SECOND QUARTER

Q2 16

SeaBird Exploration

2016 SUMMARY OBSERVATIONS FOR THE SECOND QUARTER

SeaBird recorded an 82% active vessel utilization during the second quarter of 2016, with the fleet employed on the TGS Gigante survey in Mexico and two projects in North West Europe. Utilization is expected to be reduced in the second half of the year as several vessels are completing their contracts with no immediate new employment secured. The weak seismic tender activity and high market uncertainty has increased industry and company-specific risk factors. The company continues to reduce operating costs, is actively reviewing its fleet capacity and may stack additional vessels.

$22.2m

revenues for the quarter

$6.3m

EBITDA for the quarter

82.0%

vessel utilization

Mexico

four vessels active on TGS Gigante survey

5.8%

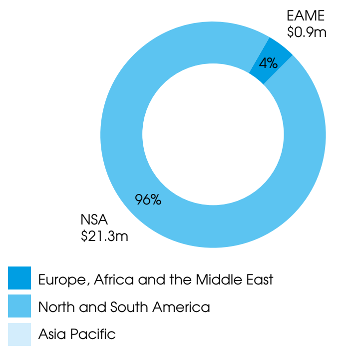
technical downtime

Voyager

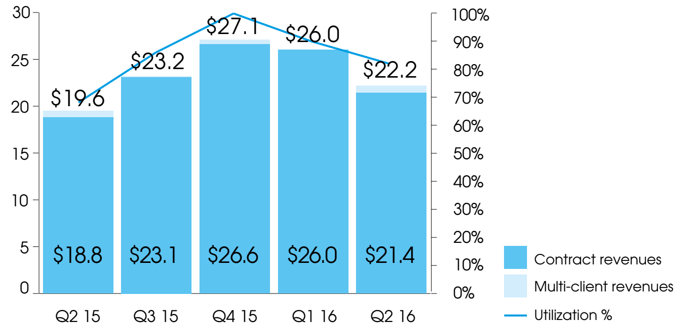
Voyager Explorer to be redelivered

- Revenues for the quarter were $22.2 million, an increase of 14% compared to Q2 2015 and down 14% relative to Q1 2016.
- Contract revenues for the period were $21.4 million, up 14% from Q2 2015 and a decrease of 17% from Q1 2016.
- Multi-client revenues were $0.8 million, up from $0.7 million reported in Q2 2015 and nil reported in Q1 2016.
- EBITDA was $6.3 million compared to negative $6.5 million for Q2 2015 and $7.4 million for Q1 2016.
- EBIT for the quarter was $1.9 million compared to negative $15.7 million for Q2 2015 and positive $3.6 million for Q1 2016.
- Vessel utilization for the period was 82.0%. Contract surveys during the second quarter represented 74.9% of vessel capacity compared to 68.1% during the second quarter 2015. Multi-client surveys accounted for 7.0% of vessel capacity compared to 0% in the prior period.
- 5.8% technical downtime in the quarter compared to 1.9% for Q2 2015 and 6.8% previous quarter.
- Zero lost time injury frequency (LTIF) in the quarter.

REVENUE BY REGION
(USD MILLIONS)



REVENUES CONTINUING OPERATIONS
(USD MILLIONS)



Operational review

The second quarter of 2016 was challenging with weak seismic market demand. Timing of a sustained market recovery is still highly uncertain.

Vessel utilization for the second quarter of 2016 was 82.0%, down from 90.3% in the first quarter. Contract surveys represented 74.9% of vessel capacity compared to 90.3% for the first quarter of 2016. Technical downtime for the fleet was 5.8% in Q2 2016, down from 6.8% in Q1.

Hawk Explorer, Harrier Explorer, Northern Explorer and Aquila Explorer were in production on the Mexico Gigante project during the quarter. Osprey Explorer left the Gigante project at the start of the quarter, completed its scheduled dry dock in Denmark and mobilized for a source contract in the North Sea. Harrier Explorer worked on the Mexico Gigante project until May, then transited to North West Europe to complete a multi-client survey. The vessel subsequently mobilized for a 2D survey in North West Europe which commenced in quarter three.

Osprey Explorer completed its scheduled maintenance in Denmark in June. Yard stay represented 9.9% of vessel capacity during the quarter.

Munin Explorer and Voyager Explorer remained stacked during the period. During the quarter the company made the decision to redeliver the Voyager Explorer to its owners following the completion of its bareboat charter in August 2016.

KEY HIGHLIGHTS

Multi-client surveys represented 7.0% of vessel utilization in the quarter, compared to 0% in the previous quarter and 0% the same quarter last year. Multi-client revenues were $0.8 million in the period, compared to nil in the previous quarter.

The company signed two new contracts during the quarter; one for source work in the North Sea and one 2D survey in the North West Europe region, representing approximately four vessel months in total.

Operational expenses were reduced during the second quarter relative to previous quarters as a result of ongoing cost cutting initiatives.

Capital expenditures were $1.5 million during the quarter.

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 $21.3 million represented 96% of total revenues for the quarter.

Europe, Africa and the Middle East (EAME) revenues of $0.9 million represented 4% of total Q2 revenues. Harrier Explorer completed a significantly prefunded multi-client project and Osprey Explorer commenced a source project in the region during the quarter.

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 second 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 Mexico Gigante project is expected to be completed during the third quarter of 2016, with three vessels employed on the project in that reporting period. The remaining active fleet is currently employed in the North West Europe region. The company is reviewing a number of survey opportunities for quarter four of 2016 as well as fiscal 2017. However, the current market uncertainty makes it difficult to predict the level of contract coverage that is possible to obtain beyond the company's firm backlog. Consequently, the company is reviewing its fleet capacity and other measures to further reduce its operating cost level. This may include stacking of additional vessels and further fleet reduction.

Financial comparison

All figures below relate to continuing operations unless otherwise stated. For discontinued operations, see note 1. The company reports net income of $0.1 million for Q2 2016 (net loss of $16.8 million in the same period in 2015).

Revenues were $22.2 million in Q2 2016 ($19.6 million). The increased revenues are primarily due to higher fleet utilization.

Revenues for first half of 2016 were $48.2 million ($43.8 million).

Cost of sales was $12.9 million in Q2 2016 ($20.0 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 Q2 2015.

For the first half of 2016, cost of sales amounted to $27.9 million, down from $37.0 million for same period during 2015.

SG&A was $3.2 million in Q2 2016, down from $6.1 million in Q2 2015. The decrease is principally due to one-off bad debt expenses on long-dated receivables incurred in Q2 2015 and reduced onshore headcount.

SG&A for the first half of 2016 was $7.1 million ($9.9 million).

Other income (expense) was $0.2 million in Q2 2016 (nil).

Other income (expense) for the first half was $0.5 million ($0.1 million).

EBITDA was $6.3 million in Q2 2016 (negative $6.5 million).

EBITDA for first half of 2016 was $13.7 million ($1.7 million).

Depreciation, amortization and impairment were $4.3 million in Q2 2016 ($9.2 million). This decrease is largely due to an impairment on the multi-client library taken in Q2 2015.

For the first half of 2016, depreciation amortization and impairment were $8.2 million ($13.7 million).

Finance expense was $1.5 million in Q2 2016 ($1.3 million).

For the first half of 2016 finance expense was $2.9 million ($2.3 million).

Other financial items were negative $0.1 million in Q2 2016 (positive $0.1 million).

For the first half of 2016, other financial items were negative $0.2 million (negative $0.1 million).

Income tax expense was $0.3 million in Q2 2016 ($0.3 million).

For the first half of 2016 income tax expense was $0.5 million ($0.8 million).

Capital expenditures in the quarter were $1.5 million ($3.1 million).

Multi-client investment was $0.7 million in Q2 2016 ($0.2 million).

FINANCIAL REVIEW

KEY FIGURES – CONTINUING OPERATIONS

All figures in USD 000's (except for EPS and equity ratio)	Quarter ended 30 June 2016	Quarter ended 30 June 2015	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenues	22,225	19,557	48,184	43,786	94,127
EBITDA	6,259	(6,496)	13,658	1,697	10,917
EBIT	1,911	(15,658)	5,468	(11,957)	(17,603)
Profit/(loss)	78	(16,831)	1,875	46,511	38,344
Earnings per share (diluted)	0.03	(5.34)	0.61	22.12	14.84
Cash flow operating activities	1,542	(4,121)	7,665	(10,338)	(6,909)
Capital expenditures	(1,452)	(3,121)	(2,153)	(3,329)	(5,555)
Total assets	96,625	119,026	96,625	119,026	106,757
Net interest bearing debt	24,964	26,357	24,964	26,357	27,489
Equity ratio	33.0%	32.0%	33.0%	32.0%	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 $8.1 million ($7.4 million in Q2 2015), of which $0.4 million was restricted in connection with deposits and tax. Net cash from operating activities was $1.5 million in Q2 2016 (negative $4.1 million in Q2 2015).

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

The SBX04 secured bond loan (issued as "SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018") is recognized in the books at amortized cost of $26.8 million per Q2 2016 (nominal value of $29.3 million plus accrued interest of $0.2 million plus amortized interest of $1.8 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 Q2 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 Q2 2016 amounted to $0.7 million and additional amounts drawn on the credit facility during the period was $0.5 million. Interest paid during Q2 2016 was $0.03 million.

The three-year unsecured loan is recognized at amortized cost of $1.4 million (initial nominal value of $2.1 million plus amortized interest $0.2 million less fair value adjustment and accrued interest of $0.2 million less principal repayments of $0.7 million). Coupon interest rate is 6.0%. Stated maturity date is on 1 January 2018. Interest is paid quarterly in arrears and the first payment was due on 1 April 2015. The principal will be repayable in nine equal quarterly instalments of $0.2 million commencing on 1 January 2016. Interest paid during Q2 2016 was $0.02 million and principal repayments during Q2 2016 was $0.2 million.

The lease of Hawk Explorer is recognized in the books as a finance lease at $2.8 million per Q2 2016. Instalments and interest amounting to $0.6 million were paid during Q2 2016 ($0.6 million in Q2 2015).

Net interest bearing debt was $25.0 million as at the end of Q2 2016 ($26.4 million in Q2 2015).

Accrued interest on the bond loan, credit facility and the unsecured note for Q2 2016 was $0.2 million ($0.2 million).

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

Important events in the first half of the year

In January 2016, the company announced that Mr. Christophe Debouvry was appointed as new CEO.

The company signed four new contracts during the first half of the year; two source work awards, one 2D survey and one 2D multi-client survey, all in the North West Europe region.

On 10 May 2016, the annual general meeting of the company was held. At this meeting, board members Annette Malm Justad (Chairman), Kitty Hall (Director), Olav Haugland (Director) and Hans Petter Klohs (Director) were re-elected for a new term.

Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2016, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the company's consolidated assets, liabilities, financial position and results of operations. We also confirm that, to the best of our knowledge, the first half 2016 report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major related parties' transactions.

The Board of Directors and Chief Executive Officer

SeaBird Exploration Plc
18 August 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 June		As of 31 December
All figures in $000's	2016	2015	2015
	(Unaudited)	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	62,569	72,981	67,433
Multi-client library	2,708	10,430	3,340
Long term investment	131	8	5
	65,408	**83,419**	**70,778**
Current assets			
Inventories	2,903	3,299	3,091
Trade receivables	11,689	14,638	12,611
Other current assets	8,538	10,307	14,025
Cash and cash equivalents	8,087	7,363	6,252
	31,217	**35,607**	**35,979**
Total assets	**96,625**	**119,026**	**106,757**
EQUITY			
Shareholders' equity			
Paid in capital	218,690	218,646	218,690
Equity component of warrants	2,736	2,736	2,736
Equity component of convertible loan	–	6,296	–
Currency translation reserve	(407)	(407)	(407)
Share options granted	–	1,351	–
Retained earnings	(189,168)	(190,567)	(191,043)
	31,851	**38,055**	**29,976**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	27,990	28,516	31,098
Provision for end of service benefit	–	23	–
	27,990	**28,539**	**31,098**
Current liabilities			
Trade and other payables	17,915	27,099	25,371
Provisions	8,453	14,220	12,226
Loans and borrowings	5,061	5,204	2,644
Tax liabilities	5,355	5,909	5,442
	36,784	**52,432**	**45,683**
Total liabilities	**64,773**	**80,971**	**76,781**
Total equity and liabilities	**96,625**	**119,026**	**106,757**

CONSOLIDATED INTERIM STATEMENT OF INCOME

All figures in $000's	Quarter ended 30 June 2016 (Unaudited)	Quarter ended 30 June 2015 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
Revenues	22,225	19,557	48,184	43,786	94,127
Cost of sales	(12,908)	(20,003)	(27,916)	(37,041)	(69,756)
Selling, general and administrative expenses	(3,230)	(6,080)	(7,121)	(9,871)	(18,597)
Other income (expenses), net	172	30	511	109	430
Restructuring gain on leases	–	–	–	4,713	4,713
Earnings before interest, tax, depreciation and amortization (EBITDA)	**6,259**	**(6,496)**	**13,658**	**1,697**	**10,917**
Depreciation	(3,485)	(4,827)	(6,895)	(8,648)	(16,046)
Amortization	(863)	(283)	(1,295)	(955)	(3,112)
Impairment	–	(4,052)	–	(4,052)	(9,362)
Earnings before interest and taxes (EBIT)	**1,911**	**(15,658)**	**5,468**	**(11,957)**	**(17,603)**
Finance expense	(1,501)	(1,314)	(2,854)	(2,320)	(4,860)
Other financial items, net	(53)	64	(223)	(111)	73
Restructuring gain	–	380	–	61,697	61,697
Profit/(loss) before income tax	**357**	**(16,528)**	**2,391**	**47,309**	**39,307**
Income tax	(279)	(303)	(516)	(798)	(963)
Profit/(loss) continuing operations	**78**	**(16,831)**	**1,875**	**46,511**	**38,344**
Net profit/(loss) discontinued operations (note 1)	–	–	–	180	218
Profit/(loss) for the period	**78**	**(16,831)**	**1,875**	**46,691**	**38,562**
Profit/(loss) attributable to					
Shareholders of the parent	78	(16,831)	1,875	46,691	38,562
Earnings per share					
Basic	0.03	(5.49)	0.61	23.00	15.13
Diluted	0.03	(5.34)	0.61	22.20	14.92
Earnings per share from continued operations					
Basic	0.03	(5.49)	0.61	22.91	15.05
Diluted	0.03	(5.34)	0.61	22.12	14.84

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

All figures in $000's	Quarter ended 30 June 2016 (Unaudited)	Quarter ended 30 June 2015 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
Profit/(loss)	**78**	**(16,831)**	**1,875**	**46,691**	**38,562**
OTHER COMPREHENSIVE INCOME					
Net movement in currency translation reserve and other changes	–	8	–	29	34
Total other comprehensive income, net of tax	**-**	**8**	**-**	**29**	**34**
Total comprehensive income	**78**	**(16,823)**	**1,875**	**46,720**	**38,596**
Total comprehensive income attributable to					
Shareholders of the parent	78	(16,823)	1,875	46,720	38,596
Total	**78**	**(16,823)**	**1,875**	**46,720**	**38,596**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

All figures in $000's	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
Opening balance	**29,976**	**(40,921)**	**(40,921)**
Profit/(loss) for the period	1,875	46,691	38,562
Increase/(decrease) in share capital	–	29,521	29,565
Increase/(decrease) equity component of warrants	–	2,736	2,736
Increase/(decrease) equity component of convertible loan	–	–	–
Share options granted	–	25	–
Net movements in currency translation reserve and other changes	–	4	34
Ending balance	**31,851**	**38,055**	**29,976**

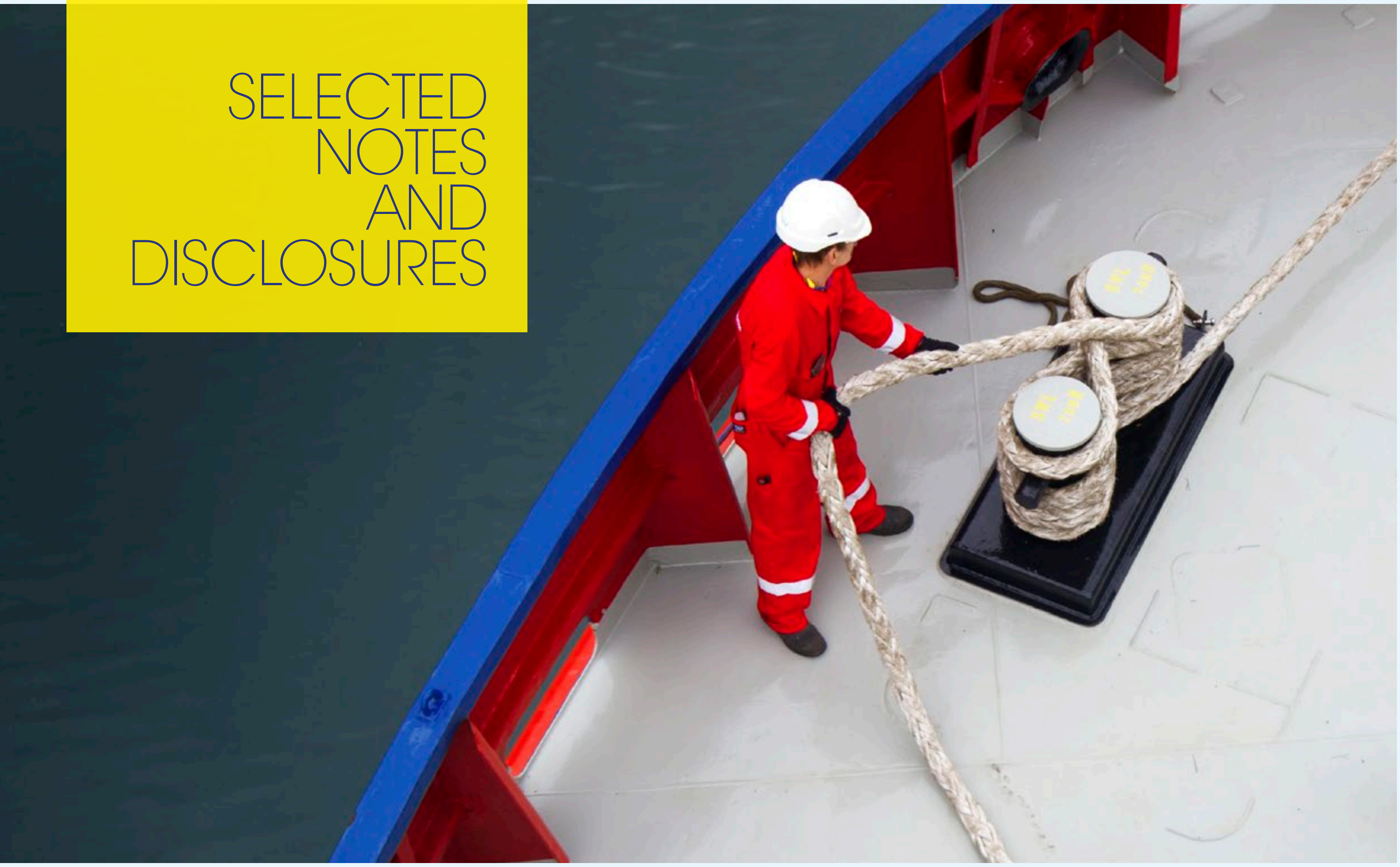
CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

All figures in $000's	Quarter ended 30 June 2016 (Unaudited)	Quarter ended 30 June 2015 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Six months ended 30 June 2015 (Unaudited)	Year ended 31 December 2015 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax	357	(16,528)	2,391	47,309	39,307
Adjustments for					
Restructuring gain	–	(380)	–	(66,411)	(66,411)
Depreciation, amortization and impairment	4,348	9,236	8,190	13,728	28,594
Movement in provision	(2,147)	6,114	(4,178)	4,635	2,560
Unrealized exchange (gain)/loss	(27)	(94)	137	(97)	(68)
Interest expense on financial liabilities	989	942	1,972	2,029	4,054
Paid income tax	(286)	(258)	(602)	(1,388)	(2,634)
(Increase)/decrease in inventories	178	(741)	188	1,164	1,373
(Increase)/decrease in trade and other receivables	(2,891)	(304)	6,272	11,059	9,339
Increase/(decrease) in trade and other payables	1,021	(2,108)	(6,705)	(22,366)	(23,023)
Net cash from operating activities	**1,542**	**(4,121)**	**7,665**	**(10,338)**	**(6,909)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures	(1,452)	(3,121)	(2,153)	(3,329)	(5,555)
Multi-client investment	(556)	(165)	(564)	(165)	(244)
Long-term investment	–	–	–	–	–
Net cash used in investing activities	**(2,008)**	**(3,286)**	**(2,717)**	**(3,494)**	**(5,799)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of preference shares and warrants	–	–	–	10,936	10,980
Receipts from borrowings	–	–	–	5,000	5,000
Repayment of borrowings	(703)	(375)	(1,485)	(716)	(1,510)
Interest paid	(830)	(782)	(1,628)	(997)	(2,482)
Net movement in currency fluctuations	–	–	–	–	–
Net cash from financing activities	**(1,533)**	**(1,157)**	**(3,113)**	**14,223**	**11,988**
Net (decrease)/increase in cash and cash equivalents	**(2,000)**	**(8,564)**	**1,835**	**391**	**(720)**
Cash and cash equivalents at beginning of the period	**10,087**	**15,927**	**6,252**	**6,972**	**6,972**
Cash and cash equivalents discontinued operations	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents at end of the period	**8,087**	**7,363**	**8,087**	**7,363**	**6,252**

NOTE 1: INTERIM STATEMENT OF INCOME FOR DISCONTINUED OPERATIONS

	Quarter ended 30 June		Six month ended 30 June		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 Q2 2016, as approved by the board of directors 18 August 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 Q2 2016 was $3.5 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 finance leases and 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 vessels on operating leases due to extended lay-up periods, a reduction in economic life, reduced utilization, reduced contract day rates or additional costs to redeliver the vessels to their respective owners. Alternatively, should the market outlook improve significantly, a reversal of current provisions may be required.

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. The final commercial settlement with respect to the redelivery was not completed at quarter end.

The 3D vessel Voyager Explorer is chartered on a bareboat charter until August 2016. The Voyager Explorer charter rate is $6,200 per day when idle, used as source vessel or in 2D mode while the charter rate is $13,200 per day when the vessel is used in 3D mode. The vessel is currently cold-stacked. The company booked operational restructuring charges of $1.6 million in Q4 2014 and $2.9 million in Q2 2015 to cover estimated operating expenses during the lay-period. In Q2 2016, the company recognized an additional $0.6 million operational restructuring charge, which is estimated to cover all costs through redelivery of the vessel in August 2016.

The Munin Explorer is chartered on a bareboat contract that runs through October 2019, with a current day rate of $12,485 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 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 incurred $2.3 million in operating costs and $0.2 million in interest expense that was charged against provisions on onerous leases (Geo Pacific, Voyager Explorer and Munin Explorer) in Q2 2016. Please see table below for additional details.

Provisions	USD millions
Starting balance 1 Apr 2016	10.2
Incurred costs	(2.3)
Changes in provision estimate (booked to cost of sales)	0.4
Interest expense	0.2
Ending balance 30 June 2016	**8.5**

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 Q2 2016 were $0.8 million ($0.7 million).

Multi-client amortization in Q2 2016 was $0.9 million ($0.3 million), of which $0.4 million was related to minimum amortization.

Multi-client impairment was nil in Q2 2016 ($3.5 million).

Multi-client library	USD millions
Beginning balance 1 Apr 2016	2.9
Capitalized cost	0.6
Capitalized depreciation	0.1
Impairment	–
Amortization	(0.9)
Net book value 30 June 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, one unsecured note and the Hawk Explorer finance lease. The total book value of outstanding debt as per 30 June 2016 is $33.1 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	(2.2)
Unsecured debt	
Unsecured note, face value	1.4
Less current portion of unsecured note	(0.9)
Fair value adjustment*	(3.0)
Hawk lease, non-current portion	1.0
Non-current loans and borrowings 30 June 2016	**28.0**
SHORT TERM DEBT	
Hawk lease	1.8
Accrued interest	0.2
Current portion of long-term debt	3.1
Current loans and borrowings 30 June 2016	**5.1**

* of which SBX04: $2.7m, 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 lease based on unchanged payment terms from 31 May 2016 to 28 February 2017. At the end of the lease, the company will have the option to purchase the vessel and related equipment for $1.75 million. Alternatively, the company may at its discretion extend the lease for a firm period up to and including 30 November 2017, at which point it will have the option to purchase the vessel and related equipment for $67,800. During the initial lease period, SeaBird may at its sole discretion terminate the charter on 30 November 2016.

Aggregate maturities of loans and borrowings	USD millions
Year of repayment	
2016	1.0
2017	9.7
2018	25.2
Total debt principal 30 June 2016	**35.9**

Note: 2017 maturity includes the 1.75 million cost of exercising purchase option for the Hawk lease

Discontinued operations

On 8 December 2011, the company closed the share and purchase agreement with Fugro Norway AS related to Fugro's acquisition of SeaBird Technologies AS and Seabed Navigation Company Limited, which collectively held all of the company's rights and assets related to the ocean bottom node business (accounted for as 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 June 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 June 2016.

SeaBird Exploration Finance

SeaBird Exploration Finance Limited, as the issuer of 'SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018' ('SBX04'), has the following intra-group loans with other SeaBird entities as of 30 June 2016:

	USD $000's
RECEIVABLES	
SeaBird Exploration Plc	42,954
Baruka Management Ltd	27,549
Osprey Navigation Company Inc	23,103
Biliria Marine Company Ltd	21,356
Hawk Navigation Company Ltd	18,479
Aquila Explorer Inc	7,734
SeaBird Exploration Management AS	6,876
Harrier Navigation Company Inc	5,628
SeaBird Exploration Asia Pacific PTE Ltd	2,357
SeaBird Exploration Norway AS	2,339
SeaBird Exploration America Inc	843
SeaBird Crewing Mexico	733
Dimas Navigation Company Ltd	649
Seaship Holding Services Ltd	294
GeoBird Management Middle East FZ LLC	25
Byrd Investment Ltd	5
Arna Shipping Ltd	4
Velodyne Shipping Ltd	4
Total receivables from intra-group companies	**160,934**
PAYABLES	
Seabed Navigation Company Ltd	(32,587)
SeaBird Exploration Cyprus Ltd	(20,601)
GeoBird Management AS	(15,473)
Oreo Navigation Company Ltd	(15,068)
Raven Navigation Explorer Company Ltd	(14,540)
SeaBird Seismic Mexico	(11,094)
Sana Navigation Company Inc	(8,610)
Munin Navigation Company Ltd	(6,659)
SeaBird Exploration FZ LLC	(4,837)
Silver Queen Maritime Ltd	(3,186)
SeaBird Exploration Multi-client Ltd	(2,536)
SeaBird Exploration Shipping AS	(1,676)
Total payables to intra-group companies	**(136,866)**
Total net receivables from intra-group companies	**24,067**

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.

CYPRUS – HEAD OFFICE
25, Kolonakiou Street
Block B, Office 101,
4103 Linopetra, Limassol
The Republic of Cyprus

Tel: +357 2527 0600
Fax: +357 2527 0601

NORWAY
Cort Adelers gate 16
N-0254 Oslo
PO Box 1302 Vika
N-0112 Oslo
Norway

Tel: +47 2240 2700
Fax: +47 2240 2701

UNITED STATES
820 Gessner
Suite 1275
Houston, TX 77024
USA

Tel: +1 281 556 1666
Fax: +1 281 556 5315

SINGAPORE
1 Fullerton Road
#02-01 One Fullerton
Singapore 049213

Tel: +65 6832 5593
Fax: +65 6725 0949

WWW.SBEXP.COM

SeaBird Exploration

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