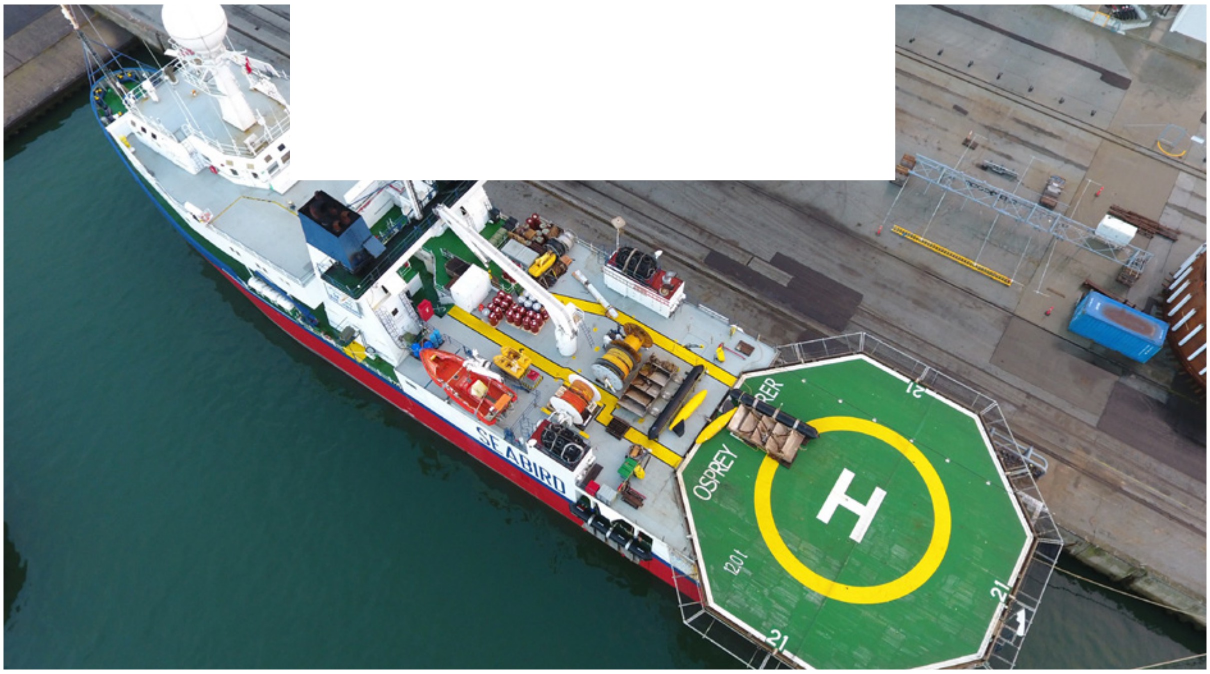
2016 ANNUAL REPORT

SeaBird Exploration

SEABIRD AT A GLANCE



SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment.

The company is also a provider of niche 3D and source vessel solutions. SeaBird concentrates on contract seismic surveys, but is also engaged in the multi-client sector. The company is strongly positioned with its industry-leading quality, health, safety and environment (QHSE) culture and accreditations. The company has a focus on operational excellence which targets best-in-class performance. SeaBird's initiatives on technological development looks to continuously advance our service offerings.

$72.1m

revenues for 2016 compared to $94.1 million in 2015

$18.3m

adjusted EBITDA in 2016 compared to $19.3 million in 2015

Mexico

Mexico Gigante 182,000 kilometres completed, largest 2D survey in history

Cost management

significantly ahead of cost savings target; fleet right-sized to five vessels at end of year

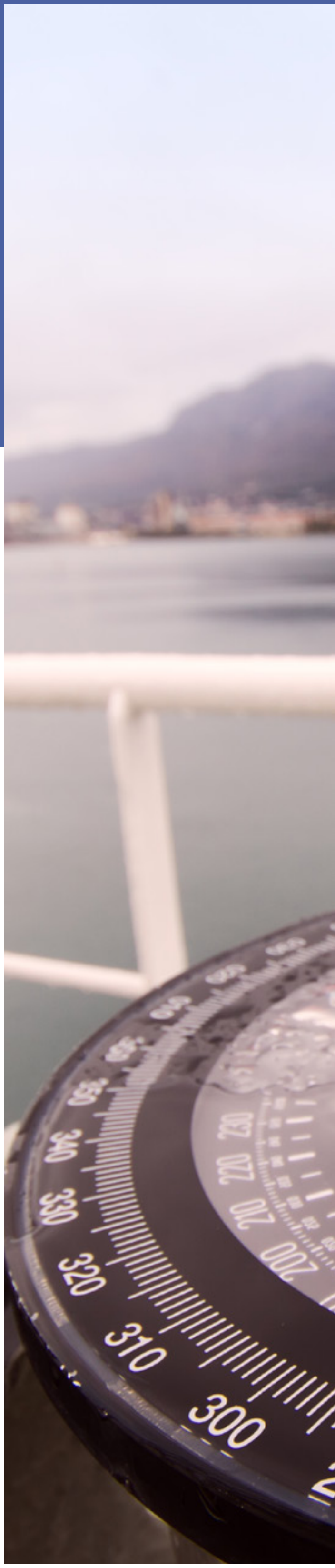
73%

utilization for 2016, down from 77% for 2015

$4.2m

net non-recurring charges and impairments recognized during the year; gains were $5.6 million and charges and impairments were $9.9 million

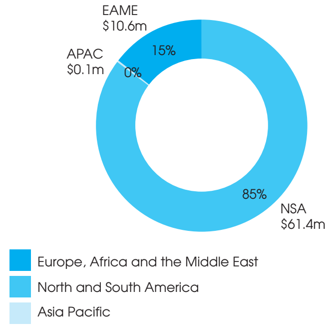
HIGHLIGHTS 2016



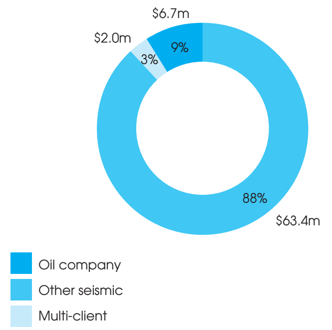
	2016	2015
Revenues	72,074	94,127
Gross margin	30,161	24,371
SG&A	(13,308)	(18,597)
EBITDA	22,431	10,917
EBIT	(3,050)	(17,603)
Profit/(loss)	(8,001)	38,344
Capital expenditures	(3,310)	(5,559)
Total debt	30,616	33,742
Net interest bearing debt	15,569	27,489
Equity ratio	30.6%	28.1%
Employees	260	398
Utilization	73%	77%

All figures in $000 (except for equity ratio, employee data and utilization)

REVENUE BY REGION (USD MILLIONS)



REVENUE BY CLIENT TYPE (USD MILLIONS)



CEO STATEMENT

An interview with Christophe Debouvry

Christophe, 2016 was another challenging year for the seismic industry. We saw further capacity reductions in light of weak demand and we have continued to observe significant time lapses between development of leads and timing of awards. How do you see the market develop in 2017?

This has undoubtedly been another challenging year for the industry. In that respect, I am very pleased that we managed to put together a solid program for the 2016 North Atlantic summer season and move two vessels to the region. This complemented the completion of the Gigante project, where we started reducing vessel capacity in Mexico already in Q2. The fourth quarter was expectedly slow, although we ended the year with a total utilization level comparable to recent years.

Starting in the last quarter of 2016, we have clearly detected a positive change in the business sentiment and a meaningful uptick in the number of leads we are pursuing. It is also encouraging to note that the surveys under consideration covers all our geographic segments as well as all our product offerings. With oil prices now appearing to have stabilized at levels that are more comfortable for the industry, we would expect this increased tender volume to continue.

That being said, we do not believe 2017 will be easy. More likely, this will be a transition year for the industry.

"We are committed to remain the number one 2D and source provider."

Our focus will therefore be on proactive fleet management, striking a balance between being cost efficient while not sacrificing operational readiness. We will also consider additional investment in our core activities where it makes sense, and we are looking at capital expenditure opportunities on both the maritime and seismic side. Nevertheless, there is significant market uncertainty and we need to ensure that we have a sound financial position. With this in mind, the company engaged financial advisors earlier this year to evaluate alternatives.

As seismic market demand recovers, do you anticipate any alterations in SeaBird's strategic thinking?

Strategically speaking, I do not envision any major directional changes. We are committed to remain the number one 2D and source provider. In the niche 3D segment, we redelivered the Voyager Explorer last year, but maintain a joint marketing agreement with the vessel owner. We do believe that the 3D market for 4-6 streamer configuration fits naturally with SeaBird. This segment is generally targeting surveys in shallow water, tidal zones and smaller blocks where large 3D vessels are incapable of or impractical to operate. There has been limited activity in this market recently, but we are now seeing signs of improvement. This market segment is limited in size, but also tends to be less competitive.

In terms of vessel capacity, we have worked actively to right size the fleet to better reflect market conditions. However, while we have been reducing vessel capacity in line with the lower market demand, we have been equally mindful of maintaining our global footprint. We believe the ability to service clients globally is a critical differentiator. Equally importantly, being able to provide multiple vessels for a single contract makes us a preferred partner for larger surveys.

There have been a number of changes in the seismic sector over the past couple of year. How have these changes affected the competitive dynamics in your core business segments?

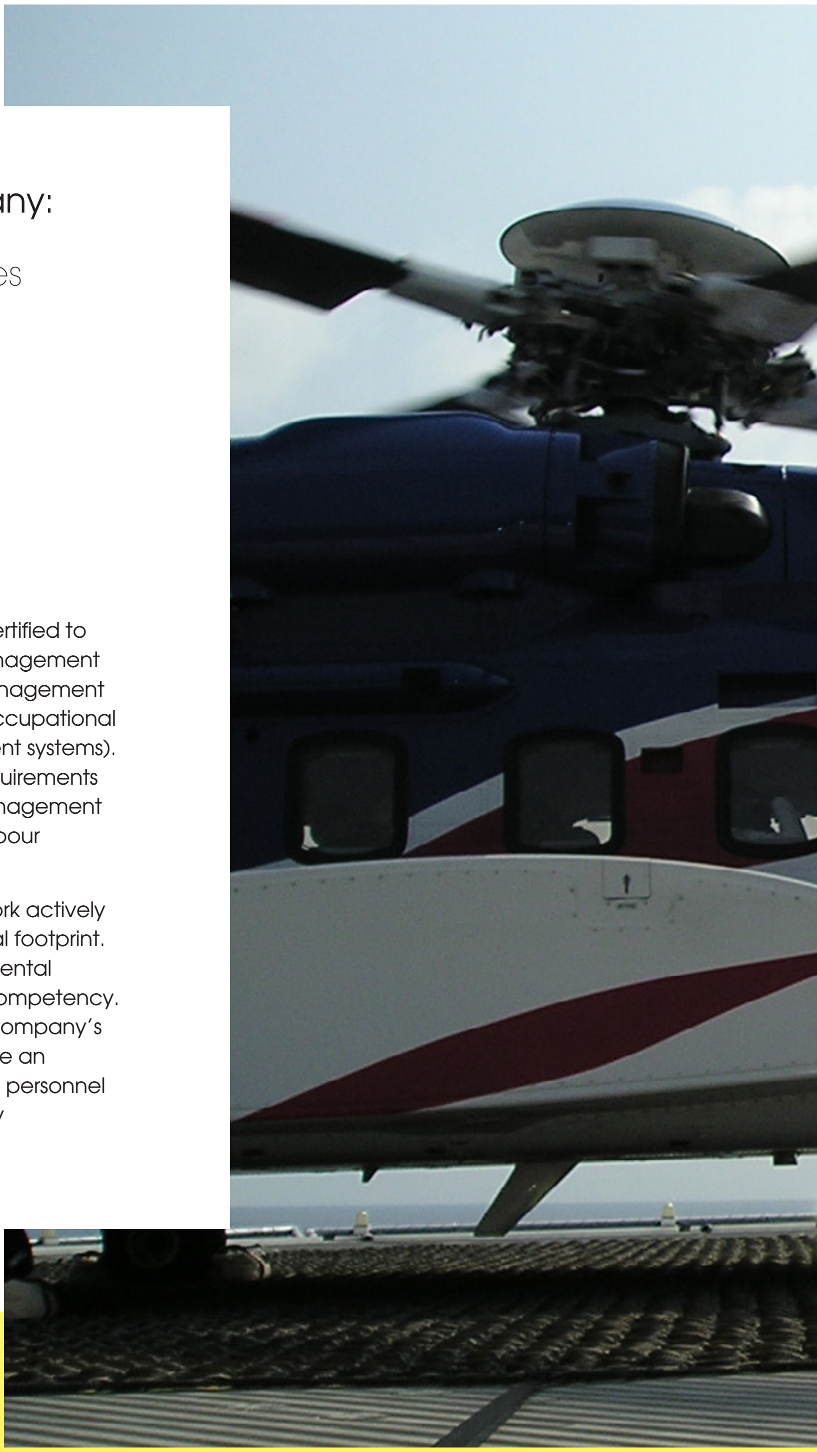
With respect to competitive dynamics, we have seen a significant amount of stacking and redelivering of smaller 3D vessels, which previously competed in our core markets. Additionally, 3D players have essentially been exiting our markets by no longer operating 2D vessels previously in their fleets. As a result, we believe SeaBird's position as the leading 2D and source provider has been further strengthened. Moreover, in light of 3D operators exiting the 2D and source markets, we have also been exploring options to develop commercial partnerships or preferred service provider status with larger seismic operators in need of 2D and/or source vessels.

SeaBird has only made limited investments in multi-client surveys over the past several months. Are there any changes with respect to the company's multi-client strategy?

Our multi-client strategy remains unchanged and we will continue to review attractive multi-client investment opportunities going forward. However, we take a strict view on required prefunding and will refrain from participating in surveys which lack appropriate industry backing. Given the market weakness we have been experiencing, industry financial backing has been limited and we have therefore opted not to participate in a number of multi-client surveys under review. That being said, we did complete two multi-client surveys last year, one outside Iceland and one in the Barents Sea. Both surveys met our criteria in terms of prefunding as well as an attractive risk/reward profile.

QHSE

WE ARE GUIDED BY OUR COMMITMENT TO QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE).



Established QHSE processes ensures the company:

- Provides a safe, healthy work environment both offshore and onshore;
- Continuously improves operational performance and quality;
- Deliver its services promptly and cost effectively;
- Considers the environment in all aspects of its operations.

SeaBird's management and reporting system is a key component in the company's performance evaluation process. In addition to quality, the system ensures safe operations. The company reported a lost time injury frequency rate of 0.47 and a total recordable incident rate of 1.40. In 2016, the company completed the largest 2D survey ever conducted, achieving a lost time injury frequency rate of zero for the project.

SeaBird completed a detailed analysis of past performance to further improve QHSE procedures and establish objectives for 2017. Quality enhancement will be of increased focus in 2017 and to emphasize this, the HSSEQ acronym was changed to QHSE going into 2017.

Our management system is certified to ISO 14001 (environmental management systems), ISO 9001 (quality management systems) and OHSAS 18001 (occupational health and safety management systems). All vessels comply with the requirements of the international safety management code (ISM) and the marine labour convention 2006 (MLC).

The company continues to work actively on minimizing its environmental footprint. We strive to improve environmental awareness and operational competency. This is supported through the company's training program, and we have an ongoing annual target that all personnel shall acquire an internationally recognized HSE qualification.

0.47

lost time injury frequency (LTIF) rate

1.40

total recordable incident rate (TRIR)

5.2%

Average technical downtime

GEOGRAPHIC MARKET DRIVERS

Europe, Africa and the Middle East

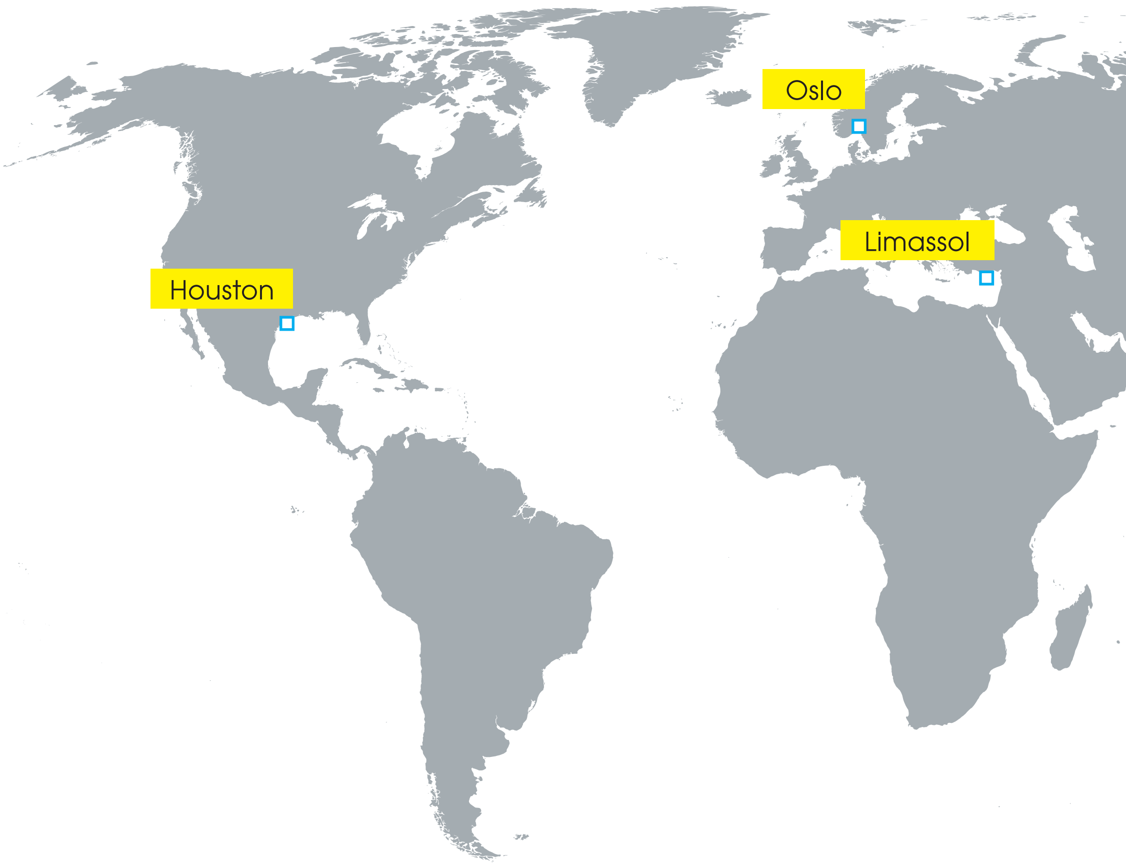
15% of group revenues	
2D	29%
Source	53%
3D	0%
Multi-Client	18%

North and South America

85% of group revenues	
2D	100%
Source	0%
3D	0%
Multi-Client	0%

Asia Pacific

0% of group revenues	
2D	0%
Source	0%
3D	0%
Multi-Client	100%



- 5 vessels
- 4 offices
- Qualified to work with oil majors and all major seismic companies

The company is a global organization and operates in all geographic continents. With a continued focus on frontier regions, SeaBird offers its clients significant experience within these often complex and challenging environments.

Europe, Africa and the Middle East:

The Northern Europe season is anticipated to remain slow as in recent years as a result of the current market outlook. Nevertheless, with licensing round awards scheduled for 2017 in the United Kingdom and Norway, seismic contract possibilities are expected to improve. Seismic activity in the Mediterranean Sea has been lagging other offshore regions. Following the major Zohr discovery offshore Egypt, this region is now expected to progressively open up for new activity. We see the Mediterranean, and in particular Eastern Mediterranean, as an attractive potential area going forward. The activity level the Middle East is expected to be muted, while Africa is attracting renewed interest for potential projects.

Asia Pacific:

We see continued interest in Australasia, but a number of surveys have recently been postponed due to budget limitations, prefunding concerns and delays in environmental permitting. The activity level in the source market is anticipated to be resilient given oil companies continued interest in reservoir monitoring and ocean bottom seismic surveys in the region. In the long term, Asia Pacific is likely to remain an essential region for all types of seismic exploration.

North and South America:

North and South America continues to be a resilient region with more stable market activity. The demand has in part been the result of recent legislative changes in Mexico. We have recently also seen an uptick in market requirement for applications of dedicated source vessels in conjunction with ocean bottom seismic as well as 3D wide azimuth surveys in North America and Mexico. Activity in Brazil has been impacted by project delays and cuts in exploration spending, although we believe that several new seismic projects could materialize in the short or medium term. We also see Argentina as a country with both proprietary and upcoming multi-client project opportunities going forward.

- Industry leading QHSE
- Extensive experience within adverse operating environments

Photo: © Stein Henningsen

INTERACTION WITH THE CAPITAL MARKETS

Weak industry fundamentals and outlook uncertainty with respect to the timing of a market recovery had a negative impact on the seismic sector in 2016. Still, OPEC's decision to cut oil quotas in December was positively received. The SeaBird stock price gradually declined from about NOK 15.00 in early January to NOK 6.50 in November while it increased in December, closing at NOK 17.50 at year-end.

Key events in 2016

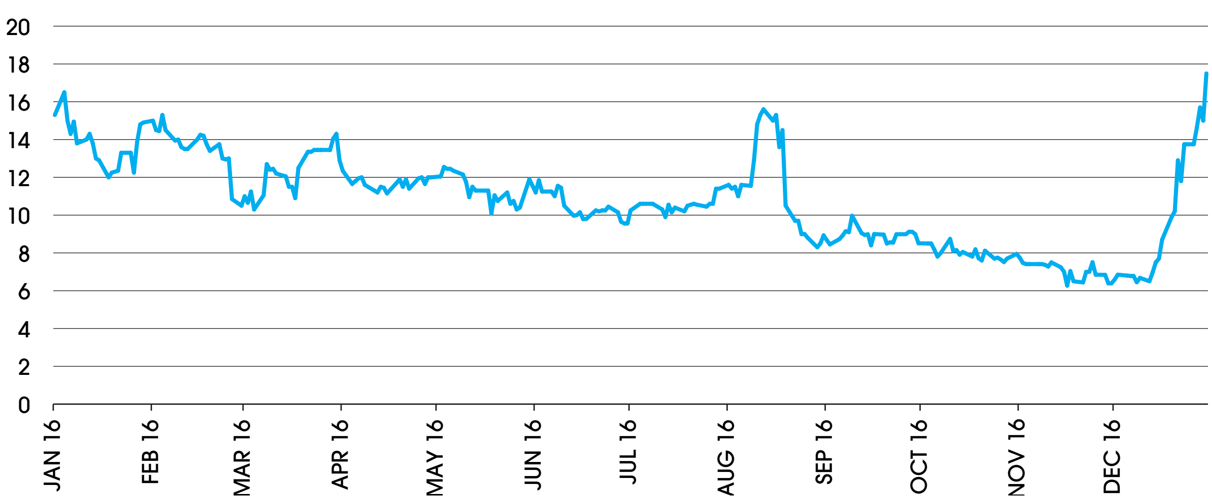
In September 2016, the company entered into a contract for the purchase of the vessel Hawk Explorer and its seismic equipment while the obligations under the lease and future lease payments under the charter agreement were cancelled. SeaBird paid the final Hawk Explorer lease settlement amount of $1.5 million in September.

The company did not issue any additional bonds or loans during 2016. SeaBird paid interest of $2.9 million and made repayments of $1.2 million on its unsecured note during the year. No new shares were issued.

20 LARGEST SHAREHOLDERS AS OF 28 FEBRUARY 2017

TOP INVESTOR	NO. OF SHARES	% HELD
1 BANQUE LOMBARD ODIER S/A GENERAL DOSSIER	477,720	15.58%
2 PERESTROIKA AS	462,222	15.08%
3 NORDNET BANK AB	162,826	5.31%
4 CLEARSTREAM BANKING	93,805	3.06%
5 NORDNET LIVSFORSIKRI NG	92,236	3.01%
6 FUGRO NORWAY AS	65,809	2.15%
7 SMEDSDAL, ERLEND	61,399	2.00%
8 FALNES, OLAV KRISTIAN	45,000	1.47%
9 EUROCLEAR BANK S.A./ 25% CLIENTS	40,384	1.32%
10 MARØY, TOR MARIUS	40,000	1.30%
11 VIK, ERIK MARTIN	33,931	1.11%
12 AB INVESTMENT AS	32,038	1.05%
13 KRISTIAN FALNES AS	30,000	0.98%
14 DANSKE BANK A/S 3887 OPERATIONS SEC.	25,933	0.85%
15 SUNDE, FRANK ROBERT	25,000	0.82%
16 VMIT AS	25,000	0.82%
17 SANDEN A/S	24,236	0.79%
18 CLARKSONS PLATOU SEC EGENHANDELSKONTO	23,645	0.77%
19 LØKEN, KETIL ASLAK	23,500	0.77%
20 HAGEN, TOR ARNE	22,862	0.75%
TOTAL NUMBER OWNED BY TOP 20	**1,807,546**	**58.97%**
TOTAL NUMBER OF SHARES	**3,065,434**	**100.00%**

SHARE PRICE DEVELOPMENT

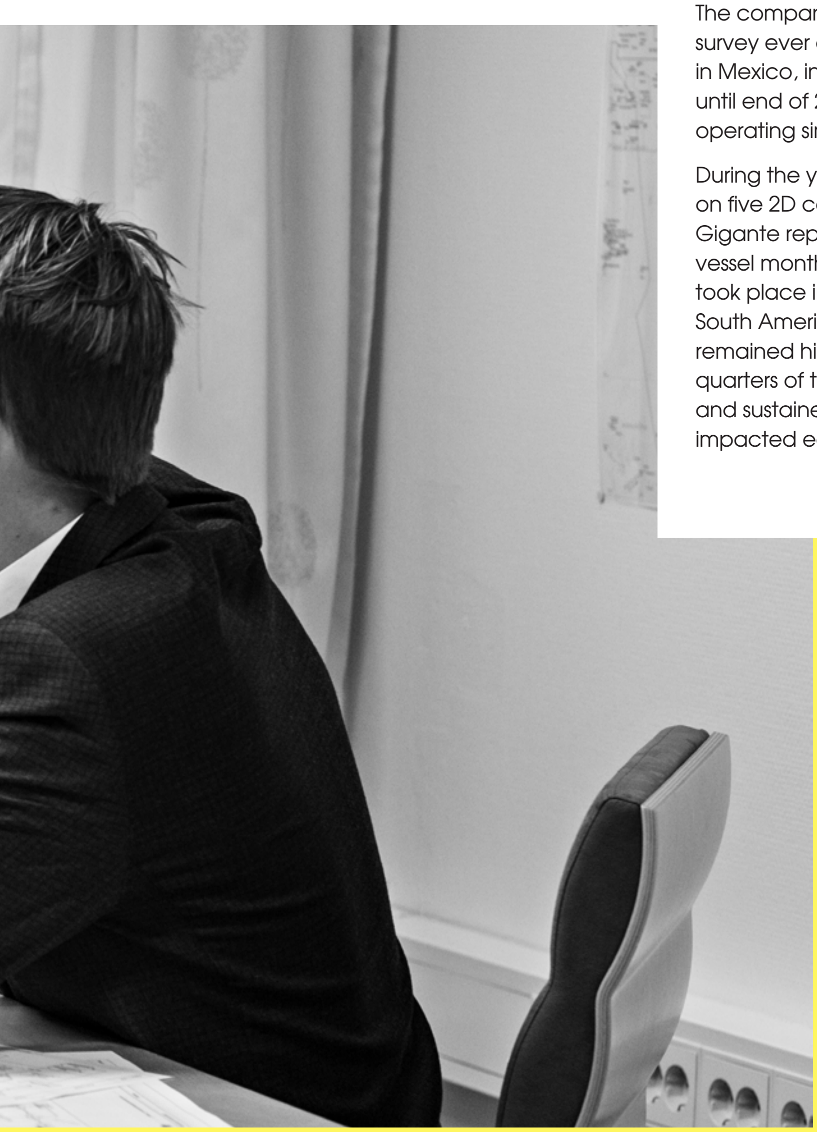


FINANCIAL CALENDAR

5 May 2017	10 May 2017	18 Aug 2017	10 Nov 2017
First Quarter 2017	Annual General Meeting	Second Quarter 2017	Third Quarter 2017

OPERATIONS AND STRATEGIC FOCUS

SEABIRD IS A GLOBAL PROVIDER OF MARINE 2D, SOURCE AND NICHE 3D SEISMIC DATA FOR THE OIL AND GAS INDUSTRY.



The company is the market leader in the high-end 2D seismic services segment. The company is also a provider of niche 3D and source vessel solutions. SeaBird is actively engaged in both the proprietary contract and multi-client sectors. The company provides global coverage with its seismic vessels.

The company is incorporated in Cyprus and operates through four regional offices in Oslo (Norway), Limassol (Cyprus), Houston (USA) and Singapore. As of 31 December 2016, the company had 260 employees compared to 398 employees in 2015.

2D market

SeaBird remains the market leader in the 2D segment and this continues to be the company's largest business area. The company completed the largest 2D survey ever awarded, the Gigante survey in Mexico, in the period from mid-2015 until end of 2016 with up to five vessels operating simultaneously.

During the year, the fleet was utilized on five 2D contract surveys, with Mexico Gigante representing approximately 30 vessel months. The remaining 2D projects took place in Northern Europe and South America. Although fleet utilization remained high during the first three quarters of the year, depressed oil prices and sustained market softness negatively impacted earnings in this segment.

Source

Ocean bottom seismic and more complex survey configurations continues to be a significant seismic market segment, which require source vessels. Demand for source vessel solutions remained competitive during the year. Despite the challenging market, the SeaBird fleet completed two source projects in Europe in 2016, and the company initiated a third survey in Africa at year end. Source projects accounted for 8% of annual revenues in 2016. The company's fleet is naturally suited for seismic source operations and we see this as a core focus going forward.

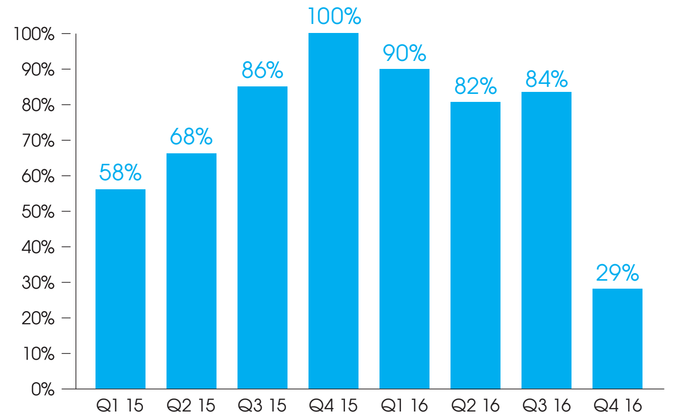
Niche 3D market

Demand in the niche 3D market was weak during 2016 and the tender activity remained well below historical levels throughout the year. The Voyager Explorer remained cold stacked until it was redelivered to its owners in September. The company has a joint marketing agreement on the Voyager Explorer.

Multi-client

The company participated in two multi-client projects during the year. SeaBird continues to focus on multi-client opportunities with a robust level of prefunding. Our multi-client library currently consists of seventy-seven thousand kilometers of 2D data and two thousand five hundred square kilometers of 3D data.

VESSEL UTILIZATION



MULTI-CLIENT FOCUS

4,991

km 2D acquired in 2016

Multi-client surveys are investments by the company in the acquisition of seismic data, which we process, market and sell to multiple third parties on a non-exclusive basis.

Such investment activities allow us to capitalize on investment opportunities and optimize fleet utilization. We continue to see a trend of proprietary contracts being converted to multi-client projects and therefore expect to see a growing number of opportunities to evaluate.

The multi-client segment will remain an important part of SeaBird's business model. However, the company is committed to target surveys with significant levels of prefunding.

In 2016, SeaBird invested $2.6 million in two multi-client surveys in North West Europe. The vessel Harrier Explorer completed both surveys. During the year, our fleet was engaged as a supplier to multi-client companies on multiple projects, representing $59.5 million in revenues

Dreki / Jan Mayen Ridge, Iceland 2016

In June 2016, Harrier Explorer acquired a broadband multi-client 2D seismic survey offshore Iceland, in the Dreki / Jan Mayen Ridge area. The survey included 1,005 km of 2D data and covers some of what is believed to be the most prospective area offshore Iceland. The survey also ensures fully migrated data towards the Norwegian border. Existing data in the area was of medium to poor quality, as imaging areas of shallow volcanics can be a challenge. However, preservation of low-end frequencies and noise attenuation have improved the structural understanding of the area and SeaBird successfully acquired data of higher quality than previous seismic imagery.

Norwegian Barents Sea "Long offset & Deep Tow" MC2D Survey 2016

Late 2016, Harrier Explorer successfully acquired a "Long offset & Deep Tow" regional survey in the Norwegian Barents Sea. This survey covers the Barents Sea with long profiles in north - south and east - west directions, and includes 3,986 km of data. These seismic profiles traverse more than forty active licenses and the survey's long-offset and deep tow configuration allowed for imaging of large-scale continental crustal structures. The survey concept and outline were jointly developed in close collaboration with Lundin Norway.

77,119

km 2D library

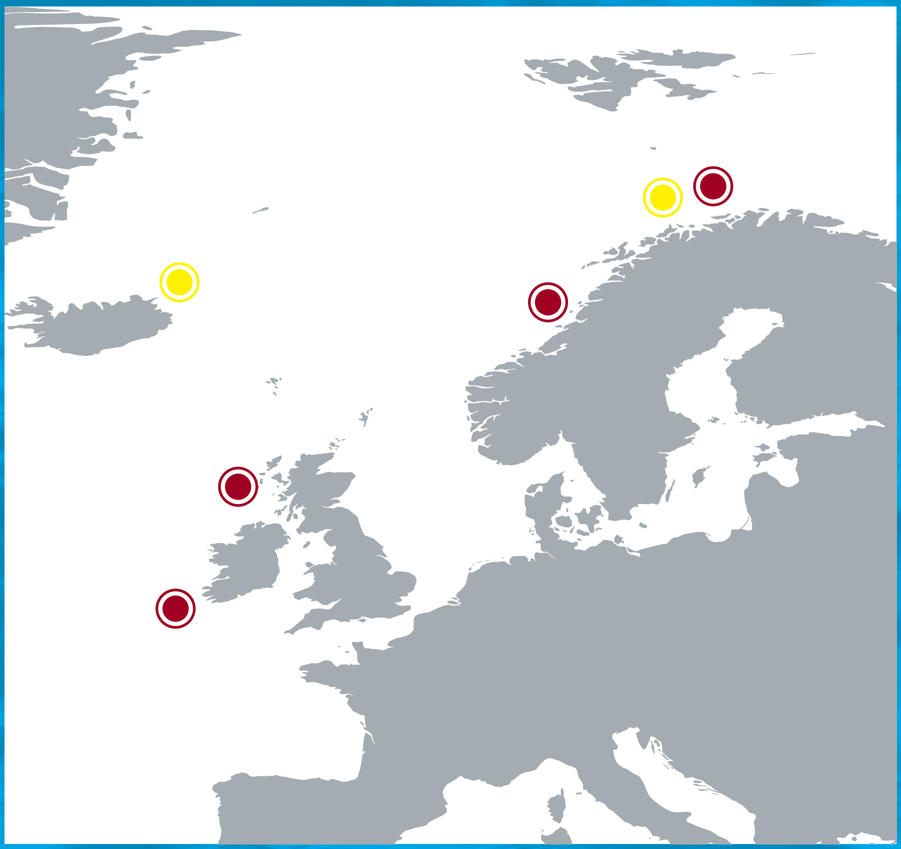
$2.0m

multi-client revenue 2016

$3.1m

net book value

MULTI-CLIENT SURVEYS

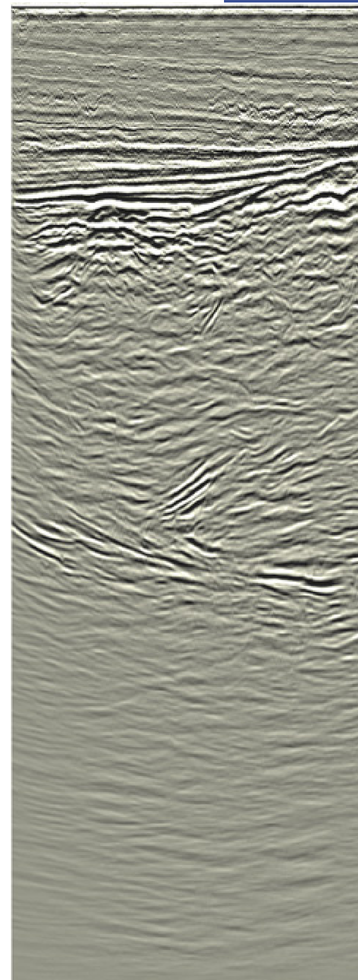


KEY

2016 survey

Pre-2016 survey

TECHNOLOGY



Acquisition technology and continuous improvement

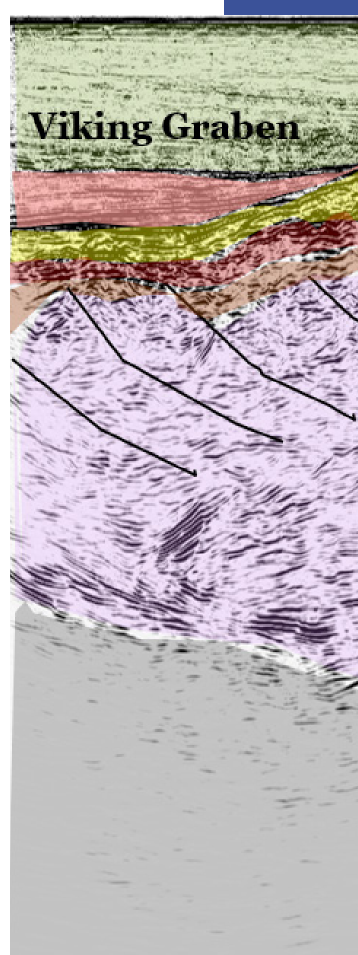
The company continues its effort to improve existing 2D seismic acquisition technology, applying new methodologies. To achieve deeper penetration and higher resolution data in areas with variations in water depth and geology, we are using new and different applications of source and streamer configurations.

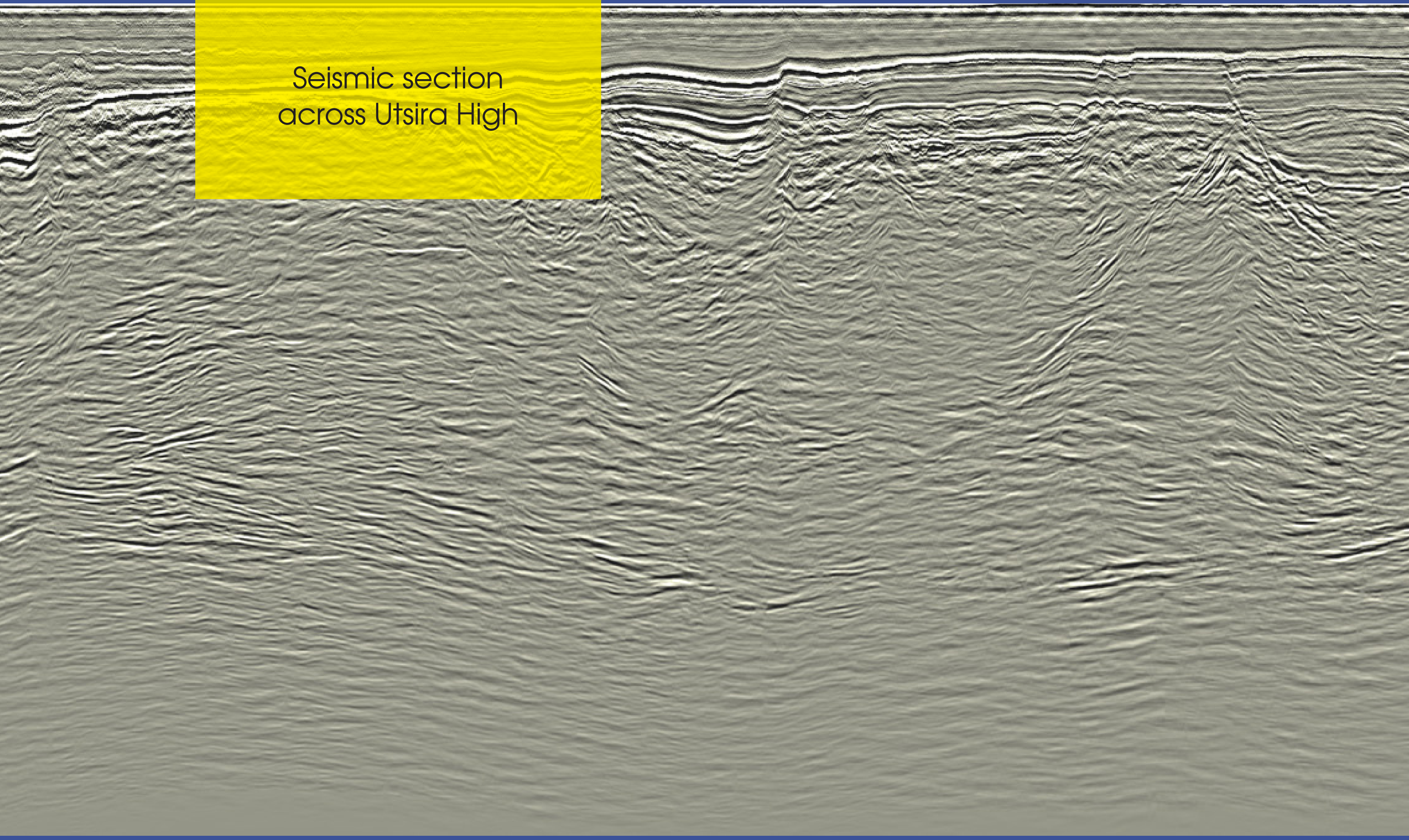
"Taking 2D to a higher level"

As an independent seismic operator, we are well positioned to closely collaborate with our clients' exploration management, research & development and geology & geophysics teams to develop new cost effective acquisition methods and tailor-made survey programs.

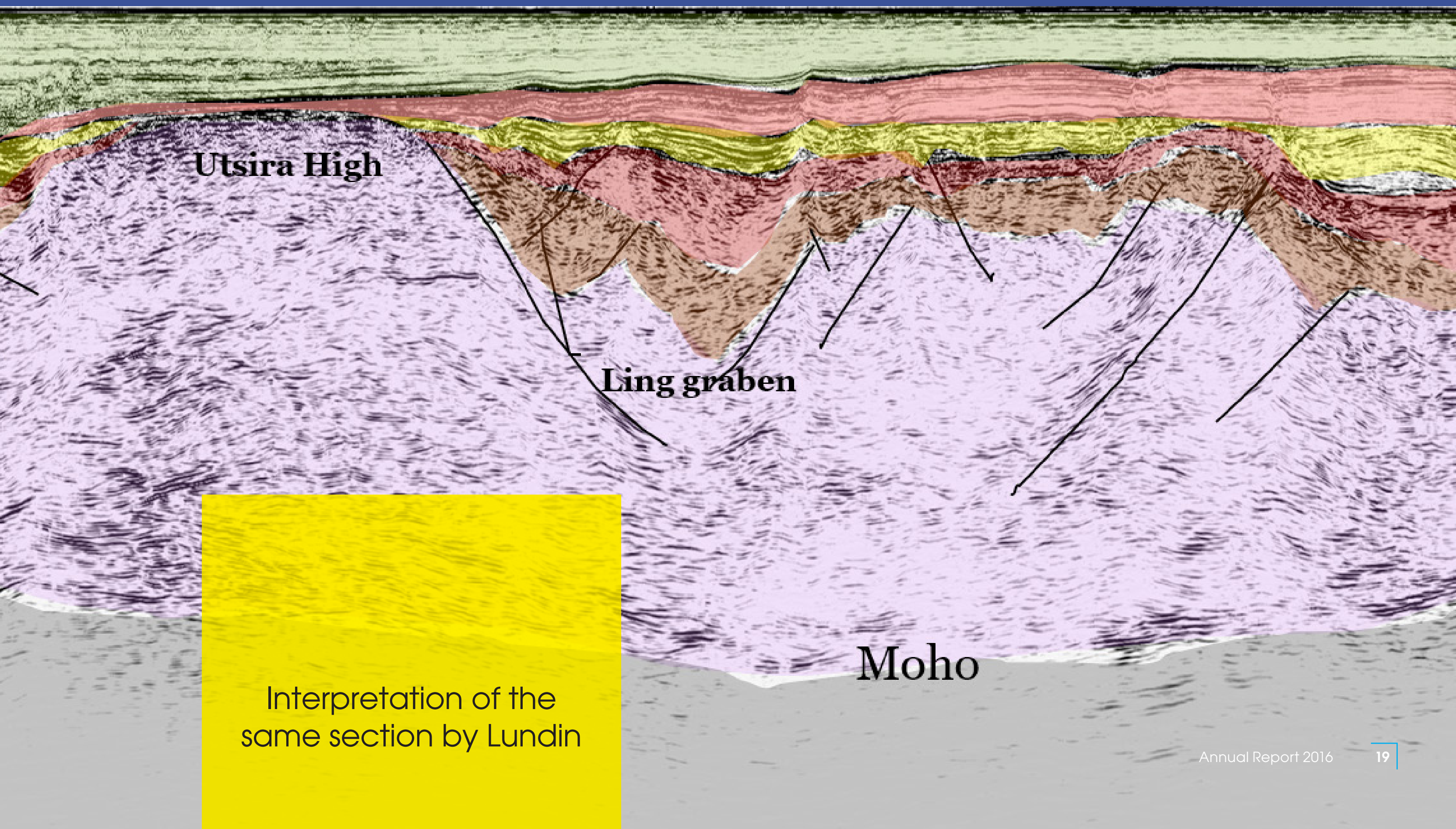
During quarter three in 2016, SeaBird completed a long offset, deep tow and multiple level source test in the North Sea together with Lundin Norway. The seismic image after processing this data allows interpretation of large scale structural movements and thickness of the continental crust.

SeaBird will use these test results to enhance data acquisition and improve imaging in its future surveys, over both underexplored, mature and geological complex areas. Close cooperation with clients will ensure that SeaBird continues to bring 2D seismic to the next level.





Seismic section across Utsira High



Interpretation of the same section by Lundin

CFO STATEMENT

Nils Haugestad

"All together, we estimate that we have reduced expenses on a same fleet basis by approximately $16 million per year."

Cost improvement continued to be the focal point for 2016. Standard vessel operating expenses have now been reduced approximately 24% compared to historical averages 2013-2014, well ahead of the $7 million target communicated in January 2015. With respect to onshore costs, we have reduced selling, general and administrative expenses from $19.4 million in 2014 to $13.3 million in 2016. The $3 million onshore cost reduction target was thus exceeded by approximately $3 million per year. All together, we estimate that we have reduced selling, general and administrative expenses and operational expenses on a same fleet basis by approximately $16 million per year compared to the 2015 target of $10 million per year.

In addition to the cost improvements highlighted in the 2015 plan, we have also significantly increased the company's cost elasticity. We have substantially changed our crew cost structure and now estimate that 50% or more of total offshore employee costs are tied to flexible contracts. This allows us immediately to reduce expenses when vessels are idle. Furthermore, we have established new procedures and cost targets for inactive vessels. These procedures not only target crew costs, but are also aimed at other operating expenses. The effect of this enhanced cost elasticity is to improve earnings in robust markets, but equally importantly, to quickly and substantially reduce costs in weaker markets.

With respect to capital expenditures, we have increased our focus on cost management and for 2016, capital expenditures were $3.3 million compared to $5.6 million in 2015. Part of this reduction is related to right sizing of the fleet, but the majority is a result of active cost management as well as scheduling of expenses relative to fleet utilization.

This past year we commenced an effort to improve the planning process throughout the value chain. We are seeing significant value enhancement potential related to improved early awareness, more advanced dynamic forecasting and a review of the decision making process. The planning process efforts will continue this year and will be a focal point for 2017.

All the efforts made with respect to cost enhancements and more detailed planning as well as reduced activity levels have significantly improved the company's liquidity. We have substantially reduced our payable position from $22.6 million post the restructuring in 2015 to $5.6 million at year-end 2016 and we have increased cash balances from $6.3 million as per year-end 2015 to $15.0 million at the end of 2016. At the same time, we have been focused on not negatively impacting the company's readiness nor our ability to increase utilization as the market improves.

In light of the weak seismic market, the company's fleet was reviewed and right-sized. The Voyager Explorer was redelivered in September, which replaced the fixed cost charter arrangement with a more flexible joint marketing agreement with the vessel owner. The Hawk Explorer was on a finance lease, which we terminated via a purchase agreement in September. This released us from the future lease obligations and reduced our debt position by $1.4 million. We subsequently decommissioned the vessel.

The Munin Explorer is now the only vessel on charter. All other vessels are owned.

During 2016, we continued our efforts to optimize and integrate financial and operational systems. We have completed the installation of the new financial reporting systems and have integrated this with the primary operations and banking systems.

With respect to the balance sheet, scheduled debt amortization is increasing to $7.2 million in 2017 and in the first quarter of 2018 we have debt maturities of $25.4 million coming due. Given the weakness in the seismic market and the uncertainty around the timing of a market recovery, we announced earlier this year the engagement of financial advisors to evaluate financial alternatives. Such alternatives may involve the raising of additional capital as well as refinancing or restructuring of existing obligations. Any such transactions may result in a significant dilution to current stakeholders.

GROUP MANAGEMENT

CHRISTOPHE DEBOUVRY

Chief Executive Officer, Position held from 2016
Mr. Debouvry has held the position as Chief Executive Officer of the company since January 2016. He has over 25 years' experience in the oil services sector with a long track record in international offshore operations, strategy and finance. This includes years working with leading seismic company CGG Group where he was most recently CFO for CGG Services. After leaving CGG in 2010, he has in particular worked with Oaktree Capital Management on the build-up of the UK-based Harkand Group, an offshore service provider. Mr. Debouvry holds a Master of Science degree in Electrical Engineering and a Master of Business Administration degree from Insead. He is a French citizen and resides in Paris, France.

NILS C. HAUGESTAD

Chief Financial Officer, Position held from 2012
Mr. Haugestad has held the position as Chief Financial Officer of the company since April 2012. Mr. Haugestad has over 20 years' experience in investment banking, principal investments and corporate strategy. He came from the position as Chief Executive Officer and founding partner of Fokus Capital Ltd. Prior to this, Mr. Haugestad was Chief Operating Officer of Evolvence Capital Ltd. Mr. Haugestad has previously held a number of positions in New York with Citigroup, Citicorp Venture Capital, Credit Suisse, RBC Capital Markets and UBS. Mr. Haugestad holds a Bachelor of Science degree from the Wharton School, University of Pennsylvania and a Master of Business Administration degree from Harvard Business School. Mr. Haugestad is a Norwegian citizen and resides in Oslo, Norway.

KJELL MANGERØY

VP Business Development, Position held from 2008
Mr. Mangerøy has held the position as VP Business Development in the company since February 2008. Prior to the appointment of VP Business Development, he held the position as VP Operations since 2006. Before joining SeaBird, he held the position of Business Development Manager (Africa) for PGS from 2001 to 2006 based in London and from 1995 to 2001, he held the position of Operations Manager in PGS based in Oslo. From 1985 to 1995, he worked for CGG on board vessels as Party Chief and later as Operations Manager based in London for three years before opening an office for CGG in Stavanger in 1992. From 1976 to 1985, he held various positions in several seismic and survey companies before joining CGG. Mr. Mangerøy has extensive experience from 35 years in the seismic industry. Mr. Mangerøy is a Norwegian citizen and resides in Limassol, Cyprus.

STEINAR FJELDBO

VP Operations, Position held from 2014
Mr. Fjeldbo joined SeaBird in February 2014, after 22 years in the seismic industry working for Geco-Prakla, WesternGeco, Reservoir Exploration Technology, Fugro GeoTeam and CGG. Nine of these years were offshore and the rest in operational management. Mr. Fjeldbo has a military and technical education from the Royal Norwegian Navy where he had six years of service, specializing in sonar and other technical equipment on submarines. Mr. Fjeldbo is a Norwegian citizen and resides in Sandefjord, Norway.

DAG GREPPERUD

VP QHSE, Position held from 2015
Mr. Grepperud has held the position as VP QHSE since May 2015. He rejoined the same position that he held with SeaBird from 2006 to 2011. Mr. Grepperud has 19 years' experience from QHSE related positions in the marine and oil and gas industry. He held the position as Quality Assurance, Risk & Marine Assurance Manager with Technip Norge AS from 2011 until resuming with SeaBird in May 2015. Mr. Grepperud is an accredited ISM and ISO 9001 auditor and accredited Risk Manager. His background is Marine Operations and he graduated from the Royal Norwegian Naval Academy in 1992. Mr. Grepperud is a Norwegian citizen and resides in Oslo, Norway.

BOARD OF DIRECTORS

ANNETTE MALM JUSTAD

Chairman, Joined 2015
Annette Malm Justad is a Norwegian citizen born in 1958. She has a Master's degree in Chemical Engineering from the Norwegian University of Science and Technology (NTNU) and a Master's degree in Technology Management from NTNU and MIT Sloan School of Management. Ms. Malm Justad has more than 25 years' international operational experience from industry and shipping companies, including five years of experience as CEO of a Norwegian listed international ship supply company and head of purchasing of Yara International. She is now partner at Recore, a management consultant company specializing in restructuring and change management, and hold roles as non-executive director and chairman for public and private companies.

KITTY HALL

Director, Joined 2012
Kitty Hall is a British citizen born in 1956. Ms. Hall was appointed as a director of the company in a general meeting held on 15 May 2012. She has a BSc in Geology from the University of Leeds and an MSc in Stratigraphy from University of London. She has more than 35 years of experience from the upstream oil industry including 25 years as Chief Executive of specialist geophysical contractors ARKeX Ltd (2004–2010) and ARK Geophysics Ltd (1986–2004), together with experience as a board member for both public and private companies. Since January 2016, she has been Chairman of the Petroleum Group of the Geological Society.

OLAV HAUGLAND

Director, Joined 2015
Olav Haugland is a Norwegian citizen born in 1966. He holds a Master of Science in Economics and Business Administration and is a state authorized public accountant. Mr. Haugland is a seasoned CFO with extensive international network and broad experience in the capital market from both equities and as bond issuer. He has broad business experience with some 80+ board membership and years of CFO responsibilities in the shipping and oil service with both public and private groups. Since June 2016, Mr. Haugland has held the position as CFO in Farstad Shipping ASA. Over the last decade, he has held various management positions in capital-intensive companies, including the offshore company Sinvest ASA and the shipping company Wilh. Wilhelmsen ASA.

HANS PETTER KLOHS

Director, Joined 2015
Hans Petter Klohs is a Norwegian citizen born 1967. He holds a BSc degree in Economics and Business Administration and an MPhil degree in International Finance. Mr. Klohs has extensive senior executive management experience from Norwegian stock listed entities in both oil service and oil & gas, amongst other as CFO in GC Rieber Shipping ASA for more than 10 years, CEO in Arrow Seismic ASA and Armada Seismic ASA and CFO in Rocksource ASA. His field of expertise include corporate funding, financial reporting, M&A, corporate finance, investor relations and business development.

CORPORATE GOVERNANCE SEABIRD EXPLORATION PLC

Comprehensive report for the year 2016

Our corporate governance policy guides our operations and business activity. It also provides the standards for our code of conduct as stipulated by the board of directors.

1. Implementation and report on corporate governance

This report on corporate governance is provided by the board of directors in accordance with the Norwegian Code of Practice for Corporate Governance as last amended 30 October 2014 and the listing rules of Oslo Stock Exchange publicly available at www.nues.no. This report also fulfils the requirement in Corporate Governance Code April 2014 of the Cyprus SEC.

The company has defined its key corporate values in a series of policies, including ethical guidelines. Corporate social responsibility has not been formulated into a specific guideline. However, our quality, health, safety, and environment (QHSE) systems and culture are generally viewed to address this topic.

2. Business

The main business activities permitted by the company's constitutional documents are set out in the memorandum of association article 3.1;

"To carry on or undertake any commercial activity relating to providing oil and gas exploration, production and participation, seismic data services onshore, transition zones and offshore, and general offshore energy related services and whatever else may be considered incidental or conductive thereto, including but not limited to, acting as a holding company to companies engaging in such activities; investing in other companies engaged in any of aforementioned activities; buying, selling or other otherwise dealing with acquiring property in the oil and gas industry; mortgaging, borrowing or charging its assets or acting as guarantor in connection with undertaking or any of the activities whether for itself or any affiliate or third parties".

SeaBird is a global provider of marine 2D, source and niche 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment. The company is also a provider of niche 3D and source vessel solutions. SeaBird is actively engaged in both the proprietary contract and multi-client sectors. The company provides global coverage with its seismic vessels.

The memorandum and articles of association of the company may be amended by a resolution of no less than three-fourths majority of the votes cast at the general meeting. However, in case of an amendment of the objects of the company contained in clause 3 of the memorandum of association or in case of a reduction in the company's share capital, the resolution will in addition require an approval by the district court of Limassol, Cyprus.

3. Equity and dividends

The company is committed to having an appropriate level of equity capital. The company will strive to follow a dividend policy favorable to the shareholders. There are no dividend restrictions in the current debt facilities. However, other financial covenants may impact the company's ability to make distributions.

The company's authorized share capital as of 31 December 2016 is USD 6,800,000 and is set out in the memorandum of association. Shareholders with significant shareholdings are identified in the financial notes to this annual report. Subject to any resolution of the shareholders, the board of directors may issue shares up to the authorized share capital limit without any limitation in purpose and time, save that, whenever new shares are issued for consideration in cash, the shares must be offered on a pre-emptive basis to the existing shareholders, in proportion to the capital represented by their shares. These pre-emption rights may be excluded by a resolution of the general meeting.

The company may, subject to the provisions of Cyprus law and its articles of association, purchase its own shares, following approval by the shareholders of the company (requiring three-fourths majority of the votes cast at the general meeting). However, any such purchases may not result in the company holding more than 10% of its issued share capital.

4. Equal treatment of shareholders and transactions with close associates

There is only one class of shares in the company.

None of the company's subsidiaries has minority shareholders other than as required to facilitate local requirements.

The company has provisions for directors and management to report conflicts of interest in any transaction or business activity.

5. Freely negotiable share

The shares in the company are freely transferable and the company's articles of association contain no restrictions on transferability or ownership.

6. General meetings

General meetings of the company are required to be called no later than twenty-one days ahead of the meeting by a notice on the company's website and with a calling notice sent to each shareholder.

In the case of a general meeting other than (i) an annual general meeting or (ii) a meeting for the passing of a special resolution, the meeting may be called by fourteen days' notice, if a special resolution that shortens the notice period to fourteen days has been approved in the immediately preceding annual general meeting or at a general meeting that was conducted after such immediately preceding annual general meeting. Proxy votes are permitted and there is no requirement for notice of attendance. The shareholders meetings are led by the chairman appointed as set out in the company's articles of association.

DNB Bank ASA, as a registered shareholder to the company, distributes their request for proxy instructions to the general meeting when the company's calling notice is made public. The calling notice advises the procedures for participating in the general meeting, the routines for proxy voting and includes any required forms. The same information will be posted on the company's website.

7. Nomination committee

The company has a nomination committee elected by the general meeting, which consists of Mr. Thomas Aanmoen, Mr. Birger Nergaard and Mr. Kjell Mathiassen. The nomination committee elects its chairperson and makes a recommendation at the general meeting for the compensation of the board of directors as well as the nomination committee.

The nomination committee is not regulated in the articles of association or memorandum of association.

The members of the nomination committee are independent of the board and no officers of the company serve on the committee.

Recommendations for new members of the nomination committee are made by the committee itself, and not by the board of directors.

The nomination committee provides a written report of nominated candidates together with justification for their candidacy ahead of the annual general meeting. The report is distributed to all shareholders with the calling notice for the general meeting.

The members of the nomination committee are made known by a public release following the election at the annual general meeting.

8. Corporate assembly and board of directors: composition and independence

The company has no requirement for a corporate assembly.

The annual report of the company provides information on the expertise of the directors. The board of directors consists of four members. The four members are independent of major shareholders, executive management and material business partners. Subject to any resolution of the shareholders to the contrary, the board may elect the chairperson of the board. Each director holds office until the expiration of his or her term and is normally elected for a two-year term.

Directors of the board have not been directly encouraged to own shares in the company.

9. The work of the board of directors

The board resolved a plan for its activity for 2016 with an emphasis on the company's objectives and strategy.

Instructions are in place for the CEO and the board of directors, outlining their different roles and the interaction between the parties. The board does not have an elected or appointed deputy chairman. The articles of association, however, have applicable procedures for board meetings when the chairman is absent.

The board of directors has established an audit committee. The audit committee consists of independent directors Mr. Haugland and Mr. Klohs.

There has been a self-assessment within the board of directors for 2016.

10. Risk management and internal control

The company has developed internal control and risk assessment procedures appropriate to managing major projects, financial reporting and in the field of QHSE. The board receives frequent reports and annually assesses risk systems and internal controls.

11. Remuneration of the board of directors

The compensation of the directors is fixed by the annual general meeting upon the recommendation of the nomination committee. Annual fees paid do not reflect the particular skills, but do remunerate additional efforts made in committees of the board. There are no stock options or performance incentives granted to the directors.

To the extent consultancy services are provided to the company by any director, the board will approve such activities. The compensation to directors is included in the annual report.

12. Remuneration of executive management

There are no requirements by applicable law for the company to have guidelines for remunerating its executive management.

Details on the share option program that expired in 2015 are presented in the annual report in the notes to the financial statements.

13. Information and communication

The company's guidelines for financial reporting as well as other information distributed to the market, requires openness and equal treatment of all shareholders.

The financial calendar is issued annually and posted on Oslo Børs as well as the company's website.

The board has established guidelines for contact with shareholders other than through the general meeting.

14. Take-overs

The guiding principles for the board's dealings in a takeover bid situation have been set out in accordance with our corporate governance policy, intended to safeguard shareholders' interests. No takeover situations have occurred during the reported year.

15. Auditors

The company's auditor presents an annual plan for the audit of the company to the board and the audit committee. Internal control is annually assessed by the auditor with the company's audit committee, referring any recommendations to the board of directors. The auditor attends the meetings when the board of directors discuss the annual accounts and results. The auditor meets with the board of directors without management being present when so requested by either party.

The use of non-audit related services from the auditor has been limited and should only be performed upon prior approval by the board of directors. The board has not seen reason to establish separate guidelines for the use of the auditor's services or request a confirmation of the auditors' independence.

The remuneration paid to the auditor is reported at the annual general meeting.

MANAGEMENT REPORT

Operating activities

The past year has been characterized by continued weakness in the seismic sector. Despite the rebound in oil prices, the oil exploration and seismic market sentiment remained weak throughout the year. Although there are signs of market improvement, the timing of a sustained market recovery is still highly uncertain.

Multi-client demand was soft during the year and available prefunding for new projects was limited. The company completed two surveys in 2016. Multi-client sales were reduced from the prior period, but in line with the limited capital allocated to multi-client investments.

The company started its vessel ramp-down from the 2D Gigante survey with one vessel departing Mexico in the first quarter, one vessel in the second quarter, two vessels in the third and one vessel in the first week of quarter four. The company completed three new 2D contracts and two MC surveys in the Europe, Middle East and Africa region and two new contract surveys in the North and South America region during year. The company's second half vessel utilization was negatively affected by vessel repositioning from Mexico and seismic market seasonal weakness in the Northwestern hemisphere.

The company continued its active management of its fleet, and reduced its fleet from seven to five vessels during the year. The 3D vessel Voyager Explorer was redelivered to its owner during quarter three and Hawk Explorer was retired from the fleet in quarter four. The Munin Explorer was laid up during the whole year. The company had a fleet of four owned and one leased vessel at 31 December 2016.

During the year, the company continued its effort to reduce vessel operating cost, administrative cost (SG&A) and capital expenditures. Vessel operating costs decreased due to ongoing cost reduction efforts, reduced fleet size and a more flexible crew cost structure with more than half of vessel crew cost tied to flexible contracts. The decrease in SG&A is principally due to general cost savings initiatives and reduced onshore headcount during 2016. Additionally, capital expenditures were reduced relative to the investment plan and previous years.

Total non-recurring charges and impairments were $4.2 million in 2016. The company

HIGHLIGHTS 2016

- Revenues were $72.1 million, a decrease of 23% compared to 2015.
- Contract revenues were $70.1 million, down 23% from 2015.
- Multi-client revenues were $2.0 million, a decrease of 21% from $2.5 million reported in 2015.
- Cost of Sales were $41.9 million, a down 40% compared to 2015
- Adjusted EBITDA was $18.3 million. EBITDA was $22.4 million compared to $10.9 million for 2015.
- Adjusted EBIT was $2.6 million. EBIT was negative $3.0 million compared to negative $17.6 million for the prior year.
- Vessel utilization was 73% compared to 77% in 2015.
- Net non-recurring gains of $5.6 million and impairments of $9.9 million recognized during the year.
- Fleet reduced by two vessels during the year (Hawk Explorer and Voyager Explorer). Total fleet of five vessels at the end of 2016.

recognized net operational non-recurring charges of $0.2 million on onerous long-term lease agreements for vessels (Voyager Explorer, Munin Explorer, Hawk Explorer and Geo Pacific). Property, plant and equipment impairment of the Hawk Explorer amounted to $9.9 million in 2016, which was triggered by the retirement of the Hawk Explorer from the fleet. Additionally, the company booked a $1.4 million gain in relation to the purchase of Hawk Explorer and settlement of the Hawk Explorer financial lease. Non-recurring gains in relation to reversal of bad debt costs were $4.4 million.

From an operational standpoint, SeaBird's continued focus on quality, health, safety and the environment remains at the forefront of our business. SeaBird is committed to contributing to sustainable development. The company's policies and procedures are designed to enable the company to deliver its services while minimizing the company's environmental footprint.

The working environment in the company is good and there have been no major injuries or accidents in 2016. The company has a policy of non-discrimination in hiring and all other personnel matters.

Financial review

The consolidated financial statements of SeaBird Exploration Plc as well as the unconsolidated financial statements for the parent company are prepared in accordance with International Financial Reporting Standards.

Fiscal 2016 saw an improvement in margins, but a reduction in revenues in line with the weaker market and reduced fleet size. Revenues were $72.1 million in 2016, representing a 23% decrease compared to revenues earned in 2015. The majority of our revenues were related to contracts with oil companies and other seismic companies. TGS represents the largest customer, contributing 83% of total revenues for the year. Contract revenues for 2016 were down 23% from 2015. Revenues earned from multi-client sales in 2016 decreased by 21% relative to the prior period.

Other income (expense) was $1.1 million in 2016 ($0.4 million).

Cost of sales was $41.9 million in 2016 ($69.8 million). The decrease is primarily due to fleet reduction, lowered crew headcount, stacking of vessels and cost savings initiatives.

SG&A was $13.3 million in 2016, down from $18.6 million in 2015. The decrease is principally due to general cost savings initiatives and reduced onshore headcount during 2016.

Reversal of bad debt charges was $4.5 million in 2016 compared to $0.1 million cost in 2015.

Adjusted EBITDA decreased by $1.1 million from $19.3 million in 2015 to $18.3 million.

EBITDA increased by $11.5 million from $10.9 million in 2015 to $22.4 million.

Depreciation and amortization were $15.6 million in 2016 ($19.2 million) a decrease of 18% predominantly due to lower multi-client sales amortization, lower depreciation associated to lower vessel book values and a reduced fleet.

Total impairments were $9.9 million in 2016 ($9.4 million). The impairments were related to the retirement of the Hawk Explorer from the fleet.

Net finance expense was $4.3 million in 2016 ($4.8 million). The decrease is principally due to the non-recurring gain on the Hawk lease.

Income tax expense was $0.6 million in 2016 ($1.0 million).

The company reports a loss from continuing operations of $8.0 million for 2016 (gain of $38.3 million in 2015).

Capital expenditures were $3.3 million in 2016 ($5.6 million).

Multi-client investment was $2.6 million in 2016 ($0.2 million).

Net profit from discontinued operations was $0.1 million for 2016 compared to $0.2 million in 2015. Discontinued operations represent the remaining contractual obligations of the ocean bottom node business, which was divested in Q4 2011.

Cash and cash equivalents at the end of the period were $15.0 million ($6.3 million), of which $0.5 million was restricted in connection with deposits and taxes payable. Net cash from operating activities was $20.7 million in 2016 (negative $6.9 million).

The company has one bond loan, one secured credit facility and one unsecured note.

The SBX04 secured bond loan (issued as "SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2016/2018") is recognized in the books at amortized cost of $27.6 million per 31 December 2016.

The three-year secured credit facility is recognized at amortized cost of $2.2 million per 31 December 2016.

The three-year unsecured loan is recognized at amortized cost of $0.9 million per 31 December 2016.

Net interest-bearing debt was $15.6 million as at 31 December 2016 ($27.5 million). The company had $32.8 million in gross nominal debt including accrued interest.

Accrued interest as of year-end 2016 was $0.2 million ($0.2 million).

The company was in compliance with all covenants as of 31 December 2016.

The total outstanding amount of common shares in the company is 3,065,434. The company has also issued 884,686 warrants, convertible into 884,686 ordinary shares.

The company has financial risk management objectives and policies to handle cash flow, liquidity and credit risk, which includes frequent forecasting, review by management and board and by holding sufficient cash reserves to fund the company's operations. The company does not hedge currency, credit, bunker or other forms of risk. Please see note 3 and 30 for further details on the company's risk management policies and key risk exposures.

Significant events during the year

On 4 January, the company announced that Mr. Christophe Debouvry was appointed as new Chief Executive Officer of SeaBird effective from 18 January 2016.

On 7 March, the company announced that it had signed an addendum to the charter party relating to M/V Hawk Explorer to further extend the Hawk lease from 31 May 2016 to 28 February 2017. The lease extension included an associated vessel and equipment purchase option at the end of the lease, an option to extend the lease period with an embedded purchase option and an option to cancel the charter on 31 August 2016 or 30 November 2016.

On 10 May, Ms. Annette Malm Justad was re-elected as chairman of the board. At the same general meeting, Messrs. Olav Haugland, Hans Petter Klohs and Mrs. Kitty Hall were re-elected as board members. Prior to the annual general meeting, Mr. Gert Triest informed the nomination committee that he would not stand for re-election to the board of the company.

On 1 September, the company acquired the Hawk Explorer along with all seismic equipment on the vessel and entered into an agreement to cancel all future lease payments and additional obligations that were a part of the original charter agreement. The Hawk Explorer was sold and delivered for decommissioning during Q4 2016. The company retained the vessel's seismic equipment.

The 3D vessel Voyager Explorer was redelivered to its owners on 12 September 2016.

Corporate governance

Our corporate governance policy guides our operations and culture. The company's corporate governance policies are set out in the corporate governance section of this annual report.

The company's auditors are available for re-appointment. The engagement of auditors is decided in the company's general meeting.

The independent auditors, BDO Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Going concern

The Group's accounts have been prepared on the basis of a going concern assumption. In the view of the board of directors, the continued very challenging market conditions, the Group's limited working capital and low level of firm contract backlog creates a material risk to this assumption. In the event that new backlog cannot be secured on satisfactory rates or at all, project performance is significantly

worse than expected or contracts and other arrangements in respect of the employment of SeaBird's vessels are cancelled, or significantly delayed, the Group would need to sell assets or raise additional financing, which may not be available at that time. SeaBird has not as of today made specific alternative plans to cover such a potential working capital shortfall, although under those circumstances, alternatives may exist to sell or otherwise monetize certain assets or to make other financing arrangements. The ability to sell or otherwise monetize assets, being primarily made up of owned vessels and the multi-client library, would require consent from lenders as all such assets are held as security for loan arrangements, and may therefore not be available within a short time frame or at all. Should none of these financing arrangements be available at that time, such circumstance would have a significant negative effect on SeaBird's financing situation and its ability to continue operations.

In such a scenario, the Group would be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be significantly lower than their carrying values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use.

As a result of the significant market uncertainty as well as upcoming debt maturities, the Group has engaged financial advisors to evaluate financial alternatives. Such alternatives may involve the raising of additional capital as well as refinancing or restructuring existing obligations. Any such transactions may result in a significant dilution to current shareholders.

Subsequent events

Subsequent to annual closing, the company announced that it signed an agreement to perform a 2D survey in the Caribbean with an estimated duration of one month.

Outlook

Global seismic demand continued to be weak in the fourth quarter and the company's fleet capacity has been reduced to better reflect market demand. SeaBird continues to evaluate and execute savings initiatives to reduce the company's overall cost level and this may include temporary stacking of additional vessels.

While we are seeing a significant pick-up in requests for quotes, the first quarter 2017 revenues are expected to be negatively impacted by idle periods as well as the potential repositioning of vessels before start-up of new projects. The company is reviewing a number of survey opportunities. However, the current market uncertainty makes it difficult to predict the level of contract coverage that is possible to obtain.

Resolution

The financial statements for the company have been prepared in accordance with International Financial Reporting Standards. They were prepared under the historical cost convention and are based on the going concern assumption.

The Company's net loss for 2016 is $11.62 million, which is proposed allocated as follows:

Loss transferred from other equity	$11.62 million
Total allocated	$11.62 million

The net loss for the year is carried forward and will be settled against future gains.

The board would like to offer its sincere appreciation to the employees of the company for all the efforts that were made during the year.

The board of directors SeaBird Exploration Plc – 16 March 2017

Annette Malm Justad Chairman

Kitty Hall Director

Olav Haugland Director

Hans Petter Klohs Director

FINANCIAL INFORMATION

Notes to the consolidated financial statements:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All figures in $000's	Note	As of 31 December 2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	47,541	67,433
Multi-client library	9	3,099	3,340
Long term investment		120	5
		50,760	**70,778**
Current assets			
Inventories	12	1,275	3,091
Trade receivables	10	2,135	12,611
Other current assets	11	3,014	14,025
Cash and cash equivalents	13	15,047	6,252
		21,471	**35,979**
Total assets		**72,231**	**106,757**
EQUITY			
Shareholders' equity			
Paid in capital	14	218,690	218,690
Equity component of warrants		2,736	2,736
Equity component of convertible loan		–	–
Currency translation reserve		(407)	(407)
Share options granted	14	–	–
Retained earnings		(198,950)	(191,042)
		22,069	**29,976**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17a	23,262	31,098
		23,262	**31,098**
Current liabilities			
Trade and other payables	15	12,330	25,371
Provisions	16	2,033	12,226
Loans and borrowings	17a	7,355	2,644
Tax liabilities		5,182	5,442
		26,900	**45,683**
Total liabilities		**50,162**	**76,781**
Total equity and liabilities		**72,231**	**106,757**

On 16 March 2017, the board of directors of SeaBird Exploration Plc authorized these consolidated financial statements for issue.

Annette Malm Justad
Chairman

Kitty Hall
Director

Olav Haugland
Director

Hans Petter Klohs
Director

CONSOLIDATED STATEMENT OF INCOME

All figures in $000's	Note	Year ended 31 December 2016	2015
Revenues	5	72,074	94,127
Cost of sales	20	(41,913)	(69,756)
Selling, general and administrative expenses	20	(13,308)	(18,597)
Reversal of bad debt charges	10	4,509	–
Other income (expenses), net	19	1,069	430
Restructuring gain on leases	31	–	4,713
Earnings before interest, tax, depreciation and amortization (EBITDA)		**22,431**	**10,917**
Depreciation	6	(12,829)	(16,046)
Amortization	9	(2,795)	(3,112)
Impairment	6,7,9	(9,856)	(9,362)
Earnings before interest and taxes (EBIT)		**(3,050)**	**(17,603)**
Finance expense	22	(5,469)	(4,860)
Other financial items, net	18	1,129	73
Restructuring gain	31	–	61,697
Profit/(loss) before income tax		**(7,390)**	**39,307**
Income tax	8	(611)	(963)
Profit/(loss) continuing operations		**(8,001)**	**38,344**
Net profit/(loss) discontinued operations	25	93	218
Profit/(loss) for the period		**(7,908)**	**38,562**
PROFIT/(LOSS) ATTRIBUTABLE TO			
Shareholders of the parent		(7,908)	38,562
EARNINGS PER SHARE			
Basic	23	(2.58)	15.13
Diluted	23	(2.58)	14.92
EARNINGS PER SHARE FROM CONTINUED OPERATIONS			
Basic	23	(2.61)	15.05
Diluted	23	(2.61)	14.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Note	Year ended 31 December 2016	2015
Profit/(loss)		**(7,908)**	**38,562**
OTHER COMPREHENSIVE INCOME			
Net movement in currency translation reserve and other changes		–	34
Total other comprehensive income, net of tax		**-**	**34**
Total comprehensive income		**(7,908)**	**38,596**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Shareholders of the parent		(7,908)	38,596
Total		**(7,908)**	**38,596**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in $000's	Paid in capital	Equity component of warrants	Equity component of convertible loan	Currency translation reserve	Share options granted	Retained earnings	Total
Balance at 1 January 2015	**189,125**	**-**	**6,296**	**(407)**	**1,326**	**(237,261)**	**(40,921)**
COMPREHENSIVE INCOME FOR THE YEAR							
Profit	–	–	–	–	–	38,562	38,562
Currency translation reserve	–	–	–	–	–	–	–
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**38,562**	**38,562**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS							
Share issue	29,565	–	–	–	–	–	29,565
Equity component of warrants	–	2,736	–	–	–	–	2,736
Equity component of convertible loan	–	–	(6,296)	–	–	6,296	–
Share option granted/cancelled	–	–	–	–	(1,326)	1,360	34
Total contributions by and distributions to owners	**29,565**	**2,736**	**(6,296)**	**-**	**(1,326)**	**7,656**	**32,335**
31 December 2015	**218,690**	**2,736**	**-**	**(407)**	**-**	**(191,042)**	**29,976**
Balance at 1 January 2016	**218,690**	**2,736**	**-**	**(407)**	**-**	**(191,042)**	**29,976**
COMPREHENSIVE INCOME FOR THE YEAR							
Profit	–	–	–	–	–	(7,908)	(7,908)
Currency translation reserve	–	–	–	–	–	–	–
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(7,908)**	**(7,908)**
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS							
Share issue	–	–	–	–	–	–	–
Equity component of warrants	–	–	–	–	–	–	–
Equity component of convertible loan	–	–	–	–	–	–	–
Share option granted/cancelled	–	–	–	–	–	–	–
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(7,908)**	**(7,908)**
31 December 2016	**218,690**	**2,736**	**-**	**(407)**	**-**	**(198,950)**	**22,069**

CONSOLIDATED STATEMENT OF CASH FLOW

		Year ended 31 December	
All figures in $000's	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(7,390)	39,307
Adjustments for:			
Restructuring gain		–	(66,411)
Depreciation, amortization and impairment		25,480	28,594
Movement in provision		(10,098)	2,560
Unrealized exchange (gain)/loss		124	(68)
Other items		(1,450)	–
Amortization of interest		–	4,054
Interest expense on financial liabilities		3,918	–
Paid income tax		(925)	(2,634)
(Increase)/decrease in inventories		1,816	1,373
(Increase)/decrease in trade and other receivables		21,582	9,339
Increase/(decrease) in trade and other payables		(12,377)	(23,023)
Net cash from operating activities		**20,680**	**(6,909)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(3,310)	(5,555)
Other term investment		(115)	–
Multi-client investment		(2,257)	(244)
Net cash used in investing activities		**(5,682)**	**(5,799)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		–	10,980
Receipts from borrowings		–	5,000
Repayment of borrowings		(3,274)	(1,510)
Movement in borrowings		–	–
Interest paid		(2,929)	(2,482)
Net movement in currency fluctuations		–	–
Net cash from financing activities		**(6,203)**	**11,988**
Net (decrease)/increase in cash and cash equivalents		**8,795**	**(720)**
Cash and cash equivalents at beginning of the period	**13**	**6,252**	**6,972**
Cash and cash equivalents discontinued operations		**-**	**-**
Cash and cash equivalents at end of the period		**15,047**	**6,252**

1. General information

SeaBird is a global provider of marine 2D and 3D seismic data for the oil and gas industry. SeaBird specializes in high quality operations within the high end of the 2D and source vessel market, as well as the niche 3D market. SeaBird concentrates on contract seismic surveys, but is also actively engaged in the multi-client sector. The main success criteria for the Group are an unrelenting focus on quality, health, safety and environment (QHSE), combined with efficient collection of high quality seismic data.

The company was incorporated in the British Virgin Islands as a limited liability company in 2000. The company was re-domiciled to Cyprus on 18 December 2009. SeaBird has been listed on the Oslo Stock Exchange since April 2006, under the ticker symbol "SBX".

The primary business address of the company is 25, Kolonakiou Street Block B, Office 101, 4103 Linopetra, Limassol, Cyprus. The Group also has offices in Oslo (Norway), Houston (USA) and Singapore. SeaBird Exploration Plc is tax resident in Norway and registered in the corporate registers in Norway and Cyprus.

At 31 December 2016, SeaBird's active fleet is as follows:

- Aquila Explorer
- Harrier Explorer
- Northern Explorer
- Osprey Explorer

At 31 December 2016, SeaBird had one stacked vessel (Munin Explorer (bareboat charter)).

The accompanying consolidated financial statements represent the activities of SeaBird for the year ended 31 December 2016. These consolidated financial statements were authorized for issue by the board of directors on 16 March 2017.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

ADOPTION OF NEW AND REVISED IFRSS

During the current year, the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

NEW STANDARDS

Effective for annual periods beginning on or after 1 January 2018:

- IFRS 9 "Financial Instruments", 1 January 2018
- IFRS 15 "Revenue from Contracts with Customers", 1 January 2018

(ii) Issued by the IASB but not yet adopted by the European Union

NEW STANDARDS

Effective for annual periods beginning on or after 1 January 2019:

- IFRS 16 "Leases", 1 January 2019

AMENDMENTS

- Amendments to IFRS2: Classification and Measurement of Share based Payment Transactions, 1 January 2018
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", 1 January 2018
- Clarifications to IFRS 15 "Revenue from Contracts with Customers", 1 January 2018
- IAS 7 (Amendments) "Disclosure Initiative", 1 January 2017
- IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealized Losses", 1 January 2017
- Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016), 1 January 2017
- Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016), 1 January 2018
- Amendments to IAS 40: "Transfers of Investment Property", 1 January 2018

NEW IFRICS

Effective for annual periods beginning on or after 1 January 2018:

- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration", 1 January 2018

SeaBird is currently evaluating the impact that IFRS 15 may have in relation to the Group's multi-client prefunding arrangements.

Otherwise the above new standards, interpretations and amendments are not expected to have a significant impact on the Group's consolidated financial statements when they become effective.

2.2 Consolidation

(A) SUBSIDIARIES

Subsidiaries are all entities over which SeaBird has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether SeaBird controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to SeaBird. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by SeaBird. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of SeaBird's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between SeaBird companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by SeaBird.

For a complete listing of subsidiaries please refer to note 13 of the unconsolidated financial statements of SeaBird Exploration Plc.

(B) TRANSACTIONS AND MINORITY INTERESTS
The Group has no minority interests.

2.3 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment revenue information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment revenue reporting is based on the business segments contract seismic and multi-client seismic.

Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

2.4 Foreign currency translation

(A) FUNCTIONAL AND PRESENTATION CURRENCY
Items included in the financial statements of each of SeaBird's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Group's functional and presentation currency.

(B) TRANSACTIONS AND BALANCES
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(C) SEABIRD COMPANIES
The results and financial position of all the SeaBird entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

I. assets and liabilities for each balance sheet item are translated at the closing rate at the date of that balance sheet;

II. income and expenses are translated at average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

III. all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly vessels and seismic equipment on board owned or chartered vessels. Vessels, seismic equipment designated for source and 3D/2D operation and office equipment are carried at historical cost, less accumulated depreciation and impairment. Impairment of vessels and seismic equipment is evaluated annually based on value in use calculations (see section 4B). Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated on a straight-line basis (historical cost less residual value) over their estimated remaining useful lives, as follows:

- Seismic vessels 10 to 15 years
- Seismic equipment 4 to 8 years
- Office equipment 4 years

The vessels are depreciated from the date they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Costs for special periodic and class renewal surveys (dry-docking) are capitalized and depreciated over the estimated period between surveys. When special periodic and class renewal surveys occur the part of the fixed assets register that is replaced is derecognized. Other maintenance and repair costs are expensed as incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6 Capital work in progress

Property, plant and equipment under construction or under conversion are capitalized at the lower of cost or market value. Elements of cost, include costs that are directly attributable to the conversion project but not administration and other general overhead costs.

Borrowing costs are capitalized. This applies to both borrowing costs directly attributable to the acquisition and to costs related to funds that are borrowed for general purposes to the extent that funds are used for obtaining qualifying assets.

2.7 Intangible assets

Intangible assets can only qualify for capitalization when all the following conditions are met:

- Demonstrated technical and commercial feasibility (for own use or sale),
- Intention and ability to complete the intangible asset and to use or sell it,
- A formal business case that documents that the asset will generate future economic benefits, and
- The Group has availability to technical and financial resources to complete development and to use it internally or sell the intangible asset as a product.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful economic lives based on straight line amortization. Useful lives and amortization method for intangible assets with finite useful life are reviewed at least annually. Gains and losses arising from de-recognition of an intangible asset are measured at the difference between the net sales proceeds and the carrying amount of the asset and are reported as "other income (expenses), net" in the income statement as part of operating profit.

(A) GOODWILL
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets

of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(B) PATENT TECHNOLOGY (INTELLECTUAL PROPERTY RIGHTS)

Acquired patent technology (intellectual property rights) are shown at historical cost. Patent technology has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Multi-client library

The multi-client library consists of seismic data surveys to be licensed to customers on a non-exclusive basis.

All direct and indirect costs incurred in acquiring, processing including depreciation and mobilization/steaming costs completing seismic surveys are capitalized to the multi-client library. Mobilization and vessel costs are included in the survey cost from the point of mobilization.

Due to an amendment to IAS 38 Intangible assets, the amortization method for the seismic multi-client libraries was changed with effect from 1 January 2016. The Group has adopted the following amortization policy:

- During the work in progress phase, amortization is based on total cost versus forecasted total revenues of the project.
- After a project is completed, a straight-line amortization is applied to the balance remaining after the completion of the work in progress phase. The straight-line amortization is assigned over the project's remaining useful life, which for most projects is expected to be four years. The straight-line amortization will be distributed evenly through the financial year, independently of sales during the quarters.

During the work in progress phase multi-client libraries are subject to sales amortization. The Group estimates future sales for these multi-client libraries and the percentage amortization ratio is estimated by total costs divided by the sum of the expected current and future revenues. Each project is placed into one of twelve amortization categories with amortization rates of 100%, 95%, 90%, 85%, 80%, 75%, 70%, 65%, 60%, 55%, 50% or 45% as set out in the table below. The sales amortization booked in the work in progress phase is equal to revenue multiplied with the accounting amortization rate.

Calculated sales amortization rate	Accounting amortization category
Larger than 95%	100%
90%-95%	95%
85%-90%	90%
81%-85%	85%
76%-80%	80%
71%-75%	75%
66%-70%	70%
61%-65%	65%
56%-60%	60%
51%-55%	55%
46%-50%	50%
0%-45%	45%

Table 1: SeaBird "Category 1" sales amortization categories (applied in the work in progress phase)

After a project is completed, straight-line amortization is applied to the remaining balance. The straight-line amortization is assigned over the project's remaining useful life, which for most projects is expected to be four years.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(A) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

The Group did not hold any financial assets at fair value through profit and loss throughout the current or previous year.

(B) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as noncurrent assets. The Group's loans and receivables comprise "trade receivables" and "cash and cash equivalents" in the balance sheet (notes 2.12 and 2.13).

(C) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

The Group did not hold any available-for-sale assets throughout the current or previous year.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises fuel, lube, spare parts and other direct costs and related production overheads. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that SeaBird will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "selling, general and administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling, general and administrative expenses" in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bond service accounts, performance bonds, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.14 Share capital / Paid in capital

Ordinary share capital is calculated at a nominal value as originally established, and additional paid in capital are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where and if any group company purchases the parent company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Group's equity holders.

2.15 Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. The financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The subsequent measurement of the financial liabilities depends on their classification.

The Group's financial liabilities include trade and other payables and loans and borrowings

(A) INTEREST-BEARING DEBTS AND BORROWINGS

Interest-bearing debts and borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Interest-bearing debts and borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Interest-bearing debts and borrowings are classified as current liabilities unless SeaBird has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(B) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Derivatives, including separated embedded derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities at fair value through profit or loss are carried in the income statement at fair value with changes in fair value recognized under financial items.

(C) TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by SeaBird and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Employee benefits

(A) PENSION OBLIGATIONS

SeaBird operates various defined benefit pension plans. The plans are funded through payments to trustee-administered funds and insurance companies. The schemes are generally funded through payments to insurance companies, determined by periodic actuarial calculations. Seabird also operates various defined contribution plans under which it pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(B) SHARE-BASED COMPENSATION

Equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for SeaBird equity instruments (options) is booked as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any nonmarket vesting conditions (for example, profitability and sales growth targets). Nonmarket vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

SeaBird does not have any outstanding employee share-options as per 31 December 2016.

2.18 Provisions
Provisions for environmental restoration, restructuring costs, onerous leases and legal claims are recognized when SeaBird has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease, office costs and employee termination payments. Onerous leases are contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provision is made in respect of onerous contracts for the present obligation under the contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of SeaBird's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within SeaBird.

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Multi-client pre-sales revenue is recognized based on a cost of completion basis (accumulated net project cost to date relative to total net estimated project cost for the Group) at each reporting date. Late sales are defined as sales happening subsequent to a multi-client project completion (the Group's responsibilities have ended and all project costs have been incurred). The Group recognizes prefunding from a partner multi-client company as reduction in cost and capital expenditure given that the partner has received zero prefunding from its end-customers at that time. Sales of whole multi-client libraries are treated as revenues and the corresponding book value of the multi-client library that is sold is charged against cost of sales.

2.20 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance lease agreements are defined as contracts/assets or a long-term lease agreement that transfers substantially all the risks and rewards incidental to ownership to the Group.

Finance leases are accounted for as fixed assets at the commencement of the lease term, at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment, and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Impairment of finance leases is evaluated annually based on value in use calculations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The Group does not have any financial lease liabilities as of 31 December 2016.

2.21 Dividend distribution
Dividend distribution to the Group's shareholders is recognized as a liability in SeaBird's financial statements in the period in which the dividends are approved by the Group's shareholders.

2.22 Going concern assumption
The Group's accounts have been prepared on the basis of a going concern assumption. In the view of the board of directors, the continued very challenging market conditions, the Group's limited working capital and low level of firm contract backlog creates a material risk to this assumption. In the event that new backlog cannot be secured on satisfactory rates or at all, project performance is significantly worse than expected or contracts and other arrangements in respect of the employment of SeaBird's vessels are cancelled, or significantly delayed, the Group would need to sell assets or raise additional financing, which may not be available at that time.

SeaBird has not as of today made specific alternative plans to cover such a potential working capital shortfall, although under those circumstances, alternatives may exist to sell or otherwise monetize certain assets or to make other financing arrangements. The ability to sell or otherwise monetize assets, being primarily made up of owned vessels and the multi-client library, would require consent from lenders as all such assets are held as security for loan arrangements, and may therefore not be available within a short time frame or at all. Should none of these financing arrangements be available at that time, such circumstance would have a significant negative effect on SeaBird's financing situation and its ability to continue operations.

In such a scenario, the Group would be unable to meet its liabilities as they fall due and to continue as a going concern. In such event, SeaBird would be unable to realize the carrying value of its property, plant and equipment, whose values on a forced sale basis would be significantly lower than their carrying values. Furthermore, goodwill and intangibles would be written off as their carrying values largely represent their values in use.

As a result of the significant market uncertainty as well as upcoming debt maturities, the Group has engaged financial advisors to evaluate financial alternatives. Such alternatives may involve the raising of additional capital as well as refinancing or restructuring existing obligations. Any such transactions may result in a significant dilution to current shareholders.

3. Risk factors and financial risk management

3.1 Financial risk factors
SeaBird's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management focuses on the unpredictability of financial markets and monitors and controls risks with a potential significant negative effect for the Group and evaluates to minimize the risks if the cost of doing so is acceptable. The Group may use derivative financial instruments to hedge certain risk exposures from time to time.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The audit committee oversees how management monitors and manages risk and review the adequacy of the risk management framework in relation to the risks faced by SeaBird.

(A) MARKET RISK

(I) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar, Norwegian kroner, Euro, British Pound, Swedish krona and to some extent the UAE Dirham. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group may use from time to time various foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

SeaBird did not enter into any foreign exchange contracts in 2015 and 2016.

(II) Price risk

SeaBird is exposed to commodity (bunker fuel) price risk. As SeaBird in general has a fairly short order backlog for contracts where SeaBird is carrying the risk of bunker fuel prices, this risk has not historically been mitigated by forward commodity contracts. SeaBird might from time to time evaluate commodity contracts to mitigate such risk in the future.

(B) CREDIT RISK

SeaBird has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Still, the Group faces the risk of non-payment from customers.

SeaBird seeks to limit the amount of credit exposure to any financial institution and is only investing in liquid securities with counterparties with strong credit ratings.

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries or performance guarantees and similar in the normal course of business.

(C) LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of available debt funding and the ability to close out market positions. Due to the cyclical nature of the seismic industry, SeaBird has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

(D) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As SeaBird has no significant interest-bearing assets beyond operating cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

SeaBird's interest rate risk arises from long-term and short-term interest-bearing debt. Interest-bearing debt issued at variable rates expose the Group to cash flow interest rate risk. Interest-bearing debt issued at fixed rates expose the Group to fair value interest rate risk. As of 31 December 2016, the bond loan constitutes 90% of total debt while the secured credit facility and the unsecured note constitutes 7% and 3%, respectively. All the outstanding debts as of 31 December 2016 were issued at fixed interest rates.

(E) RISKS RELATED TO DEBT ARRANGEMENTS

SeaBird's current and future debt arrangements may include covenants and undertakings of a general, financial and technical nature and such debt arrangements may contain cross-default provisions. Failure by the Group to meet any of the covenants, undertakings and/or a failure to repay debt installments falling due could result in all outstanding amounts under the different debt arrangements becoming immediately due for payment, which could potentially have a material adverse effect on the Group's financial position and the value of the shares and the Group's operations and results.

3.2 Other risk factors

SeaBird is subject to various other risk factors. The risks described below are not exhaustive as additional risks not presently known to SeaBird or which SeaBird currently deems immaterial may also impair the Group's business operations. If any of the following risks actually materialize, SeaBird's business, financial position and operating results could be materially and adversely affected.

SeaBird is exposed to the economic cycle, as changes in the general economic situation could affect demand for SeaBird's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies. Capital expenditures, and in particular exploration and development expenditures, by oil and gas companies can be negatively affected by a number of factors including, but not limited to, decreases in oil and gas prices, fluctuations in production levels and disappointing exploration results. Low oil prices typically lead to a reduction in capital expenditures as these companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by these companies may reduce the demand for the SeaBird's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for SeaBird's services will generally lag oil and gas price increases.

SeaBird's operating income/loss and operating results can vary from month to month. Its operating income is difficult to forecast due to changes in oil companies' E&P (exploration and production) budgets and expenditures, the competitive environment, efficiency in operations, adverse weather conditions and other general economic and market conditions. Changes in oil prices and exploration and production budgets could materially affect the business and operating results. Unanticipated difficulties in pursuing SeaBird's business strategy could have a material adverse effect on the Group's business, operating results, or financial condition.

The market for SeaBird's products and services is competitive. SeaBird faces competition from other companies within the seismic industry, and many of these companies may have greater resources than SeaBird. Generally, overcapacity in the seismic market would have a negative effect on the operating results of the Group, and the possible failure of SeaBird to maintain competitive offering of equipment and services could have a material adverse effect on its business, operating results or financial condition.

SeaBird has a strategy of contracting its vessels both towards the long-term market as well as the more volatile spot market. There can be no guarantee that SeaBird will be able to secure contracts at such rates and utilization rates that are needed. In addition, SeaBird may experience significant off-hires between charters. Furthermore, disputes under the charter parties may occur, which can result in responsibility and losses for the Group.

Operations in international markets are subject to risks inherent in international business activities, including, in particular, general economic conditions in each such country, overlapping differing tax structures, managing an organization spread over various jurisdictions, unexpected changes in regulatory requirements, complying with a variety of foreign laws and regulations.

SeaBird's business depends on contracts with customers regarding collection and sale/licensing of geophysical data. Each contract normally involves a substantial value or consideration to the Group. Furthermore, some of the contracts are governed by the law of the operations' area, which may create both legal and practical difficulties in case of a dispute or conflict. SeaBird also operates in regions where the ability to protect contractual and other legal rights may be limited compared to regions with more well established markets.

There will always be operational risks involved in performing offshore seismic surveys. This includes among others unexpected failure or damage to vessels and technical equipment, work accidents or adverse weather conditions. These risks can cause personal injury, prevent surveys to be performed as scheduled, other business interruptions, property and equipment damage, pollution and environmental damage. SeaBird may be subject to claims as a result of these hazards. SeaBird seeks to prevent loss or damages from such incidents by insurance, contractual regulations and emergency routines. However, there will always be some exposure to technical and operational risks, with unforeseen problems leading to unexpectedly high operating costs, substantial losses, additional investments, etc., which may have a material negative effect on the Group's operating results and financial position. If for example a vessel is rendered a total loss, the charter party will be void and SeaBird will under such circumstances lose income that would otherwise come from operating this vessel. Additionally, the occurrence of any of these risks could damage SeaBird's reputation.

The parent company, SeaBird Exploration Plc, is subject to taxation in Norway while the majority of its subsidiaries are subject to taxation in Cyprus. The Group is also subject to taxation in various other jurisdictions because of its global operations. SeaBird faces the risk that its tax filings are challenged and may be subject to unexpected claims for unpaid taxes or sanctions as a consequence of breach of applicable tax legislation.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by SeaBird is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. SeaBird uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to SeaBird for similar financial instruments.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

(A) ESTIMATING USEFUL LIVES, DECOMPOSITION, RESIDUAL VALUE AND COST OF REMOVAL OF VESSELS AND EQUIPMENT

The Group's estimates of useful lives and plans for depreciation are based on investment considerations and on experience of technical and economic life of similar assets. Expected useful life and residual values of the vessels can change according to environmental requirements, wear and tear, corporate strategy, etc. A different decomposition of vessels and equipment may lead to different depreciations. However, management does not consider such effects to be material.

(B) ESTIMATED IMPAIRMENT OF MULTI-CLIENT SURVEYS, VESSELS AND EQUIPMENT

Impairment is tested at least annually, in accordance with the accounting policy stated in note 2.5, 2.7 and 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

The Group's value in use model for owned seismic vessels and vessels on finance leases includes estimates of the expected future cash flows from each cash-generating unit (each vessel and related equipment) based on day-rate, utilization, direct and indirect costs and required capital investments over the remaining life of the vessel. These cash flows are discounted at the Group's cost of capital to estimate the present value, which is compared to book value at the relevant balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Currently, there is an overcapacity of vessels in the seismic market and there is a high uncertainty with regards to the future outlook in terms of utilization and day rates. There is a risk that an impairment of property, plant and equipment could be triggered by the lay-up of additional vessels, an extended lay-up period, a reduction in economic life or continued low utilization or contract day rates.

The multi-client libraries are subject to impairment reviews based on expectations of estimated future cash flows. The impairment is based on using a group of surveys as the cash generating unit. The impairment review requires an internal evaluation of future sales potential for each group of surveys supplemented with direct enquiries to multi-client partners on active libraries with a material remaining book value.

(C) MULTI-CLIENT LIBRARY SALES AMORTIZATION

Forecasted revenues for multi-client surveys are forecasted based on input from partners and feedback from clients. Total project cost estimates are based on experience from other seismic projects and historical cost accounting information. Forecasted revenues and project cost estimates form the basis for SeaBird's selected sales amortization on a per survey basis applied in the work in progress phase. Forecasted future revenues for multi-client surveys are updated, which can change the sales amortization of individual surveys and potentially trigger impairment of multi-client surveys.

(D) CONTRACT AND MULTI-CLIENT REVENUE RECOGNITION

The estimated progress is calculated at the end of each quarter on each ongoing contract survey and multi-client project, which form the basis for accrued revenue accounting estimates.

(E) INCOME TAXES

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(F) ESTIMATES FOR FINANCIAL ASSETS

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(G) SHARE-BASED PAYMENTS

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

(H) FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the income statement cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(I) PROVISIONS

Provisions for restructuring costs, onerous contracts and legal claims are measured at the management's best estimate of the expenditure required to settle the present obligation at the reporting date, and are discounted to present value. The estimates to establish the provision are taken from observable data, management experience and/or external experts. Judgments include considerations of contract terms, contract deliverables, legal obligations and evaluations of likely outcomes of contract disputes.

Due to the uncertain market outlook, there is a risk that additional provisions may need to be established for the leased vessel Munin Explorer due to an extended lay-up period, a reduction in economic life, reduced utilization, reduced contract day rates or additional costs to redeliver the vessel to its owners.

(J) COVENANT CALCULATION

The Group is making estimates and judgments when making covenant calculations at each balance sheet date. These calculations include judgments as to what constitute extraordinary and non-recurring costs and income per the debt agreements which are subsequently adjusted when arriving at the adjusted EBITDA figure used to calculate the covenants. Adjusted EBITDA is a financial measure which is not precisely defined under IFRS. It is possible that bondholders may have different views as to such adjustments required in arriving at adjusted EBITDA and therefore the resulting covenant calculations.

5. SEGMENT INFORMATION

All our seismic services and operations are conducted and monitored within the group as one business segment.

Primary reporting format – business segments

All figures in $000's	2016	2015
REVENUE		
Contract	70,107	91,624
Multi-client	1,967	2,503
Total	**72,074**	**94,127**

Secondary reporting format – geographical segments

All figures in $000's	2016	2015
REVENUE		
Europe, Africa & Middle East (EAME)	10,594	5,547
North & South America (NSA)	61,428	67,940
Asia Pacific (APAC)	52	20,640
Total	**72,074**	**94,127**
SEGMENT ASSETS		
Europe, Africa & Middle East (EAME)	72,231	106,757
North & South America (NSA)	–	–
Asia Pacific (APAC)	–	–
Total	**72,231**	**106,757**
CAPITAL EXPENDITURE		
Europe, Africa & Middle East (EAME)	3,310	5,559
North & South America (NSA)	–	–
Asia Pacific (APAC)	–	–
Total	**3,310**	**5,559**

One major customer contributed 83% of the total revenue from continuing operations for 2016. Total revenue from this customer was $59.5 million for the year ended 31 December 2016.

A substantial portion of the property and equipment is mobile due to SeaBird's world-wide operation. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the period.

Geographic distribution of assets is based upon location of physical ownership. The geographic distribution of revenues is based upon location of performance. Capital expenditures are based on the location of the company that is making the investment.

6. PROPERTY, PLANT AND EQUIPMENT

	Seismic vessel and equipment (owned)	Seismic vessel and equipment (leased)	Seismic equipment on chartered vessels	Office equipment	Total
AT 1 JANUARY 2015					
Cost or valuation	199,813	50,989	39,741	4,769	295,312
Accumulated impairments	(69,217)	(10,830)	(13,634)	–	(93,681)
Accumulated depreciation and amortization	(71,192)	(25,270)	(22,147)	(4,145)	(122,754)
Net book amount	**59,404**	**14,889**	**3,960**	**624**	**78,877**

6. PROPERTY, PLANT AND EQUIPMENT

	Seismic vessel and equipment (owned)	Seismic vessel and equipment (leased)	Seismic equipment on chartered vessels	Office equipment	Total
YEAR ENDED 31 DECEMBER 2015					
Opening net book amount	59,404	14,889	3,960	624	78,877
Reclassification	–	–	(72)	–	(72)
Derecognition of cost of property plant and equipment	(4,846)	–	(655)	(3,318)	(8,819)
Derecognition of accumulated depreciation	4,846	–	655	3,318	8,819
Additions	4,922	39	81	517	5,559
Impairments	–	–	(885)	–	(885)
Depreciation	(12,030)	(2,557)	(1,261)	(198)	(16,046)
Closing net book amount	**52,296**	**12,371**	**1,823**	**943**	**67,433**
AT 31 DECEMBER 2015					
Cost or valuation	199,888	51,028	39,096	1,969	291,981
Accumulated impairments	(69,217)	(10,830)	(14,519)	–	(94,566)
Accumulated depreciation	(78,375)	(27,827)	(22,754)	(1,026)	(129,982)
Net book amount	**52,296**	**12,371**	**1,823**	**943**	**67,433**
YEAR ENDED 31 DECEMBER 2016					
Opening net book amount	52,296	12,371	1,823	943	67,433
Reclassification	2,644	(899)	(1,745)	–	–
Derecognition of cost of property plant and equipment	(377)	–	–	–	(377)
Derecognition of accumulated depreciation	(156)	–	532	–	377
Additions	2,875	23	–	412	3,310
Sale of assets	–	(70)	–	–	(70)
Impairments	–	(9,856)	–	–	(9,856)
Depreciation†	(10,916)	(1,569)	(610)	(180)	(13,275)
Closing net book amount	**46,367**	**-**	**-**	**1,175**	**47,542**
AT 31 DECEMBER 2016					
Cost or valuation	202,513	–	16,300	1,214	220,027
Accumulated impairments	(69,217)	–	(14,519)	–	(83,736)
Accumulated depreciation	(86,929)	–	(1,781)	(39)	(88,749)
Net book amount	**46,367**	**-**	**-**	**1,175**	**47,542**

† Depreciation attributable to continued operations: $13,275 in 2016 ($16,046 in 2015).
Depreciation attributable to discontinued operations: nil (nil in 2015).

Hawk Explorer was purchased from its owner in quarter three, retired from the fleet (see note 27) and sold for decomissioning in quarter four. The moveable seismic equipment on the Hawk Explorer with a net book value of $0.9 million was transferred to other vessels in the fleet. A $9.9 million accumulated impairment charge was transferred to the disposal account.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Costs of all repairs and maintenance are expensed as incurred.

The company's value in use model includes estimates of the expected future cash flows from each cash generating unit (each vessel) based on day-rate, utilization, direct and indirect costs and required capital investments over the remaining life of the vessel.
These cash flows are discounted at the company's weighted average cost of capital (17%) to estimate the present value, which is compared to book value at the relevant balance sheet date. Impairment of property, plant and equipment is evaluated annually based on value in use calculations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Currently, there is an overcapacity of vessels in the seismic market and there is a high uncertainty with regards to the future outlook in terms of utilization and day rates. There is a risk that an impairment of property, plant and equipment could be triggered by the lay-up of additional vessels, an extended lay-up period, a reduction in economic life or reduced utilization or contract day rates.

The value in use model is based on revenue day rates in line with current market rates, increasing moderately in 2018 and beyond. Utilization is assumed to be in line with historical averages. To the extent that increases in day rates do not materialize, this could have a substantial effect on the value in use calculation. For example, an impairment of $8 million would be required if day rates remain at current rates through the life of the vessels. Similarly, a ten percent point reduction in utilization throughout the life of the vessels, would require an estimated impairment of $2 million.

7. INTANGIBLE ASSETS

	Goodwill
CARRYING AMOUNTS	
At 1 January 2015	–
At 31 December 2015 / 1 January 2016	**-**
At 31 December 2016	**-**

SeaBird's net book value of intangible assets is zero as per 31 December 2016.

8. INCOME TAX EXPENSE

SeaBird Exploration Plc is subject to taxation in Norway and the majority of its subsidiaries in Cyprus. The company is also subject to taxation in various other jurisdictions because of its global operations. The company had a continuing operations net tax cost of $0.6 million. Discontinued operations tax cost was nil. The company is continuing to evaluate its historical tax exposures which might change the reported tax expense.

Current tax	2016	2015
Current period	691	1,144
Adjustment for prior periods	(80)	(219)
Total current tax	**611**	**925**

	2016	2015
Continuing operations profit/(loss) before income tax	(7,390)	39,307
Tax arising at the rate of 25% (27% in 2015)	(1,847)	10,613
Effect of tax adjustments in arriving at taxable profit and tax losses	1,847	(10,613)
Foreign operations taxed at different rates	116	63
Withholding tax effect current year	575	1,081
Reassessment of prior year tax provisions	(80)	(181)
Total tax expense attributable to continuing operations	**611**	**963**

	2016	2015
Attributable to continued operations	**611**	**963**
Attributable to discontinued operations	**-**	**(38)**

9. MULTI-CLIENT LIBRARY

The components of the multi-client library are summarized as follows:

	2016	2015
At 1 January	3,340	14,685
Cash investments	2,106	244
Capitalized depreciation	446	–
Impairment		(8,477)
Amortization†	(2,795)	(3,112)
At 31 December	**3,099**	**3,340**

† Amortization attributable to continued operations: $2,795 ($3,112 in 2015).
Amortization attributable to discontinued operations: $0 ($0 in 2015).

Amortization expense for the year ended 31 December 2016 includes $1.7 million of additional non-sales related amortization, net. For the year ended 31 December 2015, the additional non-sales related amortization totalled $2.0 million.

9. MULTI-CLIENT LIBRARY

"Category 1" libraries are subject to linear amortization over four years. "Category 2" multi-client libraries are amortized over the shorter of three years or the remaining life of the survey. Due to an amendment to IAS 38 Intangible assets, the amortization method for the seismic multi-client libraries was changed with effect from 1 January 2016. The change did not impact the carrying value of the existing multi-client library. Please see note 2.9 for the amortization policies of the multi-client library and the relevant accounting estimates and assumptions. Total multi-client sales were $2.0 million in 2016 (2015: $2.5 million).

The net carrying value of the multi-client library, by the year in which the surveys marine acquisition were completed, is summarized as follows:

	2016	2015
Completed during 2013	177	793
Completed during 2014	1,401	2,511
Completed during 2015	34	36
Completed during 2016	1,487	–
Completed surveys	**3,098**	**3,340**

For information purposes, the following shows the hypothetical application of the company's minimum amortization requirements to the components of the existing multi-client library. These minimum amortization requirements are calculated as if there will be no future sales of these surveys

During 2017	1,675
During 2018	779
During 2019	482
During 2020	162
Net carrying value of the multi-client library per 31 December 2016	**3,098**

10. TRADE RECEIVABLES

	2016	2015
Trade receivables	10,868	34,267
Less: provision for impairment of receivables	(8,733)	(21,656)
Trade receivables – net	**2,135**	**12,611**

The fair values of net trade receivables are regarded as gross value adjusted for provision for impairments. The company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 30. The net provision for impairment of receivables has been decreased by $12.9 million in 2016 due to collection of $4.5 million in long dated receivables and derecognition of uncollectible receivables (2015: net increase of provision for impairment of $3.2 million).

In general, vessels on time charter are prepaid, while vessels contracted to oil companies usually have payment terms of an average of 30 days.

11. OTHER CURRENT ASSETS

	2016	2015
Accrued income	942	6,813
Prepaid expenses	557	1,399
Other current assets	1,515	5,813
Total other current assets	**3,014**	**14,025**

12. INVENTORIES

	2016	2015
Bunker fuel	1,275	3,091
Total inventories	**1,275**	**3,091**

The opening balance at 1 January 2016 of $3.1 million related to bunker fuel has been recognized as expense in 2016 (2015: $4.5 million).

13. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank and in hand	**15,047**	**6,252**

The effective average interest rate on short-term bank deposits was nil in 2016 (2015: nil). Cash and cash equivalents include $0.5 million of restricted cash at 31 December 2016 (2015: $0.4 million). The restricted cash is related to payroll tax, employees' prepaid taxes and rent deposits. Long-term restricted cash amounted to $0.3 million while short-term restricted cash amounted to $0.2 million.

14. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

	Number of shares
At 1 January 2016	3,065,434
New shares issued in 2016	–
Total number of shares	**3,065,434**
At 31 December 2016 Basic	**3,065,434**
At 31 December 2016 Diluted	**3,065,434**

Following the completion of the restructuring in March 2015, the company issued 6,015,693 preference shares each with a par value of $0.1/share. The preference shares carried 500 times the rights of the common shares. Following the reduction of the company's authorized and issued share capital from nominal $0.1/share to $0.0001/share, the preference shares were mandatorily converted into common shares. Post conversion of the preference shares, the total outstanding number of common shares in the company were 3,065,427,746. There are no preference shares outstanding in the company following the conversion described above. Expenses incurred as part of the share issue of $0.6 million were deducted directly from share capital. On 26 November 2015, the shares of the company were consolidated through the conversion of every one thousand of the company's shares of $0.0001 each into one share of $0.1 each. In order to make the total number of shares in issue divisible by ten, the Board of Directors of SeaBird issued 6,254 new shares in the company, each at par value, in 2015. The total number of shares were 3,065,434,000 and through the consolidation the number of shares as at 31 December 2015 was 3,065,434. No new shares were issued during 2016.

Following the completion of the restructuring in 2015, the company also issued 884,687,500 warrants to subcribers for shares in the restructuring , each convertible into one ordinary share of the company. The warrants expire on 15 January 2018. Each warrant can be used to subscribe, within their expiration, for one share of the company at an exercise price of NOK 0.10. Following the consolidation of shares in 2015 (through the conversion of every one thousand of the company's shares into one share), the number of issued warrants are 884,686 at an exercise price of NOK 100.

No warrants have been exercised by the end of December 2016.

Share options granted to members of the management and employees expired 31 October 2015. Following the expiration of the share options, the amount presented in equity as share options granted was reclassified to other reserves. No further adjustments have been made after the vesting date irrespective of the fact that the options were not exercised. No options were issued in 2016 and no options are outstanding as of 31 December 2016.

15. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	5,621	12,907
Accrued expenses and other payables	6,709	12,464
Total trade and other payables	**12,330**	**25,371**

16. PROVISIONS

During Q4 2014 the company made non-recurring cost provisions relating to cold stacking of vessels and closing of the Dubai office. The company made additional provisions related to stacking of vessels in 2015 and 2016. The vessel leases have been considered as onerous leases. The provisions cover estimated net losses for the operation of the vessels until redelivery at the end of the respective firm charter periods and net remaining costs to close the Dubai office. The company made a provision in December 2014 to cover the remaining estimated costs of the charter of the Geo Pacific including redelivery. The Geo Pacific was redelivered to its owner in December 2015. During quarter three 2016 the company agreed the final commercial settlement with respect to redelivery of the Geo Pacific, and made a gain of $1.4 million as the settlement agreement was more favorable than assumed in the provision. SeaBird made cost provisons for the laid-up vessel Kondor Explorer during 2014 and 2015. Early quarter one 2016, SeaBird's contractual obligations related to the Kondor Explorer were terminated. The 3D vessel Voyager Explorer has been chartered on a bareboat charter. The vessel has been cold-stacked and was redelivered to its owners during quarter three 2016. The company booked operational restructuring charges of $1.1 million in 2014 and negative $0.1 million in 2015 and $0.9 million in 2016 to cover estimated operating expenses during the lay-up period.

The Munin Explorer is chartered on a bareboat contract that runs through October 2019, with a current day rate of $12,735 and an annual rate increase of 2% taking effect in August of each year. During Q2 2015, the company decided to stack the Munin Explorer. The company booked an operational restructuring charge of $7.7 million for Munin Explorer in 2015 and an additional charge of $0.1 million in 2016, which covers the net present value of lay-up costs and capital expenditures less estimated profits for the remainder of the lease period. The adjusted provision includes a reduction of the estimated capital expenditures to $2.7 million, down from the 31 December 2015 estimate of $7.3 million. The reduction is largely due to a transfer of seismic equipment from Hawk Explorer to Munin Explorer. The carrying book value of this equipment is $0.9 million. In the event that Munin Explorer is not reactivated at all, the company would incur the cost of remaining outstanding monthly charter hire amounting to $13.5 million and additional vessel stacking and redelivery costs until the end of the charter party, of which $1.67 million already has been provided for as a part of provisions as of 31 December 2016. In the event that the Munin Explorer reactiviation is delayed with three months, an estimated additional charge of $1.7 million would be required.

The company has been leasing Hawk Explorer from its owner Hawk Explorer AS. On 1 September, the company purchased the vessel from its owners and it was decided to retire the vessel from the SeaBird fleet. The company booked an operational restructuring charge of $0.5 million for Hawk during Q3 2016 relating to remaining estimated operating costs until delivery to its new owners. The Hawk Explorer was sold and delivered to its buyers in Q4 2016.

The company incurred $10.8 million in operating costs and $0.6 million in interest expense that was charged against provisions on onerous leases in 2016. Please see table below for additional details.

At 31 December 2016, the company had the following cost provisions:

	Balance 1 Jan 2016	Incurred costs	Changes in provision estimate	Interest expense	Balance 31 Dec 2016
Geo Pacific cost provision	1,804	(397)	(1,407)	–	–
Voyager Explorer cost provision	3,268	(3,779)	827	–	317
Munin Explorer cost provision	7,019	(6,155)	203	599	1,667
Kondor Explorer cost provision	41	(23)	(18)	–	–
Organizational restructuring cost	94	(66)	(27)	–	–
Hawk Explorer cost provision	–	(399)	449	–	50
Total provisions	**12,226**	**(10,819)**	**27**	**599**	**2,034**

	2016	2015
COST SALES		
Gross charter hire and operating expenses	(52,705)	(67,415)
Costs booked to provision account	10,819	8,785
Change in provision estimate	(27)	(11,126)
Reported net charter hire and operating expenses	**(41,913)**	**(69,756)**

17A. INTEREST BEARING LOANS AND BORROWINGS

	Coupon rate	Maturity	2016	2015
NON-CURRENT				
Capital lease obligations (note 29)	30.79%		–	2,024
SBX04 secured bond loan - tranche A	12%	2018	3,892	4,870
SBX04 secured bond loan - tranche B	6%	2018	17,506	21,085
Secured credit facility	6%	2018	1,684	2,050
Unsecured note	6%	2018	179	1,069
			23,262	**31,098**
CURRENT				
Capital lease obligations (note 29)	30.79%		–	1,503
SBX04 secured bond loan - tranche A	12%	2018	1,067	45
SBX04 secured bond loan - tranche B	6%	2018	5,087	110
Secured credit facility	6%	2018	493	12
Unsecured note	6%	2018	707	974
Total			**7,355**	**2,644**

Capital lease obligations
During quarter one, SeaBird agreed to further extend the Hawk Explorer lease based on unchanged payment terms from 31 May 2016 to 28 February 2017. On 1 September, the company entered into a contract for the purchase of the Hawk Explorer and its seismic equipment. SeaBird made a payment of $1.1 million for the vessel and seismic equipment as well as the cancellation of all future lease payments and additional obligations as required under the charter agreement. The company reported a $1.4 million gain in relation to the purchase of Hawk Explorer and settlement of the Hawk Explorer financial lease, which was booked under finance income (see notes 6 and 18 for more information).

Bond loan - SBX04
The SBX04 secured bond loan (issued as "SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018") is recognized in the books at amortized cost of $27.6 million as at 31 December 2016 (nominal value of $29.3 million plus accrued interest of $0.2 million less fair value adjustment of $1.9 million including amortized interest). This bond has been issued in two tranches; tranche A amounting to $5.0 million and tranche B amounting to $24.3 million. The SBX04 bond tranche A is carrying an interest rate of 12.0% and Tranche B is carrying an interest rate of 6.0%. Interest is paid quarterly in arrears with first interest instalment paid on 3 June 2015. The bond matures on 3 March 2018, with principal amortizations due in quarterly instalments of $2.0 million starting at 3 June 2017. The outstanding loan balance will be paid at the maturity date. Interest accrued as per 31 December 2016 was $155 thousand. The bond is listed on Nordic ABM and it is traded with ticker SBEF01 PR and SBEF02 PRO for the respective two bond tranches. This bond is secured with an unconditional and irrevocable on-demand guarantee over the vessels Aquila Explorer, Osprey Explorer, Northern Explorer and Harrier Explorer.

Secured credit facility
The three year secured credit facility (Glander International Bunkering credit facility) is recognized at amortized cost of $2.2 million (initial nominal value of $2.3 million less net amortized cost of $0.2 million). Coupon interest rate is 6.0%. Interest is to be paid quarterly in arrears and the first interest amount was paid on 3 June 2015. The facility matures at 3 March 2018 with quarterly instalments of $0.2 million starting on 3 June 2017. The outstanding loan will be repaid in full at maturity. Interest accrued as per 31 December 2016 was $12 thousand. The credit facility is secured by the same security as the security to be provided in respect of the SBX04 bond, however so that the credit facility's rights to full recovery shall be pari passu with the bondholders.

Unsecured note
The three year unsecured loan is recognized at amortized cost of $0.9 million (nominal value of $0.9 million less net amortized cost of $0.1 million). Coupon interest rate is 6.0%. Stated maturity date is on 1 January 2018. Interest is paid quarterly in arrears and the first payment was due on 1 April 2015. The principal will be repayable in nine equal instalments of $0.2 million commencing on 1 January 2016. As per 31 December 2016 there was no accrued interest. There is no security over this unsecured note.

17B. COVENANTS

The SBX04 bond facility includes the following financial covenants:

The SeaBird group has agreed to maintain, at all times, a minimum free liquidity (cash and cash equivalents) requirement of USD 5,000,000. Further, commencing on 31 December 2015, the group has agreed to maintain a leverage ratio not exceeding 2.5:1.0. The leverage ratio is net interest bearing debt (excluding finance leases) to adjusted EBITDA (adjusted for non-recurring operational and financing restructuring charges in 2015). The covenants are tested at each quarter end-date.

SeaBird was in compliance with both covenants as of 31 December 2016.

Please see calculation of free cash and leverage ratio below:

	2016	2015
Free cash at year end	14,559	5,835
Bond covenant: minimum free cash	5,000	5,000
Leverage ratio at year end	0.7	1.2
Bond covenant: maximum leverage ratio	2.5	2.5
Interest bearing debt	30,616	30,215
Cash and cash equivalents	(15,047)	(6,252)
Net debt (excluding finance leases)	**15,569**	**23,963**
EBITDA reported	22,434	10,917
Adjustments for non-recurring items:		
Lay-up provisions	–	9,841
Restructuring gain on leases	–	(4,713)
Bad debt expense	–	2,850
End of service benefit provision	–	416
EBITDA adjusted for non-recurring items†	**22,434**	**19,311**
Leverage ratio	**0.7**	**1.2**

† EBITDA adjustments only applied in 2015 as per the bond agreement

18. OTHER FINANCIAL ITEMS, NET

	2016	2015
Net foreign exchange gain/(loss)	(125)	465
Other financial income	1,453	25
Other financial expense	(199)	(417)
Total other financial items, net	**1,129**	**73**

On 1 September, the company entered into a contract for the purchase of the Hawk Explorer and its seismic equipment. SeaBird made a payment of $1.1 million for the vessel and seismic equipment as well as the cancellation of all future lease payments and additional obligations as required under the charter agreement. The company reported a $1.4 million gain in relation to the purchase of Hawk Explorer and settlement of the Hawk Explorer financial lease, which was booked under other financial income. Please see note 6 and 17 for further details.

19. OTHER INCOME (EXPENSES), NET

	2016	2015
Profit/(loss) on sale of property, plant and equipment	136	–
Other income	933	430
Total other income (expense)	**1,069**	**430**

Other income (expense) was positive $1.1 million in 2016 (positive $0.4 million in 2015), mainly resulting from mark-up on rechargeable expenses.

20. EXPENSES BY NATURE

	2016	2015
Charter hire	6,120	10,108
Crew	20,423	29,320
Seismic and marine expenses	26,093	27,857
Other operating expenses	69	130
Net costs booked to provision account	(10,792)	2,341
Total charter hire and operating expenses	**41,913**	**69,756**
Staff cost and Directors' remuneration	7,532	9,460
Legal and professional	1,709	1,838
Provision for bad debts	–	3,371
Other expenses	4,067	3,928
Total selling, general and administrative expenses	**13,308**	**18,597**

21. EMPLOYEE BENEFIT EXPENSE

	2016	2015
Crew salaries and benefits	13,568	19,272
Salary costs for staff	6,434	8,370
Social security cost for staff	463	599
Pension cost for staff	188	236
Directors' remuneration	286	255
Total employee benefit expense	**20,939**	**28,733**
Including accrued costs relating to the employee stock option plan	–	29
Average number of employees	329	471

22. FINANCE EXPENSE

	2016	2015
Finance lease borrowings	567	773
Bond loans	3,504	3,588
Credit facilities	414	466
Other interest	984	33
Total finance expense	**5,469**	**4,860**

23. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (note 14).

	2016	2015
Profit/(Loss) attributable to equity holders of the company	(7,908)	38,562
Weighted average number of ordinary shares in issue	3,065	2,548
Basic earnings per share ($ per share)	(2.58)	15.13
Weighted average number of diluted shares	3,065	2,584
Diluted earnings per share ($ per share)	(2.58)	14.92
BASIC EARNINGS PER SHARE		
From continuing operations	(2.61)	15.05
From discontinued operations	0.03	0.08
Total basic earnings per share	**(2.58)**	**15.13**
DILUTED EARNINGS PER SHARE		
From continuing operations	(2.61)	14.84
From discontinued operations	0.03	0.08
Total diluted earnings per share	**(2.58)**	**14.92**

24. DIVIDENDS

No dividend was distributed for 2015 and no dividend will be distributed for the year ended 31 December 2016.

25. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Business combinations

In June 2006, SeaBird closed the acquisition of SeaBed (the OBN business). The OBN business was divested in December 2011. Please refer to the explanation of discontinued operations below.

Discontinued operations

On 18 November 2011, SeaBird entered into a share purchase agreement with Fugro Norway AS concerning the sale of SeaBird's shareholding in Fugro OBN Technologies AS (former SeaBird Technologies AS) and SeaBed Navigation Company Ltd, which collectively held all of SeaBird's rights and assets related to the OBN business. On 8 December 2011, the transaction was fulfilled and the rights, title and interest in the shares were transferred from SeaBird to Fugro against the agreed consideration.

The purchase price for 100% of the shares in each of Fugro OBN Technologies AS and SeaBed Navigation Company Limited was $125.0 million on a cash and debt free basis.

25. BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

Statement of income for discontinued operations

	Year ended 31 December	
	2016	2015
Revenues	–	–
Cost of sales	93	180
Selling, general and administrative expenses	–	–
Other income (expenses), net	–	–
Earnings before interest, tax, depreciation and amortization (EBITDA)	**93**	**180**
Earnings before interest and taxes (EBIT)	**93**	**180**
Interest expense	–	–
Profit/(loss) before income tax	**93**	**180**
Income tax	–	38
Profit/(loss) from discontinued operations	**93**	**218**
Gain/(loss) on sale of OBN business	–	–
Profit/(loss) for the period	**93**	**218**
PROFIT/(LOSS) ATTRIBUTABLE TO		
Shareholders of the parent	93	218
EARNINGS PER SHARE DISCONTINUED OPERATIONS		
– basic	0.03	0.08
– diluted	0.03	0.08

Consolidated statement of discontinuted cash flow

	2016	2015
Net cash from operating activities	–	–
Net cash from investing activities	–	–
Net cash from financing activities	–	–
Net cash inflow/(outflow)	**-**	**-**

Net assets disposed:

	2016	2015
Adjustment related to buyback transaction	–	–
Net assets disposed	–	–
Gain/(loss) on sale	**-**	**-**

26. COMMITMENTS AND CONTINGENCIES

The SBX04 bond is secured with an unconditional and irrevocable on-demand guarantee over the vessels Aquila Explorer, Osprey Explorer, Northern Explorer and Harrier Explorer. In addition, the bondholders have a guarantee from SeaBird Exploration Plc, pledge on all material operating subsidiaries, assignment of charters, assignment of insurances, assignment of earnings and a floating charge. The credit facility is secured by the same security as the security to be provided in respect of the SBX04 bond, however so that the credit facility's rights to full recovery shall be pari passu with the bondholders.

SeaBird is disputing a legal claim put forth by an Australian ship owner, and expect a ruling during 2017. Given the amount of the claim and the fact that SeaBird has set forth its own counter claim, the company has not made any specific contingencies.

27. LEASES

Financial lease commitments:
The future aggregate minimum lease payments under non-cancellable financial leases are as follows:

	2016	2015
No later than 1 year	–	2,316
Later than 1 year and no later than 5 years	–	2,124
Later than 5 years	–	–
Total financial lease commitments	**-**	**4,440**

Reconciliation between the future minimum lease payments at the balance sheet date and their present value:

	Minimum lease payments		Present value of minimum lease payment	
	2016	2015	2016	2015
No later than 1 year	–	2,316	–	1,503
Later than 1 year and no later than 5 years	–	2,124	–	2,024
Later than 5 years	–	–	–	–
	-	**4,440**	**-**	**3,527**
Less: future finance charges	–	(912)	–	–
Present value of minimum lease payment	**-**	**3,528**	**-**	**3,527**

	2016	2015
Included in the consolidated financial statements as:		
– current borrowings	–	1,503
– non-current borrowings	–	2,024
	-	**3,527**

27. LEASES

The vessel Hawk Explorer has been a chartered vessel in the SeaBird fleet since 2006. On 1 September 2016 SeaBird entered into a contract for the purchase of the vessel. Under the purchase agreement, all future lease payments and additional obligations were cancelled as required under the charter agreement. Hawk Explorer was subsequently sold for decommissioning. The company reported a $1.4 million gain in relation to the purchase of Hawk Explorer and settlement of Hawk Explorer financial lease, which was booked under other financial income (note 18).

Operating lease commitments:
The group leases various vessels and seismic equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
No later than 1 year	4,687	5,928
Later than 1 year and no later than 5 years	8,833	13,520
Later than 5 years	–	–
Total operating lease commitments	**13,520**	**19,448**

Lease rentals amounting to $6.1 million (2015: $10.1 million) relating to operating leases are recognized for the year ended 31 December 2016.

The charter hire of the vessel Voyager Explorer from Koleth ended on 1 August. The vessel was redelivered to its owner on 12 September 2016.

Firm charter period for the vessel Munin Explorer ends on 31 October 2019.

28 . RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

I) Key management compensation

	2016	2015
Salaries and other short-term employee benefits	1,579	2,228
Bonus payments	–	–
Post employment benefits	31	425
Total key management compensation	**1,610**	**2,653**

Key management is defined as Christoph Debouvry (CEO from January 2016), Kjell Mangerøy (VP Business Development from February 2008), Dag Grepperud (VP QHSE from May 2015), Nils Haugestad (CFO from April 2012), and Steinar Fjeldbo (VP Operations from July 2014).

II) Loans to related parties
SeaBird has no loans to related parties.

III) Commitments and contingencies to related parties
SeaBird has neither commitments nor contingencies to related parties.

IV) Shareholding
Management (as defined 31 December 2016 under I) and the board of directors, as of 31 December 2016 held the following shares on own account):

Name	Title	Shares
Annette Malm Julstad	Chairman	–
Olav Haugland	Board Member	–
Kitty Hall	Board Member	60
Hans Petter Klohs	Board Member	–
Christophe Debouvry	CEO	–
Nils Haugestad	CFO	10
Kjell Mangerøy	VP Business Development	3
Steinar Fjeldbo	VP Operations	–
Dag Grepperud	VP QHSE	–

V) Purchase of services
The company had no related party transactions during the year.

29. SUBSEQUENT EVENTS

Subsequent to annual closing, the company announced that it signed an agreement to perform a 2D survey in the Caribbean with an estimated duration of one month.

30. FINANCIAL INSTRUMENTS

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2016	2015
LOANS AND RECEIVABLES:			
Trade receivables	10	2,135	12,611
Other current assets	11	3,014	14,025
Total loans and receivables		**5,149**	**26,636**
Cash and cash equivalents	13	15,047	6,252
Total credit risk		**20,196**	**32,888**

Impairment losses
The aging of trade receivables at the reporting date was:

	2016		2015	
	Gross	Impairment	Gross	Impairment
Not past due	1,421	–	2,333	–
Past due 0–30 days	87	–	10,226	–
Past due 31–120 days	584	–	–	–
More than 120 days	8,776	8,733	21,708	21,655
Total impairment losses	**10,868**	**8,733**	**34,267**	**21,655**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2016	2015
Balance at 1 January	21,655	18,432
Impairment loss recognized (net)	–	3,223
Reversal of bad debt provision	(12,922)	–
Balance at 31 December	**8,733**	**21,655**

The group have generally few and large customers; hence individual evaluations for impairment are done for all overdue receivables. There have been no further impairment losses recognized in 2016. During 2016 an amount of $12.9 million was reversed as SeaBird reached settlement agreements with two clients.

30. FINANCIAL INSTRUMENTS

Liquidity Risk
Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity requirements. The group manages liquidity risk by maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of available debt funding, and by continuously monitoring forecast and actual cash flows.

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2016 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing borrowings	–	9,313	25,896	35,209
Capital lease obligations	–	–	–	–
Interest payment	–	–	–	–
Trade and other payables	–	12,330	–	12,330
Provisions	–	2,033	–	2,033
Tax liabilities	–	5,182	–	5,182
Total financial liabilities	**-**	**28,858**	**25,896**	**54,754**

The table below summarised the maturity profile of the group's financial liabilities at 31 December 2015 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing borrowings	–	3,241	35,209	38,450
Capital lease obligations	–	2,416	2,139	4,555
Interest payment	–	–	–	–
Trade and other payables	–	25,371	–	25,371
Provisions	–	12,226	–	12,226
Tax liabilities	–	5,442	–	5,442
Total financial liabilities	**-**	**48,696**	**37,348**	**86,044**

See note 17 and 18 for further information.

Currency risk
The group's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2016:

	EUR	NOK	AUD	GBP	SEK	SGD	DKK
Trade and other payables in foreign currencies	430	5,359	129	152	3,025	211	1,292
Trade and other payables in reporting currency (USD)	476	638	96	169	353	153	192
Gross balance sheet exposure	**476**	**638**	**96**	**169**	**353**	**153**	**192**

30. FINANCIAL INSTRUMENTS

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
USD				
EURO 1	1.1066	1.1104	1.0516	1.0908
AUD 1	0.7436	0.7525	0.7197	0.7300
NOK 1	0.1190	0.1244	0.1155	0.1136
GBP 1	1.1066	1.5290	1.2336	1.4805
SEK 1	0.1169	0.1186	0.1094	0.1187
SGD 1	0.7242	0.7276	0.6907	0.7067
DKK 1	0.1486	0.1488	0.1414	0.1461

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to NOK, EUR, AUD, GBP, SEK, SGD and DKK. Sensitivity of operating cost and revenues depends on the mix of contracts and the related cost structure and is therefore difficult to quantify.

Amounts above represent the carrying values of fixed rates financial liabilities. In addition, cash and cash equivalents of $15.0 million at 31 December 2016 and $6.3 million as at 31 December 2015 are interest bearing assets with variable rates. The group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Interest rate risk

	2016	2015
FIXED RATE FINANCIAL LIABILITIES - BOND LOANS:		
SBX04 secured bond loan - tranche A	4,959	4,915
SBX04 secured bond loan - tranche B	22,593	21,194
Secured credit facility	2,178	2,062
Unsecured note	886	2,044
Total interest rate risk	**30,616**	**30,215**

Fair value versus carrying amounts

SeaBird has reviewed the fair value of financial assets and liabilities compared to carrying amount at 31 December 2016. In general, this evaluation shows no material difference.

31. FINANCIAL RESTRUCTURING

In January 2015, the company announced an agreed restructuring proposal to reduce indebtedness and provide additional funding (All share prices and number of shares have been changed to reflect the share consolidation completed in 2015):

- Issue of new equity for a total of approximately $11.6 million or 884,686 new shares and 884,686 new warrants to acquire one share per warrant at an exercise price of NOK 100 per share.
- Issue of a new 3-year secured bond in two tranches ("SBX04") subscribed by TGS-NOPEC Geophysical Company ASA for $5 million in tranche A and $24.3 million in tranche B originating from a debt conversion of the existing SBX03 bond, Perestroika convertible bond, charter hire and financial advisory payables.
- Issue of a 3-year secured credit line facility of $2.4 million and a $2.1 million unsecured loan.
- Approximately $16.2 million of the outstanding amount under the SeaBird Exploration Plc Senior Secured Callable Bond Issue 2011/2015 ("SBX03") was converted into SBX04 and the remaining approximately $64.7 million of SBX03 was converted into equity at NOK 300 per ordinary share.
- Approximately $3.0 million of the company's convertible loan with Perestroika AS was converted into SBX04 and the remaining approximately $11.9 million of the Perestroika Loan was converted into equity at NOK 300 per ordinary share.
- The outstanding charter hire for the vessels Munin Explorer, Geo Pacific, Hawk Explorer and Voyager Explorer (the "Charterers") was partially converted into SBX04, a loan, partially converted into equity and partially written down. The ongoing charter obligations were amended including a reduction in total charter hire of above $25,000 per day, yielding an annual pre-tax cash flow improvement of above $9 million. Fuel vendors' outstanding balances of $3.4 million were converted into SBX04 Tranche B and $2.4 million was converted to the secured credit facility described above.
- $0.7 million of restructuring advisory fees were converted into SBX04 and $2.8 million of restructuring advisory fees were converted into equity at NOK 300 per share.

The issue of new equity and warrants in 2015 was booked directly to equity $10.9 million net of transaction cost, of which $8.2 million of the overall amount was accounted for in paid in capital (the preference shares issued) and $2.7 million was booked in equity component of warrants listed under the equity section in the balance sheet (warrants issued). The company obtained external advice to correctly account for the fair value of preference shares and warrants, new debt instruments issued to investors and creditors. In addition, the company issued the SBX04 bond, the secured credit facility and the unsecured loan to creditors. The par value of the outstanding debt and liabilities from creditors of approximately $116.3 million (prior to creditor debt forgiveness and conversion) were converted to the preference shares and debt instruments listed above.

The SBX04 bond, the 3-year secured credit line facility and loan have been valued at nominal value less amortized cost using an effective interest rate of 14%. The amortized cost positive fair value adjustment for the debt facilities was recognized as a restructuring gain, of which $1.4 million was allocated to restructuring gain on leases and $3.7 million was booked to the restructuring gain account under the finance cost section. The total gain resulting from the financial restructuring was $66.4 million, of which $4.7 million was reported under restructuring gain on leases and $61.7 million was reported as restructuring gain under the financing section.

The restructuring was approved by requisite majority in the SBX03 bondholder meeting and by the shareholders in two extraordinary general meetings in February 2015. On 3 March 2015, the company announced that the conditions for the restructuring were fulfilled.

32. AUDIT FEES

	2016	2015
Total fees charged for statutory audit	199	177
Total fees charged for other assurance services	–	–
Total fees charged for tax advisory services	40	–
Total fees charged for other non-audit services	36	–
Total	**275**	**177**

UNCONSOLIDATED FINANCIAL ACCOUNTS 2016

Parent company:

Notes to the financial statements:

STATEMENT OF FINANCIAL POSITION			
		As of 31 December	
All figures in $000's	Note	2016	2015
ASSETS			
Non-current assets			
Shares in subsidiaries	13	24,789	66,799
Due from related parties	15	–	7,085
Total non-current assets		**24,789**	**73,884**
Current assets			
Other current assets	4	4	10
Cash and cash equivalents	5	16	–
Total current assets		**20**	**10**
Total Assets		**24,809**	**73,894**
EQUITY			
Shareholders equity			
Paid in capital	6	218,691	218,691
Equity component of warrants		2,736	2,736
Equity component of convertible loan		–	–
Currency translation reserve		12	12
Share options granted	6	–	–
Retained earnings		(199,370)	(191,463)
Total Equity		**22,069**	**29,976**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	–	–
Due to related parties	15	125	41,514
Total non-current liabilities		**125**	**41,514**
Current liabilities			
Trade and other payables	7	529	1,254
Loans and borrowings	8	–	–
Tax liabilities		2,086	1,150
Total current liabilities		**2,615**	**2,404**
Total liabilities		**2,740**	**43,918**
Total equity and liabilities		**24,809**	**73,894**

On 16 March 2017, the board of directors of SeaBird Exploration Plc authorized these financial statements for issue.

Annette Malm Justad	**Kitty Hall**	**Olav Haugland**	**Hans Petter Klohs**
Chairman	**Director**	**Director**	**Director**

STATEMENT OF INCOME

All figures in $000's	Note	Year ended 31 December 2016	2015
Revenues		58	43
Selling, general and administrative expenses, net	10	(538)	(870)
Impairment on group receivables	15	(8,344)	4,391
Impairment on investments in subsidiaries	13	(50,000)	(24,247)
Loss on assumption of subsidiary provision		(935)	(1,150)
Restructuring gain on leases	18	–	3,277
Earnings before interest, tax, depreciation and amortization (EBITDA)		**(59,759)**	**(18,556)**
Depreciation and amortization		–	–
Earnings before interest and taxes (EBIT)		**(59,759)**	**(18,556)**
Finance expense	11	(2,883)	(7,151)
Other financial items, net	9	51,016	6,385
Loss on bond loan	11	–	–
Restructuring gain	18	–	57,088
Profit/(loss) before income tax		**(11,626)**	**37,766**
Income tax	3	–	–
Profit/(loss) continuing operations		**(11,626)**	**37,766**

STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Note	Year ended 31 December 2016	2015
Profit/(loss)		**(11,626)**	**37,766**
OTHER COMPREHENSIVE INCOME			
Net movement in currency translation reserve and other changes		–	–
Group contribution		3,719	803
Changes in revaluation reserve		–	–
Total other comprehensive income, net of tax		**3,719**	**803**
Total comprehensive income		**(7,907)**	**38,569**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Shareholders of the parent		(7,907)	38,569
Total		**(7,907)**	**38,569**

STATEMENT OF CHANGES IN EQUITY All figures in $000's	Paid in capital	Equity component of warrants	Equity component of convertible loan	Share options granted	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2015	**189,125**	**-**	**6,296**	**1,326**	**(237,683)**	**12**	**(40,924)**
Revaluation surplus	–	–	–	–	–	–	–
Currency translation difference	–	–	–	–	–	–	–
Net income /(loss) recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Income for the year	–	–		–	37,766	–	37,766
Total recognised income /(loss) for the year	**-**	**-**	**-**	**-**	**37,766**	**-**	**37,766**
Share issue	29,566	–	–	–	–	–	29,566
Equity component of warrants	–	2,736	–	–	–	–	2,736
Equity component of convertible loan	–	–	(6,296)	–	6,296	–	–
Share option granted/cancelled	–	–	–	(1,326)	1,355	–	29
Group contribution	–	–	–	–	803	–	803
Balance at 31 December 2015	**218,691**	**2,736**	**-**	**-**	**(191,463)**	**12**	**29,976**
Balance at 1 January 2016	**218,691**	**2,736**	**-**	**-**	**(191,463)**	**12**	**29,976**
Revaluation surplus	–	–	–	–	–	–	–
Currency translation difference	–	–	–	–	–	–	–
Net income /(loss) recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Income for the year	–	–		–	(11,626)	–	(11,626)
Total recognised income /(loss) for the year	**-**	**-**	**-**	**-**	**(11,626)**	**-**	**(11,626)**
Share issue	–	–	–	–	–	–	–
Equity component of warrants	–	–	–	–	–	–	–
Equity component of convertible loan	–	–	–	–	–	–	–
Share option granted/cancelled	–	–	–	–	–	–	–
Group contribution	–	–	–	–	3,719	–	3,719
Balance at 31 December 2016	**218,691**	**2,736**	**-**	**-**	**(199,370)**	**12**	**22,069**

STATEMENT OF CASH FLOW			
		Year ended 31 December	
All figures in $000's	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		(11,626)	37,766
Adjustments for:			
Amortization of interest		–	832
Impairment on group receivables		8,344	(4,391)
Impairment on investments in subsidiaries		50,000	24,247
Paid income tax		–	–
Loss on assumption of subsidiary provision		936	1,150
Restructuring gain			(60,365)
Loss on bond loan		–	–
(Increase)/decrease in trade and other receivables		6	3
(Increase) in due from related parties		(46,919)	(11,003)
Increase/(decrease) in trade and other payables		(725)	778
Net cash from operating activities		**16**	**(10,983)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		–	–
Net cash used in investing activities		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		–	10,980
Receipts from borrowings		–	–
Repayment of borrowings		–	–
Movements in borrowings		–	–
Interest paid		–	–
Equity component of convertible bond loan		–	–
Net movement in currency fluctuations		–	–
Net cash from financing activities		**-**	**10,980**
Net (decrease)/increase in cash and cash equivalents		**16**	**(3)**
Cash and cash equivalents at beginning of the period		**-**	**3**
Cash and cash equivalents at end of the period	**5**	**16**	**-**

1. GENERAL INFORMATION

Country of incorporation
The company was incorporated in British Virgin Islands as a limited liability company. The company redomiciled to Cyprus on 18 December 2009. The primary business address of the company is 25, Kolonakiou Street, Block B, Office 101, 4103, Linopetra, Limassol.

Principal activities
The principal activity of the company, which is unchanged from last year, is ownership of companies operating within the seismic industry, including providing financing to subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SeaBird Exploration Plc has prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. The accounting policies are consistent with those applied in the consolidated financial statements.

For the discussion of risk factors, financial risk management, and critical accounting estimates and judgments; please refer to note 3 and 4 of the consolidated financial statements.

Shares in subsidiaries (see note 13) are stated at cost less any provision for impairment.

3. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS

Current tax	2016	2015
Current period	–	–
Adjustment for prior periods	–	–
Total current tax	**-**	**-**

	2016	2015
Profit/(loss) before income tax	(4,650)	37,766
Tax arising at the rate of 25% (27% in 2015)	(1,163)	10,197
Tax effect of adjustments in Norway	1,163	(10,197)
Corporate tax in other jurisdictions	–	–
Withholding tax in other jurisdictions	–	–
Total tax expense attributable to continued operations	**-**	**-**

4. OTHER CURRENT ASSETS

	2016	2015
Prepaid expenses	4	10
Total other current assets	**4**	**10**

5. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank and in hand	**16**	**-**

There were no short-term bank deposits in 2016 (2015: nil).

6. SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

	Number of shares
At 1 January 2016	3,065,434
New shares issued in 2016	–
Total number of shares	**3,065,434**
At 31 December 2016 Basic	**3,065,434**
At 31 December 2016 Diluted	**3,065,434**

Following the completion of the restructuring in March 2015, the company issued 6,015,693 preference shares each with a par value of $0.1/ share. The preference shares carried 500 times the rights of the common shares. Following the reduction of the company's authorized and issued share capital from nominal $0.1/share to $0.0001/share, the preference shares were mandatorily converted into common shares. Post conversion of the preference shares, the total outstanding number of common shares in the company were 3,065,427,746. There are no preference shares outstanding in the company following the conversion described above. Expenses incurred as part of the share issue of $0.6 million were deducted directly from share capital. On 26 November 2015, the shares of the company were consolidated through the conversion of every one thousand of the company's shares of $0.0001 each into one share of $0.1 each. In order to make the total number of shares in issue divisible by ten, the Board of Directors of SeaBird issued 6,254 new shares in the company, each at par value. Therefore, the total number of shares were 3,065,434,000 and through the consolidation the number of shares as at 31 December 2015 are 3,065,434. No new shares were issued during 2016.

Following the completion of the restructuring, the company also issued 884,687,500 warrants to subcribers for shares in the restructuring, each convertible into one ordinary share of the company. The warrants expire on 15 January 2018. Each warrant can be used to subscribe, within their expiration, for one share of the company at an exercise price of NOK 0.10. Following the consolidation of shares in 2015 (through the conversion of every one thousand of the company's shares into one share), the number of issued warrants are 884,686 at an exercise price of NOK 100.

No warrants have been exercised by the end of December 2016.

Share options granted to members of the management and employees expired 31 October 2015. Following the expiration of the share options, the amount presented in equity as share options granted was reclassified to other reserves. No further adjustments have been made after the vesting date irrespective of the fact that the options were not exercised. Under IFRS, the lapse of a share option at the end of the exercise period does not change the fact that the original transaction occured. The lapse of a share option does not represent a gain to the company because there is no change in the net assets.

7. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	345	988
Accrued interest expense	–	–
Accrued expenses and other payables	184	266
Total trade and other payables	**529**	**1,254**

8. LOANS AND BORROWINGS

Following the financial restructuring in 2015 the new loan agreements of the group have been entered into by SeaBird Exploration Finance Ltd, which is the financing company of the group. Therefore, there are no external loans and borrowings registered under the name of SeaBird Exploration Plc as of 31 December 2016.

9. OTHER FINANCIAL ITEMS, NET

	2016	2015
Interest income intercompany borrowings	1,247	6,794
Net foreign exchange gain/(loss)	–	(406)
Dividends received	49,774	–
Other financial income/(expense)	(5)	(3)
Total other financial items	**51,016**	**6,385**

10. EXPENSES BY NATURE

	2016	2015
Staff cost and Directors' remuneration	856	364
Share option expense	–	–
Legal and professional	(472)	415
Management fee to group companies	–	–
Other expenses	154	91
Total selling, general and administrative expenses	**538**	**870**

11. FINANCE EXPENSE

	2016	2015
Interest on bank borrowings, bond loans, and leases	1	1,241
Interest on intercompany borrowings	2,882	5,910
Total finance expense	**2,883**	**7,151**

12. DIVIDENDS

No dividend was distributed for 2015 and no dividend will be distributed for the year ended 31 December 2016.

13. SHARES IN SUBSIDIARIES

Company	Principal activity	Country of incorporation	Shareholding and voting rights
Aquila Explorer Inc.	Vessel holding company	Panama	100%
Arna Shipping Limited	Under closure	Cyprus	100%
SeaBird Exploration Crewing Limited	Crewing company	Cyprus	100%
Biliria Marine Company Limited	Inactive	Cyprus	100%
Byrd Investments Limited	Under closure	Cyprus	100%
Dimas Navigation Company Limited	Under closure	Cyprus	100%
GeoBird Management AS	Operating company	Norway	100%
GeoBird Management M.E. FZ-LLC	Closed down	UAE	100%
Harrier Navigation Company Limited	Vessel holding company	Cyprus	100%
Hawk Navigation Company Limited	Vessel holding company	Cyprus	100%
Munin Navigation Company Limited	Vessel holding company	Cyprus	100%
Oreo Navigation Company Limited	Inactive	Cyprus	100%
Osprey Navigation Company Inc.	Vessel holding company	Panama	100%
Raven Navigation Company Limited	Inactive	Cyprus	100%
Sana Navigation Company Limited	Vessel holding company	Cyprus	100%
Seabed Navigation Company Limited	Dormant	Cyprus	100%
SeaBird Crewing Mexico S. DE R.L. DE C.V.	Crewing company	Mexico	100%
SeaBird Exploration Americas Inc.	Management company	USA	100%
SeaBird Exploration Asia Pacific PTE. Ltd.	Management/operating company	Singapore	100%
SeaBird Exploration Cyprus Limited	Management/operating company	Cyprus	100%
SeaBird Exploration Finance Limited	Finance company	Cyprus	100%
SeaBird Exploration FZ-LLC	Management company	UAE	100%
SeaBird Exploration Management AS	Under closure	Norway	100%
SeaBird Exploration Multi-Client Limited	Multi-client company	Cyprus	100%
SeaBird Exploration Norway AS	Management company	Norway	100%
SeaBird Exploration Shipping AS	Operating company	Norway	100%
SeaBird Exploration Vessels Limited	Vessel holding company	Cyprus	100%
SeaBird Seismic Mexico S. DE R.L. DE C.V.	Operating company	Mexico	100%
Seaship Holding Services Limited	Under closure	Cyprus	100%
Silver Queen Maritime Limited	Inactive	Malta	100%
Velodyne Shipping Limited	Under closure	Cyprus	100%

The company made impairment on shares in subsidiaries of $50.0 million for 2016 ($24.2 million in 2015).

14. COMMITMENTS AND CONTINGENCIES

The company's commitments and contingencies as per 31 December 2016 are set out below (the parent company reported similar commitments or contingencies in 2015).

The SBX04 bond and the secured credit facility has been issued by SeaBird Exploration Finance (a SeaBird Exploration Plc subsidiary). The SBX04 bond (please refer to group note 17a for details) is secured with an unconditional and irrevocable on-demand guarantee over the vessels Aquila Explorer, Osprey Explorer, Northern Explorer and Harrier Explorer. In addition, the bondholders have a guarantee from SeaBird Exploration Plc, pledge on all material operating subsidiaries, assignment of charters, assignment of insurances, assignment of earnings and a floating charge. The credit facility is secured by the same security as the security to be provided in respect of the SBX04 bond, however so that the credit facility's rights to full recovery shall be pari passu with the bondholders.

15. RELATED-PARTY TRANSACTIONS

I) Purchases of services and expenses recharged to group companies
Expenses amounting to $1.2 million were recharged to group companies during 2016 (2015: $0.9 million recharged from group companies).

II) Key management personnel compensation

	2016	2015
Salaries and other short-term employee benefits	286	255
Social security costs	40	110
Pension costs	–	–
Total	**326**	**255**

III) Loans to related parties

	2016	2015
Loans to companies within SeaBird group:		
At beginning of year	7,085	88,513
Additional loans/(loans repaid during year)	12	(92,613)
Interest charged	1,247	6,794
Impairment of group receivables	(8,344)	4,391
At end of year	**-**	**7,085**

The above loan is provided at 7.5% weighted average interest rate (7.2% in 2015) and is repayable on demand.

IV) Loans from related parties

	2016	2015
Loans from companies within SeaBird group:		
At beginning of year	41,514	119,384
Additional loans/(loans repaid during year)	(44,270)	(83,780)
Interest charged	2,881	5,910
At end of year	**125**	**41,514**

The above loan is provided at 7.5% weighted average interest rate (7.2% in 2015) interest rate and is repayable on demand.

V) Commitments and contingencies

The company has neither commitments nor contingencies to related parties.

VI) Shareholding

Management and the board of directors, as of 31 December 2016, held the following shares on own account:

Name	Title	Shares†
Annette Malm Julstad	Chairman	–
Olav Haugland	Board Member	–
Kitty Hall	Board Member	60
Hans Petter Klohs	Board Member	–
Christophe Debouvry	CEO	–
Nils Haugestad	CFO	10
Kjell Mangerøy	VP Business Development	3
Steinar Fjeldbo	VP Operations	–
Dag Grepperud	VP QHSE	–

† Direct includes shares held by spouses, dependent children or companies in which the person has such influence as referred to in the Norwegian Public Limited Liability Companies Act §1-3.

16. SUBSEQUENT EVENTS

There were no events subsequent to annual closing.

17. FINANCIAL INSTRUMENTS

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2016	2015
LOANS AND RECEIVABLES:			
Due from related parties		–	7,470
Trade receivables		–	–
Other current assets		4	10
Total loans and receivables		**4**	**7,480**
Cash and cash equivalents		16	–
Total credit risk		**20**	**7,480**

Liquidity risk

Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity requirements. The group manages liquidity risk by maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of available debt funding, and by continuously monitoring forecast and actual cash flows.

The table below summarised the maturity profile of the company's financial liabilities at 31 December 2016 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	–	–	–
Interest payment	–	–	–	–
Trade and other payables	–	529	–	529
Total liquidity risk	**-**	**529**	**-**	**529**

The table below summarised the maturity profile of the company's financial liabilities at 31 December 2015 on contractual undiscounted payments:

	On demand	Less than 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	–	–	–	–
Interest payment	–	–	–	–
Trade and other payables	–	1,254	–	1,254
Total liquidity risk	**-**	**1,254**	**-**	**1,254**

17. FINANCIAL INSTRUMENTS

Currency risk
The company's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2016:

	NOK	SGD	GBP
Trade and other payables in foreign currencies	1,810	4	55
Trade and other payables in reporting currency (USD)	209	36	68
Gross balance sheet exposure	**209**	**36**	**68**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
USD				
EURO 1	1.1066	1.1104	1.0516	1.0908
NOK 1	0.1190	0.1244	0.1155	0.1136
GBP 1	1.1066	1.5290	1.2336	1.4805

The company and its subsidiaries operate internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Norwegian kroner, Euro and GBP.

Interest rate risk	2016	2015
Fixed rate financial liabilities – Bond loans:		
SBX03	–	–
Loan from Perestroika	–	–
Total interest rate risk	**-**	**-**

The company held $16 thousand in cash and cash equivalents at 31 December 2016 ($0.0 million at 31 December 2015). The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity.

Fair value versus carrying amounts
The company has reviewed the fair value of financial assets and liabilities compared to carrying amount at 31 December 2016. In general, this evaluation shows no material difference.

18. RESTRUCTURING GAINS

The company completed its financial restructuring in the first quarter of 2015. A non-recurring restructuring gain on leases of $3.3 million was reported by the company in 2015. Further, the company booked a non-recurring financial restructuring gain net of advisory fees of $57.1 million in the same year. The gains resulted from creditor debt forgiveness and partial conversion of debt to equity. Please see group note 31 for further details.

19. AUDIT FEES

	2016	2015
Total fees charged for statutory audit	22	65
Total fees charged for other assurance services	–	–
Total fees charged for tax advisory services	–	–
Total fees charged for other non-audit services	6	5
Total	**28**	**70**

T +357 22495707
F +357 22495717
nicosia@bdo.com.cy

236 Strovolos Avenue
2048 Strovolos
POBox 25277, 1308 Nicosia
Cyprus
www.bdo.com.cy

Independent Auditor's Report

To the Members of Seabird Exploration Plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Seabird Exploration Plc (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2.22 to the financial statements which sets forth the conditions, along with other matters which indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key Audit Matters are the following:

1. **Impairment testing of Vessels**

   Under IFRS, the Group is required to annually test its vessels for impairment. This annual impairment test was significant to our audit because the balance of vessels of USD44m as of 31 December 2016 is material to the financial statements, representing 60% of total assets. In addition, management's assessment process is judgmental and is based on assumptions over expected future revenue, margins and cash flows from the services it provides and which are affected by the future market and economic conditions that influence the demand, supply and price of oil and gas which in turn affects the demand for the Group's services.

   Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group, in particular those relating to the forecasted revenue and profit margins. We also focused on the adequacy of the Group's disclosures on the assumptions that have the most significant effect on the determination of the recoverable value of the Group's vessels (note 6).

BDO

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

2. Provision for loss on onerous leases

The Group has made a provision for the losses anticipated to be made in respect of its vessel 'Munin Explorer' which is chartered by the Group until October 2019 under a charter agreement that is considered by management to be onerous and loss making. The Group has made a provision for the losses expected to be incurred until the re-delivery of the vessel to its owners. This area was significant to our audit as management's assessment process is judgmental and is based on assumptions over expected future revenue, margins, capital expenditure requirements to keep the vessel operational and cash flows anticipated to be earned from the vessel. These assumptions are also impacted by future market and economic conditions that affect the demand, supply and price of oil and gas and as a result the demand for the Group's services.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group especially those relating to forecasted usage, capital expenditure requirements, revenue and operating costs. We also focused on the adequacy of the Group's disclosures on the assumptions that have the most significant effect on the determination of the amount of provision required (note 16).

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor’s report is Mr. Panicos Constantinou.

Panicos Constantinou
Certified Public Accountant and Registered Auditor
for and on behalf of
BDO Ltd
Certified Public Accountants (CY) and Registered Auditors

Nicosia, Cyprus,
16 March 2017

SeaBird Exploration

CYPRUS – HEAD OFFICE
25, Kolonakiou Street
Block B, Office 101
4103 Linopetra
Limassol
The Republic of Cyprus
Tel: +357 2527 0600
Fax: +357 2527 0601

NORWAY
Cort Adelers Gate 16
N-0254 Oslo
PO Box 1302 Vika
N-0112 Oslo
Norway
Tel: +47 2240 2700
Fax: +47 2240 2701

UNITED STATES
820 Gessner
Suite 1275
Houston, TX 77024
USA
Tel: +1 281 556 1666
Fax: +1 281 556 5315

SINGAPORE
1 Fullerton Road
#02-01 One Fullerton
Singapore 049213
Tel: +65 6832 5593
Fax: +65 6725 0949

WWW.SBEXP.COM

Designed and produced by www.tothepoint.co.uk