expenses outside of operations, plus non-recurring one-time expenses and unrealized foreign exchange gain or loss. Our management uses adjusted EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to financing methods, capital structures, taxes, historical cost basis or non-recurring expenses;
- our liquidity and operating performance over time in relation to other companies that own similar assets and calculate EBITDA in a similar manner; and
- the ability of our assets to generate cash sufficient to pay potential interest cost.

We consider adjusted EBITDA as presented below to be the primary measure of period-over-period changes in our operational cash flow performance.

The terms EBITDA and adjusted EBITDA are not defined under U.S. GAAP, and we acknowledge that these are not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. When assessing our operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net income (loss), cash flow from operating activities or other cash flow data calculated in accordance with U.S. GAAP. In addition, our calculation of adjusted EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA in the same manner. Further, the results presented by adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes.

The computation of our adjusted EBITDA (a non-GAAP measure) from net income (loss), the most directly comparable U.S. GAAP financial measure, is provided in the table below (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net loss	\$ (21,546)	\$ (30,102)	\$ (19,301)	\$ (25,559)
Depreciation and amortization	4,579 <sup>(1)</sup>	3,701	12,125 <sup>(1)</sup>	11,159
Interest expense, net	4,196	4,185	12,367	10,997
Loss on early extinguishment of debt	17,157 <sup>(2)</sup>	—	17,157 <sup>(2)</sup>	—
Unrealized loss on change in fair value of notes payable to Former SAE stockholders	— <sup>(3)</sup>	492	5,094 <sup>(3)</sup>	492
Provision for income taxes	1,906	12,838	5,168	13,620
Foreign exchange (gain) loss, net	1,252	(120)	1,052	1,179
Non-recurring expense	(115) <sup>(5)</sup>	679 <sup>(4)</sup>	761 <sup>(5)</sup>	3,506 <sup>(4)</sup>
<b>Adjusted EBITDA</b>	<b>\$ 7,429</b>	<b>\$ (8,327)</b>	<b>\$ 34,423</b>	<b>\$ 15,394</b>

(1) Depreciation and amortization expense was charged to the statements of operations as follows:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
Cost of services	\$ 4,276	\$ 3,442	\$ 11,236	\$ 10,378
Selling, general and administrative expenses	303	259	889	781
<b>Total depreciation and amortization</b>	<b>\$ 4,579</b>	<b>\$ 3,701</b>	<b>\$ 12,125</b>	<b>\$ 11,159</b>

- (2) The repayment and termination of the 2012 Credit Agreement on July 2, 2014 resulted in a \$17,157 charge to loss on early extinguishment of debt in the three and nine month periods ended September 30, 2014. The charge consisted of prepayment penalties of \$8,877, write-off of unamortized loan discount and issuance costs totaling \$7,983, and legal fees of \$297.
- (3) The notes payable to Former SAE stockholders were recorded at fair value as discussed in Note 5 to the condensed consolidated financial statements. All amounts outstanding under the notes payable to Former SAE stockholders were repaid on July 2, 2014 from proceeds of the issuance of the senior secured notes and the promissory note terminated.
- (4) 2013 non-recurring expenses primarily consist of third-party financing costs, share-based compensation expense related to the accelerated vesting of Former SAE's restricted shares in connection with the Merger, costs associated with the Merger, and one-time severance costs related to the reduction of staff in Colombia.
- (5) 2014 non-recurring expenses primarily consist of the settlement of disputed fees with a former financial advisor to the Corporation. As of June 30, 2014, we recorded a liability of \$657 related to this settlement which was paid during the third quarter of 2014. During the three months ended September 30, 2014, legal expenses of \$120 were reclassified to loss on early extinguishment of debt.

### **Critical Accounting Policies**

There have been no changes to the critical accounting policies used in our reporting of results of operations and financial position. For a discussion of critical accounting policies see the section entitled "*SAE's Management's Discussion and Analysis of Financial Condition and Results of Operations*" in our 2013 Annual Report on Form 10-K, as amended.

### ***Recently Issued Accounting Pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)." ASU 2014-09 establishes a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016, using one of two retrospective application methods. Early adoption is not permitted. We are currently reviewing this standard to assess the impact of adoption on our consolidated financial statements.

### ***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

### ***Forward-Looking Statements***

This report contains "forward-looking statements" within the meaning of the federal securities laws, with respect to our financial condition, results of operations, cash flows and business, and our expectations or beliefs concerning future events. These forward-looking statements can generally be identified by phrases such as we or our management "expects," "anticipates," "believes," "estimates," "intends," "plans to," "ought," "could," "will," "should," "likely," "appears," "projects," "forecasts," "outlook" or other similar words or phrases. There are inherent risks and uncertainties in any forward-looking statements. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Except as required by law, we undertake no obligation to update, amend or clarify any forward-looking statements to reflect events, new information or otherwise. Some of the important factors that could cause actual results to differ materially from our expectations are discussed below. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Factors that could cause actual results to vary materially from our expectations include the following:

- fluctuations in the levels of exploration and development activity in the oil and gas industry;
- substantial international business exposing us to currency fluctuations and global factors, including economic, political and military uncertainties;
- intense industry competition;
- need to manage rapid growth;
- delays, reductions or cancellations of service contracts;
- operational disruptions due to seasonality and other external factors;
- crew productivity;

- whether we enter into turnkey or term contracts;
- limited number of customers;
- credit risk related to our customers;
- high fixed costs of operations;
- the availability of capital resources;
- ability to retain key executives; and
- need to comply with diverse and complex laws and regulations.

You should refer to our other periodic and current reports filed with the SEC and the risk factors from our 2013 Annual Report on Form 10-K, as amended, for specific risks which would cause actual results to be significantly different from those expressed or implied by any of our forward-looking statements. It is not possible to identify all of the risks, uncertainties and other factors that may affect future results. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, readers of this report are cautioned not to place undue reliance on the forward-looking statements.

#### **Item 4. Controls and Procedures**

##### **Management's Evaluation of Disclosure Controls and Procedures.**

As of the end of the period covered by this report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as such term is defined in Rule 13a-15(e). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective for the quarter ended September 30, 2014, due to the fact that there were material weaknesses in our internal control over financial reporting as discussed in more detail in our 2013 Annual Report on Form 10-K, as amended, under Part II Item 9A.

##### **Remediation Plan**

Management has been actively engaged in developing remediation plans to address the above material weaknesses. The remediation efforts in process or that will be implemented include the following:

- Creating new accounting, finance and tax positions, including a chief accounting officer, a manager for financial reporting and a tax director, as well as developing an internal audit function;
- Shifting supervision of the accounting for Papua New Guinea and Southeast Asia division to our office in Calgary, Alberta;
- Fortifying the accounting staff in our foreign offices to include controllers that are more experienced and more familiar with the reporting requirements of a public company;
- Implementing weekly, monthly, and quarterly calls between executive management, all regional operations management and financial controllers to review the operations and financial results for the applicable period and address any questions or issues that may arise regarding financial reporting;
- Reviewing the individuals within our organization with system administrator access to our information systems to ensure only appropriate individuals have access and that the access is appropriate for their respective job functions;
- Implementing a formal internal reporting calendar to assist in ensuring that we make timely filings of our periodic reports with the SEC; and
- Retaining an international public accounting firm to assist us in the evaluation and implementation of our internal control policies and procedures.

Management believes that the foregoing efforts will effectively remediate the material weaknesses. In addition, management has developed a detailed plan and timetable for the implementation of the foregoing remediation efforts and will monitor the implementation. In addition, under the direction of the chairman of the audit committee of our board of directors and with the assistance of the international public accounting firm, management will continue to review and make necessary changes to the overall design of our internal control environment, as well as our policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Finally, our management notes that even when we have developed, implemented and tested our internal control policies and procedures, and are able to conclude that our internal controls over financial reporting are effective, we cannot assure that there will not be other material weaknesses that we or our independent registered public accounting firm will identify. If additional material weaknesses in our internal controls are discovered in the future, they may adversely affect our ability to record, process, summarize, and report financial information timely and accurately.

## Changes in Internal Control over Financial Reporting

Other than the changes noted above, there were no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

See Note 11 to unaudited condensed consolidated financial statements in Part I, Item 1, which is incorporated herein by reference.

### Item 1A. Risk Factors

Other than set forth below, there have been no material changes in the significant risk factors that may affect our business, financial position, results of operations or liquidity as described in the section entitled "Risk Factors" in our 2013 Annual Report on Form 10-K, as amended. Amounts are presented in thousands unless otherwise stated.

***Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under our senior secured notes.***

As of September 30, 2014, after giving effect to the offering of our \$150,000 of 10% senior secured notes due 2019, we had \$150,743 of total debt outstanding (including our senior secured notes and \$743 of existing capital leases). Our high level of indebtedness could have significant effects on our business. For example, our level of indebtedness and the terms of our debt agreements may:

- increase the risk that we may default on our debt obligations;
- prevent us from raising the funds necessary to repurchase senior secured notes tendered to us if there is a change of control (as defined in the indenture governing our senior secured notes) or other event requiring such a repurchase, and any failure to repurchase senior secured notes tendered for repurchase would constitute a default under the indenture governing our senior secured notes and may constitute a default under other debt instruments;
- require us to use a substantial portion of our cash flow from operations to pay interest and principal on our senior secured notes and other debt, which would reduce the funds available for working capital, capital expenditures and other general corporate purposes;
- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and other investments, or general corporate purposes particularly in light of the fact that a substantial portion of our assets have been pledged to secure our senior secured notes and will be pledged to secure our obligations under any future credit facility, which may limit the ability to execute our business strategy;
- heighten our vulnerability to downturns in our business, our industry or in the general economy and restrict us from exploiting business opportunities or making acquisitions;
- place us at a competitive disadvantage compared to those of our competitors that may have proportionately less debt;
- limit management's discretion in operating our business;
- limit our flexibility in planning for, or reacting to, changes in our business, the industry in which we operate or the general economy; and
- result in higher interest expense if interest rates increase and we have outstanding floating rate borrowings.

Each of these factors may have a material adverse effect on our business, financial condition and results of operations. Our ability to make payments with respect to our senior secured notes and to satisfy our other debt obligations will depend on our future operating performance, which will be affected by a broad range of factors, including prevailing economic conditions and financial, business and other factors affecting our company and industry, many of which are beyond our control.

***Despite existing debt levels, we may still be able to incur substantially more debt, which would increase the risks associated with our leverage.***

Even with our existing debt levels, we and our subsidiaries may be able to incur substantial amounts of additional debt in the future, including debt under a proposed new credit facility. Although the terms of our senior secured notes will, and the terms of any future credit facilities or other debt instruments (if any) we enter into may, limit our ability to incur additional debt, these terms may not prevent us from incurring substantial amounts of additional debt. If new debt is added to our current debt levels, the risks associated with our leverage may intensify.

***The indenture governing our senior secured notes imposes, and any future credit facility may impose, significant operating and financial restrictions on us and our subsidiaries that may prevent us from pursuing certain business opportunities and restrict our ability to operate our business.***

The indenture governing our senior secured notes contains covenants that restrict our and our restricted subsidiaries' ability to take various actions, such as:

- transferring or selling certain assets;
- paying dividends or distributions, repaying subordinated indebtedness (if any) or making certain investments or other restricted payments;
- incurring or guaranteeing additional indebtedness or, with respect to our restricted subsidiaries, issuing preferred stock;
- creating or incurring liens securing indebtedness;
- incurring dividend or similar payment restrictions affecting restricted subsidiaries;
- consummating a merger, consolidation or sale of all or substantially all our and our restricted subsidiaries' assets;
- entering into transactions with affiliates; and
- engaging in a business other than our current business and businesses related, ancillary or complementary, to our current businesses or immaterial businesses.

In addition, the security documents executed pursuant to the indenture restrict us and our restricted subsidiaries from taking or omitting to take certain actions that would adversely affect or impair in any material respect the collateral securing our senior secured notes. Any future credit facility or other debt instruments may also require us to comply with a number of affirmative and negative covenants, including specified financial ratios such as a fixed charge coverage ratio, in addition to the covenants listed above.

We may be prevented from taking advantage of business opportunities that arise if we fail to meet certain financial ratios or because of the limitations imposed on us by the restrictive covenants under these agreements. In addition, the restrictions contained in the indenture governing our senior secured notes and any future credit facilities or other debt instruments may also limit our ability to plan for or react to market conditions or meet capital needs, or may otherwise restrict our activities or business plans and adversely affect our ability to finance our operations, enter into acquisitions, execute our business strategy, effectively compete with companies that are not similarly restricted or engage in other business activities that would be in our interest. In the future, we may incur other debt obligations that might subject us to additional and different restrictive covenants that could also adversely affect our financial and operational flexibility. In the event that we default under any of these financial or other covenants, we would be required to seek waivers or amendments to the applicable agreements or to refinance the applicable indebtedness, and we cannot assure you that we would be able to do so on terms we deem acceptable, or at all. Failure to comply with applicable covenants would constitute a default under the applicable debt instrument and would generally allow the applicable lenders or other debt holders to demand immediate repayment of all indebtedness outstanding thereunder and, in the case of secured indebtedness and subject to the intercreditor agreement, if applicable, to seize and sell the collateral and to apply the proceeds from those sales to satisfy such indebtedness, any of which could have a material adverse impact on our results of operations and financial condition. These events would likely in turn trigger cross-acceleration and cross-default rights under other debt instruments, which would allow the applicable lenders or other debt holders to exercise similar rights and remedies. If the amounts outstanding under any future credit facility, our senior secured notes or any other indebtedness were to be accelerated or if the applicable lenders or other debt holders were to foreclose upon the collateral securing any such indebtedness, we cannot assure you that our assets would be sufficient to repay the money owed to our lenders. We have in the past failed to comply with financial and other covenants in debt instruments and have therefore been required to obtain waivers and amendments from prior lenders,

and there can be no assurance that we will not experience similar defaults in the future or that any waivers or amendments will be obtained.

*We intend to enter into a new credit facility, but there can be no assurance that we will be successful in doing so.*

We are in the process of negotiating a new credit facility, but there can be no assurance that we will be able to do so on favorable terms or at all. If we cannot secure a new credit facility on favorable terms or at all, we may not be able to meet our future working capital needs, which could have a material adverse effect on our business, results of operations and financial condition. The indenture governing our senior secured notes restricts the size of the credit facility, which could limit our ability to finance the growth of our business. The indenture governing our senior secured notes provides that the entering into an intercreditor agreement by us on terms that are materially worse, when taken as a whole, for the noteholder collateral agent for our senior secured notes, when compared to those contemplated by the Indenture will require the consent of holders of at least a majority in aggregate principal amount of our senior secured notes then outstanding, which we may not be able to obtain.

#### **Item 6. Exhibits**

Exhibits

See the Exhibit Index attached hereto and incorporated herein by reference for a list of the exhibits filed herewith.

**SIGNATURES**

Pursuant to the requirements 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.  
(Registrant)

By: /s/ Brent Whiteley  
Brent Whiteley  
Chief Financial Officer, General  
Counsel and Secretary (Duly  
Authorized Officer and Principal  
Financial Officer)

Date: November 7, 2014

## EXHIBIT INDEX

Exhibit No.	Description	Included	Form	Filing Date
2.1	Agreement and Plan of Reorganization dated as of December 10, 2012, by and among the SAExploration Holdings, Inc. formerly named Trio Merger Corp. (“the Registrant”), Trio Merger Sub, Inc., the entity formerly named SAExploration Holdings, Inc. (“Former SAE”) 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., Former SAE 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
4.5	Indenture, dated July 2, 2014, by and among the Registrant, the guarantors named therein and U.S. Bank National Association, as trustee and noteholder collateral agent.	By Reference	8-K	July 9, 2014
4.6	Form of 10.000% Senior Secured Notes due 2019.	By Reference	8-K	July 9, 2014
4.7	Notation of Guarantee executed July 2, 2014, among the Registrant, SAExploration Sub, Inc., SAExploration, Inc., SAExploration Seismic Services (US), LLC, and NES, LLC.	By Reference	8-K	July 9, 2014
10.1	Security Agreement, dated July 2, 2014, by and among the Company, the guarantors named therein and U.S. Bank National Association, as noteholder collateral agent.	By Reference	8-K	July 9, 2014
10.2	Registration Rights Agreement, dated July 2, 2014, by and among the Company, the guarantors named therein and Jefferies LLC, as initial purchaser.	By Reference	8-K	July 9, 2014



10.3	Employment Agreement dated as of September 29, 2014, between the Registrant and Trisha M. Gerber.	Herewith
10.4	Non-Disclosure Agreement dated as of September 29, 2014, between the Registrant and Trisha M. Gerber.	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	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Herewith
101	The following materials from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2014 (unaudited) and December 31, 2013, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity, (v) Unaudited Condensed Consolidated Statements of Cash Flows and (vi) Notes to Unaudited Condensed Consolidated Financial Statements, tagged as blocks of text*	Herewith

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(\*) 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.

## EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement"), effective as of September 29, 2014 (the "Effective Date"), is entered into by and between SAExploration Holdings, Inc., a Delaware corporation (the "Employer" or the "Company"), and Trisha Gerber, an individual residing in the State of Texas ("Executive"). The Employer and the Executive may be referred to singularly as "Party" or collectively as "Parties."

### RECITALS

WHEREAS, the Employer wishes to offer employment to Executive and Executive desires to be employed by Employer on the terms and conditions contained herein;

WHEREAS Employer acknowledges and rewards the value and loyalty of the Executive and seeks to build and protect the Company's stability, growth, customer base, technology and other competitive advantages; and

WHEREAS, the Executive wishes to evidence her commitment to the Company and its objectives;

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements hereinafter set forth and the mutual benefits to be derived hereinafter, Employer and Executive hereby agree as follows:

### AGREEMENTS

1. Employment Term. The Employer hereby employs the Executive commencing on the Effective Date and ending September 15, 2017; provided, however, the Agreement shall automatically renew or extend for consecutive terms of one (1) year, unless either Party gives prior written notice to the other Party of its desire to terminate the Agreement at least 90 days prior to the expiration of the initial term or any renewal term (in any event, the "Term"). Notwithstanding the foregoing, the Parties shall have the termination rights as set forth in Section 5 of this Agreement. Termination of this Agreement for any reason whatsoever by any Party shall have no effect on the continued enforceability of any ancillary agreement, specifically including the Non-Disclosure Agreement executed by Executive in favor of Employer concurrently with this Agreement, (the "Non-Disclosure Agreement"). The obligations of the Parties under Sections 5 through 27 shall survive according to the terms of each provision. The Executive accepts such employment and agrees to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. The Executive shall serve in the position of Chief Accounting Officer of the Company and shall report to and be subject to the general direction and control of the CFO of the Company or its designee. In such capacity the Executive shall be responsible for the supervision of the day to day accounting and financial reporting functions within the Company and the implementation of the Company's business plans and strategies in accordance with and subject to budgets approved from time to time by the Company. The Executive shall perform such duties consistent with the Executive's position, as well as other duties from time to time assigned to the

Executive by the CFO. The Executive further agrees to perform, without additional compensation, such other services for the Employer and for any of its affiliates as the Board of Directors shall from time to time specify, if such services are of the nature commonly associated with or similar to that of the Executive's position with a company engaged in activities similar to the activities engaged in by the Employer at the time of execution of this Agreement. For purposes of the Non-Disclosure Agreement and Sections 5 through 27, the term "Employer" shall be deemed to include and refer to any and all affiliates of the Employer. The Executive acknowledges and agrees that the Non-Disclosure Agreement executed simultaneously herewith is hereby incorporated by reference herein and made a part hereof and that the Non-Disclosure Agreement constitutes a material part of this Agreement.

3. Extent of Service. The Executive shall devote her full business time, attention, and energy to the business of the Employer, and shall not be engaged in any other business activity that competes with or detracts from the business of the Employer during the Term of this Agreement. The foregoing shall not be construed as preventing the Executive from making passive investments in other businesses or enterprises, if (i) such investments will not require services on the part of the Executive which would in any material way impair the performance of her duties under this Agreement, or (ii) such other businesses or enterprises are not engaged in any business competitive with the business of the Employer or any of its affiliates. The Executive shall be based in the vicinity of the Calgary metropolitan area (or other area as may be agreed upon by the Parties) and, subject to travel requirements as reasonably necessary to support successful business development efforts and management of the business, shall perform her services from a mutually agreed location in that area.

4. Compensation and Benefits. As payment for the services to be rendered by the Executive hereunder during the Term of this Agreement, the Executive shall be entitled to receive the following:

(a) an annual base salary at the rate of \$210,000.00 a year (the "Base Salary"), less deductions required by law, payable in accordance with the Employer's standard payroll schedule;

(b) participation in the Company's bonus plan at the rate of 40% to 60% (the "Target Percentage"). Executive will be entitled to a guaranteed 20% annual bonus and as much as 60% if certain executive goals are reached as identified on Attachment 1 (the "Executive Goals"). The Target Percentage will be applied to highest paid monthly base salary within the calendar year and prorated for 2014 based upon the Executive's start date of employment.

(c) Executive will be entitled to participate, on the same basis generally as other similarly situated employees of the Company, in all benefits as may be offered by the Company from time to time;

(d) reimbursement of reasonable expenses incurred by Executive in accordance with such expense reimbursement policies of the Company; and

(g) Paid vacation of 5 weeks per year.

5. Termination. This Agreement may be terminated in accordance with this Article. The date upon which any such termination becomes effective shall be deemed the "Termination Date."

(a) Termination by Company for Cause. The Company may terminate this Agreement at any time without notice and without any payment to Executive whatsoever, save and except for the payment of any Base Salary and vacation accrued but unpaid up to the Termination Date, if the Executive engages in any of the following conduct (termination for "Cause"):

(i) The breaching of any material provision of this Agreement after Company has given Executive reasonable notice of such breach and a reasonable opportunity to correct, or cause to be corrected, such breach;

(ii) Knowing and intentional misappropriation of funds or property of the Company or its affiliates;

(iii) engaging in conduct, even if not in connection with the performance of the duties hereunder, which might be reasonably expected to result in any effect materially adverse to the interests of the Company or any of its affiliates, such as fraud, dishonesty, conviction (or a judicial finding of evidence sufficient to convict) of any felony;

(iv) failing to fulfill and perform the duties assigned to Executive in accordance with the terms hereto after Company has given Executive reasonable notice of such failure and a reasonable opportunity to correct, or cause to be corrected, such failure;

(v) failing to comply with corporate policies of the Company or any of its affiliates that are promulgated from time to time by the Company, provided, however, that Company shall not be unreasonably arbitrary in its enforcement of corporate policies with respect to Executive;

(vi) death of Executive; and

(vii) disability of Executive which prevents Executive from performing the essential functions of the position assigned under this Agreement, with or without reasonable accommodation. Disability status under this Agreement will be consistent with the disability and leave procedures promulgated from time to time by the Company.

(b) Termination By Executive with Cause. Executive may terminate this Agreement on written notice given to Employer in the event that the Employer breaches any of the material terms of this Agreement and such breach continues uncured for ten (10) days. In case of Termination for Cause by Executive, the payments provided in Section 6 below will be made by the Employer to Executive.

(c) Termination by Executive without Cause. Executive may terminate this Agreement and her employment with Company at any time, for any reason, by providing 60 days'

advance written notice to Company, which may be waived in whole or in part by Company. If Company waives the notice period in whole or in part, Company shall pay the Base Salary for the portion of the notice period that has been waived. Executive shall be entitled to payment of any Base Salary, out of pocket expenses in accordance with Section 4 and vacation pay accrued up to the Termination Date. Executive shall not be entitled to any accrued annual bonus or other benefits.

(d) Termination by Change of Control. "Change of Control" shall mean such time as any of the following occur after the date of this Agreement: (i) a tender offer or exchange offer is made and consummated for the ownership of fifty-one percent (51%) of the outstanding voting securities of the Company, (ii) the Company is merged or consolidated with another entity and as a result of such merger or consolidation fifty-one percent (51%) of the outstanding voting securities of the surviving or resulting entity is owned directly or indirectly in the aggregate by a person or persons other than a person or persons who owned fifty one percent (51%) of the outstanding voting securities of the Company immediately prior to such merger or consolidation,(iii) the Company is liquidated or otherwise sells or transfers all or substantially all of its assets to another entity which is not wholly owned, directly or indirectly, by a person or persons who own fifty percent (50%) or more of the outstanding voting securities of the Company, or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time, acquires over fifty one percent (51%) or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record). Provided however, that a merger with Trio Merger Corp. shall not be considered a Change of Control under this clause.

6. Payment Upon Termination By Executive with Cause or on Change of Control. In the event this Agreement is terminated under Section 5(b) or 5(d), Executive shall be entitled to:

- (a) all accrued but unpaid Base Salary to the Termination Date;
- (b) all accrued but unpaid vacation pay to the Termination Date;
- (c) payment equal to twelve (12) months' salary; and
- (d) 5% of the amount paid pursuant to Section 6(a) as compensation for the loss of employment benefits.

Prior to, and as a condition to, receiving the payments in Section 5(c), Executive agrees to execute a full and final release in favor of Company, in a form satisfactory to Company.

The above amounts will be paid within 15 days of the Termination Date subject to the fulfillment of the provision of a full and final release, and shall not be subject to the requirement of mitigation, nor reduced by any actual mitigation by Executive. The payments referred to in this Section 6 are inclusive of any termination and/or severance payments that may be required under employment standards legislation.

7. Nondisclosure/Confidentiality Obligations. The parties contemplate Executive providing executive services to the Company in connection with its core business of providing

effective acquisition of seismic data (the "Business"). To facilitate Executive's ability to perform these services, Company agrees to provide Executive confidential, proprietary, trade secret information regarding Company's business strategies, plans, techniques and processes, which are more fully set forth in certain Nondisclosure Agreements executed concurrently with this Agreement ("Confidential Information") which the Company uses to compete in the marketplace, and Executive agrees not to use or disclose such Confidential Information for any purpose other than to advance the Company's interests. Moreover, from time to time, subsidiary companies or affiliates of Company may provide that entity's confidential, proprietary information which the Company uses to compete in the marketplace, to Executive to facilitate Executive's ability to provide services to the subsidiary companies or affiliates, and Executive agrees not to use or disclose such Confidential Information for any purpose other than to advance the subsidiary companies or affiliate's interests.

8. One-Year Post-Employment Obligations.

At the option of Company, and in its sole discretion, Company may pay to Executive an amount equal to 12 months Base Salary plus annual bonus at a Target Percentage of 100% in exchange for complying with the covenants set out in this Section for 12 months following the Termination Date as follows:

(a) Executive will not, as a competitor or on behalf of any competitor of Company, directly or indirectly solicit or accept Business from any Customer (as defined in the Non-Disclosure Agreement): (A) with whom Executive had contact as a result of her duties with Company or its affiliates, and/or (B) about whom Executive reviewed or obtained Confidential Information (as defined in the Non-Disclosure Agreement) while performing services for Company or its affiliates. The geographic limitation for this restriction is (1) any Company or its affiliates' territory in which Executive had a customer or service assignment for Company or its affiliates in the twelve (12) month period immediately preceding Executive's Termination Date; and/or (2) any territory in which Company or its affiliates, have customers or service assignments about which Executive obtained Confidential Information during the term of this Agreement.

(b) Executive will not solicit, induce or attempt to induce any other employee, agent or contractor of Company or its affiliates with whom Executive worked or about whom Executive obtained Confidential Information in the twelve (12) month period immediately preceding Executive's Termination Date, to leave the employ Company or its affiliates to work for a competitor of Company or its affiliates in the same or similar capacity as the other Executive worked for Company or its affiliates.

If the Company does not choose to provide the consideration described in this Section, then the Executive will have no obligations under this Section 8.

9. Insurance. Employer agrees to maintain throughout the term of this Agreement D&O coverage substantially similar in nature to its current D&O coverage, providing coverage to Executive for those claims and causes of action arising out the performance of Executive's duties in the course and scope of her employment under this Agreement.

10. Notices. All notices, requests, consents, demands, or other communications required or permitted to be given pursuant to this Agreement shall be deemed sufficiently given when delivered either (i) personally with a written receipt acknowledging delivery, (ii) by confirmed telefax, or (iii) within three (3) business days after the posting thereof by United States first class, registered or certified mail, return receipt requested, with postage fee prepaid and addressed to the following:

If to Employer: SAExploration Holdings, Inc.  
1160 Dairy Ashford, Suite 160  
Houston, TX 77079  
Attn: Legal

If to Executive: Trisha Gerber  
9915 Hutton Park Dr.  
Katy, TX 77494

Any Party, at any time, may designate additional or different addresses for subsequent notices or communication by furnishing notice to the other Party in the manner described above.

11. Specific Performance. The Executive and Employer acknowledges that a remedy at law for any breach or threatened breach of Section 7 or 8 of this Agreement will be inadequate and that each Party may be entitled to specific performance, injunctive relief, and any other remedies available to it for such breach or threatened breach. If a bond is required to be posted in order for either Party to secure an injunction, then the Parties stipulate that a bond in the amount of One Thousand and No/100 Dollars (\$1,000) will be sufficient and reasonable in all circumstances to protect the rights of the Parties.

12. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective to the extent of such provision or invalidity only, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

13. Assignment. This Agreement may not be assigned by the Executive. Neither the Executive, her spouse, nor their estates shall have any right to encumber or dispose of any right to receive payments under this Agreement, it being understood that such payments and the right thereto are nonassignable and nontransferable.

14. Binding Effect. Subject to the provisions of Section 13 above, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, the Executive's heirs and personal representatives, and the successors and assignees of the Employer.

15. Prior Employment Agreements and Obligations. Executive represents and warrants to the Employer that she has fulfilled all of the terms and conditions of all prior employment agreements and employer policies to which she may be a party or have been a party, and that at the time of execution of this Agreement, the Executive is not a party to or otherwise restricted by any

other employment agreement, non-solicitation agreement, non-competition covenant, confidentiality or nondisclosure agreement in any manner which would prevent Executive from performing the services contemplated by this Agreement. Executive represents and warrants that nothing contained in any agreement that she has with any parties shall preclude Executive from performing all of her duties, obligations and covenants as contained in this Agreement. Employer is entering into this Agreement solely for the expertise and experience of Executive, and Employer expressly forbids Executive from using or disclosing any confidential information or trade secrets of any prior employer or other third party in connection with Executive's performance under this Agreement. Executive represents and warrants to Employer that she has not and will not in the future, take, use or disclose the confidential information or trade secrets of a third-party for the benefit of Employer.

16. Parol Evidence. This Agreement (and any other agreements incorporated by reference herein) constitutes the sole and complete agreement between the Parties hereto as to the matters contained herein, and no verbal or other statements, inducements or representations have been made to or relied upon by either Party, and no modification hereof shall be effective unless in writing, signed, and executed in the same manner as this Agreement; provided, however, that the amount of compensation to be paid to the Executive for services to be performed for the Employer may be changed from time to time by the Parties hereto by written agreement without in any other way modifying, changing, or affecting this Agreement and the performance by the Executive of any of the duties of her employment with the Employer.

17. Waiver. Any waiver to be enforceable must be in writing and executed by the Party against whom the waiver is sought to be enforced.

18. Governing Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and construed in accordance with, the State of Texas, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.

19. Mutual Waiver of Jury Trial. THE EMPLOYER AND EXECUTIVE EACH WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OR RELATED TO THIS AGREEMENT IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR ANY AFFILIATE OF ANY OTHER SUCH PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS OR OTHERWISE. THE EMPLOYER AND THE EXECUTIVE EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY



SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

20. Attorneys' Fees. If any litigation is instituted to enforce or interpret the provisions of this Agreement or the transactions described herein, the prevailing Party in such action shall be entitled to recover its reasonable attorneys' fees from the other Party or Parties hereto.

21. Drafting. Each of the Parties hereto acknowledges that each Party was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against any Party hereto because one is deemed to be the author thereof.

22. Multiple Counterparts. This Agreement may be executed in multiple counterparts, including by facsimile transmission and email in portable document format, each of which shall have the force and effect of an original, and all of which shall constitute one and the same agreement.

23. Acknowledgment of Enforceability. Executive acknowledges and agrees that this Agreement contains reasonable limitations as to time, geographical area, and scope of activity to be restrained that do not impose a greater restraint than is necessary to protect the goodwill or other business interest of Employer. Therefore, Executive agrees that all restrictions are fairly compensated for and that no unreasonable restrictions exist.

24. Reconstruction of Agreement. Should a court of competent jurisdiction or an arbitrator having jurisdiction declare any of the provisions of this Agreement unenforceable due to any unreasonable restriction of time, geographical area, scope of activity, or otherwise, in lieu of declaring such provision unenforceable, the court, to the extent permissible by law, shall, at the Employer's request, revise or reconstruct such provisions in a manner sufficient to cause them to be enforceable.

25. Confidentiality. Executive acknowledges and agrees that the terms and conditions and the financial details of this Agreement are confidential and Executive agrees that she will not disclose the same to non-parties under any circumstances unless compelled by law.

26. Injunctive Relief. Executive acknowledges that a remedy at law for any breach or threatened breach of Section 7 or 8 of this Agreement will be inadequate and that Employer shall be entitled to specific performance, injunctive relief, and any other remedies available to it for such breach or threatened breach. If a bond is required to be posted in order for Employer to secure an injunction, then the Parties stipulate that a bond in the amount of One Thousand and No/100 Dollars (\$1,000) will be sufficient and reasonable in all circumstances to protect the rights of the Parties.

27. Counsel. Executive acknowledges that she is executing a legal document that contains certain duties, obligations and restrictions as specified herein. Executive furthermore acknowledges that she has been advised of her right to retain legal counsel, and that she has either been represented by legal counsel prior to her execution hereof or has knowingly elected not to be so represented.

By signing below, the Executive acknowledges that she has received, read, and agrees to adhere to the terms and conditions contained within this Agreement.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK. SIGNATURE PAGE FOLLOWS.)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

EMPLOYER:

SAExploration Holdings, Inc.

By: /s/ Brian Beatty \_  
Name: \_\_Brian Beatty  
Title: CEO/President

EXECUTIVE:

By: /s/Trisha Gerber \_  
Name: Trisha Gerber

## NONDISCLOSURE AGREEMENT

This Nondisclosure Agreement is made and entered into effective this 29th day of September, 2014 by and between SAExploration Holdings, Inc. (collectively "Company" or "Employer") and Trisha Gerber ("Executive"), in exchange for the consideration set forth herein, as well as Executive's employment and/or continuation of employment.

### 1. Definitions.

(a) **Confidential Information.** "Confidential Information," as used in this Nondisclosure Agreement, includes any information relating to the Company's core business of providing effective acquisition of seismic data, including seismic data acquisition, 2D & 3D design, field processing, data processing and logistical services (the "Business"), as well as any technical, economic, financial, marketing, customer/potential customer or other information which is not common knowledge outside the Company and which provides the Company with a business advantage and/or would provide a business advantage to the Company's competitors. Some examples of the Company's Confidential Information include, but are not limited to, specialized training received by Executive, research and development materials, methods and results, scientific studies and analysis; product and pricing knowledge; methods of manufacturing; customer and supplier lists and information; contracts and licenses; personnel information, including the performance, skills, abilities and payment of employees; purchasing, accounting, business systems and computer programs; long range planning; financial information, plans and results; trade secrets, business policies, methods of operation, implementation strategies, promotional information and techniques, marketing presentations, programs and strategies, price lists, files or other information, pricing strategies, computer files, samples, customer originals, or any other confidential information concerning the business and affairs of the Company. The Company's Confidential Information also includes all Confidential Information which was received from or concerns third parties such as the Company's customers or prospective customers, suppliers and its parent, affiliate or subsidiary companies. Confidential Information, as defined in this Nondisclosure Agreement, includes any such information that Executive may originate, learn, have access to or obtain, whether in tangible form or memorized. Additionally, Executive recognizes that the Confidential Information is dynamic and ever-changing and that, with each day of employment, Employer has agreed to provide Executive with access to Confidential Information in a greater quantity and/or expanded nature than any such Confidential Information that may have already been provided to Executive.

(b) **Customer.** "Customer," as used in this Nondisclosure Agreement, means: (i) any entity to which the Company sold and/or provided, or proposed, formally or informally, to sell and/or provide products and services at any time during Executive's employment tenure performing services for the Company in the twelve (12) month period immediately preceding Executive's Termination Date and with whom Executive had business dealings or learned Confidential Information about during Executive's employment tenure; (ii) employees or former employees of such an entity, with whom Executive had contact as a result of performing her duties for the Company in the twelve (12) month period immediately preceding Executive's Termination Date; and (iii) any entity that would not, by itself, satisfy the definition of "Customer" under this Nondisclosure Agreement, but that employs an individual who satisfies the "Customer" definition in section (ii) of this Paragraph.

(c) **Termination Date.** "Termination Date," as used in this Agreement, means Executive's last day of active employment with Employer.

### 2. Employer's Promises. Employer makes the following promises to Executive:

(a) Contemporaneously with the execution of this Agreement and prior to Executive's Termination Date, Employer agrees to provide Executive with Confidential Information, in a greater quantity and/or expanded nature than any such Confidential Information which may have already been provided to Executive; and

(b) Contemporaneously with the execution of this Agreement and prior to Executive's Termination Date, Employer agrees to provide Executive with the opportunity to develop goodwill and establish rapport with Employer's Customers for the benefit of Employer in a greater quantity and/or expanded nature than any such opportunities that may have already been provided to Executive.

3. **Executive's Promises.** Employer and Executive recognize that Executive's use or disclosure of Employer's Confidential Information, on behalf of a competitor of Employer or otherwise, would be injurious to Employer. To the extent that Executive has

signed any previous employment, non-competition or confidentiality agreements with Employer, Executive agrees that the restrictions included in this Agreement are narrower than those included in any such previous agreements and, therefore, constitute an additional benefit to Executive. Therefore, in exchange for Employer's promises listed above and all other consideration provided pursuant to this Agreement, to which these promises are ancillary, Executive promises as follows:

(a) **Obligations During Employment.** During Executive's employment with Employer:

(i) Executive will perform his/her assigned duties faithfully and efficiently;

(ii) Executive will use on his/her job all the information which is generally known and used by persons of his/her training and experience, and all information which is common knowledge in Employer's industry, but Executive shall not use or disclose any confidential information belonging to any former employer and/or company that Executive is legally or ethically bound not to use and/or disclose;

(iii) Executive will not use, copy, remove, disclose or disseminate to any person or entity, Employer's Confidential Information, except as required in the course of performing Executive's duties with Employer, for the benefit of Employer;

(iv) Executive gives up the right to pursue any other substantial business activity while employed with Employer which would conflict with or materially interfere with the performance of her duties to Employer; and

(b) **Post-Employment Obligations.** After Executive's separation from employment with Employer:

(i) Executive will immediately (within twenty-four (24) hours) return to Employer all materials created, received or utilized in any way in conjunction with Executive's work performed with Employer including, but not limited to, materials that in any way incorporate, reflect or constitute Employer's Confidential Information including, but not limited to, documents, cards, notes, handouts, training materials, notebooks, diskettes, compact discs, computer software, hard drives, data, reference materials, sketches, drawings, memoranda, documentation, correspondence, client company lists, leads and records;

(ii) Executive will not use or disclose, directly or indirectly, Employer's Confidential Information; and

(iii) Executive will not, directly or indirectly, make any false, disparaging, negative, unflattering or accusatory remarks or references, whether in written or oral form, regarding Employer, its officers, directors or employees, in any dealings with third parties, including Employer's Customers, vendors, suppliers, contractors and employees (it being understood that nothing herein shall be deemed to prohibit Executive from giving truthful testimony in any court proceeding or governmental investigation or otherwise complying with law).

(c) **Assignment of Invention.**

(i) During Executive's employment with Employer, Executive shall promptly and fully inform and disclose to Employer and does hereby assign to Employer all Executive's right, title and interest in and to any and all ideas, inventions, engineering plans, original works of authorship, developments, concepts, improvements, designs, trademarks, trade secrets, computer programs and discoveries, whether or not patentable or registrable under copyright or similar laws, which Executive may solely or jointly conceive or develop or reduce to practice or cause to be conceived or developed or reduced to practice (collectively, the "Inventions"), during Executive's employment with Employer (whether during business hours or otherwise whether outside the premises of Employer or otherwise) and which directly or indirectly are related to the business or Confidential Information of Employer.

(ii) Executive recognizes that all Inventions, conceived or made by Executive, either alone or jointly with others within the twenty-four months after termination of employment with Employer (voluntary or otherwise), are likely to have been conceived in significant part either while employed by Employer or as a result of knowledge Executive had of the Confidential Information. Accordingly, Executive agrees that such Inventions shall be presumed to have been conceived during Executive's employment.

(iii) Executive acknowledges that all original works of authorship which are made by Executives (solely or jointly with others) within the scope of such employment with Employer or related to the business of Employer and which are protectable by copyright are “works made for hire,” pursuant to the United States Copyright Act (17 U.S.C., Section 101) and are consequently owned by and hereby assigned to Employer.

(iv) Executive agrees that she will (A) execute and deliver to Employer such applications, assignments, patent applications, copyright registrations and other documents as Employer may request in order to apply for and obtain patents or other registrations with respect to any Invention in the United States and foreign jurisdictions, (B) sign all other papers necessary to carry out the obligations in clause (A); (C) give testimony and render any other assistance in support of Employer’s rights to any Invention; and (D) keep and maintain current written records of all of those Inventions during Executive’s employment with Employer.

4. **Injunction.** Executive acknowledges that Employer has agreed to provide Executive with Confidential Information during Executive’s employment with Employer. Executive further acknowledges that, if Executive was to leave the employ of Employer for any reason and use or disclose, directly or indirectly, Employer’s Confidential Information (whether in tangible form or memorized), that such use and/or disclosure would cause Employer irreparable harm and injury for which no adequate remedy at law exists. Therefore, in the event of the breach or threatened breach of the provisions of this Agreement by Executive, Employer shall be entitled to obtain injunctive relief to enjoin such breach or threatened breach, in addition to all other remedies and alternatives which may be available at law or in equity. Executive acknowledges that the remedies contained in the Agreement for violation of this Agreement are not the exclusive remedies which Employer may pursue.

5. **Governing Law/Venue.** This Agreement shall be exclusively governed by and be construed and enforced in accordance with the laws of the State of Texas without regard to conflict of law principles. Venue for any disputes arising from or related to this Agreement shall lie solely, and is convenient, in Houston, Texas.

6. **Entire Agreement.** This instrument contains the entire Agreement of the Parties and supersedes any existing or prior agreement. Any modification, alternation or amendment to this Agreement must be in writing and executed by the Chairman or her designee.

**I HAVE READ THE TERMS LISTED ABOVE AND ACKNOWLEDGE MY UNDERSTANDING OF AND AGREEMENT WITH THOSE TERMS, AS EVIDENCED BY MY SIGNATURE BELOW.**

EMPLOYER:

SAExploration Holdings, Inc.

By: /s/ Brian Beatty

Name: Brian Beatty

Title: CEO/President

EXECUTIVE:

By: /s/ Trisha Gerber

Name: Trisha Gerber

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Nondisclosure Agreement

Page 1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian A. Beatty, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2014 of SAExploration Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2014

/s/ Brian A. Beatty

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Brian A. Beatty  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brent Whiteley, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2014 of SAExploration Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2014

/s/ Brent Whiteley

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Brent Whiteley

Chief Financial Officer, General Counsel and Secretary  
(Principal Financial Officer)



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of SAExploration Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian A. Beatty, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2014

/s/ Brian A. Beatty

Brian A. Beatty  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of SAExploration Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brent Whiteley, Chief Financial Officer, General Counsel and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2014

/s/ Brent Whiteley

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Brent Whiteley

Chief Financial Officer, General Counsel and Secretary  
(Principal Financial Officer)

