THIRD QUARTER

Q3 16

SeaBird Exploration

2016 SUMMARY OBSERVATIONS FOR THE THIRD QUARTER

SeaBird recorded an 84% active vessel utilization during the third quarter of 2016, with five vessels out of the fleet of six employed on Mexico Gigante and four projects in the North West Europe region.

Following the completion of the Mexico Gigante project, the company's utilization is expected to be low in the fourth quarter and during the winter season. SeaBird continues its active marketing of the fleet to secure new projects. Weak seismic tender activity, substantial competition and high market uncertainty has increased industry and company-specific risk factors. The SeaBird fleet has been reduced with the redelivery of the Voyager Explorer and the agreed sale of the Hawk Explorer improving the cash position of the company. The company continues its cost cutting efforts.

$20.4m

revenues for the quarter

$6.9m

adjusted EBITDA for the quarter

84.0%

vessel utilization

Mexico

TGS Mexico Gigante survey 99.9% completed

7.0%

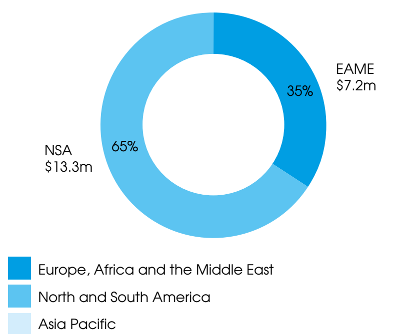
technical downtime

$4.6m

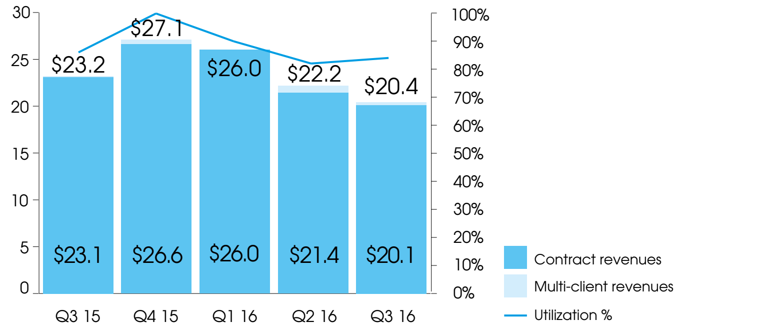
net non-recurring charges

- Revenues for the quarter were $20.4 million, a decrease of 12% compared to Q3 2015 and down 8% relative to Q2 2016.
- Contract revenues for the period were $20.1 million, down 13% from Q3 2015 and a decrease of 6% from Q2 2016.
- Multi-client revenues were $0.3 million, up from $0.1 million reported in Q3 2015 and down from $0.8 million reported in Q2 2016.
- Adjusted EBITDA of $6.9 million. Reported EBITDA was $10.7 million compared to $4.6 million for Q3 2015 and $6.3 million for Q2 2016.
- Adjusted EBIT of $3.1 million. Reported EBIT for the quarter was negative $3.0 million compared to $0.0 million for Q3 2015 and positive $1.9 million for Q2 2016.
- Net non-recurring charges of $4.6 million relating to reversal of bad debt charges and change in provisions for laid-up vessels, vessel impairment and financial gain on the Hawk Explorer lease.
- Vessel utilization for the period was 84.0%. Contract surveys during the third quarter represented 78.6% of vessel capacity compared to 86.2% during the third quarter 2015. Multi-client surveys accounted for 5.4% of vessel capacity compared to 0% in the third quarter 2015.
- 7.0% technical downtime in the quarter compared to 9.0% for Q3 2015.
- Zero lost time injury frequency (LTIF) in the quarter.

REVENUE BY REGION
(USD MILLIONS)



REVENUES CONTINUING OPERATIONS
(USD MILLIONS)



Operational review

The third quarter of 2016 was challenging with weak seismic market demand. Although there are signs of a market stabilization, total vessel utilization is reduced and the timing of a sustained market recovery is still highly uncertain.

Active vessel utilization for the third quarter of 2016 was 84.0%, up from 82.0% in the second quarter. Contract surveys represented 78.6% of vessel capacity compared to 74.9% for the second quarter of 2016. Technical downtime for the fleet was 7.0% in Q3 2016, up from 5.8% in Q2.

Hawk Explorer, Aquila Explorer and Northern Explorer were in production on the Mexico Gigante project during the quarter. Hawk Explorer and Aquila Explorer left Gigante and transited to the Caribbean mid-quarter while Northern Explorer was in production on the Mexico Gigante project during the whole period. The Mexico Gigante project was 99.9% completed at the end of the quarter. Osprey Explorer finished its source project in North West Europe before commencing and completing an undershoot survey in the North Sea. Harrier Explorer completed a 2D contract survey in the Barents Sea and commenced a new multi-client survey in the same area.

Voyager Explorer was redelivered to its owner in September. The Munin Explorer remained stacked. On 1 September, the company acquired the Hawk Explorer along with all seismic equipment on the vessel, further cancelling all future lease payments and additional obligations. Subsequent to quarter end, SeaBird announced that it had entered into an agreement for the sale and decommissioning of the Hawk Explorer. The decommissioning of the vessel will effectively improve the cash position and is a part of the company's efforts to reduce cost and adjust fleet capacity to better reflect current market demand. The company will retain the vessel's seismic equipment.

Voyager Explorer completed its scheduled docking in Singapore in September. Yard stay represented 0.0% of active vessel capacity during the quarter.

Multi-client surveys represented 5.4% of vessel utilization in the quarter, compared to 7.0% in the previous quarter and nil the same quarter last year. Multi-client revenues were $0.3 million in the period, compared to $0.8 million in the previous quarter.

The company announced one new prefunded 4,000 km multi-client survey in the Barents Sea during the quarter. The company commenced operation on this survey in September and will complete the project in the fourth quarter.

Operational expenses were reduced during the third quarter relative to

KEY HIGHLIGHTS

previous quarters as a result of ongoing cost cutting initiatives.

Total net non-recurring charges were $4.6 million in the quarter. Of this amount, $3.3 million represented a reversal of bad debt costs and was charged to SG&A in the period. Additionally, the company booked an impairment of $9.9 million on the Hawk Explorer. Further, the company reported a $1.4 million gain in relation to the purchase of Hawk Explorer and settlement of the Hawk Explorer financial lease. Net non-recurring cost of sales in the quarter amounted to positive $0.5 million, which mainly relates to a $1.4 million cost reversal for Geo Pacific in relation to the final commercial settlement with its owner, partly offset by a $0.5 million charge for the planned sale and decommissioning of the Hawk Explorer and additional Voyager Explorer redelivery costs of $0.4 million.

Capital expenditures were $0.7 million during the quarter compared to $1.7 million Q3 2015.

Lost time injury frequency (LTIF) rate for the quarter was zero.

Regional review

North and South America (NSA) continued to be the most active region during the quarter. NSA revenues of $13.3 million represented 65% of total revenues for the quarter, all of which were related to Mexico Gigante.

Europe, Africa and the Middle East (EAME) revenues of $7.2 million represented 35% of total Q3 revenues. Osprey Explorer completed a source job and an undershoot project in the quarter, while Harrier Explorer completed a 2D contract and commenced a prefunded multi-client project.

No SeaBird vessels worked in Asia Pacific (APAC) during the quarter and revenues were nil in the region.

Outlook

Global seismic demand continued to be weak in the third quarter. Oil industry exploration spending is anticipated to remain depressed for the foreseeable future and this is likely to continue to negatively impact seismic activity.

The company's fleet capacity has been reduced to better reflect current market demand. The company continues to evaluate and execute savings initiatives to reduce the company's overall cost level, and this may include temporary stacking of additional vessels.

The fourth quarter is expected to be negatively impacted by idle periods as well as the potential repositioning of vessels before start-up of new projects. We expect the current seismic market softness to continue to impact the seismic sector in 2017. The company is reviewing a number of survey opportunities. However, the current market uncertainty makes it difficult to predict the level of contract coverage that is possible to obtain.

Financial comparison

All figures below relate to continuing operations unless otherwise stated. For discontinued operations, see note 1. The company reports net loss of $3.0 million for Q3 2016 (net loss of $1.7 million in the same period in 2015).

Revenues were $20.4 million in Q3 2016 ($23.2 million). The decreased revenues are primarily due to lower utilization and reduced fleet size.

Cost of sales was $10.2 million in Q3 2016 ($14.5 million). The decrease is predominantly due to fewer vessels in operation, lower operating expenses and non-recurring restructuring charges for onerous long-term lease contracts taken in 2015.

SG&A was $3.1 million in Q3 2016, down from $4.3 million in Q3 2015. The decrease is principally due to cost saving initiatives, reduced headcount and bad debt charges incurred in Q3 2015.

Reversal of bad debt charges was $3.3 million in Q3 2016.

Other income (expense) was $0.2 million in Q3 2016 ($0.1 million).

EBITDA was $10.7 million in Q3 2016 ($4.6 million).

Depreciation, amortization and impairment were $13.7 million in Q3 2016 ($4.6 million). This increase is largely due to an impairment on the Hawk Explorer taken in the quarter.

Finance expense was $1.3 million in Q3 2016 ($1.6 million).

Other financial items were $1.4 million in Q3 2016 ($0.0 million). The increase is due to the financial gain recorded in relation to the settlement of the Hawk Explorer finance lease that was booked in the quarter.

Income tax expense was $0.1 million in Q3 2016 ($0.2 million).

Capital expenditures in the quarter were $0.7 million ($1.7 million).

Multi-client investment was $0.6 million in Q3 2016 ($0.1 million).

FINANCIAL REVIEW

KEY FIGURES – CONTINUING OPERATIONS					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's (except for EPS and equity ratio)	2016	2015	2016	2015	2015
Revenues	20,444	23,231	68,627	67,017	94,127
EBITDA	10,671	4,591	24,328	6,288	10,917
EBIT	(3,002)	1	2,465	(11,956)	(17,603)
Profit/(loss)	(2,985)	(1,705)	(1,109)	44,805	38,344
Earnings per share (diluted)	(0.97)	(0.56)	(0.36)	18.48	14.84
Cash flow operating activities	7,567	1,040	15,232	(9,349)	(6,909)
Capital expenditures	(697)	(1,723)	(2,849)	(5,052)	(5,555)
Total assets	82,646	116,784	82,646	116,784	106,757
Net interest bearing debt	18,592	28,267	18,592	28,267	27,489
Equity ratio	34.9%	31.2%	34.9%	31.2%	28.1%

Note: All figures are from continuing operations. See note 1 for discontinued operations.

Liquidity and financing

Cash and cash equivalents at the end of the period were $11.8 million ($5.4 million in Q3 2015), of which $0.4 million was restricted in connection with deposits and tax. Net cash from operating activities was $7.6 million in Q3 2016 ($1.0 million in Q3 2015).

The company has one bond loan, one secured credit facility and one unsecured note. The Hawk Explorer finance lease was settled during the quarter.

The SBX04 secured bond loan (issued as "SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018") is recognized in the books at amortized cost of $27.2 million per Q3 2016 (nominal value of $29.3 million plus accrued interest of $0.2 million plus amortized interest of $2.1 million less fair value adjustment of $4.4 million). This bond has been issued in two tranches; tranche A amounting to $5.0 million and tranche B amounting to $24.3 million. The SBX04 bond tranche A is carrying an interest rate of 12.0% and Tranche B is carrying an interest rate of 6.0%. Interest is paid quarterly in arrears with first interest instalment paid on 3 June 2015. The bond matures on 3 March 2018, with principal amortizations due in quarterly instalments of $2.0 million starting at 3 June 2017. The outstanding loan balance will be paid at the maturity date. Interest paid during Q3 2016 was $0.5 million. The bond is listed on Nordic ABM, and it is traded with ticker SBEF01 PRO and SBEF02 PRO for the respective two bond tranches.

The three-year secured credit facility is recognized at amortized cost of $2.1 million (initial nominal value of $2.3 million plus accrued interest of $0.02 million plus amortized interest of $0.2 million less fair value adjustments of $0.4 million). Coupon interest rate is 6.0%. Interest is to be paid quarterly in arrears and the first interest amount was paid on 3 June 2015. The facility matures at 3 March 2018 with quarterly instalments of $0.2 million starting on 3 June 2017. The outstanding loan will be repaid in full at maturity. Principal repayments during Q3 2016 amounted to $0.6 million and additional amounts drawn on the credit facility during the period was $0.6 million. Interest paid during Q3 2016 was $0.03 million.

The three-year unsecured loan is recognized at amortized cost of $1.1 million (initial nominal value of $2.1 million plus amortized interest $0.2 million less fair value adjustment and accrued interest of $0.3 million less principal repayments of $0.9 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 is payable in nine equal quarterly instalments of $0.2 million commencing on 1 January 2016. Interest paid during Q3 2016 was $0.02 million and principal repayments during Q3 2016 was $0.2 million.

On 1 September, the company acquired the Hawk Explorer along with all seismic equipment on the vessel and an agreement to cancel all future lease payments and additional obligations that were a part of the original charter agreement. The final Hawk lease settlement, instalments and interest amounting to $1.5 million were paid during Q3 2016 ($0.6 million in Q3 2015).

Net interest bearing debt was $18.6 million as at the end of Q3 2016 ($28.3 million in Q3 2015).

Accrued interest on the bond loan, credit facility and the unsecured note for Q3 2016 was $0.2 million ($0.2 million).

The company was in compliance with all covenants as of 30 September 2016.

The total outstanding amount of common shares in the company is 3,065,434. The company has also issued 884,686 warrants, convertible into 884,686 ordinary shares. The warrants are listed on the Oslo Stock Exchange with ticker SBX J.

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

The Board of Directors and Chief Executive Officer

SeaBird Exploration Plc
3 November 2016

Annette Malm Justad
Chairman

Kitty Hall
Director

Olav Haugland
Director

Hans Petter Klohs
Director

Christophe Debouvry
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION			
	As of 30 September		As of 31 December
All figures in $000's	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	50,123	71,022	67,433
Multi-client library	2,657	9,517	3,340
Long term investment	125	8	5
	52,905	**80,547**	**70,778**
Current assets			
Inventories	1,530	3,093	3,091
Trade receivables	12,921	11,144	12,611
Other current assets	3,473	16,575	14,025
Cash and cash equivalents	11,817	5,425	6,252
	29,741	**36,237**	**35,979**
Total assets	**82,646**	**116,784**	**106,757**
EQUITY			
Shareholders' equity			
Paid in capital	218,690	218,696	218,690
Equity component of warrants	2,736	2,736	2,736
Equity component of convertible loan	–	–	–
Currency translation reserve	(407)	(407)	(407)
Share options granted	–	1,356	–
Retained earnings	(192,141)	(185,976)	(191,043)
	28,878	**36,405**	**29,976**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	25,204	28,881	31,098
Provision for end of service benefit	–	–	–
	25,204	**28,881**	**31,098**
Current liabilities			
Trade and other payables	13,692	27,908	25,371
Provisions	4,381	13,015	12,226
Loans and borrowings	5,205	4,811	2,644
Tax liabilities	5,286	5,764	5,442
	28,564	**51,498**	**45,683**
Total liabilities	**53,768**	**80,379**	**76,781**
Total equity and liabilities	**82,646**	**116,784**	**106,757**

CONSOLIDATED INTERIM STATEMENT OF INCOME					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in $000's	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	20,444	23,231	68,627	67,017	94,127
Cost of sales	(10,225)	(14,532)	(38,141)	(51,573)	(69,756)
Selling, general and administrative expenses	(3,109)	(4,254)	(10,230)	(14,125)	(18,597)
Reversal of bad debt charges	3,324	–	3,324	–	–
Other income (expenses), net	237	146	748	255	430
Restructuring gain on leases	–	–	–	4,713	4,713
Earnings before interest, tax, depreciation and amortization (EBITDA)	**10,671**	**4,591**	**24,328**	**6,288**	**10,917**
Depreciation	(3,132)	(3,602)	(10,026)	(12,250)	(16,046)
Amortization	(685)	(988)	(1,981)	(1,943)	(3,112)
Impairment	(9,856)	–	(9,856)	(4,052)	(9,362)
Earnings before interest and taxes (EBIT)	**(3,002)**	**1**	**2,465**	**(11,956)**	**(17,603)**
Finance expense	(1,278)	(1,572)	(4,132)	(3,892)	(4,860)
Other financial items, net	1,375	43	1,153	(68)	73
Restructuring gain	–	–	–	61,697	61,697
Profit/(loss) before income tax	**(2,905)**	**(1,528)**	**(514)**	**45,781**	**39,307**
Income tax	(80)	(177)	(595)	(975)	(963)
Profit/(loss) continuing operations	**(2,985)**	**(1,705)**	**(1,109)**	**44,805**	**38,344**
Net profit/(loss) discontinued operations (note 1)	–	–	–	180	218
Profit/(loss) for the period	**(2,985)**	**(1,705)**	**(1,109)**	**44,985**	**38,562**
Profit/(loss) attributable to					
Shareholders of the parent	(2,985)	(1,705)	(1,109)	44,985	38,562
Earnings per share					
Basic	(0.97)	(0.56)	(0.36)	18.94	15.13
Diluted	(0.97)	(0.56)	(0.36)	18.56	14.92
Earnings per share from continued operations					
Basic	(0.97)	(0.56)	(0.36)	18.86	15.05
Diluted	(0.97)	(0.56)	(0.36)	18.48	14.84

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Quarter ended 30 September 2016 (Unaudited)	Quarter ended 30 September 2015 (Unaudited)	Nine months ended 30 September 2016 (Unaudited)	Nine months ended 30 September 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
Profit/(loss)	**(2,985)**	**(1,705)**	**(1,109)**	**44,985**	**38,562**
OTHER COMPREHENSIVE INCOME					
Net movement in currency translation reserve and other changes	11	4	11	34	34
Total other comprehensive income, net of tax	**11**	**4**	**11**	**34**	**34**
Total comprehensive income	**(2,974)**	**(1,701)**	**(1,098)**	**45,019**	**38,596**
Total comprehensive income attributable to					
Shareholders of the parent	(2,974)	(1,701)	(1,098)	45,019	38,596
Total	**(2,974)**	**(1,701)**	**(1,098)**	**45,019**	**38,596**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

All figures in $000's	Nine months ended 30 September 2016 (Unaudited)	Nine months ended 30 September 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
Opening balance	**29,976**	**(40,921)**	**(40,921)**
Profit/(loss) for the period	(1,109)	44,985	38,562
Increase/(decrease) in share capital	–	29,571	29,565
Increase/(decrease) equity component of warrants	–	2,736	2,736
Increase/(decrease) equity component of convertible loan	–	–	–
Share options granted	–	29	–
Net movements in currency translation reserve and other changes	11	5	34
Ending balance	**28,878**	**36,405**	**29,976**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOW					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in $000's	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax	(2,905)	(1,528)	(514)	45,781	39,307
Adjustments for					
Depreciation, amortization and impairment	13,673	4,590	21,863	18,319	28,594
Other items	(1,450)	–	(1,450)	(66,411)	(66,411)
Movement in provision	(3,609)	(1,286)	(7,787)	3,348	2,560
Unrealized exchange (gain)/loss	(6)	144	131	47	(68)
Interest expense on financial liabilities	958	966	2,930	3,075	4,054
Paid income tax	(150)	(997)	(752)	(2,385)	(2,634)
(Increase)/decrease in inventories	1,373	206	1,561	1,370	1,373
(Increase)/decrease in trade and other receivables	4,105	(2,917)	10,378	8,141	9,339
Increase/(decrease) in trade and other payables	(4,422)	1,862	(11,128)	(20,634)	(23,023)
Net cash from operating activities	**7,567**	**1,040**	**15,232**	**(9,349)**	**(6,909)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(697)	(1,723)	(2,849)	(5,052)	(5,555)
Multi-client investment	(723)	(75)	(1,287)	(240)	(244)
Long-term investment	(120)	–	(120)	–	–
Net cash used in investing activities	**(1,540)**	**(1,798)**	**(4,256)**	**(5,292)**	**(5,799)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of preference shares and warrants	–	–	–	10,986	10,980
Receipts from borrowings	–	–	–	5,000	5,000
Repayment of borrowings	(1,575)	(413)	(3,060)	(1,129)	(1,510)
Interest paid	(723)	(767)	(2,351)	(1,764)	(2,482)
Net cash from financing activities	**(2,298)**	**(1,180)**	**(5,411)**	**13,093**	**11,988**
Net (decrease)/increase in cash and cash equivalents	**3,730**	**(1,938)**	**5,565**	**(1,548)**	**(720)**
Cash and cash equivalents at beginning of the period	**8,087**	**7,363**	**6,252**	**6,972**	**6,972**
Cash and cash equivalents at end of the period	**11,817**	**5,425**	**11,817**	**5,425**	**6,252**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS					
	Quarter ended 30 September		Nine months ended 30 September		Year ended 31 December
All figures in USD 000's	2016	2015	2016	2015	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenues	–	–	–	–	–
Cost of sales	–	–	–	180	180
Selling, general and administrative expenses	–	–	–	–	–
Other income (expenses), net	–	–	–	–	–
Earnings before interest, tax, depreciation and amortization (EBITDA)	**-**	**-**	**-**	**180**	**180**
Depreciation and amortization	–	–	–	–	–
Impairment	–	–	–	–	–
Earnings before interest and taxes (EBIT)	**-**	**-**	**-**	**180**	**180**
Interest expense	–	–	–	–	–
Other financial items, net	–	–	–	–	–
Profit/(loss) before income tax	**-**	**-**	**-**	**180**	**180**
Income tax	–	–	–	–	38
Profit/(loss) discontinuing operations	**-**	**-**	**-**	**180**	**218**
Gain/(loss) on sale of OBN business	–	–	–	–	–
Net profit/(loss) from discontinued operations	**-**	**-**	**-**	**180**	**218**
Profit/(loss) attributable to					
Shareholders of the parent	–	–	–	180	218

SELECTED NOTES AND DISCLOSURES

SeaBird Exploration Plc is a limited liability company. The company's address is 25, Kolonakiou Street Block B, Office 101, 4103 Linopetra, Limassol, Cyprus. The company also has offices in Oslo (Norway), Houston (USA) and Singapore. The company is listed on the Oslo Stock Exchange under the ticker symbol "SBX".

Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Oslo Stock Exchange. The condensed interim consolidated financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

The consolidated financial statements for the year ended 31 December 2015 and quarterly reports are available at www.sbexp.com. The financial statements as of Q3 2016, as approved by the board of directors 3 November 2016, are unaudited.

Significant accounting principles

The accounting policies used for preparation of the condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for 2015 unless otherwise stated.

Risk factors

The information in this report may constitute forward-looking statements. These statements are based on various assumptions made by the company, many of which are beyond its control and all of which are subject to risks and uncertainties. Risk factors include but are not limited to the demand for our seismic services, the high level of competition in the 2D/3D market, changes in governmental regulations, adverse weather conditions, and currency and commodity price fluctuations. For further description of relevant risk factors, we refer to the annual report 2015. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward-looking statements.

Segment information

All seismic vessels and operations are conducted and monitored within the company as one business segment.

Revenue recognition

Revenues and costs are recognized in

line with project duration starting from first shot point in the seismic survey and ending at demobilization.

Property, plant and equipment

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

Depreciation for Q3 2016 was $3.1 million.

Critical accounting estimates and judgments related to property plant & equipment and leases

We refer to the critical accounting estimates and judgments section of the 2015 annual report. The preparation of financial statements in conformity with IFRS 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. In particular, estimates and judgments including expectations of future events are important in the impairment assessment of property, plant and equipment and the evaluation of potentially onerous leases.

The company's value in use model includes estimates of the expected future cash flows from each cash generating unit (each vessel) based on day-rate, utilization, direct and indirect costs and required capital investments over the remaining life of the vessel.

These cash flows are discounted at the company's cost of capital to estimate the present value, which is compared to book value at the relevant balance sheet date. Impairment of finance leases is evaluated annually based on value in use calculations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Currently, there is an overcapacity of vessels in the seismic market and there is a high uncertainty with regards to the future outlook in terms of utilization and day rates. There is a risk that an impairment of property, plant and equipment could be triggered by the lay-up of additional vessels, an extended lay-up period, a reduction in economic life or reduced utilization or contract day rates.

Provisions for restructuring costs, onerous contracts and legal claims are measured at the management's best estimate of the expenditure required to settle the present obligation at the reporting date, and are discounted to present value. Due to the uncertain market outlook, there is a risk that additional provisions may need to be established for the leased vessel Munin Explorer due to an extended lay-up period, a reduction in economic life, reduced utilization, reduced contract day rates or additional costs to redeliver the vessel to its owner.

Leased vessels and restructuring provisions

The company chartered the 3D vessel Geo Pacific, on a three-year bareboat charter from 31 December 2012 to 31 December 2015. The company redelivered the Geo Pacific to its owners on 30 December 2015. The company made a provision in December 2014 to cover the remaining estimated costs of the charter including redelivery. During the quarter the company agreed the final commercial settlement with respect to redelivery of the Geo Pacific, and made a gain of $1.4 million as the settlement agreement was more favorable than assumed in the provision.

The 3D vessel Voyager Explorer has been chartered on a bareboat charter. The vessel has been cold-stacked and was redelivered to its owners during the quarter. The company booked operational restructuring charges of $1.6 million in Q4 2014, $2.9 million in Q2 2015 and $0.6 million in Q2 2016 to cover estimated operating expenses during the lay-up period. In Q3 2016, the company recognized an additional $0.4 million operational restructuring charge relating to additional redelivery costs.

The Munin Explorer is chartered on a bareboat contract that runs through October 2019, with a current day rate of $12,735 and an annual rate increase of 2% taking effect in August of each year. During Q2 2015, the company decided to stack the Munin Explorer.
The vessel is currently forecasted to return to operation in Q2 2017. The company booked an operational restructuring charge of $4.8 million for Munin Explorer during Q2 2015 and an additional charge of $3.7 million in Q4 2015, which covers the net present value of lay-up costs less estimated profits for the remainder of the lease period.

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

The company incurred $3.7 million in operating costs and $0.1 million in interest expense that was charged against provisions on onerous leases (Geo Pacific, Voyager Explorer, Munin Explorer and Hawk Explorer) in Q3 2016. Please see table below for additional details.

Provisions	USD millions
Starting balance 1 Jul 2016	8.5
Incurred costs	(3.7)
Changes in provision estimate (booked to cost of sales)	(0.5)
Interest expense	0.1
Ending balance 30 Sep 2016	**4.4**

Multi-client library

Costs directly incurred in acquiring, processing and otherwise completing multi-client seismic surveys are capitalized to the multi-client library in the period when they occur.

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

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

Multi-client sales in Q3 2016 were $0.3 million ($0.1 million).

Multi-client amortization in Q3 2016 was $0.7 million ($1.0 million), of which $0.4 million was related to minimum amortization.

Multi-client impairment was nil in Q3 2016 (nil).

Multi-client library	USD millions
Beginning balance 1 Jul 2016	2.7
Capitalized cost	0.5
Capitalized depreciation	0.1
Impairment	–
Amortization	(0.7)
Net book value 30 Sep 2016	**2.7**

Debt securities and maturities

The company has one bond loan (SBX04; SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018), one secured credit facility and one unsecured note. The Hawk Explorer finance lease was settled on 1 September 2016. The total book value of outstanding debt as per 30 September 2016 is $30.4 million. Please see table below for additional details.

Debt securities	USD millions
LONG TERM DEBT	
Secured debt	
SBX04 bond loan, face value	29.3
Secured credit facility, face value	2.3
Less current portion of secured debt	(4.3)
Unsecured debt	
Unsecured note, face value	1.2
Less current portion of unsecured note	(0.7)
Fair value adjustment*	(2.6)
Non-current loans and borrowings 30 Sep 2016	**25.2**
SHORT TERM DEBT	
Accrued interest	0.2
Current portion of long-term debt	5.0
Current loans and borrowings 30 Sep 2016	**5.2**

* of which SBX04: $2.3m, secured credit facility: $0.2m, unsecured note: $0.1m

The SBX04 bond loan and the credit facility matures 3 March 2018. The bond loan has principal amortization due in quarterly instalments of $2.0 million starting at 3 June 2017 with a balloon repayment to be made at maturity. Further, the credit facility has quarterly principal amortization of $160 thousand starting on 3 June 2017 with a balloon repayment to be made at maturity. The unsecured note is payable in nine equal quarterly instalments of $235 thousand, with the first instalment falling due 1 January 2016.

During quarter one, SeaBird agreed to further extend the Hawk Explorer lease based on unchanged payment terms from 31 May 2016 to 28 February 2017. On 1 September, the company entered into a contract for the purchase of the Hawk Explorer and its seismic equipment. SeaBird made a payment of $1.1 million for the vessel and seismic equipment as well as the cancellation of all future lease payments and additional obligations as required under the charter agreement.

Aggregate maturities of loans and borrowings	USD millions
Year of repayment	
2016	–
2017	7.7
2018	25.2
Total debt principal 30 Sep 2016	**32.8**

Discontinued operations

On 8 December 2011, the company sold the ocean bottom node business (accounted for as discontinued operations) to Fugro Norway AS. The company has no remaining assets or potential revenues, but has recorded selected tax liabilities in relation to the discontinued operations. The company had zero revenues and net income related to discontinued operations in the quarter. See note 1 to the consolidated income statement for the income statement for discontinued operations.

Share capital and share options

The total number of ordinary shares at 30 September 2016 is 3,065,434 with a nominal value of $0.1 per share. In addition, the company has outstanding 884,686 warrants, each with an exercise price of NOK 100 per share and an expiration date of 15 January 2018.

The company has no share options outstanding as at 30 September 2016.

Taxes

The parent company, SeaBird Exploration Plc, is subject to taxation in Norway while the majority of its subsidiaries are subject to taxation in Cyprus. The company is also subject to taxation in various other jurisdictions because of its global operations. The company is continuing to evaluate its historical tax exposures which might change the reported tax expense.

Related party transactions

All related party transactions have been entered into on an arm's length basis. The company had no related party transactions during the quarter.

Going concern

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

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

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

Designed and produced by www.tothepoint.co.uk

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

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

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

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

WWW.SBEXP.COM

SeaBird Exploration