SEABIRD EXPLORATION FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2018

SEABIRD EXPLORATION FINANCE LIMITED

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2018

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SEABIRD EXPLORATION FINANCE LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Myria Georgiou Kjell Normann Mangeroy Per Nils Christian Haugestad
Company Secretary:	Kiki Savvidou 14 Andrea Tselepou Street 8201 Yeroskipou Paphos, Cyprus
Independent Auditors:	Deloitte Limited Certified Public Accountants and Registered Auditors Maximos Plaza, Tower 1, 3rd floor 213, Arch. Makariou III Ave. 3030 Limassol Cyprus
Registered office:	25 Kolonakiou Street ZAVOS KOLONAKIOU SHOPPING CTR, Office101 BLOCK B, 4103 Linopetra, Limassol Cyprus

SEABIRD EXPLORATION FINANCE LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

Principal activity and nature of operations of the Company
The company's principal activity is 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 a subsidiary of SeaBird Exploration Plc Limited (the parent or together with its subsidiaries referred to as the Seabird group or the group).

Review of current position, future developments and performance of the Company's business
The Company's development to date, financial results and position is presented in the financial statements. The group has performed an intercompany refinancing effort, aiming to eliminate negative equity positions within the individual subsidiaries of the group. This effort continued during 2019. As a result of that the refinancing effort was not fully completed for all SeaBird Exploration Plc subsidiaries, the company has made impairment of group receivables of $8.7 million during the year. SeaBird Exploration Plc completed a share issue subsequent to the year end to ensure sufficient liquidity and positive equity in SeaBird Exploration Finance Limited. Further details are set out in note 19 of the financial statements on subsequent events.

Principal risks and uncertainties
The principal risks and uncertainties faced by the Company are disclosed in note 3 of the financial statements.

Results and Dividends
The Company's results for the year are set out on page 8. The Board of Directors, following consideration of the availability of profits for distribution as well as the liquidity position of the Company, does not recommend the payment of a dividend.

Share capital
There were no changes in the share capital of the Company during the year under review. The share capital changes effected after year end as discussed above are noted in note 19.

Board of Directors
The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 3.

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 19 to the financial statements.

Independent Auditors
The Independent Auditors, Deloitte Ltd, who were appointed auditors during the year, 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,

Myria Georgiou
Director

Limassol, Cyprus
25 April 2019

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Deloitte Limited
Maximos Plaza
Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus
Mail: P.O. Box 58466
CY-3734 Limassol, Cyprus

Tel: +357 25 86 86 86
Fax: +357 25 86 86 00
infolimassol@deloitte.com
www.deloitte.com/cy

Independent Auditor's Report

To the Members of Seabird Exploration Finance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seabird Exploration Finance Limited (the "Company"), which are presented in pages 11 to 34 and comprise the statement of financial position of the Company as at 31 December 2018, and the 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 Company 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Members of Seabird Exploration Finance Limited

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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.

Key audit matter	How our audit addressed the key audit matter
Going concern assumption We have identified the going concern as a key audit matter due to the equity deficiency that resulted from receivable write offs. At year-end total liabilities exceeded total assets such that it resulted in a negative equity of US$8.8 million. As described in note 18 to the financial statements the Company considered the adoption of the going concern principle to be an appropriate basis because of the recapitalisation of US$10m that was implemented after the year end as a result of which the position was rectified and the deficiency was completely eliminated .	Our procedures in relation to the assessment whether the going concern was still an appropriate basis despite the equity deficiency included: - Reviewing the agreements entered into between fellow group companies to transfer balances between them and the resolutions effected after the year end to recapitalise the Company which resulted in a share capital increase by US$10m which was sufficient to eliminate the deficiency and turn the equity positive again No significant exception was noted as a result of our testing.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Finance Limited

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included the management report in page 4, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 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 consolidated financial statements and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors is responsible for overseeing the Company'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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Finance Limited

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Company'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 Company'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 consolidated financial statements and separate 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements and the, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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.

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.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Finance Limited

Appointment of the auditor and period of engagement

We were first appointed as auditors of the Company on 10 August 2018 by a shareholders' resolution. This is our first period of engagement appointment.

Provision of non-audit services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Company and which have not been disclosed in the financial statements or the management report.

Other legal requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- 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 financial statements.

- In our opinion, and in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Finance Limited

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 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 Costas Georghadjis.

Comparative figures

The financial statements of Seabird Exploration Finance Limited for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 25 April 2018.

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Costas Georghadjis
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Limassol, Cyprus
25 April 2019

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2018

Statement of income			
		Year ended 31 December	
All figures in USD 000's	Note	2018	2017
Selling, general and administrative expenses	6	(45)	(169)
Finance income	7	6 504	6 332
Finance costs	7	(7 439)	(7 413)
Impairment on group receivables	15	(8 704)	-
Restructuring gain	5	-	1 263
Profit/(loss) before tax		**(9 684)**	**13**
Income tax	8	(8)	-
Profit/(loss) for the year		**(9 692)**	**13**
Other comprehensive income		-	-
Total comprehensive (loss) / income		**(9 692)**	**13**

The notes on pages 15 to 34 form an integral part of these financial statements.

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION
31 December 2018

Statement of financial position			
		As of 31 December	
All figures in USD 000's	Note	2018	2017
ASSETS			
Current assets			
Due from related parties	15	29 510	94 376
Trade and other receivables	9	189	7
Cash and cash equivalents	10	3 580	5 534
Total current assets		**33 279**	**99 917**
Total Assets		**33 279**	**99 917**
EQUITY			
Shareholders equity			
Share capital	11	1	1
Retained earnings		(8 790)	902
Total Equity		**(8 789)**	**903**
LIABILITIES			
Non-current liabilities			
Borrowings	12	4 559	4 035
Long term trade payable	13	400	385
Total non-current liabilities		**4 960**	**4 420**
Current liabilities			
Due to related parties	13, 15	36 966	94 147
Trade and other payables	13	115	197
Borrowings	12	-	225
Current tax liabilities	14	28	25
Total current liabilities		**37 109**	**94 594**
Total liabilities		**42 068**	**99 014**
Total equity and liabilities		**33 279**	**99 917**

On 25 April 2019 the Board of Directors of Seabird Exploration Finance Limited authorized these financial statements for issue.

....
Myria Georgiou
Director

....
Per Nils Christian Haugestad
Director

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2018

Statement of changes in equity			
All figures in USD 000's	Share capital	Retained earnings	Total
Balance at 1 January 2017	**1**	**889**	**890**
Comprehensive income		-	-
Net profit for the year	-	13	13
Balance at 31 December 2017	**1**	**902**	**903**
Balance at 1 January 2018	**1**	**902**	**903**
Comprehensive income		-	-
Net loss for the year	-	(9 692)	(9 692)
Balance at 31 December 2018	**1**	**(8 790)**	**(8 789)**

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 defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. 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 defence is payable by the Company for the account of the shareholders.

SEABIRD EXPLORATION FINANCE LIMITED

STATEMENT OF CASH FLOWS
Year ended 31 December 2018

		Year ended 31 December	
All figures in USD 000's	Note	2018	2017
Net cash used in operating activities			
Profit/(loss) before income tax		**(9 684)**	13
Adjustments for:			
Impairment on group receivables		**8 704**	
Non- cash interest income	7	**(6 336)**	(5 460)
Non-cash interest expense	7	**7 072**	7 310
Other items		**(18)**	-
		(263)	1 863
Changes in working capital			
(Increase)/decrease in trade and other receivables		**(182)**	9
Increase/(decrease) in trade and other payables		**(82)**	25
Net (Increase)/Decrease in due from related parties*		**(989)**	(8 301)
Net cash used in operating activities		**(1 515)**	**(6 404)**
Cash flows from financing activities			
Gross receipts/repayments		**(240)**	(1 291)
Interest paid		**(199)**	-
Net cash from financing activities		**(439)**	**(1 291)**
Net (decrease)/increase in cash and cash equivalents		**(1 954)**	**(7 695)**
Cash and cash equivalents at beginning of the period		**5 534**	**13 229**
Cash and cash equivalents at end of the period	**10**	**3 580**	**5 534**

* Of which an amount of US$954 thousand relates to non-cash related parties transactions in 2018

SEABIRD EXPLORATION FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

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 provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 25 Kolonakiou Street, ZAVOS KOLONAKIOU SHOPPING CTR, Office101, BLOCK B, 4103 Linopetra, Limassol, Cyprus.

The company is a subsidiary of SeaBird Exploration Plc (together with its subsidiaries referred to as the SeaBird Group) incorporated in Cyprus, listed on the Oslo stock exchange.

Principal activity

The company's principal activity is 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.

2. Significant 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.

2. Significant accounting policies (Cont'd)

Adoption of new and revised International Financial Reporting Standards

IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective from 1 January 2018.

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

The key requirements of IFRS 9 impacting the Company are:

• Classification and measurement of financial assets. All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

• Classification and measurement of financial liabilities. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

• Impairment. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

Summarized impact from the adoption of IFRS 9 is as follows:

- As all asset instruments were previously classified as loan and receivables measured at amortised cost, and have been reclassified as assets at amortised cost, there has been no impact in the measurement nor presentation.

- There was no additional expected credit loss allowance to be recognized as of 1 January 2018 against opening retained earnings.

2. Significant accounting policies (Cont'd)

Adoption of new and revised IFRSs (Cont'd)

IFRS 15 Revenue from Contracts with Customers

Based on the nature of Company's operations and income streams, the adoption of IFRS15 had no impact in respect of the time and amount of income to be recognized and accordingly prior period amounts were not restated.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018:

- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle: amendments to IAS 28 Investments in Associates and Joint Ventures
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Adoption of these standards and interpretations had no material impact on the disclosures or on the amounts reported in these financial statements.

Standards and Interpretations in issue but not effective.

On the date of approval of these financial statements, the following accounting standards have been issued by the International Accounting Standards Board but were not yet effective:

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	***Effective for annual period beginning on or after***
IFRS 16 Leases*	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 9: Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to IFRSs - Annual Improvements to IFRSs 2015 –2017 Cycle	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to IFRS 3 Business Combinations	1 January 2020
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
IFRIC 23 Uncertainty over Income Tax Treatments*	1 January 2019

* Standards have been already endorsed for use in the European Union

2. Significant accounting policies (Cont'd)

Income recognition

The income of the Company comprises mainly of interest receivable on related party (fellow subsidiaries within the Seabird Group) receivables arising from the Company acting as group treasurer.

Interest income is recognized on a time proportion basis using the effective interest method. The effective interest rate is the rate that exactly discounts the future cash inflows over the expected life of the asset, to the net carrying amount of the financial asset.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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$), which is the Company's functional and presentation currency.

(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 profit or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities of the Company are represented by receivables and payables from related parties, cash and cash equivalents, other receivables, corporate bonds issued and other long-term payables. The accounting policies for initial recognition and subsequent measurement of financial instruments are disclosed in the respective accounting policies set out below in this Note.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2. Significant accounting policies (Cont'd)

Financial assets
All recognized financial assets are measured subsequently in their entirety at amortized cost of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

As the Company holds no trade receivable, the simplified approach does not apply.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

2. Significant accounting policies (Cont'd)

Financial assets (Cont'd)

Low credit risk financial instruments

Despite the foregoing, Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Default definition

The Company considers that default has occurred when a financial asset is more than 180 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. Inputs, assumptions and estimation techniques used by measurement and recognition of expected credit losses are disclosed in respective Notes 15.1 and 16.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables, payables to related parties and loans and borrowings, including a corporate bond.

All financial liabilities are recognised initially at fair value net of transaction costs and are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

2. Significant accounting policies (Cont'd)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position

Share capital

Ordinary shares are classified as equity.

Comparatives

The 2017 comparatives presented in these financial statements for the year ended 31 December 2018, have also been prepared on the same basis.

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), 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.
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 of the SeaBird group effectively 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.

3.1 Market risk
i. Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk. The company is mainly trading in USD, but it also has some foreign exchange exposure to Norwegian kroner, Euro and British Pound. Foreign exchange risk arises from future commercial transactions and bank deposits.

To manage foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the company 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.

The company did not have any open foreign exchange contracts as at 31 December 2018 and 2017. Refer to note 16 for further details.

3.2 Cash flow and fair value interest rate risk
The company's interest rate risk arises from holding for receivables on related parties, liabilities to related parties, 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 measured at amortized cost do not expose the company to interest rate risk.

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

	2018	2017
	US$000	US$000
Financial instruments issued at variable interest rates		
Cash	**3,580**	5,534
	3,580	5,534

	2018	2017
	US$000	US$000
Financial instruments issued at fixed interest rates		
Receivables from related parties	**29,510**	94,376
Payables to related parties	**(36,966)**	(94,147)
Borrowings	**(4,559)**	(4,260)
	(12,015)	(4,031)

In addition, cash and cash equivalents of US$3.580 thousand at 31 December 2018 and cash and cash equivalents of US$5.534 thousand at 31 December 2017 are interest bearing assets with variable rates.

The company does not account for any fixed rate financial assets and liabilities at fair value. 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 for bank deposits at the reporting date would have increased equity and profit or loss by US$36 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

3.3 Credit risk
The company's activities are mainly providing financing within the Seabird group, but still it faces the risk of non-payment from its counter parties.

The company seeks to limit the amount of credit exposure to any financial institution and only deposits its funds with banks that have 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:

	2018	2017
	US$000	US$000
Other receivables	**189**	7
Cash at bank	**3.580**	5.534
Receivables from related parties (fellow subsidiaries)	**29.510**	94.376
	33.279	99.917

Refer to note 16 for further details.

3.4 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 of market positions. Due to the cyclical nature of the seismic industry in which the Seabird group operates, the company has been aiming to maintain flexibility in funding by a mixture of debt and equity financing.

Based on Seabird's group current business plan and the projected cash flow from operations, the company will be dependent on the continuing support of its parent Company, Seabird Exploration Plc, in order to meet its liabilities as they fall due. Refer to note 16 for further details.

3.5 Other risks factors

The Company as part of the wider Seabird group is invariably 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 and consequently that of the company 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.

3.5 Other risks factors (Cont'd)

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 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 of receivables and payables are assumed to approximate their fair values.

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 company's financial statements and estimates with a significant risk of material adjustment in the next year are discussed below. Refer to Note 3.3 for further details.

5. Restructuring gain

	2018	2017
	US$000	US$000
Restructuring gain	-	1.263
	-	1.263

The gain recognized in 2017 resulted from a series of financial restructuring measures (for which all required consents had been obtained and announced on 1 August 2017), implemented by Seabird Exploration Plc and other group companies that impacted the Company as well. A description of these measures are set out below:

An agreement was signed with Glander, supplier of bunkers, where upon $1,911,896 of the principal amount and all accrued interest as of 3 June 2017 owed to Glander under the "Glander Credit Facility" was irrevocably repaid and discharged upon the issuance of SeaBird shares to Glander at NOK 5.00 per share (not adjusted for 2018 10 to 1 reverse share split) and that the remaining claim of Glander under this facility of $440,591 was amended with the maturity date extended until 30 June 2020. No principal payments are to be made until 30 June 2020 and interest is charged but paid in kind.

An Exchange Agreement was entered into with bondholder TGS such that all SBX04 Bonds outstanding under Tranche A were transferred to the group and that any interest on such SBX04 Bonds was irrevocably discharged in exchange for the transfer of title to the majority of the group's multi-client library assets, and confirmation that the group has cancelled all SBX04 Bonds under Tranche A. As part of the agreement there was a post-closing due diligence period that ended in quarter four of last year where TGS had the opportunity to return to SeaBird certain parts of the multi-client libraries that they could elect not to take ownership of. The post-closing due diligence period, whereby TGS may return to SeaBird certain parts of the multi-client library, was completed early during the current year. Two multi-client surveys in the South East Asia region and one survey in West-Africa remained with SeaBird. The return of the multi-client surveys to SeaBird was booked in 2017 as a $0.2 million reclassification between restructuring gain and impairment loss on multi-client libraries. In relation to this agreement between the company and TGS an Income Distribution Agreement was set up between TGS and the Bond Trustee to secure the Tranche B bondholders and Glander 25% of the income from any utilization, sale or other disposal of the multi-client libraries by TGS, less costs (defined as 10% of sales).

An agreement was entered with the SBX04 bond holders to convert ~81.5% of tranche B of the SBX04 bond loan including accrued interest, as of 3 June 2017, in an aggregate amount of approximately $20.15 million into equity (33,731,959 shares) at an offer price reflecting a subscription price of equity at NOK 5.00 per share with the remaining claim of SBX04, tranche B be of $4,559,409 being amended with the maturity date being extended until 30 June 2020; no principal payments until 30 June 2020 whilst interest is charged but paid in kind.

5. Restructuring Gain (Cont'd)

An addendum to the Munin Charter Contract was made pursuant to which the charter period for the Munin Charter Contract was extended to 30 June 2020, the charter hire was reduced to $2,088 per day for the period from 3 June 2017 until 30 June 2020 and where the new charter hire can, at Seabird's discretion, be accumulated and not paid in cash before 30 June 2020. In accordance with this addendum, the difference between the new charter hire of $2,088 per day and the remaining and unpaid previous charter hire were converted into 17,398,123 shares at NOK 5.00 per share (not adjusted for 2018 10 to 1 reverse share split) in accordance with the terms of the restructuring.

On 6 June 2017, the bond holders of SBX04 approved the restructuring proposal with the requisite majority in a bondholder meeting. Furthermore, on 13 June 2017, an extraordinary general meeting to approve the conversion of debt into equity and to approve the restructuring. All proposals on the agenda were adopted with requisite majority.

On 1 August 2017, it announced that all consents required for the restructuring had been obtained. The The closing of the restructuring was effected on 7 August 2017, including the issuance of 54,389,711 new shares (not adjusted for 2018 10 to 1 reverse share split). Additionally, all financial covenants throughout the term of the SBX04 bond agreement have been suspended.

As a result of these measures, the group booked a net operational restructuring loss of $5.5 million and a $0.9 million financial restructuring gain during 2017. The SBX04 Tranche A bond loan was exchanged for the multi-client library as a part of the agreement with TGS resulting in a $3.2 million operational restructuring gain offset by a $8.6 million operational restructuring loss related to the modification of the Munin lease and settlement of Munin charter hire payables. The issuance of shares to partly settle the debt owed to Glander resulted in a $0.03 million operational restructuring gain. The group also incurred $0.6 million in transaction costs, of which $0.2 million was allocated to the operational restructuring loss account. Moreover, the group booked a net $0.9 million financial restructuring gain related to the issuance of shares to SBX04 Tranche B bondholders and amendment of the remaining SBX04 debt. The amount includes $0.4 million in allocated financial advisory cost. All share transactions in the restructuring have been booked at fair value using a share price of NOK 4.45 (closing share price at 1 August 2017 - not adjusted for 2018 10 to 1 reverse share split) while the contractual share price in the restructuring agreements was NOK 5.00 and the remaining debt had been valued at amortized cost using 13% as the estimated market cost of debt. The issuance of the new shares in relation the restructuring increased the group's share capital by $30.6 million in 2017. At company level the results were impacted by the Glander and bond restructuring, which represented fair value gains relating to the recognition of the revised SBX04 bond loan and Glander long term trade payable at amortized cost as well as a minor gain relating to partly waived accrued interest. The company's restructuring gain on the SBX04 bond modification was $1.1 million while the restructuring gain relating to the Glander long term payable was $0.1 million.

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Year ended 31 December 2018

6. Selling, general and administration expenses

	2018 US$000	2017 US$000
Legal and professional	**1**	71
Management fee to group companies	**(8)**	-
Other expenses	**52**	98
Total selling, general and administrative expenses	**45**	169

7. Finance income/cost

	2018 US$000	2017 US$000
Intercompany interest income (Note 15.1)	**6,116**	5 460
Other financial income	**72**	800
Exchange profits	**315**	72
Finance income	**6,504**	6 332
Exchange losses	**(814)**	(21)
Intercompany interest expense (Note 15.2)	**(5,798)**	(4 619)
Intercompany finance charges	**(288)**	
Other interest expense	**(495)**	(2 691)
Other finance expenses	**(43)**	(82)
Finance costs	**(7,439)**	(7 413)
Net finance costs	**(935)**	(1 081)

8. Tax

	2018	2017
Current tax	**US$000**	US$000
Corporation tax - current year	**-**	-
Adjustment for prior periods	**8**	-
Total current tax	**8**	**-**

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

	2018 US$000	2017 US$000
Profit/(loss) before tax	**(9,684)**	13
Tax calculated at the applicable tax rates	**(1,211)**	2
Tax effect of expenses not deductible for tax purposes	**-**	(1)
Tax effect of allowances and income not subject to tax	**1,219**	(1)
Tax effect of tax losses brought forward	**-**	-
10% additional charge	**-**	-
Tax charge	8	-

The corporation tax rate is 12,5%.

The Company is benefiting from Group relief in Cyprus that reduces the actual tax liability.

9. Other receivables

	2018 US$000	2017 US$000
Other receivables	189	7
Total other current assets	**189**	7

The fair value of other receivables approximates its carrying value.

10. Cash and cash equivalents

Cash balances are analysed as follows

	2018 US$000	2017 US$000
Cash at bank and in hand	**3,580**	5,534
	3,580	5,534

11. Share capital

	2018 Number of shares	2018 US$000	2017 Number of shares	2017 US$000
Authorized				
Ordinary shares of EUR 1 each	**10,000**	**13**	10,000	13
		US$000		US$000
Issued and fully paid				
Balance at 1 January	**1,000**	**1**	1,000	1
Balance at 31 December	**1,000**	**1**	1,000	1

NOTES TO THE FINANCIAL STATEMENTS
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12. Borrowings

	2018	2017
	US$000	US$000
Current borrowings		
SBX04 secured bond loan - tranche A	**-**	-
SBX04 secured bond loan - tranche B	**-**	-
Unsecured note	**-**	225
	-	225
Non-current borrowings		
SBX04 secured bond loan - tranche A	**-**	-
SBX04 secured bond loan - tranche B	**4,559**	4,035
	4,559	4,035
Total	**4,559**	4,645

Bond loan - SBX04 (Tranche A)
The company exchanged the SBX04 secured bond loan (Tranche A) with the majority of the company's multi-client library assets to bondholder TGS as part of the company's restructuring that was implemented in 2017.

Bond loan - SBX04 (Trance B)
The SBX04 secured bond loan (issued as “SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018 Tranche B”) is recognized in the books at amortized cost of $4.6 million as of 31 December 2018 (nominal value of $4.6 million plus payment in kind interest of $0.4 million plus accrued interest of $0.0 million plus amortized interest of $0.3 million less fair value adjustment of $0.7 million). The SBX04 secured bond loan (Tranche B) is due 30 June 2020, and bears an interest rate of 6.0%. Interest may be paid in kind and deferred until 30 June 2020. The outstanding loan balance is scheduled to be paid at the maturity date. The bond is listed on Nordic ABM, and it is traded with ticker SBEF02 PRO. This bond is secured with an unconditional and irrevocable on-demand guarantee over the vessels of Aquila Explorer, Osprey Explorer and Harrier Explorer.

Unsecured note
The three year unsecured loan was repaid early 2018. The loan was recognized at amortized cost of $0.22 million as of 31 December 2017. Coupon interest rate was 6.0% and stated maturity was 1 January 2018.

Covenants
All bond covenants were suspended for the remaining term of the SBX04 bond as part of the restructuring implemented in quarter three 2017. As such, the company is not subject to any covenant tests as of 31 December 2018 and 2017. All bond covenants were suspended for the remaining term of the SBX04 bond as a part of the restructuring implemented in quarter three. Hence, the SeaBird group nor the company is not subject to any covenant tests as per 31 December 2018 and 2017.

13. Trade and other payables

	2018	2017
	US$000	US$000
Trade payables	44	197
Accrued expenses and other payables	71	-
Total trade and other payables	**115**	197

	2018	2017
	US$000	US$000
Long term trade payables	400	385
Total non-current trade payables	**400**	385

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

Long term trade payable facility
The facility provided by a bunkering supplier (the "Glander facility"), previously classified as “loans and borrowings”, has been reclassified as “non-current trade payables”. The non-current trade payable facility is recognized at amortized cost of $0.4 million (nominal value of $0.4 million plus accrued interest of $0.0 million plus amortized interest $0.1 million less gain on restructuring of $0.1 million). Coupon interest rate is 6.0%. Interest may be paid in kind and is due 30 June 2020. The facility's maturity date is 30 June 2020. The trade payable facility is secured by the same security provided in respect of the SBX04 bond, so that the credit facility's rights to full recovery shall be pari passu with the bondholders.

14. Current tax liabilities

	2018	2017
	US$000	US$000
Corporation tax	28	25
	28	25

15. Related party transactions

The company is a subsidiary of SeaBird Exploration Plc, listed on the Oslo stock exchange. The following transactions were carried out with related parties:

15.1 Receivables from companies within SeaBird group

	2018	2017
	US$000	US$000
Opening balance	94,376	71,505
Gross (Repayments) / Additions	(62,279)	17,411
Intercompany receivable write offs	(8,704)	
Interest charged (Note 7)	6,116	5,460
	29,510	94,376

The above receivables bear interest at 6.35% (2017: 7.06%) 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.

15.2 Payables to companies within SeaBird group

	2018	2017
	US$000	US$000
Opening balance	**94,147**	53,184
Gross (Repayments) / Additions	**(63,268)**	36,344
Interest charged (Note 7)	**5,798**	
Intercompany finance charges	**288**	4,619
	36,966	94,147

The above payables bear interest at 5.95% (2017: 6.66%) 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 minus an administration margin of 0.05% to cover administration of all external and internal loans. The Company considers the basis to be at arm's length.

16. Financial instruments

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Risk management
The entity's operations is the provision of financing to the entities of the Seabird Group. Funding is obtained from external parties or entities within the Group.

Therefore the Group's credit risk is concentrated to the Seabird's Group parent and fellow subsidiaries.

For balances with banks, the Company has established policies such that the majority of bank balances are held with independently rated parties with a minimum rating of A3 (Moody's) or equivalent.

The company has the following types of financial assets that are subject to the expected credit loss model:
- Amounts due from related parties
- Cash and bank balances (including restricted cash)
- Other receivables

The table below details the Company's maximum exposure to credit risk as at year end

	2018	2017
Amounts due from related parties	**29,510**	94,376
Other receivables	**189**	7
Cash and bank balances	**3,580**	5,534
Total	**33,279**	**99,917**

Impairment of financial assets
The impairment methodology applied by the Company for calculating expected credit losses depends on the type of assets assessed for impairment. All assets are assessed for impairment on an individual basis. Specifically:

For amounts due from related parties, other receivables and cash and cash equivalents, the Company applies the general approach. In particular, the Company applies the three stage model for calculating impairment, which is based on changes in the credit quality of the financial asset since initial recognition.
- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. The ECL of financial assets in Stage 1 is measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter.
- If the Company identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis that is, up until its contractual maturity but considering expected prepayments, if any.
- If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

For the Company's policies in relation to what constitutes significant increase in credit risk, which instruments are considered as low credit risk, and the definitions of default and write offs, refer to Note 2.

16. Financial instruments (Cont'd)

Amounts due from related parties

The Company assesses, on an individual basis, its exposure to credit risk arising from amounts due from related parties. This assessment takes into account:

- the financial position of the counterparty;
- the history of defaults in the past;
- expected manner of recovery and the ability of the group to offset outstanding receivable and payable balances.

The following table contains an analysis of the credit risk exposure for amounts due from related parties on the basis of the Company's internal credit risk rating grades. The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2018.

Internal rating	Stage	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Performing	Stage 1 – low risk of default	10,602	-	10,602
Under-performing	Stage 2 – SICR has occurred	-	-	-
Non-performing or Credit-impaired	Stage 3 – objective evidence of impairment	27,611	(8,703)	18,908

The receivables from SeaBird group companies are assessed for lifetime expected credit losses. The loss allowance is estimated based on individual assessment per receivable, taking into consideration the individual counterparty's equity position, financial performance, liquidity position and ability to pay. The Company writes off an amount due from related company when there is information indicating that the debtor is unable to pay, has negative equity and/or when there is a management decision to settle intra-group balances through write-offs.

The company has a credit loss allowance of $8,703k as at 31.12.2018. The company had no credit loss allowance as at 1.1.2018.

Cash and cash equivalents.

With regards to cash and cash equivalents, the Company measures its expected credit loss by reference to the banks' external credit ratings and relevant published default and loss rates, taking into consideration the €100.000 per bank deposit protection guaranteed under the EU Deposit Guarantee Scheme and the NOK 2 million guarantee provided by the Norwegian Bank's Guarantee Fund. As the Company's bank balances at year-end were $3.6 million and that the company has deposited its funds with highly rated banks, no loss has been recognized in the financial statements.

The following table contains an analysis of the gross carrying amount of the Group's cash at bank by reference to the credit risk ratings assigned by external credit rating agencies.

Rating	Agency	Amount
Aa2	Moody's	311
Aa3	Moody's	3,269
Total		3,580

Other receivables

Other receivables are immaterial for further consideration.

16. Financial instruments (Cont'd)

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 Company's short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows at SeaBird group level, and ensuring the availability of funding through an adequate amount of available debt or equity.

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2018 on contractual undiscounted payments.

The amounts included for the bond SBX04 are the maximum amount the Company for the settlement of the bond (see note 12).

The contractual maturity is based on the earliest date on which the Company may be required to pay.

2018	On Demand	Less Than 12 Months	1 to 5 Years	Total
Due to related parties	36,966	-	-	36,966
SBX04 secured bond loan - tranche B	-	-	4,559	4,559
Total liquidity risk	36,966		4,559	41,525

The table below summarises the maturity profile of the company's financial liabilities at 31 December 2017 on contractual undiscounted payments:

2017	On Demand	Less Than 12 Months	1 to 5 Years	Total
Due to related parties	94,147	-	-	94,147
SBX04 secured bond loan - tranche B	-	-	4,035	4,035
Total liquidity risk	**94,147**	**-**	**4,035**	**98,182**

Currency risk

The company's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2018:

2018	ASSETS	LIABILITIES	Net exposure	Change in FX rate (US$ strengthens)	Profit increase/ (decrease)
	US$ 000s	US$ 000s	US$ 000s		US$ 000s
GBP	2	-	2	10%	-
NOK	302	-	302	10%	(3)
TOTAL	**304**	**-**	**304**		**(3)**

2017	ASSETS	LIABILITIES	Net exposure	Change in FX rate (US$ strengthens)	Profit increase/ (decrease)
	US$ 000s	US$ 000s	US$ 000s		US$ 000s
EUR	0	-	0	10%	(0)
GBP	30	-	30	10%	(3)
NOK	1,058	-	1,058	10%	(106)
TOTAL	**1,087**	**-**	**1,087**		**(109)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
USD				
EUR 1	1.1798	1.1274	1.1447	1.1999
GBP 1	1.3335	1.2875	1.2705	1.3503
NOK 1	0.1229	0.1210	0.1151	0.1219

17. Commitments

The company has issued the SBX04 bond, which is secured with an unconditional and irrevocable on-demand guarantee over the vessels Aquila Explorer, Osprey Explorer and Harrier Explorer (SeaBird Group owned vessels). 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 company also has a long term trade facility with Glander. The trade payable 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 2018.

18. Going concern assumption

The company's accounts have been prepared on a going concern basis. The Company's development to date, financial results and position is presented in the financial statements. The company had negative equity of $8.8 million as per 31 December 2018.

The group has performed an intercompany refinancing effort, aiming to eliminate negative equity positions within the individual subsidiaries of the group. This effort continued during 2019. As a result of that the refinancing effort was not fully completed for all SeaBird Exploration Plc subsidiaries, the company has made impairment of group receivables of $8.7 million during the year. SeaBird Exploration Plc completed a $10 million share issue subsequent to the year end to ensure sufficient liquidity and positive equity in SeaBird Exploration Finance Limited.

19. Events after the reporting period

Subsequent to annual closing, SeaBird Exploration Finance completed a share issue of $10 million to increase equity in the company. SeaBird Exploration Plc subscribed for 100% of the issued shares in the share issue.

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