

CVU.A|CVU.B

SEAVIEW ENERGY INC

FINANCIAL REPORT TO SHAREHOLDERS



2010

Seaview Energy Inc. is an innovative Canadian junior oil and gas exploration and production company staffed by highly motivated and experienced petroleum industry professionals. The team is dedicated to delivering growth in reserves, production and cash flow per share with a balanced strategy of acquiring, exploiting and exploring for high quality light oil and natural gas assets in Western Canada.

Seaview Energy Inc. Class A and Class B shares trade on the TSX venture exchange under the symbols CVU.A and CVU.B, respectively.

April 6, 2011 – Calgary, Alberta – Seaview Energy Inc. (“Seaview” or the “Company”) is pleased to provide shareholders with an update on the Company’s 2010 financial and operational results.

SELECTED INFORMATION						
Financial (\$000's except per share amounts)	Q4 2010	Q4 2009	% Change	2010	2009	% Change
Petroleum and natural gas sales	\$ 7,642	\$ 10,377	(26%)	\$ 35,171	\$ 33,504	5%
Funds flow from operations ⁽¹⁾	4,244	5,024	(16%)	17,577	15,120	16%
Basic and diluted per share ⁽²⁾	0.06	0.08	(25%)	0.26	0.26	-
Net loss	(2,562)	(2,366)	1%	(4,701)	(9,607)	(51%)
Basic and diluted per share ⁽²⁾	(0.04)	(0.04)	-	(0.07)	(0.16)	(56%)
Capital expenditures ⁽³⁾	8,842	5,368	65%	27,357	16,567	65%
Property acquisitions (dispositions)	3,315	3,840	(14%)	(29,775)	30,455	(198%)
Net debt to funds flow from operations ratio	1.15	2.67	(57%)	1.15	2.67	(57%)
Shares Outstanding at period end (000's)						
Class A	65,537	65,433	-	65,537	65,433	-
Class B	1,054	1,054	-	1,054	1,054	-
Operations						
Daily production						
Natural gas (mcf/d)	14,016	13,703	2%	15,223	11,422	33%
Light oil and NGLs (bbl/d)	305	445	(31%)	370	417	(11%)
Total production (boe/d)	2,641	2,729	(3%)	2,907	2,321	25%
Average realized sales price (net of risk management gains)						
Natural gas (per mcf)	\$ 4.48	\$ 6.06	(26%)	\$ 4.65	\$ 5.88	(21%)
Light oil and NGL (per bbl)	66.27	66.92	(1%)	69.16	58.92	17%
Netback per boe ⁽¹⁾						
Sales price	\$ 28.60	\$ 35.35	(19%)	\$ 31.47	\$ 32.00	(2%)
Realized risk management gains	2.85	5.98	(52%)	1.68	7.55	(78%)
Sales price (net of realized risk management gains)	31.45	41.33	(24%)	33.15	39.55	(16%)
Royalties	3.02	4.52	(33%)	4.12	4.90	(16%)
Operating expenses	5.44	11.80	(54%)	7.65	11.57	(34%)
Transportation	1.63	1.27	28%	1.43	1.44	(1%)
Operating netback ⁽¹⁾	\$ 21.36	\$ 23.74	(10%)	\$ 19.95	\$ 21.64	(8%)

(1) The Company uses “funds flow from operations” and “funds flow from operations per share” which do not have any standardized meaning prescribed by Canadian GAAP. The terms are used to analyze operating performance and leverage. The Company uses “Netback per boe” and “Operating Netback” which do not have any standardized meaning prescribed by Canadian GAAP. The terms are used to evaluate performance and in capital allocation decisions.

(2) Weighted average diluted shares outstanding for all periods exclude both the impact of the conversion of the Class B shares and the effect of the granted options as they would have been anti-dilutive.

(3) Capital expenditures include only the cash additions for the period and capitalized G&A expense.

Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet (mcf) of natural gas to one barrel (bbl) of oil is based on an energy conversion method primarily applicable at the burner tip and is not intended to represent a value equivalency at the wellhead. All boe conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of natural gas to one barrel of oil. Certain financial amounts are presented on a per boe basis, such measurements may not be consistent with those used by other companies.

Estimated values contained in this report do not represent fair market value.

This report may contain forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, anticipations, expectations, opinions, forecasts, projections, guidance or other similar statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g. operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses and health, safety and environmental risks), commodity price and exchange rate fluctuation and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained in this report are made as of the date hereof and the Company undertakes no obligations to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as the term is defined in the Policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this report.

COMMONLY USED ABBREVIATIONS

boe	Barrel of oil equivalent
boe/d	Barrel of oil equivalent per day
gj	Gigajoule
gj/d	Gigajoule per day
mboe	Thousand barrels of oil equivalent
mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
mmcf	Million cubic feet
mmcf/d	Million cubic feet per day
bbl	Barrel
bbl/d	Barrels per day
MMBTU	Million British Thermal Units
6:1	Boe conversion ratio of six mcf to one bbl

HIGHLIGHTS OF 2010 AND SUBSEQUENT EVENTS

- Average production for 2010 was 2,907 boe per day, an increase of 25% relative to 2009 average production of 2,321 boe per day (increase of 11% per basic weighted average share);
- Funds flow from operations for 2010 increased 16% to \$17.6 million from \$15.1 million in 2009;
- Closed the disposition of Seaview's assets in Southeast Saskatchewan for \$33 million on April 29, 2010 representing disposition metrics of \$165,000 per flowing barrel. The Company reduced corporate debt levels to below \$11 million at closing, providing available credit facilities of over \$40 million to finance new exploration projects;
- Executed a series of strategic farm-ins and land acquisitions to assemble a large, contiguous land position in the emerging Wapiti Cardium light oil resource play:
 - Accumulated 42.5 sections (22.8 net) of prospective lands setting up extensive drilling inventory with over 170 horizontal development locations (91 net) targeting high quality, high net-back light oil and associated natural gas production;
 - Drilled 8 Cardium horizontal wells (5.0 net) at 100% success rate establishing light oil resource potential over the majority of the Company's Wapiti lands;
 - Demonstrated improved initial production rates while lowering capital costs through continuous improvement of both drilling and completion practices; and
 - Tested the application of new technologies to maximize the potential of the Wapiti Cardium light oil resource fairway.
- Established light oil resource potential of the Wapiti Cardium play demonstrated by strong reserve additions:
 - Total Proven reserve additions of 1,450 Mboe, including 1,032 Mbbls of crude oil and natural gas liquids with Net Present Value (BTAX 10% discount factor) of \$22.4 million;
 - Total Proven plus Probable reserve additions of 3,165 Mboe, including 2,264 Mbbls of crude oil and natural gas liquids with Net Present Value (BTAX 10% discount factor) of \$41.8 million;
 - The evaluation from Sproule Associates Limited ("Sproule"), the Company's independent engineering firm, recognized reserves on 23 Cardium horizontal wells (13.3 net) representing 16% of Seaview's total Wapiti net well locations based on 4 wells per section; and
 - Continued success in developing the Wapiti Cardium light oil play could add significant incremental upside to Seaview's current reserves and net asset value.
- Net debt at the end of 2010 was \$20.3 million compared to \$40.3 million at the end of 2009 representing a 50% reduction over the prior year; and
- In February 2011, Seaview's credit facility has been confirmed, by the lenders, at \$52 million with the next interim review set for May 31, 2011, providing for approximately \$30 million of available credit facilities at year end to fund the Company's capital program in the Wapiti Cardium light oil resource play.

Wapiti Results and Activity Plans

Seaview's strategy in 2010 focused on accumulating a large, contiguous land position targeting a potential light oil resource play in the Wapiti Cardium fairway. Industry activity in Wapiti has increased substantially since Q1-10 following Seaview's initial exploration success at 100/01-09-066-07W6 (The "1-9 well"). As at April 2011, industry has licensed 24 locations targeting the Cardium.

Over the course of 2010, Seaview successfully drilled 7 Cardium horizontal exploration wells (4.3 net) to evaluate the Company's lands. Subsequent to December 31, 2010, Seaview has drilled and cased one additional Cardium horizontal well (0.7 net).

The Company's focus continues to be on the evaluation of the extensive land position in Wapiti through exploration drilling. In addition, Seaview continues to see improved test results with the evolution of the completion technology designed to optimize production and ultimate reserves potential of the Company's Wapiti property.

The current status of the 8 Wapiti horizontal wells (5.0 net) is as follows:

- 4 horizontal wells (2.7 net) are currently on production, including conservation of associated solution gas. In addition to crude oil production, the natural gas liquid yields from the Company's Wapiti wells have been over 85 bbls per mmcf of associated solution gas. Seaview's fourth horizontal well located at 100/12-14-067-9W6 (73.7% WI) came on production in mid-March and continues to produce remaining load oil while flowing to sales;
- 3 horizontal wells (1.7 net) have been completed and are awaiting tie-in including 100/14-28-067-08W6 ("the 14-28 well") (37% WI in Petroleum; 18% WI in natural gas), 100/01-17-066-08W6 (67.6% WI) and 100/01-03-066-08W6 (64.4% WI). The completions of each of these wells utilized the same completion technology as the 14-28 well;
- The Company elected to proceed with the equip and tie-in of each of these locations, in order to continue evaluation and testing through spring break-up. Seaview anticipates all 3 locations (1.7 net) to be producing within the next month; and
- 1 horizontal well (0.5 net) at 100/16-12-066-08W6 has been drilled and cased with completion to commence after spring break-up.

Wapiti Exploration Program

Results to date in the Wapiti area continue to validate the Company's strategy of accumulating a large, contiguous position targeting light oil in the Wapiti Cardium fairway.

With 8 Cardium horizontal wells (5.0 net) drilled to date, Seaview has made significant progress towards evaluating the resource potential throughout the Company's land base in Wapiti. Management is encouraged by the exploration results to date and remain confident that the Wapiti Cardium light oil resource play offers a sizeable and repeatable opportunity.

Management also expects the economics of the play and initial production rates will continue to improve through the optimization of completion technology during this initial phase of exploration.

Seaview's opportunity base within the prospective Wapiti Cardium light oil resource fairway has the following characteristics:

- Exposure to earn up to 42.5 sections (22.8 net) of prospective Cardium rights;
- An extensive drilling inventory with over 170 horizontal development locations (91 net); and
- Excellent operational focus featuring a large contiguous land position directly offsetting the Company's recent successful Cardium exploration activities.

Seaview believes the Wapiti Cardium light oil resource play contains the essential elements of a profitable resource play including:

- Large areal extent, supported by numerous logs and tests validating the reservoir continuity;
- Contiguous resource potential including an average of 10 m of vertical pay exceeding 6% porosity providing for significant accumulation of light oil, and a high degree of repeatability;
- Ability to improve drilling and completion techniques leading to lower capital costs and higher productivity over time; and
- Scalable project targeting high quality light oil (41 degree API), and natural gas with high liquid recovery NGL's.

COMMODITY PRICE RISK MANAGEMENT

A key component to Seaview's balance sheet management is the Company's commodity price risk program. The price risk management program is intended to reduce price volatility in order to support cash flow, protect acquisition economics and finance ongoing capital expenditures.

Seaview currently has approximately 1,485 boe/d hedged for 2011, as follows:

- 8,140 GJ/d of natural gas hedged in put contracts providing for a "net of cost" floor of \$4.18/GJ (\$4.42/mcf), which is a 14% premium to the current calendar AECO 2011 futures strip of \$3.66/GJ, and a 19% premium to the current AECO strip price of \$3.51/GJ;
- 200 bbl/d of crude oil hedged in put contracts for 2011 with a "net of cost" floor of CDN\$75.00/bbl; and
- On a combined basis, Seaview has 8,913 mcf/d, hedged at a "net of cost" floor price of \$5.50/mcfe, which will provide for minimum revenue of \$17.9 million for 2011.

OUTLOOK

Management successfully completed several strategic initiatives during 2010 to position the Company for long term sustainability and growth. The combined impacts of significantly reducing debt, high grading operations towards higher net back production, and early exploration success in the Wapiti Cardium light oil resource play provides a solid platform for long term growth of reserves, production and cash flow on a per share basis.

The Company's focused long life, low cost Peace River Arch asset and strong balance sheet provide a stable capital base to support development of the upside potential in the Wapiti Cardium play, and support ongoing exploration projects. Seaview now has the following characteristics:

- Total Proven reserves of 6,578 Mboe (23% light oil and natural gas liquids);
- Total Proven plus Probable reserves of 11,823 Mboe (26% light oil and natural gas liquids), effective December 31, 2010, as evaluated by Sproule Associates Ltd. using National Instrument 51-101 reserve definitions;
- Reserve life index is 12.3 years based on Total Proven plus Probable reserves and Q4 2010 production of 2,641 boe per day;
- Year-end net debt of \$20.3 million, with approximately \$32 million of available credit capacity;
- Seaview has established significant positions in resource plays providing for longer-term growth potential in a diverse portfolio of assets targeting both light oil and natural gas plays, including:
 - In Wapiti, the Company has assembled a sizable land position targeting a Cardium light oil resource play:
 - Exposure to earn up to 42.5 sections (22.8 net) of prospective Cardium rights;
 - An extensive drilling inventory with over 170 horizontal development locations (91 net);
 - Scalable project targeting high quality light oil (41 degree API), and natural gas with high liquid recovery NGL's; and
 - Excellent operational focus featuring a large contiguous land position directly offsetting the Company's recent successful Cardium exploration activities.
 - In Pouce Coupe, the Company holds interests in 21 sections (4.5 net) of land targeting a Doig-Montney natural gas resource play. Seaview's land position is on trend with successful industry development activities further reducing the risk of full development when economics are more viable; and
 - In Harlech, Seaview holds a 25% working interest in 9 contiguous sections (2.25 net) of land targeting multi-zone Cretaceous and Nordegg gas resource potential. The Harlech area offers exposure to liquids rich natural gas reservoirs.
- Commodity hedging program providing for downside protection on 8,913 mcf per day for 2011 at a "net of cost" floor price of \$5.50/mcf, providing minimum 2011 revenue of \$17.9 million; and
- 65.54 million Class A shares and 1.0 million Class B shares outstanding as at December 31, 2010.

RELEASE OF 2010 FINANCIALS AND ANNUAL INFORMATION FORM

Seaview has filed its financial results for the year ended December 31, 2010 including the audited consolidated financial statements and related management's discussion and analysis ("MD&A") and the Annual Information Form which includes Seaview's reserves data and other oil and gas information for the year ended December 31, 2010 as mandated by National Instrument 51-101 Standards for Disclosure for Oil and Gas Activities of the Canadian Securities Administrators. These filings will be available in their entirety at www.seaviewenergy.com and www.sedar.com or by contacting the Company directly.

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CAPITAL EFFICIENCY AND RESERVE ADDITIONS

The independent reserves evaluation in respect of Seaview's assets has been completed by Sproule, with an effective date of December 31, 2010, in accordance with National Instrument 51-101 – Standards for Disclosure for Oil and Gas Activities of the Canadian Securities Administrators ("NI 51-101"). Highlights of the report are summarized below: "NI 51-101"

- Proven Producing reserves of 4,554 Mboe (14% light oil and natural gas liquids);
- Total Proven reserves increased of 6,578 Mboe (23% light oil and natural gas liquids);
- Total Proven plus Probable reserves of 11,823 Mboe (26% light oil and natural gas liquids);
- Probable Developed Producing reserves assigned to Proved Producing assets are 2,444 Mboe, increasing developed Proven plus Probable producing reserves to 6,998 Mboe or 59% of the Total Proven plus Probable reserves. No future development capital is required to convert the Probable Producing reserves to Proven Producing over time;
- Reserve Life Index is 6.8 years on a Total Proven basis and 12.3 years on a Total Proven plus Probable basis using December 31, 2010 reserves, and Q4-10 production of 2,641 boe/d;
- Total capital expenditures based on unaudited financial results net of dispositions was negative \$(1.6 million); including changes in FDC total capital costs for the purpose of calculating FD&A costs are \$19.7 million Total Proven and \$35.6 million Total Proven plus Possible basis:
 - Achieved FD&A costs of \$45.19/boe Proven and \$20.29/boe Proven plus Probable (Including changes in FDC); and
 - Seaview's 2010 capital program replaced production by 0.4 times on a Proven basis and 1.8 times on a Proven plus Probable basis, net of technical revisions.
- Seaview completed an active drilling program in 2010 which included drilling 11 gross wells (7.6 net) with a 91% success rate. Capital expenditures based on unaudited consolidated financial results were \$29.1 million directed towards drilling activity. Including changes to FDC, the total capital costs for the purpose of calculating F&D costs are \$50.4 million Total Proven and \$66.3 million Total Proven plus Probable basis:
 - Achieved F&D costs of \$39.59/boe Proven and \$23.19/boe Proven plus Probable (including FDC and after revisions);
 - Proven F&D costs in 2010 reflect the high capital expenditures associated with earning commitments on farm-in lands in Wapiti plus the impact of more conservative reserve assignments for early stage resource plays;
 - Seaview's drilling program added 3,246 Mboe of Total Proven plus Probable reserves, including 2,160 Mboe of light crude oil and natural gas liquids; and
 - Reserve additions in Wapiti of 3,165 Mboe of Total Proven plus Probable reserves replaced the light oil reserves sold in the Saskatchewan disposition by 2.4 times.
- Over the past three years, Seaview has added over 13,347 Mboe through its balanced strategy of acquiring, exploiting and exploring for high-quality natural gas and light oil assets in Western Canada. 2010 marks the beginning of a successful transition for the Company towards exploration for light oil resource plays.
 - Three year average Proven F&D costs of \$21.23/boe Proven and Proven plus Probable costs of \$15.42/boe (including FDC and after revisions); and
 - Three year average Proven FD&A costs of \$21.94/boe Proven and Proven plus Probable costs of \$15.69/boe (including FDC and after revisions).

Historical Capital Efficiency Highlights	2010		2009		2008 - 2010	
	Total Proved	Total Proved plus Probable	Total Proved	Total Proved plus Probable	Total Proved	Total Proved plus Probable
Capital Costs (\$thousands)						
Exploration and development capital	\$29,066	\$29,066	\$16,484	\$16,484	\$66,457	\$66,457
Acquisitions, net of dispositions	\$(30,704)	\$(30,704)	\$30,455	\$30,455	\$91,615	\$91,615
Future development capital, beginning balance	\$5,646	\$15,551	\$5,219	\$12,982	\$843	\$1,475
Future development capital, end of period balance	\$27,012	\$52,821	\$5,646	\$15,551	\$27,012	\$52,821
Exploration and development capital including change in future development capital	\$19,728	\$35,632	\$16,911	\$19,053	\$92,626	\$117,803
All-in capital including change in future development capital	\$50,432	\$66,336	\$47,366	\$49,508	\$184,241	\$209,418
Reserve additions (including technical revisions)						
Exploration and development (Mboe)	1,274	2,860	1,696	2,458	4,363	7,639
Acquisitions, net of dispositions (Mboe)	(837)	(1,104)	1,464	2,158	4,036	5,708
Total reserve additions (Mboe)	437	1,756	3,160	4,616	8,399	13,347
Finding and development costs (F&D), including change in future development capital (\$/boe)⁽¹⁾	\$39.59	\$23.19	\$9.97	\$7.75	\$21.23	\$15.42
Finding, development and acquisition costs (FD&A), including change in future development capital (\$/boe)	\$45.19	\$20.29	\$14.99	\$10.73	\$21.94	\$15.69
Reserve Replacement						
Reserve additions, including revisions (Mboe)	437	1,756	3,160	4,616		
Annual production (Mboe)	1000	1000	847	847		
Production replacement ratio	0.4	1.8	3.7	5.4		

Notes:

- (1) The aggregate of the exploration and development costs incurred in the most recent financial year, and the change during that year in estimated future development costs, generally will not reflect total finding and development costs related to reserve additions for that year.

NI 51-101 Reserves Disclosure

Seaview has a Reserve Committee comprised of independent board members, which reviews the qualifications and appointment of the independent reserve evaluators. The Committee also reviews the processes and technical data used to determine the reserves booked.

The Company will file on or before April 30, 2011 its Annual Information Form which includes Seaview's reserves data and other oil and gas information for the year ended December 31, 2010 as mandated by NI 51-101.

The December 31, 2010, evaluation was prepared by Sproule utilizing the methodology and definitions as set out under NI 51-101. The reserves presented herein include the total Company's working interest reserves before deduction of royalties and exclude royalty interest reserves as at December 31, 2010.

Table 1 NI 51-101

**Summary of Oil and Gas Reserves
as of December 31, 2010
Forecast Prices and Costs**

	Gross Reserves				Net Reserves			
	Light and Medium Crude Oil	Heavy Crude	Natural Gas Liquids	Natural Gas	Light and Medium Crude Oil	Heavy Crude	Natural Gas Liquids	Natural Gas
	Mbbls	Mbbls	Mbbls	Mmcf	Mbbls	Mbbls	Mbbls	Mmcf
Proved								
Developed Producing	460.9	0	176.0	23,500	394.0	0	114.3	18,953
Developed Non-Producing	94.2	0	32.0	1,650	80.1	0	21.7	1,401
Undeveloped	580.8	0	177.1	5,189	501.0	0	127.2	4,292
Total Proved	1,135.9	0	385.1	30,339	975.1	0	263.2	24,645
Probable	1,187.5	0	410.3	21,887	985.3	0	276.2	17,545
Total Proved plus Probable	2,323.3	0	795.4	52,226	1,960.4	0	539.4	42,191

Table 2 NI 51-101

**Summary of Net Present Values of Future Net Revenue
as of December 31, 2010
Forecast Prices and Costs**

	Before Future Income Tax Expenses and Discounted at					Unit Value Before Income Tax Discounted at
	0%	5%	10%	15%	20%	10%/yr
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(\$/boe)
Proved						
Developed Producing	106,113	82,299	67,706	57,893	50,850	18.46
Developed Non-Producing	11,234	8,949	7,472	6,453	5,710	22.29
Undeveloped	43,673	23,821	14,074	8,471	4,901	10.48
Total Proved	161,020	115,070	89,253	72,817	61,462	16.70
Probable	162,387	85,460	53,835	37,273	27,213	12.86
Total Proved plus Probable	323,407	200,530	143,088	110,090	88,675	15.01
	After Future Income Tax Expenses and Discounted at					
	0%	5%	10%	15%	20%	
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	
Proved						
Developed Producing		91,387	71,654	59,526	51,336	45,431
Developed Non-Producing		8,383	6,629	5,495	4,713	4,143
Undeveloped		32,840	17,224	9,467	4,968	2,087
Total Proved		132,609	95,508	74,488	61,016	51,661
Probable		121,736	63,356	39,190	26,459	18,697
Total Proved plus Probable		254,345	158,864	113,678	87,476	70,358

Table 3 NI 51-101

**Total Future Net Revenue Undiscounted
as of December 31, 2010
Forecast Prices and Costs**

	Revenue	Royalties	Operating Costs	Development Costs	Abandonment and Other Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
Total Proved Reserves	323,712	53,748	79,567	27,012	2,365	161,020	28,411	132,609
Total Proved plus Probable	641,783	112,702	149,738	52,821	3,114	323,407	69,062	254,345

Table 4 NI 51-101

**Net Present Value of Future Net Revenue
By Production Group
as of December 31, 2010
Forecast Prices and Costs**

	Future Net Revenue Before Income Taxes and (Discounted at 10%/Year)	Unit Value Before Income Taxes (Discounted at 10%/Year)
	(M\$)	(\$/boe)
Proved		
Light and Medium Crude Oil (including solution gas and associated by-products)	30,924	19.67
Heavy Crude Oil (including solution gas and associated by-products)	0	0
Natural Gas (including associated by-products)	58,329	15.46
Proved plus Probable		
Light and Medium Crude Oil (including solution gas and associated by-products)	55,347	17.34
Heavy Crude Oil (including solution gas and associated by-products)	0	0
Natural Gas (including associated by-products)	87,741	13.84

Table 5 NI 51-101

Summary of Pricing and Inflation Rate Assumptions
As of December 31, 2010 Forecast Prices and Costs

Year	CRUDE OIL			NATURAL GAS (1)	NATURAL GAS LIQUIDS		Inflation(2)	US/CAN Exchange Rate(3)
	WTI Crude Oil (\$US/Bbl)	Edmonton Par Price 40 ^o API Crude Oil (\$Cdn/Bbl)	Cromer Medium 29.3 ^o API Crude Oil (\$Cdn/Bbl)	Alberta AECO Gas Price (\$Cdn/mmbtu)	Pentanes Plus FOB Field Gate (\$Cdn/Bbl)	Butanes FOB Field Gate (\$Cdn/Bbl)		
Forecast								
2011	88.40	93.08	85.63	4.04	95.32	62.44	1.5	0.932
2012	89.14	93.85	86.34	4.66	96.11	62.95	1.5	0.932
2013	88.77	93.43	85.02	4.99	95.68	62.67	1.5	0.932
2014	88.88	93.54	84.18	6.58	95.79	62.75	1.5	0.932
2015	90.22	94.95	85.45	6.69	97.24	63.69	1.5	0.932

Thereafter

Escalation Rates of 1.5%

Notes:

- (1) This summary table identifies benchmark reference pricing schedules that might apply to a reporting issuer
- (2) Inflation rates for forecasting prices and costs
- (3) Exchange rates used to generate the benchmark reference prices in this table

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

The following discussion and analysis is provided by the management of Seaview Energy Inc. ("Seaview" or the "Company") as of April 6, 2011 and should be read in conjunction with the audited consolidated financial statements and notes for the periods ended December 31, 2010 and 2009. This financial data has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is Canadian dollars.

Description of the Company

Seaview is a Calgary based, natural gas and light crude oil focused, exploration and development company established on December 13, 2006. The Company completed its Initial Public Offering on October 17, 2007. The primary area of operation is the Peace River Arch area of northwest Alberta. The Class A and Class B shares of Seaview trade on the TSX Venture Exchange ("TSX – Venture") under the symbols CVU.A and CVU.B. As Seaview commenced operations in October, 2007, and has since completed several material acquisitions, the financial results may not be indicative of future periods.

Non-GAAP measures

This MD&A contains the terms "funds flow from operations" and "funds flow from operations per share" which do not have any standardized meaning prescribed by Canadian GAAP. Management uses funds flow from operations and funds flow from operations per share to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds flow from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities, as determined in accordance with Canadian GAAP, as an indicator of the Company's performance. Therefore, references to funds flow from operations or funds flow from operations per share (basic and diluted) may not be comparable with the calculation of similar measures of other entities. Funds flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period. The reconciliation between funds flow from operations and cash flow from operating activities after changes in working capital for the years ended December 31, 2010 and 2009 is as follows:

(\$ thousands except per share amounts)	2010	2009
Funds flow from operations	\$ 17,577	\$ 15,120
Expenditures on abandonments	-	(110)
Changes in non-cash working capital	1,251	(554)
Cash provided by operating activities	\$ 18,828	\$ 14,456
Funds flow from operations per share (basic)	\$ 0.26	\$ 0.26
Expenditures on abandonments	0.00	0.00
Changes in non-cash working capital per share (basic)	0.02	(0.01)
Cash provided by operating activities per share (basic)	\$ 0.28	\$ 0.25

Management uses certain industry benchmarks such as operating netback to analyze financial and operating performance. This benchmark, as presented, does not have any standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable with the calculation of similar measures for other entities. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. The Company uses these measures to help evaluate its performance and in capital allocation decisions.

Boe presentation

Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet ("mcf") to one barrel ("bbl") is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this report are derived by converting natural gas to oil in the ratio of six mcf of gas to one barrel of oil. A list of other commonly used abbreviations is included at the end of this report.

Forward-looking information

Certain information regarding the Company set forth in this document, including management's assessment of the Company's future plans and operations, may constitute forward-looking statements under applicable securities law and necessarily involve risks associated with oil and gas exploration, production, marketing, and transportation, such as loss of market, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and ability to access sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.

SELECTED INFORMATION

Financial (\$000's except per share amounts)	Q4 2010	Q4 2009	% Change	2010	2009	% Change
Petroleum and natural gas sales	\$ 7,642	\$ 10,377	(26%)	\$ 35,171	\$ 33,504	5%
Funds flow from operations ⁽¹⁾	4,244	5,024	(16%)	17,577	15,120	16%
Basic and diluted per share ⁽²⁾	0.06	0.08	(25%)	0.26	0.26	-
Net loss	(2,562)	(2,366)	1%	(4,701)	(9,607)	(51%)
Basic and diluted per share ⁽²⁾	(0.04)	(0.04)	-	(0.07)	(0.16)	(56%)
Capital expenditures ⁽³⁾	8,842	5,368	65%	27,357	16,567	65%
Property acquisitions (dispositions)	3,315	3,840	(14%)	(29,775)	30,455	(198%)
Net debt to funds flow from operations ratio	1.15	2.67	(57%)	1.15	2.67	(57%)

Shares Outstanding at period end (000's)

Class A	65,537	65,433	-	65,537	65,433	-
Class B	1,054	1,054	-	1,054	1,054	-

Operations

Daily production						
Natural gas (mcf/d)	14,016	13,703	2%	15,223	11,422	33%
Light oil and NGLs (bbl/d)	305	445	(31%)	370	417	(11%)
Total production (boe/d)	2,641	2,729	(3%)	2,907	2,321	25%
Average realized sales price (net of risk management gains)						
Natural gas (per mcf)	\$ 4.48	\$ 6.06	(26%)	\$ 4.65	\$ 5.88	(21%)
Light oil and NGL (per bbl)	66.27	66.92	(1%)	69.16	58.92	17%
Netback per boe ⁽¹⁾						
Sales price	\$ 28.60	\$ 35.35	(19%)	\$ 31.47	\$ 32.00	(2%)
Realized risk management gains	2.85	5.98	(52%)	1.68	7.55	(78%)
Sales price (net of realized risk management gains)	31.45	41.33	(24%)	33.15	39.55	(16%)
Royalties	3.02	4.52	(33%)	4.12	4.90	(16%)
Operating expenses	5.44	11.80	(54%)	7.65	11.57	(34%)
Transportation	1.63	1.27	28%	1.43	1.44	(1%)
Operating netback ⁽¹⁾	\$ 21.36	\$ 23.74	(10%)	\$ 19.95	\$ 21.64	(8%)

(1) The Company uses "funds flow from operations" and "funds flow from operations per share" which do not have any standardized meaning prescribed by Canadian GAAP. The terms are used to analyze operating performance and leverage. The Company uses "Netback per boe" and "Operating Netback" which do not have any standardized meaning prescribed by Canadian GAAP. The terms are used to evaluate performance and in capital allocation decisions.

(2) Weighted average diluted shares outstanding for all periods exclude both the impact of the conversion of the Class B shares and the effect of the granted options as they would have been anti-dilutive.

(3) Capital expenditures include only the cash additions for the period and capitalized G&A expense.

HIGHLIGHTS OF 2010 AND SUBSEQUENT EVENTS

- Average production for 2010 was 2,907 boe per day, an increase of 25% relative to 2009 average production of 2,321 boe per day (increase of 11% per basic weighted average share);
- Funds flow from operations for 2010 increased 16% to \$17.6 million from \$15.1 million in 2009;
- Closed the disposition of Seaview's assets in Southeast Saskatchewan for \$33 million on April 29, 2010 representing disposition metrics of \$165,000 per flowing barrel. The Company reduced corporate debt levels to below \$11 million at closing, providing available credit facilities of over \$40 million to finance new exploration projects;
- Executed a series of farm-ins and land acquisitions to assemble a large, contiguous land position in the emerging Wapiti Cardium light oil resource play:
 - Accumulated 42.5 sections (22.8 net) of prospective lands setting up extensive drilling inventory with over 170 horizontal development locations (91 net) targeting high quality, high net-back light oil and associated natural gas production;

- Drilled 8 Cardium horizontal wells (5.0 net) at 100% success rate establishing light oil resource potential over the majority of the Company's Wapiti lands;
 - Demonstrated improved initial production rates while lowering capital costs through continuous improvement of both drilling and completion practices; and
 - Tested the application of new technologies to maximize the potential of the Wapiti Cardium light oil resource fairway.
- Established light oil resource potential of the Wapiti Cardium play demonstrated by strong reserve additions:
 - Total Proven reserve additions of 1,450 Mboe, including 1,032 Mbbls of crude oil and natural gas liquids with Net Present Value (BTAX 10% discount factor) of \$22.4 million;
 - Total Proven plus Probable reserve additions of 3,165 Mboe, including 2,264 Mbbls of crude oil and natural gas liquids with Net Present Value (BTAX 10% discount factor) of \$41.8 million;
 - The evaluation from Sproule Associates Limited, the Company's independent engineering firm, recognized reserves on 23 Cardium horizontal wells (13.3 net) representing 16% of Seaview's total Wapiti net well locations based on 4 wells per section; and
 - Net debt at the end of 2010 was \$20.3 million compared to \$40.3 million at the end of 2009 representing a 50% reduction over the prior year; and
 - In February 2011, Seaview's credit facility has been confirmed, by the lenders, at \$52 million with the next interim review set for May 31, 2011, providing for approximately \$30 million of available credit facilities at year end to fund the Company's capital program in the Wapiti Cardium light oil resource play.

RESULTS OF OPERATIONS

Disposition of Assets

On April 29, 2010, the Company closed the disposition of all of the Company's southeast Saskatchewan assets for gross proceeds of \$33 million (excluding the elimination of the asset retirement obligation in the amount of \$756,792 associated with these assets).

Operations

For the year ended December 31, 2010, the Company recorded a net loss of \$4.7 million (net loss of \$9.6 million for the year ended December 31, 2009).

The following table summarizes selected information for the years ended December 31, 2010 ("2010") and December 31, 2009 ("2009"), the three months ended December 31, 2010 (the "Quarter" or "Q4 2010") and for the fourth quarter of 2009 (the "Prior Year Q4" or "Q4 2009"), as well as the three months ended September 30, 2010 (the "Previous Quarter" or "Q3 2010"):

	Q4 2010	Q3 2010	Q4 2009	2010	2009
Daily Production					
Natural gas (mcf/d)	14,016	13,299	13,703	15,223	11,422
Crude oil and NGL's (bbl/d)	305	322	445	370	417
Boe/d day @ 6:1	2,641	2,538	2,729	2,907	2,321
Petroleum and natural gas sales (\$000's)	\$ 7,642	\$ 7,213	\$ 10,377	\$ 35,171	\$ 33,504
Funds flow from operations (\$000's)	4,244	4,451	5,024	17,577	15,120
Per share – basic and diluted	0.06	0.07	0.08	0.26	0.26
Net loss (\$000's)	(2,562)	(634)	(2,366)	(4,701)	(9,607)
Per share – basic and diluted	(0.04)	(0.01)	(0.04)	(0.07)	(0.16)

Commodity prices

Average realized prices	Q4 2010	Q3 2010	Q4 2009	2010	2009
Light crude oil (per bbl)	\$ 79.35	\$ 73.54	\$ 74.74	\$ 76.39	\$ 63.51
after realized risk management gains/losses	69.96	69.36	67.86	71.51	59.33
Natural gas (per mcf)	3.80	3.68	4.69	4.24	4.22
after realized risk management gains/losses	4.48	4.34	6.06	4.65	5.88
Natural gas liquids (per bbl)	57.96	56.60	63.09	62.97	56.75
Total per boe	28.60	27.77	35.35	31.47	32.00
after realized risk management gains	31.45	30.89	41.33	33.15	39.55
BENCHMARK PRICES					
WTI oil (US\$ per bbl)	85.04	76.18	76.15	79.45	62.02
AECO Daily Index (CAD\$ per gj)	3.43	3.36	3.86	3.79	3.64
Currency (US\$/CAD\$)	1.013	1.039	1.057	1.030	1.141

The AECO Daily Index gas price averaged \$3.43 per gj or \$3.62 per mcf for Q4 2010 as compared to \$3.36 per gj or \$3.54 per mcf during the Previous Quarter. During the Quarter, Seaview also sold a portion of its natural gas on the AECO Monthly Index which averaged \$3.39 per gj or \$3.58 per mcf. The natural gas price received by Seaview, before risk management gains, was \$3.80 per mcf for the Quarter compared to \$3.68 per mcf for Q3 2010. For 2010, the AECO Daily Index gas price averaged \$3.79 per gj or \$4.00 per mcf while the AECO Monthly Index averaged \$3.91 per gj or \$4.13 per mcf and the price Seaview received for 2010, before risk management gains, was \$4.24 per mcf. Seaview receives a premium to the stated AECO Indexes as the Company produces high heat content natural gas that attracts premium market prices.

The price of West Texas Intermediate ("WTI") crude averaged US\$85.04 per bbl during the Quarter compared to US\$76.18 per bbl during Q3 2010. Seaview received a combined average price, including natural gas liquids and before risk management effects, of \$72.76 per bbl during the Quarter compared to \$67.04 during the Previous Quarter. For 2010, WTI crude averaged US \$79.45 per bbl and Seaview received \$72.69 as a combined average price including natural gas liquids and before risk management.

The Canadian dollar averaged US\$1.013 during the Quarter as compared to \$1.039 during the Previous Quarter. As the price of WTI crude oil and Nymex natural gas is quoted in US dollars, appreciation in the Canadian dollar decreases the average Canadian price received. Seaview mitigates exposure to the impact of exchange rate fluctuations by economically hedging a portion of the production in Canadian dollar denominated puts, swaps and collars.

Commodity price risk management

The prices received for petroleum and natural gas can fluctuate significantly due to weather patterns, the economic environment or political uncertainty.

Seaview's commodity price risk management program is designed to provide price protection on a portion of the future production in the event of adverse commodity price movement, while retaining the opportunity to participate in favourable price movements. This practice allows the Company to generate stable funds flow for capital development and acquisition activities, and to ensure positive economic returns on those activities. The Company also sells a portion of its natural gas production on the AECO Monthly Index in addition to the AECO Daily Index to mitigate the volatility in price movement.

The Company has elected not to use hedge accounting and consequently will record the fair value of any crude oil and natural gas financial contract at each reporting period, with the change in the fair value being classified as unrealized gains and losses in revenue in the statement of earnings. The fair value of the commodity price risk contracts are estimated based on the mark-to-market method of accounting, using publicly quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period and are therefore classified as Level 2. For the year ended December 31, 2010, realized gains of \$1.8 million were recorded as revenue (December 31, 2009 – realized gains of \$6.4 million). As at December 31, 2010, the Company recorded a liability related to the unrealized gains on financial contracts of \$1.0 million reflecting the fair value of the crude oil and natural gas contracts outstanding at December 31, 2010 (December 31, 2009 – a liability of \$1.6 million).

As at December 31, 2010, the Company had the following financial contracts:

Natural gas	Volume	Pricing Point	Price	Term
Put ⁽¹⁾	2,000 gj/d	AECO Monthly	\$ 4.75/gj	January '10 – December '11
Put	6,140 gj/d	AECO Monthly	\$ 4.00/gj	January '11 – December '11
Call	3,000 gj/d	AECO Monthly	\$ 7.04/gj	January '12 – December '12
Crude Oil				
Put ⁽²⁾	200 bbl/d	WTI – Nymex CAD	\$ 75.00/bbl	January '10 – December '11
Call	100 bbl/d	WTI – Nymex CAD	\$ 90.00/bbl	January '12 – December '12
Call	200 bbl/d	WTI – Nymex	\$ 75.00/bbl	January '12 – December '12

(1) The net floor for this contract reflects the deferred cost of \$1.05/gj paid over the course of the contract. The strike price of the put is \$5.80/gj before the deferred cost.

(2) The net floor for this contract reflects the deferred cost of \$11.00/bbl paid over the course of the contract. The strike price of the put is \$86.00/bbl before the deferred cost.

Subsequent to December 31, 2010, the two crude oil calls for 2012 were terminated and replaced with the following contracts:

	Volume	Pricing Point	Price	Term
Crude oil call	100 bbl/d	WTI – Nymex CAD	\$ 88.25/bbl	January '13 – December '13
Crude oil call	200 bbl/d	WTI – Nymex	\$ 72.50/bbl	January '13 – December '13

The total volumes hedged for the period of January 2011 to December 2013 are detailed below.

Natural Gas	Q1 '11	Q2 '11	Q3 '11	Q4 '11	2012	2013
Puts						
Volumes – gj/d	8,140	8,140	8,140	8,140		
Net floor (\$/gj)	\$4.18	\$4.18	\$4.18	\$4.18		
Call						
Volumes – gj/d					3,000	
Net ceiling (\$/gj)					\$7.04	
Crude Oil						
Put						
Volumes – bbl/d	200	200	200	200		
Net floor (CAD\$/bbl)	\$75.00	\$75.00	\$75.00	\$75.00		
Call						
Volumes – bbl/d						300
Net ceiling (CAD\$/bbl)						\$77.75

The Company will continue to monitor forecasted volumes and commodity prices and may layer in additional downside protection, generally using puts, in order to allow full exposure to any positive price movements.

The Company's financial derivative trading activities are conducted pursuant to the Company's Hedging Policy Manual approved by the board of directors. The Hedging Policy Manual has the objectives of reducing risk exposure to budgeted annual funds generated from operations resulting from uncertainty or changes in commodity prices; limiting financial contract volumes up to a maximum of 50% of forecasted production; and limiting financial derivative trading activity to counter-parties that provide sufficient collateral in support of payment or have investment grade credit ratings.

Petroleum and natural gas sales

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
Natural gas	\$ 4,906	\$ 4,501	\$ 5,911	\$ 23,585	\$ 17,599
Crude oil and natural gas liquids	2,044	1,985	2,964	9,801	9,508
Realized risk management gains	692	727	1,502	1,785	6,397
Petroleum and natural gas sales (net)	\$ 7,642	\$ 7,213	\$ 10,377	\$ 35,171	\$ 33,504
\$/boe	\$ 31.45	\$ 30.89	\$ 41.33	\$ 33.15	\$ 39.55

Petroleum and natural gas sales for the Quarter and 2010, before royalties and transportation costs, were \$7.6 million and \$35.2 million, respectively (\$7.2 million – Previous Quarter; \$33.5 million – 2009). The increase from Q3 2010 is attributable to increased production during the Quarter along with higher realized prices. The increase year over year is a result of a 25% production increase over the prior year offset by a 16% decrease in realized price, net of risk management gains. The Company

realized gains of \$0.7 million, net of premiums, on crude oil and natural gas financial contracts during the Quarter and gains of \$1.8 million, net of premiums, for 2010 (gains of \$0.7 million – Previous Quarter; \$6.4 million – 2009).

Royalties

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
Royalties	\$ 735	\$ 499	\$ 1,136	\$ 4,373	\$ 4,151
Percentage of petroleum and natural gas sales (before realized risk management gains)	10.6%	7.7%	12.8%	13.1%	15.3%
\$/boe	\$ 3.02	\$ 2.14	\$ 4.52	\$ 4.12	\$ 4.90

Royalties are paid to the owners of the mineral rights with whom leases are held, including provincial governments. Overriding royalties are also paid to other parties according to contracts. In Alberta, a Crown royalty is invoiced on the Crown's share of production based on a monthly established Alberta Reference Price. The Alberta Reference Price is a monthly weighted average price of gas consumed in Alberta and gas exported from Alberta reduced for transportation and marketing allowances. Gas cost allowance and other incentive schemes serve to reduce the effective royalty rate.

With the introduction of a New Royalty Framework ("NRF") by the Province of Alberta, commencing January 1, 2009, Crown royalties are sensitive to production rates for each well and to changes in the commodity price. In this low commodity price environment, the decrease in the reference price used for the calculation of Crown royalties has had a significant impact on the royalty rates charged by the Crown. Additionally, the Province of Alberta introduced a reduced royalty rate of 5% for wells that are brought on production after April 1, 2009. This applies for the first 12 months of production or to a maximum of 500,000 Mcfs for natural gas wells or 50,000 barrels for crude oil wells, amended to 60,000 barrels and 24 months for horizontal oil wells drilled on or after May 1, 2010 and more than 2,500 meters in total length. Seaview has brought on several new wells since April 1, 2009 which qualified for this reduced royalty rate, several of which currently remain at this rate.

Royalties for the Quarter and 2010 totaled \$0.7 million and \$4.4 million, respectively (\$0.5 million – Previous Quarter; \$4.2 million – 2009). As a percentage of sales, royalties averaged 10.6% or \$3.02 per boe during the Quarter and 13.1% or \$4.12 per boe for 2010 (7.7% and \$2.14 per boe for the Previous Quarter; 15.3% and \$4.90 per boe – 2009). The royalty rate for Q4 2010 is higher than the Previous Quarter due to a higher Crown reference price as well as having several wells reaching their limits for the above referenced 5% royalty rate during the quarter. The overall royalty rate remains lower as the Company still has approximately 25% of its production receiving the 5% royalty rate.

Operating expenses

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
Operating expenses	\$ 1,322	\$ 1,196	\$ 2,963	\$ 8,115	\$ 9,805
\$/boe	\$ 5.44	\$ 5.12	\$ 11.80	\$ 7.65	\$ 11.57

Operating expenses for the Quarter and 2010 were \$1.3 million and \$8.1 million, respectively (\$1.2 million – Previous Quarter; \$9.8 million – 2009) and on a unit-of-production basis, operating expenses averaged \$5.44 and \$7.65 per boe, respectively (\$5.12 per boe – Previous Quarter; \$11.57 per boe – 2009). The operating expenses on a per boe basis during 2010 were reduced year over year due to the receipt of 13th month recoveries from operators of gas plants the Company has a working interest in which reduced operating expenses by approximately \$0.60/boe. The remaining reduction is due to the fact that, for most of the year, the Company no longer had the effect of the higher operating expense Saskatchewan properties, which were disposed of effective April 29, 2010.

Transportation expense

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
Transportation expense	\$ 396	\$ 345	\$ 320	\$ 1,522	\$ 1,216
\$/boe	\$ 1.63	\$ 1.48	\$ 1.27	\$ 1.43	\$ 1.44

For the Quarter, transportation expense totaled \$0.4 million or \$1.63 per boe and 2010 transportation expense totaled \$1.5 million or \$1.43 per boe (\$0.3 million or \$1.48 per boe – Previous Quarter; \$1.2 million or \$1.44 per boe – 2009). As Seaview's production is weighted more than 85% to natural gas, the majority of Seaview's transportation expenses relate to natural gas pipeline tariff charges. Transportation expense per boe for the Quarter is higher than prior periods due to increased transportation costs related to oil production from the new Wapiti area.

General and administrative (“G&A”)

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
G&A expenses	\$ 1,540	\$ 1,087	\$ 1,317	\$ 5,255	\$ 4,413
Capitalized G&A	(528)	(412)	(466)	(2,008)	(1,710)
Overhead recoveries	(222)	(111)	(169)	(598)	(536)
Net G&A expenses	790	564	682	2,649	2,167
\$/boe	\$ 3.25	\$ 2.42	\$ 2.72	\$ 2.50	\$ 2.56

During the Quarter and 2010, G&A, net of overhead recoveries on operated properties and capitalized expenditures, totaled \$0.8 million and \$2.6 million, respectively (\$0.6 million – Previous Quarter; \$2.2 million – 2009). On a unit-of-production basis, G&A expenses were \$3.25 and \$2.50 per boe, respectively (\$2.42 per boe – Previous Quarter; \$2.56 per boe – 2009). The G&A per boe for the Quarter was higher than the Previous Quarter due mainly to costs related to yearend activities including the annual financial statement audit and the evaluation of corporate reserves.

Interest expense

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
Interest expense	\$ 155	\$ 158	\$ 252	\$ 935	\$ 1,045
\$/boe	\$ 0.64	\$ 0.68	\$ 1.01	\$ 0.88	\$ 1.23

Interest expense, representing interest paid on drawn amounts of the secured credit facility, standby fees and banking fees, during the Quarter and 2010 was \$0.2 million or \$0.64 per boe and \$0.9 million or \$0.88 per boe, respectively (\$0.2 million or \$0.68 per boe – Previous Quarter; \$1.0 million or \$1.23 per boe – 2009). The average balance drawn during the Quarter was \$13.6 million and for 2010 was \$20.8 million (\$10.0 million – Previous Quarter; \$29.1 million – 2009), with an average of 3.6% per annum paid during the Quarter and 2.8% paid during the year (4.2% per annum – Previous Quarter; 2.5% per annum – 2009). Included in interest expense are standby fees of 0.4% per annum based on an average unutilized debt capacity of \$38.4 million for the Quarter and \$31.2 million for 2010 (\$42.0 million – Previous Quarter; approximately \$20.9 million – 2009).

The Company entered into fixed interest rate swap agreements on \$5 million for a term of one year (which terminated on February 28, 2010) at a fixed rate of 1.15% plus stamping fees and on \$10 million for a term of one year (which terminated on April 30, 2010) at a fixed rate of 0.97% plus stamping fees. For the year ended December 31, 2010, realized gains on these agreements of \$24,278 were netted against interest expense (December 31, 2009 – realized losses of \$67,007 recorded as interest expense). As at December 31, 2010, all contracts had expired and therefore there was no liability representing the fair value of the contract remaining at year end (December 31, 2009 – liability of \$23,618).

Stock based compensation

The Company has a stock option plan, which is fully described in Note 8 of the audited consolidated financial statements. At December 31, 2010, 5,463,332 options were outstanding with an average exercise price of \$1.41 and a weighted average remaining contractual life of 3.1 years (5,474,250 options outstanding at December 31, 2009 at an average exercise price of \$1.50 with a weighted average remaining contractual life of 3.9 years). Of the total number of options outstanding at December 31, 2010, options totaling 2,733,550 are vested and available for exercise at a weighted average exercise price of \$1.46 per option.

For the Quarter and 2010, the Company recorded a compensation expense of \$0.2 million and \$1.1 million, respectively, (\$0.4 million – Previous Quarter; \$2.0 million – 2009) and capitalized \$0.3 million and \$1.3 million, respectively (including tax effect of \$0.08 million and \$0.3 million, respectively), (\$0.3 million (including tax effect of \$0.09 million) – Previous Quarter; \$2.3 million (including tax effect of \$0.6 million) – 2009).

On September 8, 2010, the Company granted options to acquire up to 512,000 Class A shares at a price of \$1.14 per share, all of which were granted to officers of the Company. On September 21, 2010, the Board of Directors voluntarily surrendered 225,000 previously issued stock options for cancellation. These options had exercise prices of \$3.20 and \$3.80 per share. As such, the stock based compensation expense for the year ended December 31, 2010 of \$1,143,843 included \$142,498 of accelerated expense for the remaining life of the surrendered options.

Subsequent to the end of the year, on January 5, 2011, the Company granted options to acquire up to 187,500 Class A shares at a price of \$1.19 per share, none of which were granted to officers or directors of the Company.

Depletion, depreciation and accretion (“DD&A”)

The Quarter and 2010 provision for DD&A totaled \$5.6 million and \$22.7 million, respectively (\$5.0 million – Previous Quarter; \$20.6 million – 2009). On a unit-of-production basis, DD&A costs averaged \$22.87 and \$21.43 per boe, respectively, for Q4 2010 and 2010 (\$21.20 per boe – Previous Quarter; \$24.34 per boe – 2009). DD&A per boe for Q4 2010 has increased over Q3 2010 as the depletable base has increased due to capital spending on the new Wapiti wells during the quarter. DD&A per boe has decreased for 2010 as compared to 2009 as a result of the disposition of the Saskatchewan assets in April 2010. On a proportionate basis, the reduction to the depletable base was greater than the reduction to the reserve base as a result of the disposition.

Unrealized gains (losses) on financial contracts

The Company has elected not to use hedge accounting and accordingly, the fair value of the financial contracts (as discussed in Note 11 of the audited consolidated financial statements) is recorded at each period end. The fair value may change substantially from period to period based on the period ending commodity forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period end to period end is reflected in the earnings for that period. As a result, earnings may fluctuate considerably based on the period ending commodity forward strip prices.

The fair value at December 31, 2010 of commodity contracts outstanding was an unrealized loss or a liability, net of unrealized gains, of \$1.0 million (December 31, 2009 – unrealized loss (liability) of \$1.6 million). During the Quarter, the Company recorded an unrealized loss of \$1.7 million while, for 2010, the Company recorded an unrealized gain of \$0.5 million as a result of the change in fair value over the respective periods (\$0.3 million gain – Previous Quarter; \$4.6 million loss – 2009). Forward strip prices for crude oil have increased during Q4 2010 resulting in unrealized losses for the quarter while natural gas prices have decreased from the year end 2009 prices resulting in unrealized gains for 2010.

Future income taxes

A future income tax recovery of \$0.7 million and \$1.1 million has been recorded for the Quarter and 2010, respectively (an expense of \$0.05 million – Previous Quarter; a recovery of \$2.6 million – 2009). As the Company has recorded a loss before taxes year-to-date, a recovery for future income taxes is expected. No current tax expense has been recorded as Seaview is not subject to capital taxes and has no current income tax liability.

The effective tax rate decreased on January 1, 2010 due to the reduction in the federal corporate tax rate from 19% to 18%. Accordingly, a rate reduction has been adjusted through the future income tax expense.

Tax pools (\$000's)		2010	2009
Canadian exploration expense (CEE)	\$	13,854	\$ 7,340
Canadian development expense (CDE)		6,442	4,873
Canadian oil and gas property expense (COGPE)		1,282	39,072
Undepreciated capital costs (UCC)		15,531	20,620
Non capital losses (NCLs)		9,080	522
Share issue costs (SICs)		1,723	2,454
	\$	47,912	\$ 74,881

Net loss and funds flow from operations

Net loss for the Quarter and 2010 was \$2.6 million and \$4.7 million, respectively (\$0.6 million net loss – Previous Quarter; \$9.6 million net loss – 2009). Basic and diluted net loss per share for the Quarter and 2010 was \$0.04 and \$0.07, respectively (basic and diluted net loss per share of \$0.01 – Previous Quarter; basic and diluted net loss per share of \$0.16 – 2009). Funds flow from operations was \$4.3 million and \$17.6 million for the Quarter and 2010, respectively (\$4.4 million – Previous Quarter; \$15.1 million – 2009). Basic and diluted funds flow from operations per share for the Quarter and 2010 was \$0.06 and \$0.26, respectively (basic and diluted funds flow from operations per share was \$0.07 – Previous Quarter; basic and diluted funds flow from operations per share was \$0.26 – 2009).

Netbacks, Funds Flow from Operations and Net Loss (\$/boe)

	Q4 2010	Q3 2010	Q4 2009	2010	2009
Petroleum and natural gas sales	\$ 31.45	\$ 30.89	\$ 41.33	\$ 33.15	\$ 39.55
Less:					
Royalties	3.02	2.14	4.52	4.12	4.90
Operating expenses	5.44	5.12	11.80	7.65	11.57
Transportation expense	1.63	1.48	1.27	1.43	1.44
Net operating income (operating netback)	\$ 21.36	\$ 22.15	\$ 23.74	\$ 19.95	\$ 21.64
General and administrative	3.25	2.42	2.72	2.50	2.56
Interest expense	0.64	0.68	1.01	0.88	1.23
Funds flow from operations	\$ 17.47	\$ 19.05	\$ 20.01	\$ 16.57	\$ 17.85
Depletion, depreciation and accretion	22.87	21.20	21.63	21.43	24.34
Unrealized (gain) loss on financial derivatives	7.07	(1.50)	8.01	(0.51)	5.50
Stock option compensation	0.92	1.84	4.19	1.08	2.42
Future income tax (recovery) expense	(2.85)	0.22	(4.40)	(1.00)	(3.07)
Net income (loss) (\$/boe)	\$ (10.54)	\$ (2.71)	\$ (9.42)	\$ (4.43)	\$ (11.34)

SELECTED QUARTERLY INFORMATION

Financial (\$000's except per share amounts)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Petroleum and natural gas sales	\$ 7,000	\$ 7,463	\$ 8,664	\$ 10,377	\$ 10,773	\$ 9,543	\$ 7,213	\$ 7,642
Funds flow from operations ⁽¹⁾	2,910	3,076	4,110	5,024	4,508	4,374	4,451	4,244
Basic per share	0.06	0.06	0.06	0.08	0.07	0.07	0.07	0.06
Diluted per share ⁽²⁾	0.06	0.06	0.06	0.08	0.06	0.07	0.07	0.06
Net income (loss)	(1,061)	(3,273)	(2,907)	(2,366)	335	(1,840)	(634)	(2,562)
Basic per share	(0.02)	(0.06)	(0.04)	(0.04)	0.01	(0.03)	(0.01)	(0.04)
Diluted per share ⁽²⁾	(0.02)	(0.06)	(0.04)	(0.04)	0.00	(0.03)	(0.01)	(0.04)
Capital expenditures ⁽³⁾	5,914	1,354	3,931	5,368	8,084	4,812	5,619	8,842
Property acquisitions (dispositions)	-	26,615	-	3,840	-	(33,090)	-	3,315
Net debt	25,507	36,107	36,131	40,309	43,896	11,230	12,395	20,260
Ratio of Net debt to funds flow from operations (annualized)	2.19	2.93	2.20	2.01	2.43	0.64	0.70	1.19
Shares outstanding at period end (000's)								
Class A	50,005	54,172	65,419	65,433	65,454	65,479	65,489	65,537
Subscription receipts	-	11,246	-	-	-	-	-	-
Class B	1,054	1,054	1,054	1,054	1,054	1,054	1,054	1,054
Operations								
Daily production								
Natural gas (mcf/d)	9,464	9,976	12,486	13,703	16,544	17,084	13,299	14,016
Light oil and NGLs (bbl/d)	388	403	432	445	480	374	322	305
Total production (boe/d)	1,965	2,066	2,513	2,729	3,237	3,221	2,538	2,641
Netback per boe								
Natural gas (per mcf)	\$ 6.34	\$ 5.79	\$ 5.43	\$ 6.06	\$ 5.12	\$ 4.59	\$ 4.34	\$ 4.48
Light oil and NGL (per bbl)	45.80	60.20	61.03	66.92	72.92	70.87	64.46	66.27
Netback per boe								
Sales price (net of risk management gains or losses)	\$ 39.58	\$ 39.70	\$ 37.47	\$ 41.33	\$ 36.98	\$ 32.57	\$ 30.89	\$ 31.45
Royalties	7.60	4.57	3.50	4.52	5.92	4.83	2.14	3.02
Operating expenses	10.19	12.86	11.34	11.80	11.10	8.07	5.12	5.44
Transportation	1.73	1.49	1.35	1.27	1.29	1.38	1.48	1.63
Operating netback	\$ 20.06	\$ 20.78	\$ 21.28	\$ 23.74	\$ 18.67	\$ 18.29	\$ 22.15	\$ 21.36

- (1) The Company uses "funds flow from operations" and "funds flow from operations per share" which do not have any standardized meaning prescribed by Canadian GAAP. The terms are used to analyze operating performance and leverage. The Company uses "Netback per boe" and "Operating Netback" which do not have any standardized meaning prescribed by Canadian GAAP. The terms are used to evaluate performance and in capital allocation decisions.
- (2) Weighted average diluted shares outstanding for Q1 2010 includes the impact of the conversion of the Class B shares and the effect of the granted options. All other quarters exclude both the conversion of the Class B shares and the effect of the granted options as they would have been anti-dilutive.
- (3) Capital expenditures include the cash additions for the period and capitalized G&A expense.

SHARE INFORMATION

	2010	2009
Weighted average shares outstanding		
Basic and diluted	66,528,825	58,989,519
Outstanding securities at year end		
Class A shares	65,536,768	65,433,182
Class B shares	1,053,540	1,053,540
Options, Class A shares	5,463,332	5,474,250
Outstanding securities at April 6, 2011		
Class A shares	65,553,018	
Class B shares	1,053,540	
Options, Class A shares	5,589,500	

Per share amounts have been calculated using the weighted average number of shares outstanding during the year. The effect of the conversion of the Class B shares and the effect of options granted have both been excluded in the diluted share calculation for the years ended December 31, 2010 and 2009 as they would have been anti-dilutive.

The Company's Class B shares are convertible (at the option of the Company) at any time after June 1, 2010 and before May 31, 2012, into Class A shares. The number of Class A shares obtained upon the conversion of each Class B share will be equal to \$10.00 divided by the greater of \$1.00 and the weighted average trading price of the Class A shares during the thirty days prior to the conversion date. If conversion has not occurred by the close of business on May 31, 2012, the Class B shares become convertible (at the option of the holder) into Class A shares on the same basis. Effective June 30, 2012, all remaining Class B shares will automatically convert to Class A shares.

CAPITAL EXPENDITURES

For the Quarter and 2010, development capital expenditures totaled \$11.7 million and \$28.7 million, respectively (\$5.2 million – Previous Quarter; \$18.3 million – 2009). Total capital expenditures including property and land acquisitions and dispositions for 2010 includes the disposition of the Saskatchewan assets in April 2010 for proceeds of \$33.1 million offset by land acquisition costs of \$3.3 million resulting in an overall reduction to capital of \$1.6 million (total expenditures of \$49.7 million – 2009). The table below summarizes the capital expenditures during the Quarter, the Previous Quarter and Q4 2009 as well as 2010 and 2009.

(\$000's)	Q4 2010	Q3 2010	Q4 2009	2010	2009
Geological and geophysical	\$ 189	\$ 30	\$ 1,594	\$ 731	\$ 1,567
Drilling and Completions (gross)	9,613	5,205	3,340	25,386	15,218
Alberta Drilling Credits	(1,302)	(957)	(131)	(3,818)	(1,894)
Tangible equipment	3,163	970	1,784	6,378	3,452
Development Capital	\$ 11,663	\$ 5,248	\$ 6,587	\$ 28,677	\$ 18,343
Asset retirement obligations (eliminations)	102	43	(2)	(539)	289
Office furniture & fixtures	5	1	20	19	83
Total capital expenditures	\$ 11,770	\$ 5,292	\$ 6,605	\$ 28,157	\$ 18,715
Property and land acquisitions (dispositions)	800	720	3,792	(29,775)	30,961
Total capital expenditures and acquisitions	\$ 12,570	\$ 6,012	\$ 10,397	\$ (1,618)	\$ 49,676

During the year ended December 31, 2010, the Company drilled eleven wells (7.5 net) with a success rate of 91% and earned \$3.8 million in Alberta Drilling Credits from the Alberta Government for wells drilled during the year. The capital expenditures for 2010 included drilling, completion and equip & tie-in costs for 8 Wapiti area crude oil wells. For the year ended December 31, 2009, the Company had earned \$1.9 million in credits for total credits earned to December 31, 2010 of \$5.7 million. As of December 31, 2010, the Company had collected a total of \$2.1 million of these credits with a remaining \$3.6 million collectible.

CAPITALIZATION AND CAPITAL RESOURCES

The Company's total capitalization was \$106.9 million at December 31, 2010 with the market value of Class A and Class B shares representing 81% of the total capitalization (\$117.7 million at December 31, 2009 with the market value of Class A and Class B shares representing 66%). The market value of the Company's shares at December 31, 2010 was \$86.6 million (\$77.4 million – December 31, 2009).

Capitalization	December 31, 2010	December 31, 2009
Bank debt (\$000's)	\$ 16,494	\$ 38,044
Working capital deficiency (\$000's) ⁽¹⁾	3,766	2,265
Net debt (\$000's)	20,260	40,309
Class A shares outstanding	65,536,768	65,433,182
Class A share price ⁽²⁾	\$ 1.19	\$ 1.10
Class A market capitalization (\$000's)	\$ 77,989	\$ 71,976
Class B shares outstanding	1,053,540	1,053,540
Class B share price ⁽²⁾	\$ 8.20	\$ 5.11
Class B market capitalization (\$000's)	\$ 8,639	\$ 5,384
Total market capitalization (\$000's)	\$ 86,628	\$ 77,360
Total capitalization (\$000's)	\$ 106,888	\$ 117,669
Net debt as a percent of total capitalization	19%	34%
Funds flow from operations (\$000's) ⁽³⁾	\$ 17,577	\$ 15,120
Net debt to funds flow from operations ratio	1.15	2.67

(1) Working Capital excludes the current portion of future income taxes and financial contracts.

(2) Represents the closing price on the TSX Venture Exchange at year end.

(3) Funds flow from operations is calculated as cash flow from operations before the change in non-cash operating working capital and expenditures on abandonments.

Bank facility

As at December 31, 2010, the Company had a revolving demand credit facility with an authorized borrowing amount of \$52 million, with interest and other fees charged at the bank's prime rate plus a rate as determined by a pricing grid. Collateral for the facility consists of a general security agreement, providing a security interest over all present and after acquired personal property and a floating charge on all present and after acquired land interests of the Company.

At December 31, 2010, the revolving demand credit facility was drawn to \$16.5 million. The Company also had an issued letter of credit in the amount of approximately \$0.1 million.

The next interim review is scheduled for May 31, 2011. These reviews are based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility available upon the next scheduled review which may require a repayment to the bank.

Investing program funding

(\$000's)	2010	2009
Funds flow from operations	\$ 17,577	\$ 15,120
Changes in non-cash working capital	1,501	(1,221)
Expenditures on abandonments	-	(110)
Proceeds from issuance of shares/options (net of costs)	54	14,290
Proceeds from (repayment of) bank debt	(21,550)	18,943
Change in cash during the period	-	-
Capital expenditures funded by cash during the period	\$ (2,418)	\$ 47,022

The Company's capital investment program during the relevant periods was funded by the issuance of equity, draws or repayments on credit facilities and cash flows.

Working capital

The capital intensive nature of the Company's activities may create a negative working capital position in periods with high levels of capital investment. The working capital (excluding the current portion of future income taxes and financial contracts) increased to a deficit of \$20.3 million as at December 31, 2010 from a deficit of \$12.4 million as at September 30, 2010 as a result of the capital program during the quarter and decreased from a deficit of \$40.3 million as at December 31, 2009 as a result of the disposition of the Saskatchewan assets in April 2010 for proceeds of \$33.1 million, offset by the capital program during the year.

Substantially all of the Company's petroleum and natural gas production is marketed to purchasers with investment grade credit ratings. The industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month of sale. As a result, the Company's production revenues are collected in a timely fashion. The Company monitors its revenue counterparty credit positions to mitigate any potential credit losses. To the extent the Company has joint interest partners in its activities it must collect, on a monthly basis, all of its partners' share of capital and operating expenses. These are subject to normal collection risk. The Company normally collects significant amounts related to partners' share of capital amounts in advance of expenditures taking place, in accordance with standard industry operating procedures. Accounts payable consist of amounts payable to suppliers on field operating activities and capital spending activities. These invoices are processed within the Company's normal payment period. At December 31, 2010, the Company had no material accounts receivable that it deemed uncollectible.

The Company actively manages its capital structure. The Company's objectives when managing capital are to maintain a flexible capital structure to allow it to execute on its capital investment program, which includes investing in oil and gas activities that may or may not be successful. The Company will strive to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital expenditures.

GUARANTEES/OFF-BALANCE SHEET ARRANGEMENTS

The Company has no guarantees or off-balance sheet arrangements, except for certain lease agreements. Seaview has certain lease agreements that are entered into in the normal course of operations. All leases are treated as operating leases whereby the lease payments are included in operating expenses or G&A expense depending on the nature of the lease. No asset or liability value has been assigned to these leases on the balance sheet as at December 31, 2010. The total future obligation from these operating leases is described below in the section "Contractual obligations and commitments".

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

On June 16, 2009, the Company issued \$5.0 million of flow through shares. These funds had been fully expended on qualifying expenditures by March 31, 2010, well ahead of the December 31, 2010 requirement. The flow through share benefits were renounced to subscribers effective December 31, 2009.

The Company must pay Crown royalties, surface rentals, mineral taxes and abandonment and reclamation costs with respect to its ongoing ownership of hydrocarbon production rights. The amounts paid with respect to these burdens will depend on the future ownership, production, commodity prices and regulatory environment at the time.

The Company enters into natural gas and crude oil financial contracts from time to time, some of which may have premiums attached to them (see Note 11). The future premiums Seaview is committed to pay are included in the table below.

The Company's future contractual commitments are highlighted below:

	Total	2011	2012
Operating leases	\$ 550	287	263
Financial instrument premiums	\$ 1,570	1,570	-
Total contractual obligations	\$ 2,120	1,857	263

OUTLOOK

Management successfully completed several strategic initiatives during 2010 to position the Company for long term sustainability and growth. The combined impacts of significantly reducing debt, high grading operations towards higher net back production, and early exploration success in the Wapiti Cardium light oil resource play provides a solid platform for long term growth of reserves, production and cash flow on a per share basis.

The Company's focused long life, low cost Peace River Arch asset and strong balance sheet provide a stable capital base to support development of the upside potential in the Wapiti Cardium play, and support ongoing exploration projects. Seaview now has the following characteristics:

- Total Proven reserves of 6,578 Mboe (23% light oil and natural gas liquids);
- Total Proven plus Probable reserves of 11,823 Mboe (26% light oil and natural gas liquids), effective December 31, 2010, as evaluated by Sproule Associates Limited using National Instrument 51-101 reserve definitions;
- Reserve life index is 12.3 years based on Total Proven plus Probable reserves and Q4 2010 production of 2,641 boe per day;
- Year end net debt of \$20.3 million, with approximately \$32 million of available credit capacity;
- Seaview has established significant positions in resource plays providing for longer-term growth potential in a diverse portfolio of assets targeting both light oil and natural gas plays, including:
 - In Wapiti, the Company has assembled a sizable land position targeting a Cardium light oil resource play:
 - Exposure to earn up to 42.5 sections (22.8 net) of prospective Cardium rights;
 - An extensive drilling inventory with over 170 horizontal development locations (91 net);
 - Scalable project targeting high quality light oil (41 degree API), and natural gas with high liquid recovery NGL's; and
 - Excellent operational focus featuring a large contiguous land position directly offsetting the Company's recent successful Cardium exploration activities.
 - In Pouce Coupe, the Company holds interests in 21 sections (4.5 net) of land targeting a Doig-Montney natural gas resource play. Seaview's land position is on trend with successful industry development activities further reducing the risk of full development when economics are more viable; and
 - In Harlech, Seaview holds a 25% working interest in 9 contiguous sections (2.25 net) of land targeting multi-zone Cretaceous and Nordegg gas resource potential. The Harlech area offers exposure to liquids rich natural gas reservoirs.
- Commodity hedging program providing for downside protection on 8,913 mcf per day for 2011 at a "net of cost" floor price of \$5.50 per mcf, generating a minimum \$17.9 million gross revenue in 2011; and
- 65.54 million Class A shares and 1.0 million Class B shares outstanding as at December 31, 2010.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements in accordance with Canadian GAAP requires Management to make judgments and estimates that affect the financial results of the Company. Seaview's Management reviews its estimates regularly, but new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. A summary of significant accounting policies are presented in Note 1 to the audited consolidated financial statements. The critical estimates are discussed below:

Petroleum and natural gas reserves

All of Seaview's petroleum and natural gas reserves are evaluated and reported on by independent petroleum engineering consultants in accordance with Canadian Securities Administrators' National Instrument 51-101 ("NI 51-101"). The evaluation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, commodity prices and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and changes in costs and commodity prices.

Depletion expense

The Company uses the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development capital is amortized using the unit-of-production method based on estimated proved reserves. Changes in estimated proved reserves or future development capital have a direct impact on depletion expense.

Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment, for which any write-down would be charged to depletion and depreciation expense.

Full cost accounting ceiling test

The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion expense.

Goodwill

The Company recognizes goodwill on corporate acquisitions when the total purchase price exceeds the fair value of net identifiable assets and liabilities of the acquired entity. Goodwill is tested annually at year-end for impairment or as events occur that could result in impairment. Impairment is recognized based on the fair value of the reporting entity compared to the book value. If the fair value is less than the book value, impairment is measured by allocating the fair value to the identifiable assets and liabilities as if the Company had been acquired in a business combination for its fair value. The excess of the fair value over the amounts assigned to the identifiable assets and liabilities is the fair value of the goodwill. Any excess of the book value over this implied fair value of goodwill is the impairment amount. Impairment is charged to earnings in the period in which it occurs. Goodwill is stated at costs less impairment and is not amortized.

Asset retirement obligations

The asset retirement obligation is estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonments and reclamations discounted at a credit adjusted risk free rate. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings and for revisions to the estimated future cash flows. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

Income taxes

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by Seaview is accumulated and communicated to the Company's Management as appropriate to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's internal controls over financial reporting are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Company. It should be noted that while the Company's CEO and CFO believe that the Company's internal controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Pending Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents changes due to new accounting standards. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Seaview for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

Seaview is executing its conversion project plan for the transition from current Canadian GAAP to IFRS. The conversion project is being implemented by internal staff and the progress on its IFRS conversion is regularly reported to the Audit Committee of the Board of Directors. The Company continues to train key personnel within the accounting and finance functions as well as update and communicate the potential impacts and policy choices to its management team. Seaview will update its IFRS transition plan to reflect any new and amended accounting standards issued by the International Accounting Standards Board.

The implementation project consists of three key phases:

- Scoping and diagnostic phase – this phase involved performing a high level impact analysis to identify areas that may be affected by the transition to IFRS. The results of this analysis were priority ranked according to complexity and the amount of time required to assess the impact of the changes in transitioning to IFRS;
- Impact analysis, evaluation and design phase – during this phase, items identified in the diagnostic phase were addressed according to the priority levels assigned to them. This phase involved analysis of policy choices allowed under IFRS and their impact on the financial statements. In addition, certain potential differences were further investigated to assess whether there may be a broader impact to Seaview's debt agreements, compensation or management reporting systems. The conclusion of the impact analysis and evaluation phase requires the Audit Committee of the Board of Directors to review and approve all accounting policy choices as proposed by management;
- Implementation and review phase – involves implementation of all changes approved in the impact analysis phase including changes to information systems, business processes, and modification of agreements and training of all staff who are impacted by the conversion.

The Company completed the scoping and diagnostic phase in the fourth quarter of 2009 and continues in the final stage of completing the impact analysis, evaluation and design phase. Seaview also continues to make significant progress with its implementation phase including how to account for fixed assets under IFRS, the drafting of IFRS compliant financial statements, and the development of accounting entries that will comply with the proposed IFRS accounting policies. The implementation phase will continue into 2011 and will conclude with the issuance of the first quarter financial statements of 2011. Management expects to use the following accounting policies and is able to quantify their expected impact on the January 1, 2010 opening balance sheet under IFRS. Management has not yet finalized the quantification of their impact on Seaview's 2010 financial statements.

Seaview's significant areas of impact will include property, plant and equipment, share-based payments and depletion, depreciation and accretion. The following discussion provides an overview of these areas as well as the exemptions available under IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application of IFRS.

- Property, plant and equipment ("PP&E") – Under Canadian GAAP, Seaview applies full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of natural gas and crude oil reserves are capitalized on a country-by-country cost centre basis. Costs are accumulated within each country cost centre and are depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, Seaview will be required to adopt new accounting policies for upstream activities, including pre-exploration costs, exploration and evaluation costs and development costs.

Pre-exploration costs are expenditures incurred prior to obtaining the legal right to explore and must be expensed under IFRS. Under Canadian GAAP, Seaview capitalizes and depletes such costs within the full cost pool. These costs are not anticipated to be significant to the Company.

Exploration and Evaluation costs ("E&E") are expenditures incurred for an area or property for which technical feasibility and commercial viability has not been determined. Upon transition to IFRS, Seaview will re-classify all E&E expenditures that are currently included in the PP&E balance on the consolidated balance sheet. This will include the cost for Seaview's undeveloped exploratory land that relates to exploration properties. Seaview does not intend to amortize its E&E assets but must assess them for impairment when there are indicators for possible impairment, such as allowing the mineral rights lease to expire or a decision to no longer pursue exploration and evaluation of a specific E&E asset, at which time the costs would be expensed. Upon transition to IFRS, approximately \$0.6 million of PP&E will be reclassified on the balance sheet to intangible exploration costs representing E&E assets.

Development costs are expenditures incurred for an area or property where technical and commercial feasibility have been determined. Seaview will continue to capitalize these costs. Under Canadian GAAP, these costs were depleted on a unit-of-production basis at a country cost centre level but under IFRS will be depleted on a unit-of-production basis over an area level (unit of account). Also under IFRS, a company has the option of choosing the reserve base that it will use for its depletion calculation, whether proven reserves, which is consistent with Canadian GAAP, or proven plus probable reserves. Seaview is still determining under which basis its depletion will be calculated. If the Company chooses to deplete on a proven reserves basis, depletion cost would be consistent with the amount that would have been calculated under existing Canadian GAAP. If the proven plus probable reserves basis is chosen, it is anticipated that depletion charges will be lower as the reserve base for which the calculations are based on will be larger.

Divestitures of an oil and gas property under IFRS will generally result in a gain or loss recognized in earnings. Under Canadian GAAP, proceeds of divestitures are deducted from the full cost pool without recognition of a gain or loss unless such a deduction resulted in a change to the depletion rate of 20 percent or greater. Seaview will have an expected restatement to the comparative second quarter 2010 financial statements showing a gain on sale regarding the disposition of our Saskatchewan properties in April 2010.

As at the date of transition, being January 1, 2010, for entities using the full cost accounting method, IFRS 1 provides an option to deem the cost of its PP&E assets to equal its Canadian GAAP net book value. Seaview will apply this option. The IFRS E&E costs will be equal to those that would have been recognized as such under Canadian GAAP. The remaining net book value of the full cost pool on the date of transition following the removal of E&E costs will be allocated to the unit of account development cost centres on the basis of Seaview's proved plus probable reserve values.

- Impairment of PP&E assets. Under IFRS, impairment tests of PP&E must be performed at a cash-generating unit level instead of the country cost centre under Canadian GAAP using the greater of value in use or fair value less costs to sell. Assets will be assessed for impairment when indicators suggest the possibility of impairment; therefore, there may be more frequent impairments of assets under IFRS. Under IFRS, impairment losses, other than goodwill, are reversed when there is an increase in the recoverable amount. Seaview will group its assets into cash-generating units, which are identified on the basis of cash inflows being independent from other assets or groups of assets, and will test them for impairment using the greater of value in use or fair value less costs to sell. Assets are required to be assessed for impairment upon transition to IFRS. Seaview expects there to be a small impairment of oil and gas assets of approximately \$2.5 million on transition to IFRS, having used the fair value less costs to sell to measure the fair value of its cash-generating units. As well, Seaview has determined an impairment of its Goodwill balance which will be written off from its opening IFRS balance sheet as at January 1, 2010.
- Provisions. Under IFRS, decommissioning obligations, disclosed as asset retirement obligations under Canadian GAAP, can be calculated using either a risk free discount rate, which differs from Canadian GAAP, or a credit adjusted risk-free interest rate, which is consistent with existing Canadian GAAP, to discount future cash flows. Seaview anticipates using the credit adjusted risk-free rate and therefore charges will remain the same as the amount that has been calculated under existing Canadian GAAP. Under IFRS, the unwinding of the discount rate is charged as interest expense versus accretion expense under current Canadian standards.
- Share-based Payments. Under IFRS 2 "Share-based Payments", awards that vest in installments must be accounted for as though each installment is a separate award and amortized using a graded vesting model. This will result in front loading of share-based compensation expense. In addition, under IFRS, a forfeiture rate must be included in the initial expense calculation, and adjusted prospectively if required, rather than accounting for forfeitures as they occur. IFRS 1 allows for an exemption from IFRS 2 for share-based payments which have vested before Seaview's transition to IFRS. As a result of applying IFRS 2, the Company anticipates an increase to contributed surplus of approximately \$1.3 million with a corresponding increase to the January 1, 2010 deficit.
- Income taxes. IFRS does not use the terminology of future income taxes; IFRS refers to deferred income taxes. The transition to IFRS will require the Company to re-measure its deferred income taxes for its January 1, 2010 balance

sheet. Adjustments to deferred income taxes will be made accordingly in conjunction with other transitional IFRS adjustments discussed earlier, with an offsetting adjustment to the January 1, 2010 deficit.

In addition to the adjustments required to deferred income taxes as a result of the January 1, 2010 transitional adjustments, the Company will require adjustments for its comparative periods in 2010 for share issue costs and flow-through shares. Under Canadian GAAP, the accounting treatment of flow-through shares is addressed by EIC 146 – “Flow-Through Shares”. The proceeds received for the flow-through shares are credited to shareholders’ capital and the deferred tax liability is recognized when the company files the renouncement documents with the tax authorities to renounce the tax credits associated with the expenditures.

Under IFRS, Seaview expects to set up a liability for the difference between the proceeds received and the market price of the shares on the date of the transaction (the “premium”). Once the renouncement documents are filed with the tax authorities, Seaview will record the tax liability associated with the renouncement of the tax benefits and remove the deferred liability originally set up. The difference between the deferred tax liability and the original liability set up will go through profit and loss.

A temporary difference exists for share issue costs under Canadian GAAP and IFRS. The difference between Canadian GAAP and IFRS is where changes in the deferred tax liability are recorded. Unlike Canadian GAAP, changes in the deferred tax liability are recognized where they were originally recognized; therefore, changes in the deferred tax liability related to share issue costs are recorded against share capital as opposed to profit and loss. The Company does not have any transitional adjustments related to share issue costs.

- Risk-Sharing Arrangements and Dispositions – Under IFRS, risk-sharing agreements in which Seaview cedes a portion of its working interest to a third party are generally considered to be disposals of property, plant and equipment, potentially resulting in a gain or loss on disposition. Under Seaview’s existing Canadian GAAP, no gain or loss is recorded on these or other dispositions where the change in consolidated depletion is less than 20 percent. There is no equivalent exemption in IFRS. As a result, it is expected that Seaview will record gains or losses on risk-sharing arrangements and other disposition transactions under IFRS. There is no impact on transition to IFRS as a result of this requirement. Subsequent to transition, the significance of these gains or losses will be dependent on the details of specific transactions.
- Business Combinations. An exemption under IFRS 1 provides the entity with relief on the restatement of business combinations prior to the transition date. Under IFRS 3 – “Business Combinations”, the determination of the fair value of share consideration differs from the determination under current Canadian accounting standards. Any difference in the fair value calculation would have a resulting impact on the carrying amount of net assets acquired, non-controlling interest and any goodwill. The Company plans to make the election under IFRS 1, allowing Seaview to be exempt from restating business combinations prior to the transition date to IFRS.
- Seaview does not expect changes to its financial statements as a result of IFRS to affect any covenants related to bank debt.

Seaview is determining which additional changes to internal controls over financial reporting will be required to deal with the changes in accounting policies. This will be ongoing throughout the balance of 2011 to ensure all changes in accounting policies include appropriate additional controls and procedures for future IFRS reporting requirements. Seaview does not expect any material changes to internal controls. Seaview is also assessing stakeholders’ information requirements to ensure that appropriate and timely information is provided for disclosures once available.

Business Combinations

Canadian accounting standards related to business combinations have been amended to require changes to the way companies account for business combinations. The amended standards require additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure. Adopting this standard is expected to have a material effect on the way the Company accounts for future business combinations including requiring transaction costs to be expensed as incurred as well as requiring valuing all assets and liabilities and measuring consideration paid at the closing date. The new Canadian standards are required for all business combinations occurring on or after January 1, 2011. Seaview did not early adopt.

RISK ASSESSMENT

There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector. The following reviews the general and specific risks.

Exploration, development & production risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Seaview’s long-term commercial success depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves it may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Seaview’s reserves will depend not only on its ability to explore and develop any properties it may have from time to

time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Seaview may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Seaview. Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include: delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas release and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although Seaview maintains liability insurance, when available, in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into production formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Finding

Oil and gas exploration requires manpower and capital to generate and test exploration concepts. The eventual testing of a concept will not necessarily result in the discovery of economical reserves. Seaview attempts to minimize finding risk by ensuring that:

- The majority of prospects have multi-zone potential.
- Activity is focused in core regions where expertise and experience is greatest.
- Number of wells drilled is large enough to increase the probability of statistical success rates.
- Working interest is targeted at over 60 percent in new prospects.
- Geophysical techniques are utilized where appropriate.

Investment risk profile

The Company's investment selection process is based on risk analysis to ensure capital expenditures balance the objectives of immediate cash flow growth (development activity) and future cash flow from the discovery or reserves (exploration). This careful prospect selection process can yield consistent and efficient results. The Company currently focuses its activity in one core area, allowing it to leverage off its experience and knowledge in this area further aiding efficiencies. The Company attempts to maintain a broad range of investment choices to limit the investment risk by continually investing a portion of its annual budget to future years. The Company attempts to use farm-outs to minimize risk on plays it considers higher risk.

Production

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Seaview minimizes this risk by generating exploration prospects internally, targeting high quality projects and attempting to operate the associated project. Operational control allows the Company to control costs, timing, method and sales of production. Production risk is also minimized by concentrating exploration efforts in regions where facilities and infrastructure are Seaview owned, or the Company can control the future development of new facilities and infrastructure.

Reserve estimates

Economically recoverable oil and natural gas reserves (including natural gas liquids), estimated by the Company's independent engineering firm, Sproule Associates Limited, and the future net cash flows there from are based upon a number of variable factors and assumptions, such as commodity prices, projected production from the properties, the assumed effects of regulation by government agencies and future operating costs. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net revenues expected there from, may vary. The Company's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

Competitive industry conditions

The western Canadian oil and natural gas industry has become a very competitive industry for oil and gas properties, undeveloped land, drillable prospects and oil and natural gas industry professionals. The Company has earned contiguous land blocks through farm-in agreements with area competitors and will continually try to earn land in this manner or through competitive bids at public land sales.

Supply of service and production equipment

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity these services and supplies can become difficult to obtain. The Company attempts to mitigate this risk by developing strong long term relationships with suppliers and contractors.

Prices, markets and marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Company will be affected by numerous factors beyond its control. Seaview's ability to market its natural gas may depend upon our ability to acquire space on pipelines that deliver natural gas to commercial markets. We may also be affected by deliverability uncertainties related to the proximity of our reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government and regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of our net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of our reserves. Seaview might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Company's net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities. In addition, bank borrowings available to use are in part determined by our borrowing base. A sustained material decline in prices from historical average prices could reduce our borrowing base, therefore reducing the bank credit available to us which could require that a portion, or all, of our bank debt be repaid.

Demand for crude oil and natural gas produced by the Company exists within Canada and the US, however, crude oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Demand for natural gas liquids is dictated predominately by demand for petrochemicals in North American and offshore markets. Seaview mitigates the risks as follows:

- Natural gas is connected to mature pipeline infrastructure that operates with minimal interruptions.
- Crude oil production is of a high quality and hence not subject to adverse quality differentials
- Exploration efforts target high quality oil and liquids rich natural gas reserves.
- Exploration efforts are concentrated in regions where marketing expertise levels are highest.
- Financial instruments are used, where appropriate, to manage commodity price volatility.

Risk management

From time to time, Seaview may enter into agreements to receive fixed prices on our oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, we will not benefit from such increases. Similarly, from time to time, Seaview may enter into agreements to fix the exchange rate of Canadian to US dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, we will not benefit from the fluctuating exchange rate.

Seaview has a Hedging Policy Manual, the objective of which is to ensure cash flow is sufficient to fund the capital program and cover debt payments by reducing the exposure to commodity prices. These objectives may be achieved through the use of financial instruments or through fixed price contracts for the delivery of physical volumes. The program has established targets and guidelines as approved by the Board of Directors from time to time. Effective controls and procedures are in place to ensure that the mandate is followed.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Seaview's operations may require licenses from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide

and other so-called "greenhouse gases". Seaview's exploration and production facilities and other operations and activities emit greenhouse gases which will likely subject Seaview to possible future legislation regulating emissions of greenhouse gases, such as the government of Canada's proposed Clean Air Act of 2006 and Alberta's recently enacted Climate Change and Emissions Management Act. The direct or indirect costs of these regulations may adversely affect the expected business of the Seaview.

Environmental and safety risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Seaview to incur costs to remedy such discharge. Although Seaview believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Seaview's financial condition, results of operations or prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases, whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of Seaview. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on Seaview and its operations and financial condition.

There are potential risks to the environment inherent in the business activities of the Company. Seaview has developed and implemented policies and procedures to mitigate environmental, health and safety (EH&S) risks. These policies and procedures include the corporate EH&S policy, emergency response plans, and other policies and procedures. These policies and procedures are designed to protect and maintain the environment, and public and employer safety, with respect to all corporate operations on behalf of shareholders, employees and the public at large. The Company mitigates environmental and safety risks by maintaining its facilities, complying with all provincial and federal environmental and safety regulations. The Company has estimated future asset retirement obligations of \$2,273,110 as at December 31, 2010. The Company recognizes period-to-period changes in the liability of the asset retirement obligation resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

Financial and liquidity risks – additional funding requirements

The funds flow from operations from the Company's reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Seaview may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Seaview relies on various sources of funding to support its growing capital expenditure program, including:

- Internally generated funds flow from operations provides the minimum level of funding on which the Company's annual capital expenditures program is based.
- Debt may be utilized to expand capital programs when deemed appropriate.
- New equity, if available and on favorable terms, may be utilized to expand exploration programs and fund acquisitions.

Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate operations. If the revenues from the Company's reserves decrease as a result of lower oil and natural gas prices or otherwise, it will effect its ability to expend the necessary capital to replace its reserves or to maintain its production. If funds flow from operations is not sufficient to satisfy capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable. Neither its articles nor by-laws limit the amount of indebtedness that the Company may incur. The level of indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. In addition, funds flow from operations is influenced by factors which the Company cannot control, such as commodity prices, the US/CAD exchange rate, interest rates and changes to existing government regulations and tax policies. Should circumstances affect funds flow from operations in a detrimental way, Seaview would respond by increasing debt to within the Company's self-imposed debt guideline and/or reducing capital expenditures.

Title to assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat our claim which could result in a reduction of the revenue received.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in its becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although prior to drilling Seaview will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, Seaview may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds flow from operations. The occurrence of a significant event that Seaview is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on our financial position, results of operations or prospects.

Conflicts of interest

Certain directors are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Aboriginal claims

Aboriginal peoples have claimed aboriginal title and rights to portions of Canada. The Company is not aware that any claims have been made in respect of its property or assets. However, if a claim arose and was successful this could have an adverse effect on the Company and its operations.

Reliance on key personnel

Seaview's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on Seaview. We do not have key person insurance in effect for Management. The contributions of these individuals to Seaview's immediate operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of our business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management.

ADDITIONAL INFORMATION

Additional information relating to the Company is filed on SEDAR and can be viewed at www.sedar.com. Information can also be obtained by contacting the Company at Seaview Energy Inc. 1500, 444 - 5th Avenue S.W., Calgary, Alberta, Canada T2P 2T8 or by email at info@Seaviewenergy.com. Information is also accessible on the Company's web site at www.Seaviewenergy.com.

SEAVIEW ENERGY INC.
MANAGEMENT'S REPORT

The management of Seaview Energy Inc. is responsible for the financial information and operating data presented in this financial report.

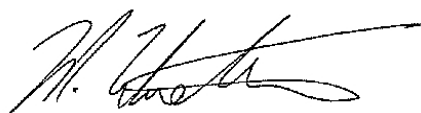
The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise as they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this financial report has been prepared on a consistent basis with that in the financial statements.

Seaview Energy Inc. has designed and maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors, composed of non-management Directors, meets regularly with management, as well as the external auditors, to discuss auditing (external and joint venture), internal controls, accounting policy and financial reporting matters. The Committee reviews the annual financial statements with both management and the independent auditors and reports its findings to the Board of Directors before such statements are approved by the Board.

The financial statements have been audited by KPMG LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.



Michael Wuetherick, P.Eng
President, Chief Executive Officer and Director



Stephanie Bunch, CA
Vice President, Finance & Chief Financial Officer

Calgary, Canada
April 6, 2011



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying consolidated financial statements of Seaview Energy Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of loss, comprehensive loss and deficit, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Seaview Energy Inc. as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
April 6, 2011

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

SEAVIEW ENERGY INC.
CONSOLIDATED BALANCE SHEETS
(stated in thousands of dollars)

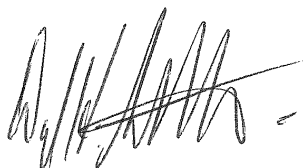
As at December 31	2010	2009
CURRENT ASSETS		
Accounts receivable	\$ 10,488	\$ 7,739
Prepaid expenses and deposits	1,037	1,027
Financial contracts (Note 11)	1,151	-
Future income taxes (Note 5)	-	139
Total current assets	12,676	8,905
Property, plant and equipment (Note 4)	125,764	149,942
Goodwill	7,563	7,563
TOTAL ASSETS	\$ 146,003	\$ 166,410
LIABILITIES		
Accounts payable and accrued liabilities	\$ 15,291	\$ 11,031
Bank debt (Note 7)	16,494	38,044
Financial contracts (Note 11)	-	497
Future income taxes (Note 5)	322	-
Total current liabilities	32,107	49,572
Financial contracts (Note 11)	2,193	1,088
Future income taxes (Note 5)	18,314	18,236
Asset retirement obligation (Note 6)	2,273	2,638
Total liabilities	54,887	71,534
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	\$ 96,285	\$ 97,374
Contributed surplus (Note 9)	7,218	5,188
Deficit	(12,387)	(7,686)
Total shareholders' equity	91,116	94,876
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 146,003	\$ 166,410

Commitments (Note 10)

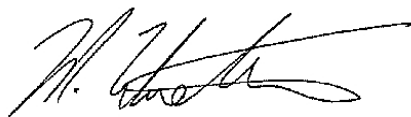
Subsequent events (Notes 8 and 11)

See accompanying notes to the audited consolidated financial statements

Approved on behalf of the Board of Directors



Daryl Gilbert
Chairman of the Board



Michael Wuetherick
President, Chief Executive Officer and Director

SEAVIEW ENERGY INC.**CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
AND DEFICIT**

(stated in thousands of dollars)

	2010	2009
Revenue		
Petroleum and natural gas sales	\$ 33,386	\$ 27,107
Realized gain on financial contracts <i>(Note 11)</i>	1,785	6,397
Unrealized gain (loss) on financial contracts <i>(Note 11)</i>	519	(4,636)
Royalties	(4,373)	(4,151)
	31,317	24,717
Expenses		
Operating expenses	8,115	9,805
Transportation expense	1,522	1,216
General and administrative	2,649	2,167
Interest expense	935	1,045
Unrealized (gain) loss on financial contracts <i>(Note 11)</i>	(24)	24
Stock based compensation <i>(Note 8)</i>	1,144	2,047
Depletion, depreciation & accretion	22,734	20,623
	37,075	36,927
Loss before taxes	\$ (5,758)	\$ (12,210)
Future income tax reduction <i>(Note 5)</i>	(1,057)	(2,603)
Net loss and comprehensive loss	\$ (4,701)	\$ (9,607)
Retained earnings (deficit), beginning of year	(7,686)	1,921
Deficit, end of year	\$ (12,387)	\$ (7,686)
Net loss per share – basic and diluted <i>(Note 8)</i>	\$ (0.07)	\$ (0.16)

See accompanying notes to the audited consolidated financial statements

SEAVIEW ENERGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(stated in thousands of dollars)

	2010	2009
Operating activities		
Net loss	\$ (4,701)	\$ (9,607)
Depletion, depreciation and accretion	22,734	20,623
Unrealized losses (gains) on financial contracts	(543)	4,660
Stock option compensation	1,144	2,047
Future income tax reduction	(1,057)	(2,603)
Expenditures on abandonments	-	(110)
	17,577	15,010
Changes in non-cash working capital	1,251	(554)
Cash provided by operating activities	\$ 18,828	\$ 14,456
Financing activities		
Increase (decrease) in bank debt	(21,550)	18,943
Proceeds from issuance of shares (net of costs)	-	14,290
Proceeds on exercise of options <i>(Note 8)</i>	54	-
Cash provided by (used in) financing activities	\$ (21,496)	\$ 33,233
Investing activities		
Property, plant and equipment additions	(27,357)	(16,567)
Property disposition <i>(Note 3)</i>	33,090	-
Property acquisitions	(3,315)	(30,455)
Changes in non-cash working capital	250	(667)
Cash provided by (used in) investing activities	\$ 2,668	\$ (47,689)
Change in cash during the year	\$ -	\$ -
Cash – beginning of year	-	-
Cash – end of year	\$ -	\$ -
See accompanying notes to the audited consolidated financial statements		
Interest paid	\$ 1,003	\$ 1,296

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1. Significant accounting policies

Nature of business and basis of presentation

Seaview Energy Inc (the "Company" or "Seaview") is incorporated under the Business Corporations Act (Alberta). The Company's principal business activity is the exploration, development and operation of oil and gas properties. The consolidated financial statements are stated in Canadian dollars and have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the financial position, results of operations and cash flows of the Company's subsidiary, 1288916 Alberta Ltd., as well as its wholly owned partnership, Seaview Energy Partnership.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and revenues and expenses during the reporting period. Management reviews these estimates, including those related to accruals, litigation, asset retirement obligations, income taxes and the determination of proved reserves on an ongoing basis. Changes in facts and circumstances may result in revised estimates, and actual results may differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Joint interest activities

Substantially all of the Company's petroleum and natural gas activities are conducted jointly with others and accordingly, these consolidated financial statements reflect only the Company's proportionate interest in such activities.

Measurement uncertainty

The amounts recorded for depletion and depreciation of property, plant and equipment and the provision for asset retirement obligations are based on estimates. The cost recovery ceiling test is based on estimates of proved reserves, production rates and petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material.

Cash and cash equivalents

Cash and cash equivalents consist of cash held in a commercial bank account, less outstanding cheques, and short term investments with maturity, at the time of purchase, of less than 90 days.

Property, plant and equipment

The Company follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized and charged against earnings as described below. Capitalized costs include lease acquisition costs, the costs of geological and geophysical activities, the costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas equipment, carrying charges of non-producing properties and overhead costs directly related to exploration and development activities.

Petroleum and natural gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying value of the petroleum and natural gas assets. If the carrying value of the petroleum and natural gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using the risk-free rate.

Proceeds from the disposition of petroleum and natural gas properties are applied as a reduction of the cost of the remaining assets, except when such a disposition would alter the rate of depletion by more than 20 percent, in which case a gain or loss on disposition would be recorded.

Depletion and depreciation

Capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit-of-production method based on estimated proven reserves of petroleum and natural gas on a company interest basis (working interest plus royalty interest) before the deduction of crown or other royalties as determined by independent engineers. For purposes of this calculation, reserves and production are converted to equivalent units of oil based on a relative

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energy content of six thousand cubic feet of gas to one barrel of oil. Costs of significant unproved properties, net of impairments, are excluded from the depletion and depreciation calculation.

Goodwill

The Company recognizes goodwill on corporate acquisitions when the total purchase price exceeds the fair value of net identifiable assets and liabilities of the acquired entity. Goodwill is tested annually at year-end for impairment or as events occur that could result in impairment. Impairment is recognized based on the fair value of the reporting entity compared to the book value. If the fair value is less than the book value, impairment is measured by allocating the fair value to the identifiable assets and liabilities as if the Company had been acquired in a business combination for its fair value. The excess of the fair value over the amounts assigned to the identifiable assets and liabilities is the fair value of the goodwill. Any excess of the book value over this implied fair value of goodwill is the impairment amount. Impairment is charged to earnings in the period in which it occurs. Goodwill is stated at costs less impairment and is not amortized.

Asset retirement obligation

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related assets known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings. Estimates used are evaluated on a periodic basis and any adjustments are applied prospectively. Actual costs incurred upon settlement of the obligations are charged against the liability. No gains or losses on retirement were realized due to settlements approximating the estimates.

Financial instruments

The Company's financial instruments include accounts receivable, cash and cash equivalents, financial contracts, bank debt and accounts payable and accrued liabilities. Cash and cash equivalents are classified as held for trading and stated at fair value. Accounts receivable are classified as loans and receivables and are recorded at amortized cost which approximates its carrying amount. Bank debt and accounts payable and accrued liabilities are classified as other liabilities and recorded at amortized costs which approximate their carrying amounts.

The Company uses derivative financial instruments from time to time to economically hedge its exposure to commodity price, foreign exchange and interest rate fluctuations. The Company may enter into natural gas and crude oil swap contracts, options or collars to economically hedge its exposure to petroleum and natural gas prices and may enter into foreign exchange forward contracts to economically hedge anticipated U.S. dollar denominated petroleum and natural gas sales. The Company may also enter into fixed interest rate swap contracts in order to mitigate the exposure to interest rate risk. The derivative financial instruments are initiated within the guidelines of the Company's Hedging Policy Manual and the Company does not enter into derivative financial instruments for trading or speculative purposes.

The Company has elected not to use hedge accounting. The fair value of financial contracts is recognized at each reporting period with the change in the fair value being classified as an unrealized gain or loss on the statement of earnings. The realized gains and losses are included in revenue.

Revenue recognition

Revenue associated with sales of crude oil, natural gas and natural gas liquids ("NGLs") is recognized when title passes to the purchaser, normally at the pipeline delivery point for natural gas and NGLs and at the wellhead for crude oil.

Future income taxes

The Company uses the liability method in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rate is recognized in income in the period in which the change occurs. Tax assets will be recognized only when it is more likely than not that they will be realized.

Flow-through shares

The Company may, from time to time, issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, share capital will be reduced and a future tax liability will be recorded equal to the estimated amount of the future income tax liability of the Company as a result of the renunciations, when the renunciation is made.

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Stock based compensation

The Company has a stock option plan, which is described in Note 8.

Awards of stock options to employees and non-employees are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option-pricing model. Under the fair value method, the amount to be recognized as expense is determined at the time the options are issued and is deferred and recognized in earnings over the vesting period of the options with a corresponding increase in contributed surplus.

Consideration paid by directors, officers and key employees and consultants on the exercise of stock options is credited to share capital together with the amount previously recognized in contributed surplus.

Per share amounts

Basic earnings per share will be computed by dividing earnings by the weighted average number of Class A and Class B shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if in the money stock options to purchase Class A shares were exercised and converted to Class A shares plus the potential dilution from the conversion of Class B shares into Class A shares (see Note 8). The treasury method of calculating diluted per share amounts will be used whereby any proceeds from the exercise of stock options are assumed to be used to purchase Class A shares of the Company at the average market price during the period.

2. Changes in accounting policies

Future accounting changes

In 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents changes due to new accounting standards. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Seaview for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010. The transition from current Canadian GAAP to IFRS is significant with the differences affecting the financial position and results of operations. The Company is finalizing the impact on its consolidated financial statements at this time.

3. Property acquisitions and dispositions

On April 29, 2010, the Company closed the disposition of all of the Company's southeast Saskatchewan assets for gross proceeds of \$33 million (excluding the elimination of the asset retirement obligation in the amount of \$756,792 associated with these assets).

4. Property, plant and equipment

	2010	2009
Petroleum and natural gas assets	\$ 179,563	\$ 181,181
Accumulated depletion and depreciation	(53,799)	(31,239)
Property, plant and equipment, net	\$ 125,764	\$ 149,942

For the year ended December 31, 2010, the Company capitalized general and administrative expenses directly relating to exploration and development activities in the amount of \$2,008,349 (\$1,710,407 – December 31, 2009) and stock based compensation of \$1,338,315 (including tax effect of \$337,799) (\$2,255,002 (including tax effect of \$584,327) – December 31, 2009).

Unproved property costs amounting to \$3,680,189 have been excluded from costs subject to depletion at December 31, 2010 (\$2,417,973 – December 31, 2009) and future development costs of \$27,012,000 (\$5,646,085 – December 31, 2009) have been included in costs subject to depletion.

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The Company performed a ceiling test calculation at December 31, 2010 and determined that no impairment exists in petroleum and natural gas properties as at December 31, 2010. The prices used in the ceiling test evaluation of the Company's oil and gas assets are summarized in the following table:

Year	WTI Cushing ⁽¹⁾ Oklahoma (\$US/bbl)	Edmonton Par Price 40° API (\$Cdn/bbl)	Alberta AECO-C Spot (\$Cdn/MMBTU)	Henry Hub (\$US/MMBTU)
2011	88.40	93.08	4.04	4.44
2012	89.14	93.85	4.66	5.01
2013	88.77	93.43	4.99	5.32
2014	88.88	93.54	6.58	6.80
2015	90.22	94.95	6.69	6.90
2016 – 2020 ⁽²⁾	94.36	99.34	7.03	7.21
Thereafter ⁽³⁾	1.5%	1.5%	1.5%	1.5%

(1) 40 degrees API, 0.4% sulphur

(2) Prices shown are the average over the period.

(3) Percentage change of 1.5% represents the change in future prices each year after 2020 to the end of the reserve life.

5. Future income taxes

a. Income tax provision

	2010	2009
Net loss for the period before taxes	\$ (5,758)	\$ (12,210)
Combined tax rate	28.00%	29.00%
Expected income tax expense (reduction)	(1,612)	(3,541)
Stock option compensation	320	594
Current rate (reduction) increase	235	344
Future income tax reduction	\$ (1,057)	\$ (2,603)

b. Future income tax liability

The components of the net future income tax liability are as follows:

	2010	2009
Temporary differences related to:		
Property and equipment	\$ 22,193	\$ 20,015
Non-capital losses	(2,270)	(179)
Share issue costs	(443)	(636)
Financial contracts	(276)	(444)
Asset retirement obligations	(568)	(659)
Net future income tax liability	\$ 18,636	\$ 18,097

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6. Asset retirement obligation

The total future asset retirement obligations were estimated by management based on the Company's net working interest in all wells and facilities, estimated costs to reclaim and abandon wells and facilities and the estimated timing of the costs to be incurred in future periods. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements could be significant. The Company estimates the undiscounted cash flows related to the asset retirement obligations, adjusted for inflation, to be incurred over the next 20 years will total approximately \$5.5 million, with the majority of the expenditures to be incurred between 2018 and 2028. The fair value at December 31, 2010 is \$2,273,110 using a discount rate of 8 percent per annum and an inflation rate of 2 percent per annum. As at December 31, 2010, no funds have been set aside to settle this obligation.

	2010	2009
Asset retirement obligation, beginning of year	\$ 2,638	\$ 2,164
Liabilities assumed on acquisitions	-	269
Liabilities eliminated on disposition	(757)	-
Liabilities incurred	218	130
Accretion expense	174	185
Actual abandonment expenditures incurred	-	(110)
Asset retirement obligation, end of year	\$ 2,273	\$ 2,638

7. Bank debt

As at December 31, 2010, the Company had a revolving demand credit facility with an authorized borrowing amount of \$52 million, with interest and other fees charged at the bank's prime rate plus a rate as determined by a pricing grid. Collateral for the facility consists of a general security agreement, providing a security interest over all present and after acquired personal property and a floating charge on all present and after acquired land interests of the Company.

At December 31, 2010, the revolving demand credit facility was drawn to \$16.5 million. The Company also had an issued letter of credit in the amount of approximately \$0.1 million.

The next interim review is scheduled for May 31, 2011. These reviews are based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility available upon the next scheduled review which may require a repayment to the bank.

8. Share capital

Authorized

Unlimited number of voting Class A shares with no par value

Unlimited number of voting Class B shares with no par value

Unlimited number of voting preferred shares with no par value

Class A shares	Number	Amount
Balance, December 31, 2009	65,433,182	\$ 89,657
Issued for cash on exercise of options	103,586	54
Transfer from contributed surplus – options exercised		115
Tax effect on flow through shares		(1,258)
Balance, December 31, 2010	65,536,768	\$ 88,568
Class B shares		
Balance, December 31, 2009 and December 31, 2010	1,053,540	\$ 7,717
Total share capital balance, December 31, 2010	66,590,308	\$ 96,285

The Company's Class B shares are convertible (at the option of the Company) at any time after June 1, 2010 and before May 31, 2012, into Class A Shares. The number of Class A shares obtained upon the conversion of each Class B share will be equal to

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\$10.00 divided by the greater of \$1.00 and the weighted average trading price of the Class A shares during the thirty days prior to the conversion date. If conversion has not occurred by the close of business on May 31, 2012, the Class B shares become convertible (at the option of the holder) into Class A shares on the same basis. Effective June 30, 2012, all remaining Class B shares will automatically convert to Class A shares on the same basis.

Management of capital structure

In the management of capital, the Company includes share capital and net debt (defined as the sum of cash and cash equivalents, current assets, current liabilities and bank debt, if any) in the definition of capital. The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute on its capital investment program, which includes investing in oil and gas activities which may or may not be successful. Therefore, the Company strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital expenditures.

	December 31, 2010	December 31, 2009
Capitalization		
Bank debt	\$ 16,494	\$ 38,044
Working capital deficiency ⁽¹⁾	3,766	2,265
Net debt	20,260	40,309
Class A shares outstanding	65,536,768	65,433,182
Class A share price ⁽²⁾	\$ 1.19	\$ 1.10
Class A market capitalization	\$ 77,989	\$ 71,976
Class B shares outstanding	1,053,540	1,053,540
Class B share price ⁽²⁾	\$ 8.20	\$ 5.11
Class B market capitalization	\$ 8,639	\$ 5,384
Total market capitalization	\$ 86,628	\$ 77,360
Total capitalization	\$ 106,888	\$ 117,669
Net debt as a percent of total capitalization	19%	34%
Funds flow from operations ⁽³⁾	\$ 17,577	\$ 15,120
Net debt to funds flow from operations ratio	1.15	2.67

(1) Working capital excludes the current portion of future income taxes and financial contracts.

(2) Represents the closing price on the TSX Venture at year end.

(3) Funds flow from operations is calculated as cash flow from operations before the change in non-cash operating working capital and expenditures on abandonments.

The key measures that the Company utilizes in evaluating its capital structure are net debt to funds flow from operations (before changes in non-cash working capital) and the current credit available from its creditors in relation to the Company's budgeted capital program.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including: the current economic conditions; the risk characteristics of the underlying assets; the depth of its investment opportunities; forecasted investment levels; the past efficiencies of its investments; the efficiencies of the forecasted investments and the desired pace of investment; current and forecasted net debt levels; current and forecasted natural gas and light oil prices and other factors that influence natural gas prices and cash flow from operating activities (before changes in non-cash working capital), such as foreign exchange and basis differential.

In order to maintain or adjust the capital structure, the Company will consider: its forecasted net debt to forecasted cash flows from operating activities (before changes in non-cash working capital and expenditures on abandonments) ratio while attempting to finance an acceptable investment program including incremental investment and acquisition opportunities; the current level of bank debt available; the level of bank credit that may be obtainable as a result of reserve growth; the availability of other sources of debt with different characteristics than the existing available bank debt; the sale of assets; limiting the size of the investment program and new equity issues, if available on favourable terms.

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Stock option plan

The Company has a stock option plan (the "Plan") pursuant to which options to purchase Class A shares may be granted by the board of directors to directors, officers, employees of, and consultants to, the Company. The Plan has reserved for issuance a number of Class A shares equal to 10% of the Class A shares issued and outstanding from time to time and no optionee is permitted to hold options entitling such optionee to purchase more than 5% of the issued and outstanding Class A shares. Options granted under the Plan will have an exercise price which is not less than the price allowed by regulatory authorities, will be non-transferable and will be exercisable for a period not to exceed five years.

Options granted under the Plan will terminate upon the date which is 90 days from the termination of an optionee's employment or, from the date such optionee ceased to be a director of the Company, unless the directors of the Company determine otherwise, or, provided the optionee has died and was an employee or director for at least one year following the grant of the options, shall terminate six months following the death of the optionee. The options will vest as to one-third on each of the first, second and third anniversaries of the date of the grant.

Outstanding stock options	Number of Options	Weighted Average Exercise Price
Outstanding December 31, 2009	5,474,250	\$1.50
Granted	512,000	\$1.14
Exercised	(103,586)	\$0.52
Cancelled	(225,000)	\$3.47
Forfeited	(194,332)	\$1.40
Outstanding as at December 31, 2010	5,463,332	\$1.41
Exercisable as at December 31, 2010	2,733,550	\$1.46

On September 8, 2010, the Company granted options to acquire up to 512,000 Class A shares at a price of \$1.14 per share, all of which were granted to officers of the Company. On September 21, 2010, the Board of Directors voluntarily surrendered 225,000 previously issued stock options for cancellation. These options had exercise prices of \$3.20 and \$3.80 per share. As such, the stock based compensation expense for the year ended December 31, 2010 of \$1,143,843 included \$142,498 of accelerated expense for the remaining life of the surrendered options.

Subsequent to the end of the year, on January 5, 2011, the Company granted options to acquire up to 187,500 Class A shares at a price of \$1.19 per share, none of which were granted to officers or directors of the Company.

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.00 to \$0.99	1,493,476	2.4	\$ 0.50	1,028,488	\$ 0.45
\$1.00 to \$2.00	2,972,356	3.6	\$ 1.14	1,040,058	\$ 1.11
\$2.01 to \$4.00	997,500	2.5	\$ 3.57	665,004	\$ 3.57
	5,463,332	3.1	\$ 1.41	2,733,550	\$ 1.46

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All granted options have an estimated weighted average fair value determined using the Black-Scholes model using the following assumptions:

Grant date	Grant Price	Risk free interest rate	Volatility %	Dividend Yield	Fair Value per option
October, 2007	\$0.40	4.35 %	56.65 %	-	\$1.10
March, 2008	\$1.00	2.91 %	72.62 %	-	\$0.61
June, 2008	\$3.20	3.18 %	88.44 %	-	\$2.25
August, 2008	\$3.80	3.21 %	94.53 %	-	\$2.78
March 2, 2009	\$0.62	1.91 %	117.14 %	-	\$0.51
October, 2009	\$1.19	2.77 %	102.97 %	-	\$0.91
September, 2010	\$1.14	2.19 %	90.51 %	-	\$0.80

Total compensation expense is amortized over the vesting period of the option. Compensation expense of \$1,143,843 has been recognized in the year ended December 31, 2010 (\$2,046,994 – December 31, 2009) based on the estimated fair value of the options on the grant date in accordance with the fair value method of accounting for stock-based compensation. An additional \$1,338,315 in stock based compensation (including tax effect of \$337,799) has been capitalized in the year ended December 31, 2010 (December 31, 2009 – \$2,255,002 (including tax effect of \$584,327)).

Per share amounts

Per share amounts have been calculated using the weighted average number of shares outstanding during the period. For the year ended December 31, 2010, both the effect of the conversion of the Class B shares and the effect of options have been included in the calculation of weighted average diluted shares as they would have been dilutive. For the year ended December 31, 2009, both the effect of the conversion of the Class B shares and the effect of options have been excluded from the calculation of weighted average diluted shares as they would have been anti-dilutive.

	2010	2009
Weighted average number of shares		
Weighted average – Class A shares	65,475,285	57,935,979
Weighted average – Class B shares	1,053,540	1,053,540
Weighted average – basic and diluted	66,528,825	58,989,519

9. Contributed Surplus

	2010	2009
Balance, beginning of year	\$ 5,188	\$ 1,471
Stock based compensation expense	1,144	2,047
Stock based compensation capitalized	1,001	1,670
Options exercised transferred to share capital	(115)	-
Balance, end of year	\$ 7,218	\$ 5,188

10. Commitments

On June 16, 2009, the Company issued \$5.0 million of flow through shares. These funds had been fully expended on qualifying expenditures by March 31, 2010, well ahead of the December 31, 2010 requirement. The flow through share benefits were renounced to subscribers effective December 31, 2009.

The Company must pay Crown royalties, surface rentals, mineral taxes and abandonment and reclamation costs with respect to its ongoing ownership of hydrocarbon production rights. The amounts paid with respect to these burdens will depend on the future ownership, production, commodity prices and regulatory environment at the time.

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The Company enters into natural gas and crude oil financial contracts from time to time, some of which may have premiums attached to them (see Note 11). The future premiums Seaview is committed to pay are included in the table below.

The Company's future contractual commitments are highlighted below:

	Total	2011	2012
Operating leases	\$ 550	287	263
Financial instrument premiums	\$ 1,570	1,570	-
Total contractual obligations	\$ 2,120	1,857	263

11. Financial instruments

Interest rate risk

Seaview has mitigated some exposure to interest rate risk by entering into fixed interest rate swap transactions. The Company is exposed to interest rate risk on the revolving demand credit facility as the interest charged on the amount borrowed is based on a floating interest rate.

The Company entered into fixed interest rate swap agreements on \$5 million for a term of one year (which terminated on February 28, 2010) at a fixed rate of 1.15% plus stamping fees and on \$10 million for a term of one year (which terminated on April 30, 2010) at a fixed rate of 0.97% plus stamping fees. For the year ended December 31, 2010, realized gains of \$24,278 were netted against interest expense (December 31, 2009 – loss of \$67,007 recorded as interest expense). As at December 31, 2010, all contracts had expired and therefore there was no remaining liability representing the fair value of the contract (December 31, 2009 – liability of \$23,618).

Credit risk

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms by reputable petroleum and natural gas marketing agents. The Company monitors the financial condition of these marketers as well as the ultimate purchaser of its product. At year end, \$2.8 million was owed to the Company in regards to its petroleum and natural gas sales, all of which was received subsequent to year end. All other accounts receivable are with customers and joint venture partners in the petroleum and natural gas business under normal industry sale and payment terms and are subject to normal credit risk. The Company routinely assesses the financial strength of its customers and partners.

As is common in the petroleum and natural gas industry in western Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. Production is sold to customers with investment grade credit ratings, if available in the area of production, which accounts for the majority of sales, otherwise parental guarantees or letters of credit are sought. Of the \$10.5 million accounts receivable outstanding, \$2.8 million related to the sale of petroleum and natural gas, the majority of which was received January 25, 2010. Of the remaining balance, \$3.6 million was receivable from the Alberta government for drilling credits earned on capital projects completed during the year and \$4.1 million was due from trade and joint venture partners, relating to the recovery of the partners' interests in operating costs and capital spent. The largest amount owing from one partner was \$0.8 million, for the recovery of the partner's interest in operating costs and capital spent. Where Seaview is the operator of properties, Seaview has the ability to not allocate production to joint venture partners who are in default of amounts owing. At December 31, 2010 there was no allowance for the impairment of accounts receivable.

Currency risk

The Company does not sell or transact in any foreign currency, however, the United States ("U.S.") dollar influences the price of petroleum and natural gas sold in Canada. Price fluctuations, as a result, can affect the fair value and future cash flows of derivative natural gas contracts, however, given it is an indirect influence, the impact of the changing exchange rates cannot be accurately quantified. The Company's other financial assets and liabilities are not affected by a change in currency rates.

Liquidity risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and bank debt. The Company has a revolving demand credit facility in the amount of \$52.0 million, which had \$16.5 million drawn at December 31, 2010, in order to meet the obligations associated with financial liabilities. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future cash flows and available credit facility (for other information, refer to "Management of Capital Structure" in Note 8). The Company had no defaults or breaches on its bank debt or any of its financial liabilities.

SEAVIEW ENERGY INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

(Tabular dollar amounts are stated in thousands of dollars except per share amounts)

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risks which consist primarily of fluctuations in petroleum and natural gas prices. Currency risk has no impact on the value of the financial assets and liabilities on the balance sheet at December 31, 2010. Changes to the U.S. to Canadian exchange rate, however, could influence future petroleum and natural gas prices which could impact the future cash flows from the sale of petroleum and natural gas products, however this indirect influence cannot be accurately quantified. The Company is exposed to interest rate risk on the Canadian revolving credit facility as the interest charged on the amount borrowed is based on a floating interest rate. In regards to interest rates, a 1% change in interest rate would have impacted net income by \$125,000. In regards to commodity prices, a \$0.25 change to the price per thousand cubic feet of natural gas would have impacted net income by \$415,000 and a \$1.00 change in the price per barrel of crude would have impacted net income by \$25,000.

Commodity price risk

The Company enters into derivative natural gas and crude oil financial instruments for the purpose of protecting its cash flow from operations (before changes in non-cash working capital and expenditures on abandonments) from the volatility of commodity prices. The fair value of the commodity price risk contracts are estimated based on the mark-to-market method of accounting, using public quoted market prices or, in their absence, third-party market indications and forecasts priced on the last trading day of the applicable period and are therefore classified as Level 2. For the year ended December 31, 2010, realized gains of \$1.8 million were recorded as revenue (December 31, 2009 – realized gains of \$6.4 million). As at December 31, 2010, the Company recorded a net liability related to the unrealized losses on financial contracts of \$1.0 million reflecting the fair value of the crude oil and natural gas contracts outstanding at December 31, 2010 (December 31, 2009 – a liability of \$1.6 million) with the change in fair value over the year of \$0.5 million recorded as revenue.

As at December 31, 2010, the Company had the following contracts:

Natural gas	Volume	Pricing Point	Price	Fair Value	Term
Put ⁽¹⁾	2,000 gj/d	AECO Monthly	\$ 4.75/gj	\$ 716	January '10 – December '11
Put	6,140 gj/d	AECO Monthly	\$ 4.00/gj	\$ 1,027	January '11 – December '11
Call	3,000 gj/d	AECO Monthly	\$ 7.04/gj	\$ (46)	January '12 – December '12
Crude Oil					
Put ⁽²⁾	200 bbl/d	WTI – Nymex CAD	\$ 75.00/bbl	\$ (592)	January '10 – December '11
Call	100 bbl/d	WTI – Nymex CAD	\$ 90.00/bbl	\$ (430)	January '12 – December '12
Call	200 bbl/d	WTI – Nymex	\$ 75.00/bbl	\$ (1,717)	January '12 – December '12
Fair value of commodity price contracts ⁽³⁾				\$ (1,042)	

(1) The net floor for this contract reflects the deferred cost of \$1.05/gj paid over the course of the contract. The strike price of the put is \$5.80/gj before the deferred cost.

(2) The net floor for this contract reflects the deferred cost of \$11.00/bbl paid over the course of the contract. The strike price of the put is \$86.00/bbl before the deferred cost.

(3) Amount represents the net of the long-term liability of \$2.2 million offset by the current asset of \$1.2 million as shown on the balance sheet.

Subsequent to December 31, 2010, the two crude oil calls for 2012 were terminated and replaced with the following contracts:

	Volume	Pricing Point	Price	Term
Crude oil call	100 bbl/d	WTI – Nymex CAD	\$ 88.25/bbl	January '13 – December '13
Crude oil call	200 bbl/d	WTI – Nymex	\$ 72.50/bbl	January '13 – December '13

12. Related party transactions

The Company received legal services from a firm in which a director and the corporate secretary of the Company are partners. The Company was charged \$148,303 for the year ended December 31, 2010 (December 31, 2009 – \$516,906) which has been included in general and administrative expense and property, plant and equipment as part of the transaction costs on disposition. At December 31, 2010, accounts payable included \$32,954 (December 31, 2009 – \$16,512) relating to these services.

These transactions are in the normal course of operations, acquisitions and dispositions and are measured at the exchange amount which is the consideration established and agreed to by the related parties.

CORPORATE INFORMATION

OFFICERS AND SENIOR MANAGEMENT

Michael J.J. Wuetherick, P.Eng
President and Chief Executive Officer

H. Scott Oldale
Vice President, Exploration and Chief Operating Officer

Stephanie A. Bunch, CA
Vice President, Finance and Chief Financial Officer

Davin Chandler, P.Eng
Vice President, Engineering

Timothy L. Campbell
Vice President, Land

DIRECTORS

Daryl Gilbert, P.Eng, Calgary, Alberta
Chairman
Reserves Committee Chair and
Health, Safety & Environment Committee Chair

James Howe, ⁽⁴⁾ CA, Calgary, Alberta
Audit Committee Chair

Gregory Turnbull, ⁽³⁾ LLB, Calgary, Alberta
Corporate Governance Committee Chair

Steven VanSickle, ^{(1),(2),(5)} Calgary, Alberta
Compensation Committee Chair

Robert Peters, ^{(3),(4)} Calgary, Alberta
Director

Michael Culbert, ⁽¹⁾ Calgary, Alberta
Director

Bruce Francis, ^{(2),(5)} P.Eng, Calgary, Alberta
Director

Michael J.J. Wuetherick, P.Eng, Calgary, Alberta
President, Chief Executive Officer and Director

H. Scott Oldale, Calgary, Alberta
Vice President, Exploration, Chief Operating Officer and Director

Sanjib Gill, LLB, Calgary, Alberta
Corporate Secretary

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Reserves Committee

⁽³⁾ Member of the Compensation Committee

⁽⁴⁾ Member of the Corporate Governance Committee

⁽⁵⁾ Member of the Health, Safety and Environment Committee

BANKERS

National Bank of Canada

PETROLEUM CONSULTANTS

Sproule Associates Limited
Calgary, Alberta

LEGAL COUNSEL

McCarthy Tétrault LLP
Calgary, Alberta

AUDITORS

KPMG LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX - Venture: CVU.A & CVU.B

INVESTOR RELATIONS

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SEAVIEW ENERGY INC

The logo for Seaview Energy Inc features the company name in a bold, black, sans-serif font. The word "SEAVIEW" is on the top line and "ENERGY INC" is on the bottom line. A thin blue horizontal bar is positioned below the text, with a gold-colored diagonal shape on the right side that tapers upwards.

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