

SEABIRD EXPLORATION FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2015

SEABIRD EXPLORATION FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2015

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SEABIRD EXPLORATION FINANCE LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of directors:

Christophe Pierre Yves Debouvry (appointed on 28 January 2016)
Kjell Normann Mangeroy (appointed on 28 January 2016)
Robert Ross-Clounis (appointed on 28 January 2016)
Per Nils Christian Haugestad
Helen Georgiades
Dag Wilfred Reynolds (resigned on 14 January 2016)

Company secretary:

Adamos Montanios
3 Spyridonos Xinda
'THE BELLAGIO' RESIDENCE, flat/office 301
1090, Nicosia, Cyprus

Independent auditors:

BDO Ltd
Certified Public Accountants (CY) and Registered Auditors
236 Strovolou Avenue
2048 Strovolos
Nicosia
Cyprus

Registered office:

25 Kolonakiou Street
ZAVOS KOLONAKIOU SHOPPING CTR, Office 101
Block B 4103 Linopetra, Limassol
Cyprus

SEABIRD EXPLORATION FINANCE LIMITED

REPORT OF THE BOARD OF DIRECTORS

The board of directors presents its report and audited financial statements of the company for the year ended 31 December 2015.

Principal activity

The company was dormant throughout the prior period. The company's principal activity in 2015 was to provide financial services to the seismic and maritime companies in the SeaBird group, and to offer banking and funding solutions such as working capital, ship and equipment finance. The company is part of the SeaBird Exploration Group.

Review of current position, future developments and significant risks

The company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

A description of how risks are managed is shown in note 3 of the financial statements.

Results and Dividends

The company's results for the year are set out on page 5. The board of directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the company during the year under review.

Board of directors

The members of the company's board of directors as at 31 December 2015 and at the date of this report are presented on page 1.

In accordance with the company's articles of association all directors presently members of the board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the board of directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 18 to the financial statements.

Independent Auditors

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.

By order of the board of directors,

Christophe Pierre Yves Debouvry
Director

Nicosia,
26TH APRIL 2016



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 Finance Limited

Report on the financial statements

We have audited the financial statements of SeaBird Exploration Finance Limited (the "company") on pages 5 to 24 which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The board of directors is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw attention to note 17 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 company's ability to continue as a going concern.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 company's 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 financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the board of directors is consistent with the financial statements.

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 and 2013 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.

Terence Kiely
Certified Public Accountant and Registered Auditor
for and on behalf of
BDO Ltd
Certified Public Accountants (CY) and Registered Auditors
Nicosia, Cyprus,

April 26 2016

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

		2015	Period from 1 August to 31 December 2014
	Note	US\$'000	US\$'000
Selling, general and administration expenses	6	<u>(218)</u>	-
Earnings before interest, depreciation and amortization		(218)	-
Finance Income	7	6,001	-
Finance Expense	7	(7,441)	-
Restructuring gain	5	<u>4,754</u>	-
Net profit for the year		3,096	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>3,096</u>	-

The notes on pages 9 to 24 form an integral part of these financial statements.


SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

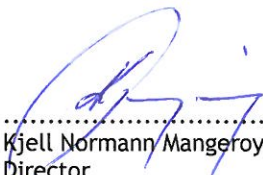
31 December 2015

	Note	2015 US\$'000	2014 US\$'000
ASSETS			
Current assets			
Trade and other receivables	9	143,791	1
Cash and cash equivalents	10	<u>3,853</u>	<u>-</u>
		<u>147,644</u>	<u>1</u>
Total assets		<u><u>147,644</u></u>	<u><u>1</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1	1
Retained earnings		<u>3,096</u>	<u>-</u>
Total equity		<u>3,097</u>	<u>1</u>
Non-current liabilities			
Borrowings	12	<u>29,074</u>	<u>-</u>
		<u>29,074</u>	<u>-</u>
Current liabilities			
Trade and other payables	13	114,332	-
Borrowings	12	<u>1,141</u>	<u>-</u>
		<u>115,473</u>	<u>-</u>
Total liabilities		<u>144,547</u>	<u>-</u>
Total equity and liabilities		<u><u>147,644</u></u>	<u><u>1</u></u>

On APRIL 26TH 2016 the board of directors of SeaBird Exploration Finance Limited authorized these financial statements for issue.



 Christophe Pierre Yves Debouvry
 Director



 Kjell Normann Mangeroy
 Director

The notes on pages 9 to 24 form an integral part of these financial statements.

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Note	Share capital US\$'000	Accumulated losses US\$'000	Total US\$'000
Total comprehensive income for the year		-	-	-
Transactions with owners				
Issue of share capital	11	1	-	1
Balance at 31 December 2014/ 1 January 2015		1	-	1
Comprehensive income				
Net profit for the year		-	3,096	3,096
Balance at 31 December 2015		1	3,096	3,097

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the company for the account of the shareholders.

The notes on pages 9 to 24 form an integral part of these financial statements.

SEABIRD EXPLORATION FINANCE LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2015

		2015	Period from 1 August to 31 December 2014
	Note	US\$'000	US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,096	-
Adjustments for:			
Restructuring gain		(4,754)	-
Interest expense	7	<u>3,222</u>	-
Cash flows from operations before working capital changes		1,564	-
Increase in trade and other receivables		(1,810)	-
Decrease in balances with related companies		<u>832</u>	-
Cash flows from operations		<u>586</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		5,000	-
Interest paid		<u>(1,733)</u>	-
Net cash flows from financing activities		<u>3,267</u>	-
Net increase in cash and cash equivalents		3,853	-
Cash and cash equivalents:			
At beginning of the year		-	-
At end of the year	10	<u><u>3,853</u></u>	-

The notes on pages 9 to 24 form an integral part of these financial statements.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

1. Incorporation and principal activities

Country of incorporation

The company SeaBird Exploration Finance Limited (the "company") was incorporated in Cyprus as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 25 Kolonakiou Street, ZAVOS KOLONAKIOU SHOPPING CTR, Office 101, BLOCK B, Linopetra, 4103 Limassol, Cyprus.

The company is a subsidiary of SeaBird Exploration Group, listed on the Oslo stock exchange. The company's parent is SeaBird Exploration Plc, incorporated in Cyprus.

Principal activity

The company was dormant throughout the prior period. The company's principal activity in 2015 was to provide financial services to the seismic and maritime companies in the SeaBird group, and to offer banking and funding solutions such as working capital, ship and equipment finance. The company is part of the SeaBird Exploration Group.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRSs

During the current year the company 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 2015. This adoption did not have a material effect on the accounting policies of the company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board:

(i) Standards and Interpretations adopted by the EU

The following new standards, amendments and interpretations are also effective for the first time:

Annual Improvements to IFRSs (2010 - 2012) Cycle:

- *IFRS 2 Share - based payments*
- *IFRS 3 Business Combinations*
- *IFRS 8 Operating Segments*
- *IFRS 13 Fair Value Measurement*
- *IAS 16 Property Plant and Equipment*
- *IAS 38 Intangible Assets*
- *IAS 24 Related Party Disclosures*

Annual Improvements to IFRSs (2011 - 2013 Cycle):

- *IFRS 1 First-time Adoption of International Financial Reporting Standards*

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *IFRS 3 Business Combinations*
- *IFRS 13 Fair Value Measurement*
- *IAS 40 Investment Property*

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2015. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

(ii)

Standards and interpretations that have been issued but are not mandatory effective at 31 December 2015

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to IFRSs 2012 - 2014 Cycle)*
- *IFRS 7 Financial Instruments: Disclosures (Annual Improvements to IFRSs 2012 - 2014 Cycle)*
- *IFRS 9 Financial Instruments (2009, 2010, 2013 and 2014)*
- *IFRS 9 Financial Instruments (own credit risk provision)*
- *IFRS 10 Consolidated Financial Statements (Amendments - Sale or Contribution of Assets)*
- *IFRS 10, 12 and IAS 28 Investment Entities (Amendments - Applying the Consolidation Exception)*
- *IFRS 11 Joint Arrangements (Amendments - Acquisitions of Interests in Joint Operations)*
- *IFRS 14 Regulatory Deferral Accounts*
- *IFRS 15 Revenue from Contracts with Customers*
- *IAS 1 Presentation of Financial Statements (Amendments - Disclosure Initiative)*
- *IAS 16 Property, Plant and Equipment (Amendments - Acceptable Methods of Depreciation)*
- *IAS 19 Employee Benefits (Annual Improvements to IFRSs 2012 - 2014 Cycle)*
- *IAS 27 Separate Financial Statements (Amendments - Equity Method in Separate Financial Statements)*
- *IAS 34 Interim Financial Reporting (Annual Improvements to IFRSs 2012 - 2014 Cycle)*
- *IAS 38 Intangible Assets (Amendments - Acceptable Methods of Amortization)*
- *IAS 41 Agriculture (Amendments - Bearer Plants).*

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the Company.

Revenue recognition

Revenues earned by the company are recognized on the following bases:

• Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Finance income

Finance income includes interest income which is recognized based on the effective interest method.

Foreign currency translation

(1) Functional and presentation currency

Items included in the company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$'000), which is the company's functional and presentation currency.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Accounting policies (continued)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

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. The company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and 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 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.

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.

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 the company 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.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets

(1) Classification

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

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

- 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 company's loans and receivables comprise 'trade receivables' and 'cash and cash equivalents' in the balance sheet.

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

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.

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 company 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 company's financial liabilities include trade and other payables and loans and borrowings.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. Accounting policies (continued)

Financial instruments (continued)

- 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 the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- 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.

- Trade payables

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

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.

Dividend distribution

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

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. Risk factors and financial risk management

Financial risk factors

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

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

The board of directors has overall responsibility for the establishment and oversight of the company'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 the company.

a. Market risk

i. Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Norwegian kroner, Euro, British Pound, Swedish krona and 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 company 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.

The company did not enter into any foreign exchange contracts in 2014 and 2015.

ii. Price risk

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

b. Cash flow and fair value interest rate risk

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

The company's interest rate risk arises from long-term and short-term interest-bearing debt. Interest-bearing debt issued at variable rates expose the company to cash flow interest rate risk. Interest-bearing debt issued at fixed rates expose the company to fair value interest rate risk.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. Risk factors and financial risk management (continued)

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2015 US\$'000	2014 US\$'000
Fixed rate instruments		
Financial assets	143,790	-
Financial liabilities	(144,547)	-
	<u>(757)</u>	<u>-</u>

In addition cash and cash equivalents of US\$3,853 thousand at 31 December 2015 (2014: US\$Nil) are interest bearing assets with variable rates.

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.

A change of 100 basis points in interest rate at the reporting date would have increased (decreased) equity and profit or loss by US\$26 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

c. Credit risk

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

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

	2015 US\$'000	2014 US\$'000
Current accounts	3,853	-
Receivables from related parties	143,791	1
	<u>147,644</u>	<u>1</u>

d. 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, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on the group's current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of the group in order to meet its liabilities as they fall due.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. Risk factors and financial risk management (continued)

Liquidity risk (continued)

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

31 December 2015	Carrying amounts US\$'000	Contractual cash flows US\$'000	On demand US\$'000	Less than 12 months US\$'000	Between 1-5 years US\$'000	More than 5 years US\$'000
SBX04 secured bond loan - tranche A	4,869	6,289	-	600	5,689	-
SBX04 secured bond loan - tranche B	21,240	27,482	-	1,461	26,021	-
Unsecured note	2,012	2,022	-	1,039	983	-
Secured credit facility	2,094	2,657	-	141	2,516	-
Payables to related parties	114,332	114,332	114,332	-	-	-
	144,547	152,782	114,332	3,241	35,209	-

e. Risks related to debt arrangements

The company'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 company to meet any of the covenants or undertakings 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 company's financial position and the value of the shares and the company's operations and results.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. Risk factors and financial risk management (continued)

Other risk factors

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

The group is exposed to the economic cycle, as changes in the general economic situation could affect demand for the group'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 group's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for the group's services will generally lag oil and gas price increases.

The group'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 the group's business strategy could have a material adverse effect on the group's business, operating results, or financial condition.

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

The group 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 the group will be able to secure contracts at such rates and utilization rates that are needed. In addition, the company 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.

The group'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. The group 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 and other business interruptions, property and equipment damage, pollution and environmental damage. The group may be subject to claims as a result of these hazards. The group 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 the group will under such circumstances lose income that would otherwise

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. Risk factors and financial risk management (continued)

come from operating this vessel. Additionally, the occurrence of any of these risks could hurt the group's reputation.

The group is subject to taxation in Cyprus as well as in various other jurisdictions because of its global operations. The group 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.

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 the company 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. The company 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 the company 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.

- **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 the company 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. The company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

- **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.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4. Critical accounting estimates and judgments (continued)

- **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.

- **Covenant calculation**

The company 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. Group restructuring gains

	2015	Period from 1 August to 31 December 2014
	US\$'000	US\$'000
Group restructuring gains on waiving of third parties' debt (i)	1,098	-
Group restructuring gains on fair value adjustment to new debt SBX04 (ii)	3,656	-
	<u>4,754</u>	<u>-</u>

In January 2015, the group of which the company is a member announced a comprehensive restructuring which amongst other arrangements included the following:

(i) Agreement with certain creditors of the group to waive part of the liability owed to them. These creditors included fuel suppliers to the group which converted the existing liability (after waiver) into new debt arrangements.
(ii) Agreements with existing holders of the bond issued by the group in December 2011 "SBX03" to convert 20% of the carrying value of the bond into a new bond issued by the company "SBX04" with the remaining 80% converted into equity of group's parent. The debt issued under SBX04 was subsequently fair valued by using a market rate of interest (see note 12) resulting in a gain for the group.

The restructured debt mentioned above was issued by the company as part of the restructuring. The resulting gain from the waiver of the liability in (i) above and the fair value adjustment in (ii) above have been recognized by the company on the basis that it was the issuer of the debt, whereas other group companies received the actual benefit from these gains. As a result of the restructuring, intercompany receivables and payables have been transferred to the company, including assignment of the amounts owed by other group companies to third parties prior to the restructuring.

For further information on the restructuring please refer to the group's consolidated financial statements.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6. Expenses by nature

	2015 US\$'000	Period from 1 August to 31 December 2014 US\$'000
Charter hire	-	-
Crew	-	-
Seismic and marine expenses	-	-
Other operating expenses	170	-
Total charter hire and operating expenses	170	-

	2015 US\$'000	Period from 1 August to 31 December 2014 US\$'000
Legal and professional	48	-
Management fee	-	-
Other expenses	-	-
Total selling, general and administration expenses	48	-

7. Finance income/cost

	2015 US\$'000	Period from 1 August to 31 December 2014 US\$'000
Interest income	6,064	-
Finance income	6,064	-
Net foreign exchange transaction losses	(41)	-
Interest expense	(7,441)	-
Sundry finance expenses	(22)	-
Finance costs	(7,504)	-
Net finance costs	(1,440)	-

8. Tax

The tax on the company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2015 US\$'000	Period from 1 August to 31 December 2014 US\$'000
Profit before tax	3,096	-
Tax calculated at the applicable tax rates	387	-

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

Tax effect of expenses not deductible for tax purposes

184 -

Tax effect of allowances and income not subject to tax

(594) -

Tax effect of tax loss for the year

23 -

Tax charge

- -

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

8. Tax (continued)

The corporation tax rate is 12,5% (2014:12,5%).

Due to tax losses sustained in the year, no tax liability arises on the company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2015, the balance of tax losses which is available for offset against future taxable profits amounts to US\$184 for which no deferred asset is recognized in the statement of financial position.

9. Trade and other receivables

	2015 US\$'000	2014 US\$'000
Receivables from fellow subsidiaries (Note 14)	143,790	-
Shareholders' current accounts - debit balances (Note 14)	1	1
	<u>143,791</u>	<u>1</u>

The fair values of net trade receivables are regarded as approximate at cost adjusted for provision for impairments.

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

10. Cash and cash equivalents

	2015 US\$'000	2014 US\$'000
Cash at bank and in hand	3,853	-
	<u>3,853</u>	<u>-</u>

11. Share capital

	2015 Number of shares	2015 US\$'000	2014 Number of shares	2014 US\$'000
Authorized				
Ordinary shares of €1	<u>10,000</u>	<u>13</u>	<u>10,000</u>	<u>13</u>
Issued and fully paid				
Balance at 1 January/1 August	<u>1,000</u>	<u>1</u>	<u>1,000</u>	<u>1</u>
Balance at 31 December	<u>1,000</u>	<u>1</u>	<u>1,000</u>	<u>1</u>

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12. Borrowings

	2015 US\$'000	2014 US\$'000
Current borrowings		
SBX04 secured bond loan - tranche A	45	-
SBX04 secured bond loan - tranche B	110	-
Unsecured note	974	-
Secured credit facility	12	-
	<u>1,141</u>	<u>-</u>
Non current borrowings		
SBX04 secured bond loan - tranche A	4,870	-
SBX04 secured bond loan - tranche B	21,085	-
Unsecured note	1,069	-
Secured credit facility	2,050	-
	<u>29,074</u>	<u>-</u>
Total	<u><u>30,215</u></u>	<u><u>-</u></u>

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 \$26.1 million as at 31 December 2015 (nominal value of \$29.3 plus accrued interest of \$0.2 million less fair value adjustment of \$3.4 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 installment paid on 3 June 2015. The bond matures on 3 March 2018, with principal amortizations due in quarterly installments 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 2015 was \$154,552. 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 group vessels Aquila Explorer, Osprey Explorer, Northern Explorer and Harrier Explorer.

Secured credit facility

The three year secured credit facility (Scandinavian credit facility) is recognized at amortized cost of \$2.1 million (initial nominal value of \$2.4 million less net amortized cost of \$0.3 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 installments 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 2015 was \$12,178. 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 \$2.0 million (initial nominal value of \$2.1 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 installments of \$0.2 million commencing on 1 January 2016. Interest accrued as per 31 December 2015 was \$32,065. There is no security over this unsecured note.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12. Borrowings (continued)

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 (net interest bearing debt (excluding finance leases) to EBITDA adjusted for non-recurring operational and financial restructuring charges) not exceeding 2.5:1.0. The covenants are tested at each quarter end-date.

SeaBird was in compliance with both covenants as of 31 December 2015. For a calculation of the covenants please refer to the consolidated financial statements of SeaBird group which are available from the Company's registered office and the group's website www.sbexp.com.

13. Trade and other payables

	2015 US\$'000	2014 US\$'000
Payables to fellow subsidiaries (Note 14)	<u>114,332</u>	-
	<u>114,332</u>	-

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

14. Related party transactions

The company is a subsidiary of SeaBird Exploration Group, listed on the Oslo stock exchange. The company's parent is SeaBird Exploration Limited incorporated in Cyprus. The following transactions were carried out with related parties:

14.1 Receivables from companies within SeaBird group (Note 9)

	2015 US\$'000	2014 US\$'000
Granting of receivables	137,726	-
Interest charged	<u>6,064</u>	-
At end of the year	<u>143,790</u>	-

The above receivables bear interest at 7.63% (2014: 5.97%) per annum and are repayable on demand. The intercompany interest rate is calculated as the actual weighted average interest rate of face value of external loans plus an administration margin of 0.35% to cover administration of all external and internal loans. Therefore the intercompany interest rate is considered to be arm's length.

14.2 Payables to companies within SeaBird group (Note 13)

	2015 US\$'000	2014 US\$'000
Additional payables	110,113	-
Interest charged	<u>4,219</u>	-
At end of the year	<u>114,332</u>	-

The above payables bear interest at 7.63% (2014: 5.97%) per annum and are repayable on demand. The intercompany interest rate is calculated as the actual weighted average interest rate of face value of external loans plus an administration margin of 0.35% to cover administration of all external and internal loans. Therefore the intercompany interest rate is considered to be arm's length.

15. Contingent liabilities

The company had no contingent liabilities as at 31 December 2015.

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

16. Commitments

The SBX04 bond is secured with an unconditional and irrevocable on-demand guarantee over the group vessels Aquila Explorer, Osprey Explorer, Northern Explorer and Harrier. 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.

The company had no other capital or other commitments as at 31 December 2015.

17. Going concern assumption

These financial statements are prepared under the going concern assumption.

In the view of the board of directors, the current challenging market conditions and the group's limited working capital, in which the company is a member, creates a material risk to this assumption. In the event that project performance is significantly below expectations, contracts and other arrangements in respect of the employment of the group's vessels are cancelled, or significantly delayed, new backlog cannot be secured on satisfactory rates or at all, the group in which the company is a member would need to sell assets or raise additional financing, which may not be available at that time.

The group in which the company is a member 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 group's financing situation and its ability to continue operations.

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

For further information and to fully understand the financial position of the company which is substantially reliant on the financial position of the group, please refer to the group's consolidated financial statements.

18. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 and 4

SEABIRD EXPLORATION FINANCE LIMITED

COMPUTATION OF CORPORATION TAX

Year ended 31 December 2015

	Page	US\$'000	US\$'000
Net profit per income statement	5		3,096
<u>Add:</u>			
Net exchange differences		41	
Disallowed interest		1,276	
Non-allowable administration expenses paid on behalf of group companies		<u>154</u>	
			<u>1,471</u>
			4,567
<u>Less:</u>			
Restructuring gain		3,317	
Restructuring gain on leases		<u>1,437</u>	
			<u>(4,754)</u>
Net loss for the year			<u><u>(187)</u></u>
			€
Converted into € at US\$'000 1.110100 = €1			<u><u>(168)</u></u>