SeaBird Exploration

Twenty Nineteen
Annual Report


VOYAGER EXPLORER

AT A GLANCE

SEABIRD

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

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

$45.1m

revenues for 2019 compared to $19.9 million in 2018

$0.3m

adjusted EBITDA in 2019 compared to -$6.3 million in 2018

New board refocuses strategy

- implementing a less asset intensive strategy
- restructuring program
- reorganization

Solid balance sheet

- all new vessels fully equity financed
- net debt position of $1.5 million
- Equity ratio of 66.4%

Debt refinancing

- $16 million secured loan and guarantee facility
- refinancing SBX04
- conversion of Fulmar

Market outlook

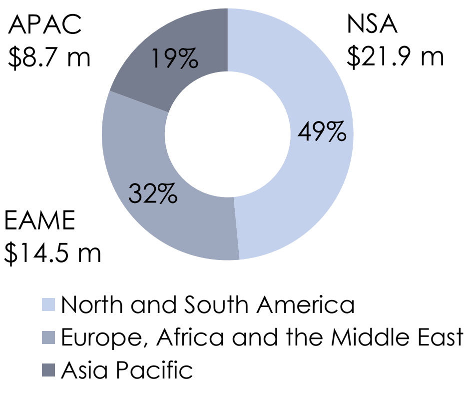
- The simultaneous breakdown of OPEC+ and COVID-19 has at the time of writing delayed the promising outlook seen for OBN and select 2D streamer projects in the first 2 months of the year.

HIGHLIGHTS

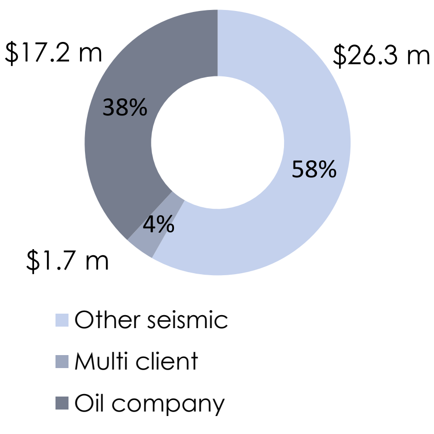
Years	19	18
Revenues	45,136	19,880
Gross margin*	2,083	981
SG&A*	(7,357)	(6,856)
Adjusted EBITDA*	252	(6,306)
EBIT*	(22,379)	(12,490)
Profit/(loss)	(23,315)	(12,911)
Capital expenditures	(27,159)	(21,260)
Total debt	5,152	4,559
Net interest bearing debt*	1,507	(1,215)
Equity ratio*	66.4%	64.3%

Note * See group note 35 for definitions

REVENUE BY REGION
(USD MILLIONS)



REVENUE BY CLIENT TYPE
(USD MILLIONS)



CEO STATEMENT

2019 was an eventful year for Seabird. What were the main events and how do you think this positions Seabird going forward?

The new strategy outlined amidst the release of the 3rd quarter report was of course the most important event for Seabird in 2019. The strategy is founded on three main pillars: first and foremost we will pursue a more asset-light and flexible vessel strategy, and we were pleased to announce the initial implementation of this already in February 2020 through the Geo Barents agreement and simultaneous scrapping of the Osprey. Secondly, we are reorganising into a project based organisation. And thirdly, we are cutting SG&A by approximately 40pc and moving operations to one floor in Bergen, Norway. Having a relatively small organization in one place, with short communication and decision lines is an important part of increasing operational efficiency and quality. Five months later, we are already beginning to reap the benefits of this. We have amongst others seen technical downtime improve significantly on new contracts entered into from November onwards, and we are seeing a positive impact on our mobilisation efficiency already from the project based organisation. With our vessel strategy and organisation now better aligned with the demands in the market we operate in, I think Seabird is very well positioned for the years ahead.

2019 was a year of improving seismic demand. What are your observations on your various markets today?

Source vessel demand for OBN surveys remained stable, but the growth rate turned out to be lower than many had expected. However, enhanced recovery from existing offshore fields will still be important for the oil companies, and the OBN source segment will be a significant market for SeaBird going forward. With the renewal of our fleet, we will be even more competitive in this segment, with modern, high capacity vessels. We especially expect the Fulmar Explorer, with high-end source capacities, to be an attractive vessel for the OBN companies.

In the 2D and niche 3D segments, 2019 was, except technical issues with equipment, a very positive year. We undertook one shallow-water niche 3D survey for the first time in several years. We also completed four 2D surveys and started mobilization for a fifth survey. All this strongly indicates that demand for our 2D and niche 3D services is improving. Tendering activity in late 2019 and so far in 2020 also supports this view, both for proprietary and multi-client surveys, especially in Asia and Africa where exploration often is politically driven and therefore less sensitive to the global oil price. In general, I would say that 2D and niche 3D is becoming relatively more important for SeaBird. These are also segments where we have several competitive advantages, with a modern fleet, equipment that is now well maintained and proven in use, and a small, competent organization that is capable of executing these surveys cost-efficiently.

Of course, the dramatic escalation of the covid-19 in the last few days before this is written, may delay any market recovery as well as create some operational challenges for the Company. So far, the situation has been manageable. We are also closely following the development in our clients capex decisions following the breakdown in OPEC+ talks, and we have contingency plans in place in case of a prolonged stand-off which will take our run-rate on cash costs down to a very low level, enabling the company to weather a period of low activity from the oil companies.

How have day rates responded to the tightening market demand during the year?

For both 2D and OBN source we experienced 30 - 40% increase in day rates in 2019. This increase seems to be stable, although we note that the OBN source market is slightly more price sensitive than the streamer market. This is probably mainly due to the fact that there’s more competition in the OBN source market than the 2D and niche 3D streamer segments. OBN source has more players and lower entry barriers, both in terms of competence, equipment and capital. Again, this means that SeaBird has a comparative advantage in our 2D and niche 3D market segments.

Earnings were significantly impacted by operational challenges in Q2 and Q3. What went wrong and is this now behind us?

The operational challenges in Q2 and Q3 were mainly caused by technical issues with older streamer equipment. The impact of these issues were magnified by the fact that spares and certain parts were not readily available, since production had been discontinued or reduced during the downturn. Operationally, our crew and shore organization, in close cooperation with the streamer manufacturer, managed the situation in a very good way and the issues were rectified. Subsequent use of this equipment on 2D surveys in West-Africa and Australia demonstrates that this is now behind us. Technical downtime for these surveys has been low and meets industry expectations, although we will always strive to improve.

The company has been focused on maintaining a strong balance sheet. However, SBX04 and the credit facility is maturing in June 2020. How do you intend to address the refinancing?

The renewal of the fleet started with the acquisition of the Eagle Explorer in 2018 and continued with the purchases of the Fulmar Explorer and Petrel Explorer in 2019. These investments were all financed with equity. In line with our new, refocused strategy we have also agreed a flexible time charter for the 2007 built Geo Barents, which contributes to our fleet renewal efforts, without affecting our balance sheet. Pending market conditions, we will seek to add more deals like this going forward.

Based on the strong balance sheet and a modern, flexible and competitive fleet, we secured long-term bank financing in the first quarter of 2020. This bank facility will be used to refinance SBX04 and to outfit the Fulmar Explorer for seismic operations.

SAFETY ENVIRONMENT QUALITY HEALTH

We are guided by our commitment to quality, health, safety and environment (QHSE)

SeaBird's operating management system remains central to the company's performance evaluation process and is fully endorsed and supported by senior management through the company's policies.

In addition to quality, the system ensures safe operations. The company reported a lost time injury frequency rate of 0.68 and a total recordable incident rate of 0.68 in 2019.

SeaBird's detailed analysis of past performance ensures that continual improvements are being made to QHSE procedures and also ensures that set QHSE targets for 2020 are achievable. Quality enhancement will remain a focal point for 2020.

Our management system is certified to ISO 14001:2015 (environmental management systems), ISO 9001:2015 (quality management systems) and ISO 45001:2018 (occupational health and safety management systems).

Achilles Joint Qualification System certification shows our commitment to transparent reporting to all potential clients.

All SeaBird vessels comply with the requirements of the international safety management code and the marine labor convention 2006.

The company continues to work actively on minimizing its impact on the environment. We strive to achieve the highest levels of environmental awareness and operational competency. Continual improvement is achieved by developing ever more stringent internal environmental plans and targets annually.

SeaBird remains committed to the goal of ensuring that all personnel in management roles acquire internationally recognized QHSE qualifications.

0.68

lost time injury frequency (LTIF) rate

Established QHSE processes ensures the company:

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

0.68

total recordable incident rate (TRIR)

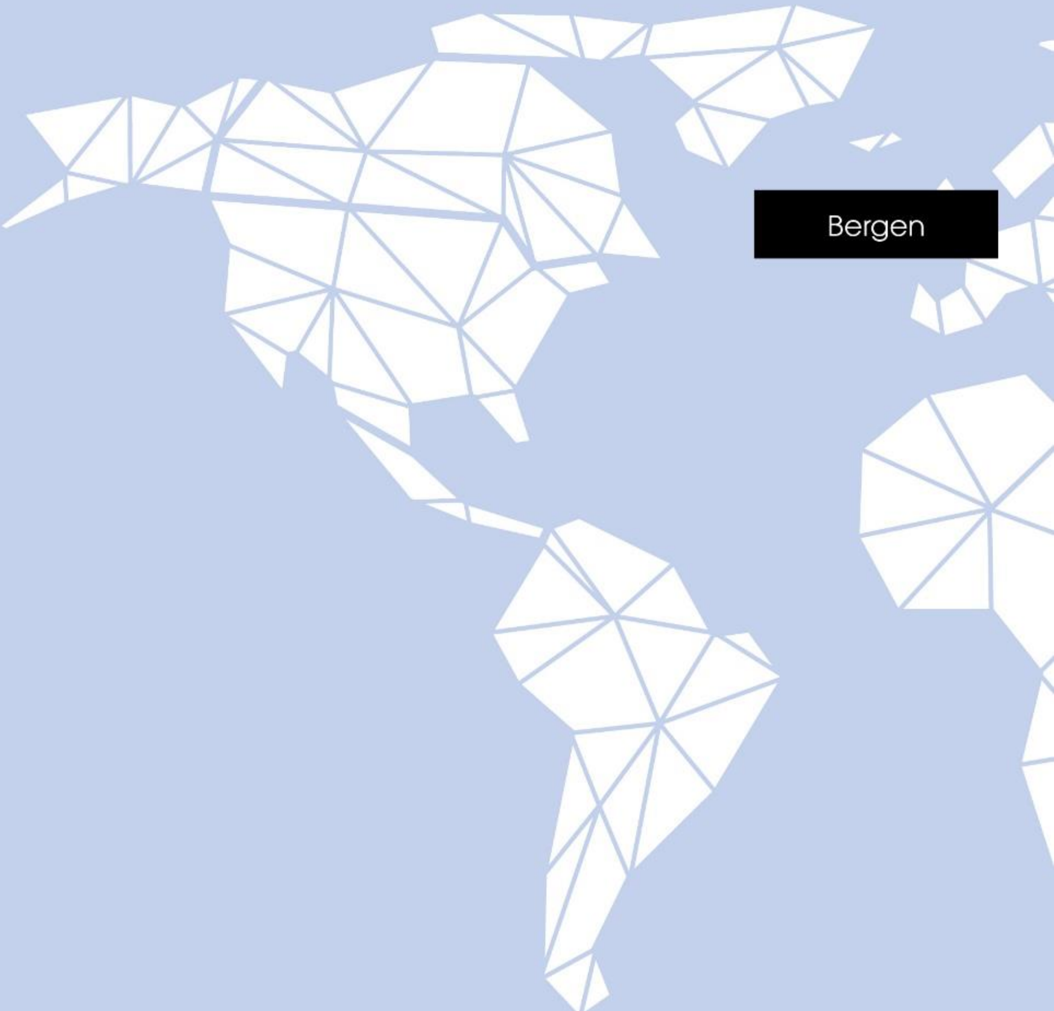
5.0%

total fleet average downtime

GEOGRAPHIC MARKET DRIVERS

The company has worldwide operation and has extensive experience in seismic exploration and acquisition across all core seismic markets. SeaBird's reach and experience offers its clients significant experience within complex and challenging environments.

- 6 vessels
- 3 offices
- Qualified to work with oil majors and all major seismic companies
- Industry leading QHSE
- Extensive experience within adverse operating environments



North and South America:

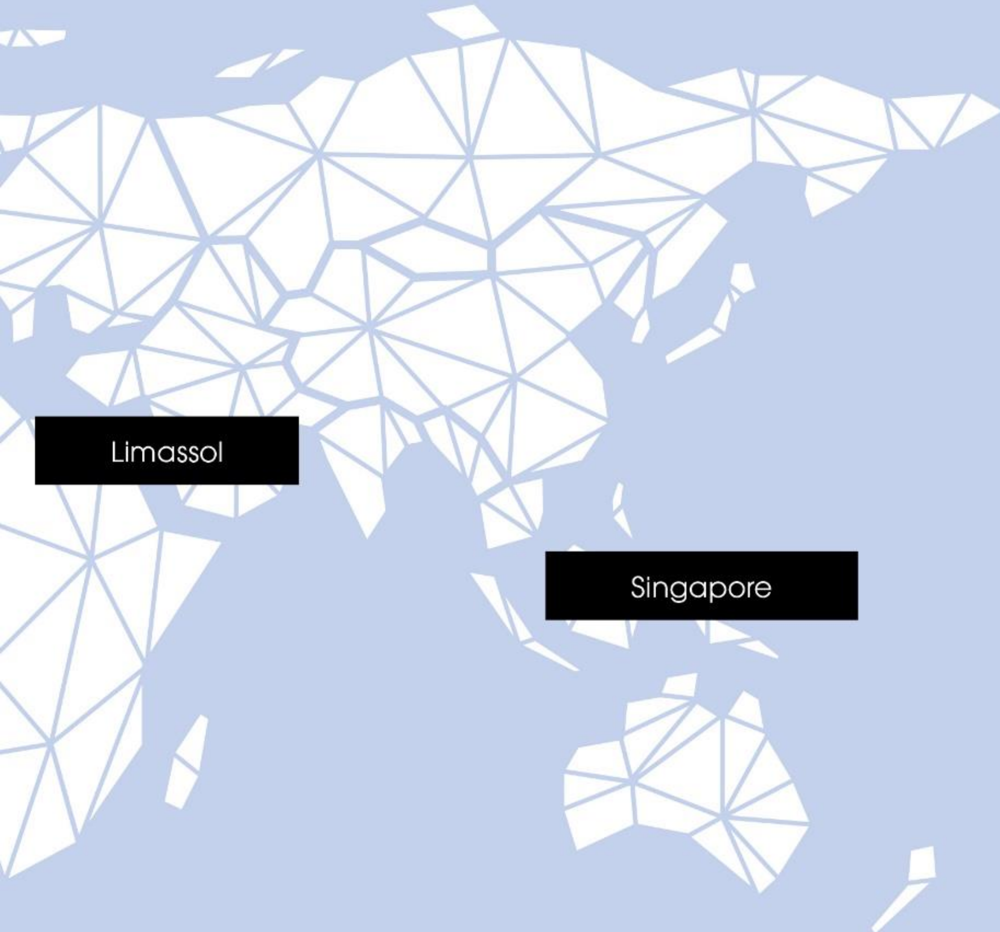
North and South America continue to represent a significant part of the seismic market. We see growing node demand in the Gulf of Mexico and a number of 3D wide azimuth surveys have recently been completed. Surinam has seen increasing seismic demand in light of the recent oil discoveries and a significant amount of 2D seismic has been acquired. Brazil has focused on a number of node surveys and additional 3D and 2D seismic surveys have been completed in Argentina. We have also seen major 2D multi-client surveys in the Caribbean region

Europe, Africa and the Middle East:

The Northwest European season experienced significant growth in seismic node operations. There was limited 2D activity in this part of the region, with some smaller proprietary and multi-client surveys being acquired. The high level of activity we saw in the Middle East in 2018, continued into 2019 and a number of new node surveys were initiated. Node surveys were also commenced in the Red Sea and more recently in North Africa. West Africa was active throughout the year and we expect activity levels to remain robust in this area into 2020. South Africa has also been busy with both 2D and 3D seismic surveys, triggered by Total's discovery located in Block 11B/12B in the Outeniqua Basin. We see continued interest in the South Africa and Namibia region going forward.

Asia Pacific:

The Asia Pacific region saw growing seismic survey demand in 2019. A number of node and streamer surveys were completed in South and South East Asia. We see an increasing demand for node and streamer surveys in India and in Indonesia there has developed a significant amount of 2D and 3D opportunities. Indonesia is also preparing for node surveys during 2020. Malaysia has been focused on node seismic surveys and we would expect seismic demand to continue in this area. After a period of limited activity in Australia, we have recently seen select interest in new multi-client streamer operations in this part of the region.



North and South America

49% of group revenues	
2D	39%
Source	61%
3D	0%
Multi-Client	0%
EM time-charter	0%

Europe, Africa and the Middle East

32% of group revenues	
2D	21%
Source	23%
3D	45%
Multi-Client	11%
EM time-charter	0%

Asia Pacific

19% of group revenues	
2D	0%
Source	59%
3D	0%
Multi-Client	1%
EM time-charter	40%

INTERACTION WITH THE CAPITAL MARKETS

Key events in 2019

During the year, the company continued its fleet optimization effort. The Aquila Explorer was decommissioned and the company acquired the Fulmar Explorer and the Petrel Explorer. To fund the vessel acquisitions as well as related vessel upgrades and working capital requirements, the company completed a NOK 250.0 million equity private placement at an issue price of NOK 1.20 per share in Q2 2019. The company also issued NOK 55.3 million in additional equity at an issue price of NOK 1.20 per share, as partial consideration to the seller of the Fulmar Explorer and the Petrel Explorer.

A repair issue of up to NOK 30.0 million at an issue price of NOK 1.20 per share was scheduled to be offered to shareholders who were not able to participate in the equity private placement. This offering was subsequently cancelled as the company's shares were trading at a price below the offer price of the subsequent offering.

At the end of the year, the company reported debt of $5.2 million and a net debt position of $1.5 million.

Other events

In April 2018, the company entered into a market making agreement with Norne Securities. The purpose of the agreement was to increase the liquidity of the shares of the company, which are listed on Oslo Stock Exchange. The agreement is in accordance with the standard requirements of Oslo Stock Exchange.

Financial calendar

7 May 2020
Annual General Meeting

15 May 2020
First Quarter 2020

14 Aug 2020
Half-Year 2020

6 Nov 2020
Third Quarter 2020

20 largest shareholders as of 31 December 2019

Investor	No. of shares per 31.12.2019 (thousands)	% of total	No. of shares per 03.04.2020 (thousands)	% of total
MIEL HOLDING AS	23,115	4.29%	23,115	4.29%
GRUNNFJELLET AS	20,381	3.78%	21,341	3.96%
VATNE EQUITY AS	18,138	3.37%	18,053	3.35%
ANDERSON INVEST AS	17,114	3.18%	20,157	3.74%
VERDIPAPIRFONDET ALFRED BERG	15,354	2.85%	12,635	2.34%
EUROPA LINK AS	14,580	2.71%	15,104	2.80%
Morgan Stanley & Co. Int. Plc.	13,751	2.55%	14,277	2.65%
Pareto Nordic Corporate Bond	10,652	1.98%	10,652	1.98%
STORFJELL AS	8,500	1.58%	8,500	1.58%
KRISTIAN FALNES AS	8,001	1.48%	8,001	1.48%
F STORM AS	7,500	1.39%	7,500	1.39%
MP PENSJON PK	7,004	1.30%	6,249	1.16%
NORDNET LIVSFORSIKRING AS	6,190	1.15%	6,855	1.27%
BUSINESSPARTNER AS	6,000	1.11%	6,000	1.11%
MIDDELBORG INVEST AS	5,379	1.00%	3,024	0.56
Nordnet Bank AB	5,350	0.99%	5,721	1.06%
KINA LAKS EKSPORT AS	5,199	0.96%	4,055	0.75%
AARNES	4,952	0.92%	-	0.00%
STRANDEN INVEST AS	4,597	0.85%	4,597	0.85%
PRO AS	4,496	0.83%	4,496	0.83%
Total number owned by top 20	**206,253**	**38.27%**	**200,490**	**37.20%**
Total number of shares	**538,931**	**100.00%**	**538,931**	**100.00%**

Capital market transactions

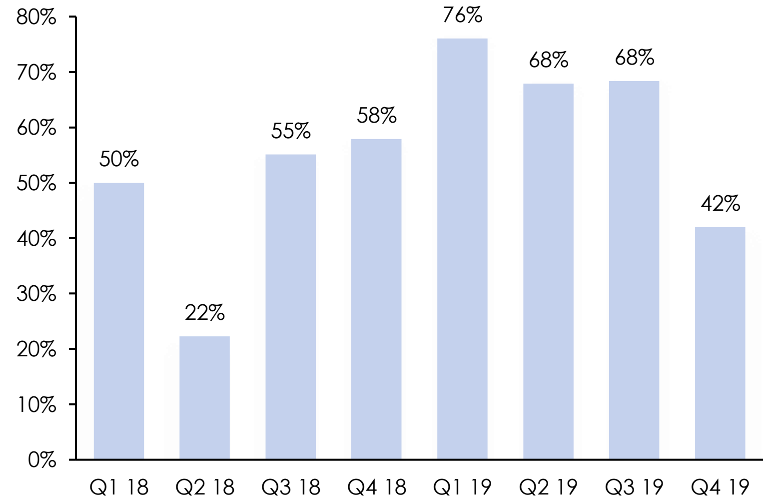
Overview of share issue	Gross amount	Issue price	Number of shares issued
April, private placement	NOK 250.0 million	NOK 1.20	208,333.330
June private placement (Petrel Explorer share settlement)	NOK 27.7 million	NOK 1.20	23,055,373
July private placement (Fulmar Explorer share settlement)	NOK 27.7 million	NOK 1.20	23,055,372
June repair issue (subsequent offering cancelled)	NOK 30.0 million	NOK 1.20	N/A
		Total shares outstanding	**538,931,387**

OPERATIONS AND STRATEGIC FOCUS

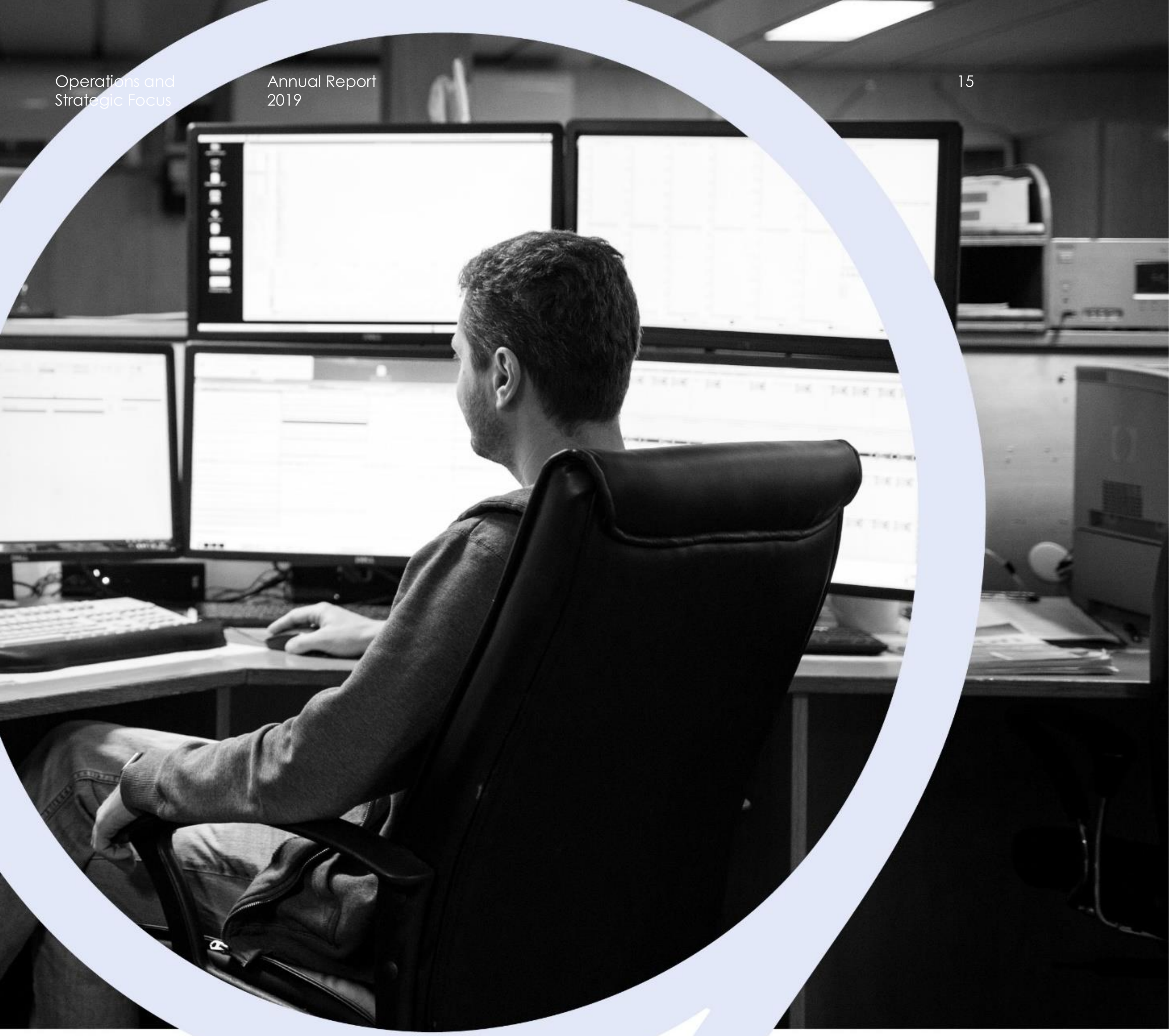
Seabird is a global provider of marine 2D, source and niche 3D seismic data for the oil and gas industry.

The company is the market leader in the high-end 2D and niche 3D seismic services segment. The company is also a leading provider of source vessel solutions. SeaBird is actively engaged in both the proprietary contract and multi-client sectors. The company provides global coverage with its seismic vessels. The company is registered in Cyprus and operates through three offices in Bergen (Norway), Limassol (Cyprus) and Singapore.

Vessel utilization *



*Vessel utilization based on total fleet including stacked vessels



2D market
SeaBird is a market leader in the 2D seismic segment. In 2019, the 2D market continued to recover and the company completed two proprietary surveys in the Americas. In quarter four, the company completed 2D surveys in West Africa and North West Europe, before transiting to Asia Pacific for a 2D survey with start-up in early quarter one 2020. We expect the 2D survey activity to continue to increase in 2020 and anticipate a recovery in the Asia Pacific region. 2D surveys accounted for 26% of revenues in 2019.

Source
Ocean bottom seismic was the company's largest business area in 2019. The ocean bottom seismic market has experienced significant growth as technology developments have reduced survey costs and provided oil companies with improved data to optimize oil recovery. We expect this growth trend to continue in 2020 and beyond. Ocean bottom seismic operators require source vessels for such surveys and SeaBird is well positioned to be able to provide source vessel capacity globally. Through 2019, SeaBird provided source services in the Americas, EMEA and the Asia Pacific regions. Source surveys accounted for 48% of revenues in 2019.

Niche 3D market
The niche 3D market strengthened in 2019 and the company completed a survey in West Africa in quarter three. We expect demand for shallow water and other specialized smaller 3D surveys to improve. We see increased niche 3D demand in the Asia Pacific region and would also expect EMEA to offer future survey opportunities. Niche 3D surveys accounted for 14% of revenues in 2019.

Multi-client
The company did not conduct any multi-client surveys during the year.

GROUP MANAGEMENT

Gunnar C. Jansen

Chief Executive Officer (acting)

position held from 2019

Mr. Jansen has held the position as Chief Executive Officer (interim) of the company since October 2019 and was before that the Chief Commercial and Legal Officer since August 2018. He has more than 15 years' experience in the Offshore Oil and Gas and Shipping industry and 10 years' experience in senior executive management positions including Deputy CEO, CCO, CFO and General Counsel. Mr. Jansen has extensive experience in Business Development, contract negotiations, chartering, commercial management, project development and ship-financing. He holds a BA degree in Economics and International Studies and Master degree in Jurisprudence and Maritime Law. He is a Norwegian citizen and resides in Norway.

Finn Atle Hamre

Chief Operating Officer

position held from 2018

Mr. Hamre has held the position as Chief Operating Officer of the company since June 2018. Mr. Hamre has more than 20 years of experience in the Offshore Oil and Gas industry across both European and Asian markets. He has more than 10 years of experience in senior executive management positions including VP, MD, CCO and CFO. He holds a B.Eng. (Hons) in Naval Architecture, and a Master of Business Administration. He is a Norwegian citizen and resides in Norway.

Erik von Krogh

Chief Financial Officer

position held from 2020

Mr. von Krogh joined the company on 1 April 2020 as Chief Financial Officer. Mr von Krogh has more than 10 years' experience from the shipping and offshore industry and ship financing. He most recently held the position as Finance Manager for the ship management company Myklebusthaug Management AS. His previous experience includes corporate banking from Nordea Shipping, Offshore and Oil Services and investment banking from Fearnley Securities. He holds a Cand.merc./MSc from the Norwegian School of Economics (NHH). He is a Norwegian citizen and resides in Norway.

BOARD OF DIRECTORS

Ståle Rodahl
Executive Chairman of the board

Ståle Rodahl has served 30 years in the financial industry, amongst others as a hedge fund manager and in various executive positions in the Investment Banking industry in New York, London and Oslo and in companies such as Alfred Berg, ABN Amro and ABG Sundal Collier. He has also served on the Board of Directors in companies in other industries. Mr Rodahl holds a MSc with a major in Finance from the Norwegian Business School, BI with additional programs from London School of Economics (LSE) and NASD, New York.

Nicholas Knag Nunn
Director

Nicholas Nunn has a degree as a chartered accountant from Norges Handelshøyskole and an MSc in International Business and Finance from the University of Reading. Mr Nunn has work experience from Deloitte, Kristian Gerhard Jebsen Skipsrederi and Europa Link.

Øivind Dahl-Stamnes
Director

Øivind Dahl-Stamnes has worked 36 years in the petroleum industry in Norway and internationally. He has held executive/management positions in Equinor and Esso/Exxon for more than 15 years within exploration and production operations. Recent assignments in Equinor include Vice President positions for the Troll field, the North Area Initiative and Partner Operated Licenses. He has also served as chairman and member of numerous Production License Management Committees for Equinor and Esso. Mr Dahl-Stamnes holds a Masters degree in geology from NTNU in Trondheim.

Rolf Inge Jacobsen
Director

Rolf Inge Jacobsen has served 35 years in the oil & gas industry. His assignments include various managerial positions within Field development, and Project and Operations management. Mr Jacobsen holds a degree in process and mechanical engineering.

CORPORATE GOVERNANCE

Comprehensive report for the year 2019

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

1. Implementation and report on corporate governance

This report on corporate governance is provided by the board of directors in accordance with the Norwegian Code of Practice for Corporate Governance as last amended on 17 October 2018 and the listing rules of Oslo Stock Exchange publicly available at www.nues.no.

2. Business

The main business activities permitted by the company's constitutional documents are set out in the memorandum of association article 3.1; "To carry on or undertake any commercial activity relating to providing oil and gas exploration, production and participation, seismic data services onshore, transition zones and offshore, and general offshore energy related services and whatever else may be considered incidental or conductive thereto, including but not limited to, acting as a holding company to companies engaging in such activities; investing in other companies engaged in any of aforementioned activities; buying, selling or other otherwise dealing with acquiring property in the oil and gas industry; mortgaging, borrowing or charging its assets or acting as guarantor in connection with undertaking or any of the activities whether for itself or any affiliate or third parties".

The company is a global provider of marine 2D, source and niche 3D seismic data for the oil and gas industry. The company is the market leader in the high-end 2D seismic services segment; is actively engaged in both the proprietary contract and multi-client sectors; and delivers global coverage with its vessels. The goal of the company is to maintain its market leadership position, while retaining its focus on quality, health, safety and environment (QHSE).

The memorandum and articles of association of the company may be amended by a resolution of no less than three-fourths majority of the votes cast at the general meeting. However, in case of an amendment of the objects of the company contained in clause 3 of the memorandum of association or in case of a reduction in the company's share capital, the resolution will in addition require an approval by the district court of Limassol, Cyprus. The company has established risk assessment policies in connection with the company's operations. The board of directors evaluates the company's objectives, strategies and risk profiles on a yearly basis. Corporate social responsibility has not been formulated into a specific guideline. However, QHSE systems and culture are generally viewed to address this topic along with the prevention of corruption, the working environment, equal treatment, discrimination and environmental impact.

3. Equity and dividends

The board of directors is committed to having an appropriate level of equity capital based on the company's objectives, strategy and risk profile. The company will strive to follow a dividend policy favourable to the shareholders. There are no dividend restrictions in the current debt facilities. However, other financial covenants may impact the company's ability to make distributions.

The company's authorized share

capital as of 31 December 2019 is USD 16,800,000 and is set out in the memorandum of association. Shareholders with significant shareholdings are identified in page 13 of this annual report. Subject to any resolution of the shareholders, the board of directors may issue shares up to the authorized share capital limit, save that, whenever new shares are issued for consideration in cash, the shares must be offered on a pre-emptive basis to the existing shareholders, in proportion to the capital represented by their shares. These pre-emption rights may be excluded by a resolution of the general meeting. The company may, subject to the provisions of Cyprus law and its articles of association, purchase its own shares, following approval by the shareholders of the company (requiring three-fourths majority of the votes cast at the general meeting). However, any such purchases may not result in the company holding more than 10% of its issued share capital.

4. Equal treatment of shareholders and transactions with close associates

There is only one class of shares in the company and all shares are equal in all respects. In the event of an increase in share capital through the issue of new shares, a decision to waive the existing shareholders' pre-emptive rights to subscribe for shares shall be taken by the shareholders and must be justified by the board of directors in accordance with the provisions of Cyprus law. None of the company's subsidiaries has minority shareholders other than as required to facilitate local requirements.

5. Shares and negotiability

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

6. General meetings

General meetings of the company are required to be called no later than twenty-one days ahead of the meeting by a notice on the company's website and with a calling notice sent to each shareholder. In the case of a general meeting other than (i) an annual general meeting or (ii) a meeting for the passing of a special resolution, the meeting may be called by fourteen days' notice, if a special resolution that shortens the notice period to fourteen days has been approved in the immediately preceding annual general meeting or at a general meeting that was conducted after such immediately preceding annual general meeting. The shareholders meetings are led by the chairperson appointed as set out in the company's articles of association.

Proxy votes are permitted and there is no requirement for notice of attendance. DNB Bank ASA, as a registered shareholder to the company, distributes their request for proxy instructions to the general meeting when the company's calling notice is made public. The calling notice advises the procedures for participating in the general meeting, the routines for proxy voting and includes any required forms. The same information are posted on the company's website.

Depending on the general meeting agenda, the chairperson of the board of directors and the chairperson of the nomination committee may attend the general meeting. If the chairperson of the board of directors or any member of the board of directors do not attend the general meeting, then according to article 8 of the company's articles of association, the shareholders present shall elect one of the participating shareholders as the chairperson of the meeting. The auditor shall attend general meetings at which the items to be considered are of such nature that the auditor's attendance must be regarded as essential. Any amendment or addition to the articles of association of the company is only valid if approved by a special resolution at a general meeting.

7. Nomination committee

The company has a nomination committee elected by the general meeting, consisting of Mr. Per Øyvind Berge, Mr. Hans Christian Anderson and Mr. Svein Øvrebø (Chair). The chairperson of the nomination committee is elected by the general meeting. The nomination committee makes a recommendation at the general meeting for the composition and the compensation of the board of directors as well as the nomination committee. The general meeting determines the nomination committee's remuneration and may provide guidance for its duties.

The nomination committee identifies the best qualified candidates for its recommendations by assessing objective criteria, including the skills and experiences of the potential candidates in consideration of the specific role to be fulfilled.

The nomination committee is not regulated in the articles of association or memorandum of association. The members of the nomination committee are independent of the board and no officers of the company serve on the committee. Recommendations for new members of the nomination committee are made by the committee itself, and not by the board of directors. The nomination committee provides a written report of nominated candidates together with justification for their candidacy ahead of the annual general meeting. The report is distributed to all shareholders with the calling notice for the general meeting. The members of the nomination committee are made known by a public release following the election at the annual general meeting

8. Board of directors: composition and independence

The annual report of the company provides information on the expertise of the directors. The board of directors consists of four members. The four members are independent of major shareholders, executive management and material business partners. Subject to any resolution of the shareholders to the contrary, the board may elect the chairperson of the board. Each director holds office until the expiration of his or her term and is normally elected for a one-year term by the annual general meeting based on a recommendation by the nomination committee, which is distributed to the shareholders along with the calling notice for the annual general meeting. Resolutions for the appointment of directors are taken separately for each director and require a simple majority. Directors of the board have been encouraged to own shares in the company.

9. The work of the board of directors

The board resolved a plan for its activity for 2019 with an emphasis on the company's objectives and strategy. Instructions are in place for the CEO and the board of directors, outlining their different roles and the interaction between the parties. The board does not have an elected or appointed deputy chairperson. The articles of association, however, have applicable procedures for board meetings when the chairperson is absent.

The board of directors has established an audit committee. The audit committee consists of the directors Mr. Ståle Rodahl and Mr. Nicholas Knag Nunn. The board of directors has not deemed it necessary to appoint a remuneration committee. The company has provisions for directors and management to report conflicts of interest in any transaction or business activity. The board of directors ensures that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors.

10. Risk management and internal control

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

11. Remuneration of the board of directors

The compensation of the directors is fixed by the annual general meeting upon the recommendation of the nomination committee. Annual fees paid do not reflect the particular skills, but do remunerate additional efforts made in committees of the board. There are no performance incentives granted to the directors. To the extent consultancy services are provided to the company by any director, the board will approve such activities. The compensation to directors is included in the annual report.

12. Remuneration of executive personnel

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

The company has two share option plans, intended to align the interests of executive management with those of the shareholders. Details of the share option programs are presented in the annual report in the notes to the financial statement.

13. Information and communication

The company's guidelines for financial reporting as well as other information distributed to the market, requires openness and equal treatment of all shareholders. The board has established guidelines for contact with shareholders other than through the general meeting.

14. Take-overs

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

15. Auditor

The company's auditor presents an annual plan for the audit of the company to the board and the audit committee. Internal control is annually assessed by the auditor with the company's audit committee, referring any recommendations to the board of directors. The auditor attends the meetings when the board of directors discuss the annual accounts and results. At these meetings the auditor reports on any material changes in the company's accounting principles and key aspects of the audit, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the company. The auditor meets with the board of directors without management being present when so requested by either party.

The use of non-audit related services from the auditor has been limited and should only be performed upon prior approval by the audit committee. The auditors confirm their independence through their reports to the audit committee.

MANAGEMENT REPORT

Operating activities

The increased ocean bottom seismic activity resulted in improved 2019 demand for SeaBird source vessel capacity. During the year, we also experienced increased streamer demand after a prolonged period of limited 2D and 3D seismic operations. The improved activity in all market segments, contributed to an increase in utilization and overall revenues. The company executed its first 3D survey since 2015 and more than quadrupled its revenues from 2D surveys compared to the prior year. Utilization increased from 47% of a 5-vessel fleet in 2018 to 62% of a 7-vessel fleet in 2019.

Eagle Explorer joined the fleet in Q4 2018 and continued as a source vessel on a wide-azimuth survey from late 2018 until August 2019. The vessel then commenced a 2D survey in the North Sea. Following the North Sea streamer survey, the vessel was warm stacked in Norway and started to prepare for its next project.

Voyager Explorer, which is a chartered vessel, also continued on a prior-year source survey from the beginning of 2019 through mid-April. After this survey, the vessel was warm stacked in Asia while select overhaul work was carried out. In November, the vessel mobilized for a source survey in Asia Pacific, which continued into Q1 2020.

Nordic Explorer was chartered to execute a shallow water 3D project in West Africa that commenced in Q2 2019. Following this survey, the vessel executed a 2D project in the same area before mobilizing for another 2D project in Asia Pacific at the end of the year.

Petrel Explorer joined the fleet in June 2019, together with a time-charter contract with EMGS. The vessel was employed by EMGS on this time charter through the full year. Fulmar Explorer joined the fleet in July 2019 and was moved to Norway to commence the seismic rigging of the vessel.

Harrier Explorer was reactivated in 2018 and started 2019 with a mixture of 2D and source contracts in the Americas. The vessel continued the year with two additional 2D surveys that utilized the vessel in the Americas region until October 2019.

Osprey Explorer also started the year in the Americas, where the vessel operated on various source projects until June 2019. In August 2019, the vessel mobilized to the North Sea and executed a source project until October 2019. The subsequent decision to decommission the vessel, resulted in an impairment and other charge of $3.0 million.

Aquila Explorer was decommissioned from the fleet in Q2 2019.

Subsequent to year end, the Geo Barents (2007) was chartered on a "pay as you work" flexible charter agreement. The Geo Barents will be employed in all SeaBird's core market segments – source, 2D and niche 3D.

Following the fleet renewal, SeaBird is positioned with a cost-efficient and more asset-light and flexible business model.

The company completed data processing of the multi-client surveys of 2018 during reported year. As a result of implementation of IFRS 15 Revenue from Contracts with Customers in 2018, the prefunding of these surveys were recognized in 2019. In addition, the company reported $0.8 million in multi-client late-sale revenues.

Along with the fleet renewal, SeaBird also relocated its operational headquarter from Oslo to Bergen, Norway. This restructuring resulted in a $0.7 million provision, which is booked in 2019.

From an operational standpoint, SeaBird's continued focus on quality, health, safety and the environment remains at the

HIGHLIGHTS 2019

- Revenues were $45.1 million, an increase of 127% compared to 2018
- SG&A was $7.4 million, an increase of 7% compared to 2018
- Cost of sales were $43.1 million, an increase of 128% compared to 2018
- Adjusted EBITDA was $0.3 million compared to negative $6.3 million for 2018

Acquired BOA Thalassa and BOA Galatea (renamed Petrel Explorer and Fulmar Explorer, respectively) for a total value of NOK 185 million

Increased 2D and 3D streamer demand after a prolonged period of limited activity

Secured a $16 million three-year loan and guarantee facility to repay SBX04 bond loan and to outfit Fulmar Explorer for seismic operations in 2020

forefront of our business. SeaBird is committed to contributing to sustainable development. The company's policies and procedures are designed to enable the company to deliver its services while minimizing the company's environmental footprint.

Financial review

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

Revenues were $45.1 million in 2019, representing a 127% increase compared to revenues earned in 2018. The increase in revenues was mainly due to higher fleet utilization and a larger active fleet. The majority of our revenues were related to contracts with oil companies and other seismic companies. Revenues earned from multi-client sales were $1.7 million in 2019. Our largest customer represented 14% of total revenues for the year.

Other income (expense) was $0.0 million in 2019 ($0.5 million).

Cost of sales was $43.1 million in 2019 ($18.9 million). The increase is mainly a result of higher utilization and a larger active fleet.

SG&A was $7.4 million in 2019, up from $6.9 million in 2018.

Reversal of bad debt charges was $0.2 million in 2019 compared to $0.3 million reversal of bad debt charges in 2018.

Restructuring cost was $0.7 million in 2019 compared to nil in 2018.

Depreciation and amortization were $11.3 million in 2019 ($7.3 million). The increase is predominantly due to multi-client amortization and an increase in the number of owned vessels compared to the prior year.

Total impairments were $5.5 million in 2019 ($0.0 million). The impairments were primarily related to the decommissioning of Aquila Explorer and Osprey Explorer.

Operating loss was $22.4 million compared to $12.5 million in 2018.

Net finance expense was $0.9 million in 2019 ($2.0 million). Other financial items was $0.7 million ($0.7 million).

Income tax expense was $0.8 million in 2019 (gain of $0.9 million).

The company reports a loss from continuing operations of $23.3 million for 2019 (loss of $12.9 million in 2018).

Capital expenditures were $27.2 million in 2019 ($21.3 million), which includes the $6.4 million partial settlement for Petrel Explorer and Fulmar Explorer, paid in the form of SeaBird shares.

Multi-client investment was $0.0 million in 2019 ($1.5 million).

Net profit from discontinued operations was nil for 2019 compared to $0.9 million in 2018. Discontinued operations represent the remaining contractual obligations of the ocean bottom node business, which was divested in Q4 2011.

Cash and cash equivalents at the end of the period were $3.6 million ($5.8 million). In addition, the company had $0.2 million in restricted cash in connection with deposits and taxes payable ($0.2 million).

Net cash from operating activities was negative $8.1 million in 2019 (negative $11.4 million).

The company has a bond loan. 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 $5.2 million per 31 December 2019 (nominal value of $4.6 million plus payment in kind interest of $0.7 million plus accrued interest of $0.0 million plus amortized interest of $0.6 million less gain on restructuring of $0.7 million). The SBX04 secured bond loan (Tranche B) is due 30 June 2020 and it is carrying an interest rate of 6.0%. Interest may be paid in kind and deferred until 30 June 2020. Interest paid during 2019 was $ nil. The bond is listed on Nordic ABM, and it is traded with ticker SBEF02 PRO.

The company received a term sheet for a $16 million three-year secured loan and guarantee facility. Proceeds from the loan is expected to be used to repay the SBX04 bond loan expiring in 30 June 2020 and to outfit the "Fulmar Explorer" for seismic operations.

The Glander facility, previously classified as "long term trade payables", has been reclassified as "trade payables". The 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%. The facility's maturity date is 30 June 2020. Interest paid during 2019 was $ nil.

Net interest bearing debt was positive $1.5 million as per 31 December 2019 (net debt of negative $1.2 million as per 31 December 2018).

The number of ordinary shares in the company is 538,931,387 each with a nominal value of $0.01 as per 31 December 2019.

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

Significant events during the year

On 7 January 2019, the company announced notification of award to acquire 2D seismic data for an international oil & gas company in the Americas region.

On 24 January 2019, the company announced a 90-day extension for Voyager Explorer in Asia. In addition, Osprey Explorer received an extension of approximately 120 days in the Americas.

On 11 March 2019, the company announced the sale of a seismic data license over Rio Grande Rise in Brazil. The license sale relates to assets which previously have been written down to $0.2 million, resulting in a gain of $0.7 million.

On 12 March 2019, the company received an extension of 80 days for Eagle Explorer.

On 1 April 2019, the company announced the receipt of a letter of award for a niche 3D survey in West Africa and the time-charter of Nordic Explorer for this survey, including the receipt of nine kilometers of ION DigiSTREAMER. The company also announced a three-week source contract for an OBN survey in Gulf of Mexico. Separately, the company agreed on a 21-day off-hire period for Voyager Explorer, related to a technical stop in January 2019.

On 11 April 2019, the company announced an exclusive process to acquire the vessels BOA Galatea and BOA Thalassa in a transaction which valued the vessels at NOK 185 million on an en-bloc basis.

On 12 April, the company announced that the private placement of shares to acquire the vessels BOA Galatea and BOA Thalassa is successfully subscribed. The company allocated subscriptions for 208,333,330 offer shares at a subscription price of NOK 1.20, raising NOK 250 million in gross proceeds.

On 10 May 2019, the company announced a new 40-60 day contract for source work in the Gulf of Mexico for Osprey Explorer.

On 23 May 2019, the company announced a one-month contract for 2D seismic data acquisition in the Norwegian Sea.

On 24 May 2019, the company announced final agreement with BOA SBL AS to acquire BOA Galatea and BOA Thalassa. All conditions for completion of the private placement had been satisfied.

On 29 May 2019, the company announced the issuance of 208,333,330 share in the private placement to acquire BOA Galatea and BOA Thalassa.

On 13 June 2019, the company announced the cancellation of the subsequent offering of 25,000,000 directed towards existing shareholders who were not allocated shares in the private placement announced on 12 April 2019. The reason was that the company's shares were trading below the offer price in the subsequent offering, and this had been the case for a significant period of time.

On 13 June 2019, the company announced the completion of the acquisition of BOA Thalassa for a purchase price of NOK 92,500,000. NOK 64,833,553 was paid in cash and NOK 27,666,447 was paid in the form of 23,055,373 new shares of the company.

On 25 July 2019, the company announced the completion of the acquisition of BOA Galatea for a purchase price of NOK 92,500,000. NOK 64,833,553 was paid in cash and NOK 27,666,447 was paid in the form of 23,055,372 new shares of the company.

On 30 July 2019, the company announced production delays and survey extensions for the 3D survey in West Africa and the 2D survey in the Americas, due to difficulties with availability and lead-time of select seismic streamer equipment parts. This resulted in increased operating expenses and negatively affected earnings in both Q2 and Q3 2019. In addition, the company decided to decommission Aquila Explorer. As a part of this decommissioning, select seismic equipment (including compressors and winches) would be removed from the Aquila Explorer and utilized for the seismic outfitting of the BOA Galatea.

On 9 August 2019, the company completed the Annual General Meeting 2019 with all proposals on the agenda adopted with requisite majority. After the AGM, SeaBird's board of directors consists of Mr. Olav Haugland (Chairperson), Mr. Heidar Engebret, Mrs. Sidsel Godal and Mr. Nicholas Knag Nunn.

On 10 September 2019, board member Heidar Engebret gave notice to SeaBird Exploration PLC of his resignation as a member of the board of directors of SeaBird. The nomination committee informed the company that they recommend Mr Engebret to be replaced with Mr Ståle Rodahl.

On 11 September 2019, the company announced a notification of award for a three to four months survey to acquire 2D seismic data in the Australasia region.

On 16 September 2019, the company announced a letter of award to provide a source vessel for one to two months for an upcoming OBN project in the Asia Pacific region.

On 19 September 2019, the company announced it has signed a contract to acquire a three-week long 2D survey for an international oil & gas company in the Africa region.

On 27 September 2019, the company completed an Extraordinary General Meeting. All proposals on the agenda were adopted with the requisite majority. After the EGM, SeaBird's board of directors consists of Mrs. Sidsel Godal, Mr. Olav Haugland, Mr. Nicholas Knag Nunn and Mr. Ståle Rodahl.

On 3 October 2019, the board of directors appoints Ståle Rodahl as the chairman of the board.

On 20 October 2019, the company announced that Gunnar Jansen accepted a position as interim CEO in Seabird, and replaced Hans Petter Klohs, who informed the board of directors that he would leave his position.

On 11 November 2019, the company announced a letter of intent for a 60-90 days long OBN survey in the Eastern Hemisphere.

On 12 November 2019, the chairman Ståle Rodahl acquired 3,000,000 shares at an average price of NOK 0.576. Following the transaction and the option grant, Mr Rodahl and his close associates held 8,500,000 shares and 9,200,000 share options in the company. Simultaneously, the company entered into a consultancy agreement with Mr Rodahl, pursuant to which Mr Rodahl will render consultancy services to the company in the capacity of executive chairman. Under the engagement, Mr Rodahl would render consultancy services to such extent as would be agreed with the Board of Directors, focusing on strategic matters, at a rate of NOK 1,500 per hour. The company also intended to reset the exercise price of 2018 share options while maintaining the volume of the plan within the 10% limit of shares outstanding. The intention was to enter into arrangements with employees whereby options granted under the 2018 plan were cancelled and exchanged for new options at a strike price of NOK 0.55 for the first year, with an increase of 10% per year for the next two years of vesting under the plan's three year's duration from re-grant. The first 9,200,000 options under the adjusted terms were granted to Mr Rodahl, and would vest over three years from grant, provided Mr Rodahl remains available as a board member.

On 18 November 2019, Olav Haugland gave notice to the company of his resignation as a member of the board of directors of SeaBird.

On 26 November 2019, the company announced amendments and awards under the new share option program. The exercise prices were adjusted upwards and fixed at an average exercise price of NOK 0.66 for the three years of the program (NOK 0.6, 0.66 and 0.72 respectively). A total of 32.1 million share options are granted under the new program to key employees and previously granted options to these employees are terminated. The Executive Chairman Mr Rodahl offered to forfeit 2,000,000 options to increase availability under the current awards and consequently holds 7,200,000 options.

On 19 December 2019, the company announced the CFO Nils Haugestad would leave his position at the end of March 2020. The new CFO, Erik von Krogh, would assume the position on 1 April 2020.

On 23 December 2019, the company announced an Extraordinary General Meeting to be held on 9 January 2020 following an indication from Sidsel Godal that she did not wish to continue in the position on the board of directors of the company. The nomination committee proposed that with effect from the EGM that Mr Rolf Inge Jacobsen and Øivind Dahl-Stamnes be elected to the board.

On 23 December 2019, Øivind Dahl-Stamnes, board member to be elected in next EGM, acquired 412,000 shares at an average price of NOK 0.518 per share. Following the transaction, Mr Dahl-Stamnes held 500,000 shares in the company.

Corporate governance

Our corporate governance policy guides our operations and culture. The company has complied with Cyprus law in preparing the Corporate Governance report. The company's corporate governance policies are set out in the corporate governance section of this annual report.

The board of directors are encouraged to hold shares in the company. The shareholdings of each board member are disclosed in note 29.

The engagement of auditors is decided in the company's general meeting. The independent auditors, Deloitte Ltd, have expressed their willingness to continue in office.

Going concern

The company's accounts have been prepared on the basis of a going concern assumption. Please refer to note 2.1.

Subsequent events

On 9 January 2020, the company announced a letter of award for a 3D survey in Asia. The survey commences at the end of Q1 and is expected to be completed in Q2 this year. The company will use a third party vessel and equipment for this survey as it seeks to optimize its capacity against all contract opportunities currently seen in the region. In conjunction with the LOA above, SeaBird will also enter into a frame agreement with the customer, under which further work may be awarded to the company.

On 9 January 2020, the company concluded the extraordinary general meeting which elected a new board of directors. SeaBird's board of directors now consist of Mr Ståle Rodahl as executive chairman, Mr Nicholas Knag Nunn, Mr Øivind Dahl-Stamnes and Mr

Rolf Inge Jacobsen. The company's nomination committee consists of Mr Svein Øvrebø, Mr Per Øyvind Berge and Mr Hans Christian Anderson.

On 27 January 2020, the company updated the contract schedule for 2020. The company received a letter of award for provision of source services for two OBN surveys to be carried out in West Africa, with an expected total duration of about 80 days. The first survey is expected to start in April 2020 and the second survey will follow immediately after. The vessel Eagle Explorer will be used for both surveys.

On 27 January 2020, the time charter agreement with EMGS for the Petrel Explorer originally contained two options for EMGS to extend the contract by 6 months each. The first of these two options has been converted to 6 monthly options. EMGS has declared the first option, meaning that the charter period for the Petrel Explorer is now firm until 30 April 2020.

On 18 February 2020, the company announced it received a term sheet for a $16 million three-year secured loan and guarantee facility. The proceeds from the loan will be used to repay the SBX04 bond loan expiring in June, and to outfit the "Fulmar Explorer" for seismic operations. The outfitting project commenced in Q1 with an expected duration of 3 months. Marketing of the "Fulmar Explorer" will begin immediately. The company also signed a 2-year, plus 2×1 year options, "pay as you work" flexible charter agreement with Uksnøy & Co AS for the 2007-built «Geo Barents». The vessel will be equipped for source, 2D and niche 3D work with expected availability ultimo March. The company will begin marketing the vessel immediately for work commencing in April or later. Furthermore, the company decided to decommission the 1985-built «Osprey Explorer» and recycle the in-water seismic equipment to the "Geo Barents". Through these initiatives, the company has an upgraded fleet of 6 owned and chartered vessels, enabling the company to offer its clients a modern and competitive fleet in its industry segments. Furthermore, the initiatives will allow the company to operate with a more flexible cost base, where the modern owned vessels offer a competitiveness that allows for a significant base utilization while the chartered vessels provide flexibility as activity levels fluctuate. Together with the previously announced restructuring and cost reduction program, this will ensure a stronger, leaner and more competitive company for the benefit of our clients and shareholders in the years to come.

On 20 February 2020, the company announced a new OBN source contract in Asia Pacific. The expected duration of the contract is about 5 months and start-up is expected in April 2020. The vessel Voyager Explorer will be employed on this contract and the bareboat-charter will therefore be extended.

On 2 March 2020, the company announced a one-month extension of the Petrel Explorer time charter contract with EMGS. The charter period is then firm until 31 May 2020. Furthermore, the company received indicative bid interest from a prospective buyer of the vessel. Given the positive market backdrop, the company`s preferred strategy for the vessel is to maintain exposure through the current charter party. However, pending further extensions, the company may seek a new owner for the vessel.

On 19 March 2020, Gunnar Jansen, acting CEO, purchased 525,000 shares in the company at a price of NOK 0.20 per share. Following the purchase Mr Jansen held 525,000 shares and 7,200,000 options in the company.

On 6 April, the company announced cancellation of two OBN surveys off West Africa announced on 27 January due to COVID-19 situation. The Eagle Explorer had mobilized and was ready for work, and the company expects to be made whole on the contract.

With the recent and rapid development of the Coronavirus (COVID-19) outbreak the world economy entered a period of health care crisis that has already caused and will continue to cause a major global disruption not only in business activity but in everyday life as well. Many countries have adopted extraordinary and economically costly containment measures requiring in some cases companies to limit or even suspend normal business operations and to implement restrictions on travelling and strict quarantine measures. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. The outbreak is considered as a non-adjusting event for reporting purposes and is therefore not reflected in the recognition and measurement of the assets and liabilities in the Group's financial statements as at 31 December 2019. Management has considered the unique circumstances and the risk exposures of the company and has concluded that the impact on the financial results of the company could be in the form of reduced demand for services, challenges in the collection of receivables, or increased costs due to operational disruptions that affect logistics, yard work, movement of spare parts, crew transportation and crew health and safety issues. Up to the date of approval of this report, the event did not have an immediate impact on the business operations. Nevertheless, management considers the decrease in oil and gas prices and the resulting liquidity constraints put on its customers, and determines the reduction in demand for services to be the major risk factor for the company's liquidity position. The decrease in oil price caused by COVID-19 disruption was further aggravated by the failure in OPEC discussions in early March 2020. Talks between OPEC and Russia over cutting oil production in response to the coronavirus outbreak collapsed without a deal, sending oil priced down to their lowest level in three years, near $30 per barrel. Management acknowledges the impact of these developments on the clients' capex decision and consequently the Group's revenues. For this reason, the company has exercised two sensitivity analyses on its financial plan 2020 to quantify the possible effect of the outbreak and the reduction in oil price. The first exercise assumes a scenario where daily rates of the company's assumed contracts decreases by 10%. In this scenario the company sees a 17% reduction in its forecasted EBITDA for 2020. The second exercise assumes a scenario where the company's assumed contracts later in the year does not materialize and the expected utilization drops by 10 percent point. In this scenario the company sees a 19% decrease in its forecasted revenue for 2020 and EBITDA of 2020 is nearly halved. In the second scenario, the company also sees a possible slight working capital build up towards the year end. In both scenarios the company is able to meet the covenants on the facility expected to be granted based on the term sheet described above, by delaying certain payments which will not affect the company's operational ability. Management will continue to monitor the situation closely and assess future measures including alternative sources of financing as a fall back plan in case the period of disruption becomes prolonged. The Board has contingency plans in place in case of a prolonged stand-off, which will take the Group's run-rate on cash costs down to a very low level, enabling the Group to weather a period of low activity from the oil companies.

Outlook

Seismic spending the last couple of years has largely been allocated to improved oil recovery (IOR) from producing fields as well as near-field exploration. This has resulted in a commensurate increase in source vessel demand related to ocean bottom seismic surveys. The ocean bottom seismic (OBS) market is still expected to be a core market for the company. Tendering activity in this segment for the fourth quarter was moderate. The 2D streamer segment is expected to become relatively more important for the company as 2020 progresses. In this respect, we continue to see a modest increase in tendering and higher conversion rates for contract awards in this segment. Activity in this segment has largely been related to smaller proprietary surveys, but we also see acquisition contracts materializing with the multi-client companies for larger surveys.

Contract prices are stable compared to previous quarters and expected to increase gradually, especially if 2D activity continues to increase, with the majority of the relevant global fleet being allocated either to OBN source or 3D. Following the fleet renewal and financing initiatives concluded in Q1 2020, the company will have an upgraded modern, versatile and competitive fleet of 6 vessels ready to compete as of primo 2H 2020. While earnings in the first half of the year will be affected by continued moderate utilization in Q1 and the two upgrade projects, we expect activity levels to improve when oil prices eventually recover.

Please refer to subsequent events for COVID-19 effect on the company.

Resolution

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

The company's net loss for 2019 is $23.315 million.

The net loss for the year is carried forward and will be settled against future gains. The board would like to offer its sincere appreciation to the employees of the company for all the efforts that were made during the year.

The board of directors

SeaBird Exploration Plc – 8 April 2020

Ståle Rodahl
Executive Chairman

Nicholas Knag Nunn
Director

Øivind Dahl-Stamnes
Director

Rolf Inge Jacobsen
Director

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of 31 December	
All figures in USD 000's	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	53,948	41,863
Right of use assets	28	132	-
Multi-client library	9	436	1,547
Long term investment	33	54	577
		54,570	**43,987**
Current assets			
Inventories	13	1,926	1,177
Trade receivables	10	3,620	2,077
Contract assets	10	1,836	1,827
Other current assets	11	5,044	3,269
Restricted cash	14	233	235
Cash and cash equivalents	14	3,645	5,774
		16,304	**14,360**
Assets classified as held for sale	12	-	-
Total assets		**70,874**	**58,346**
EQUITY			
Shareholders' equity			
Paid in capital	15	322,875	289,967
Currency translation reserve		(407)	(407)
Share options granted	15	87	111
Retained earnings		(275,477)	(252,162)
		47,078	**37,509**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	18	-	4,559
Long term trade payables	19	-	400
Long term tax payables	8	263	1,258
Other long term liabilities	32	160	640
		423	**6,857**
Current liabilities			
Trade payables	16	5,349	2,982
Contract liability	9	-	651
Other payables	16	8,861	8,877
Lease liabilities	28	373	-
Provisions	17	1,643	-
Loans and borrowings	18	5,152	-
Tax liabilities	8	1,995	1,469
		23,373	**13,979**
Total liabilities		**23,796**	**20,837**
Liabilities classified as held for sale	12	-	-
Total equity and liabilities		**70,874**	**58,346**

On 8 April 2020, the board of directors of SeaBird Exploration Plc authorized these consolidated financial statements for issue.

Ståle Rodahl
Executive Chairman

Nicholas Knag Nunn
Director

Øivind Dahl-Stamnes
Director

Rolf Inge Jacobsen
Director

CONSOLIDATED STATEMENT OF INCOME

All figures in USD 000's	Note	Year ended 31 December 2019	2018
Revenues	5, 6	45,136	19,880
Cost of sales	22	(43,053)	(18,899)
Selling, general and administrative expenses	22	(7,357)	(6,856)
Allowance for ECL and write offs, net of reversals	30	277	167
Other income (expenses), net	21	31	522
Organizational restructuring	17	(672)	-
Depreciation	7,9, 28	(10,636)	(7,304)
Amortization	9	(644)	-
Impairment	7,9,12	(5,461)	(1)
Operating profit (loss)		**(22,379)**	**(12,490)**
Finance expense	24	(921)	(1,958)
Other financial items, net	20	736	679
Profit/(loss) before income tax		**(22,564)**	**(13,769)**
Income tax	8	(751)	858
Profit/(loss) continuing operations		**(23,315)**	**(12,911)**
Net profit/(loss) discontinued operations	25	-	936
Profit/(loss) for the period		**(23,315)**	**(11,976)**
Profit/(loss) attributable to			
Shareholders of the parent		(23,315)	(11,976)
Earnings per share			
Basic	25	(0.05)	(0.06)
Diluted	25	(0.05)	(0.06)
Earnings per share from continued operations			
Basic	25	(0.05)	(0.06)
Diluted	25	(0.05)	(0.06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All figures in USD 000's	Note	Year ended 31 December 2019	2018
Profit/(loss)		**(23,315)**	**(11,976)**
Other comprehensive income			
Net movement in currency translation reserve and other changes		-	-
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**(23,315)**	**(11,976)**
Total comprehensive income attributable to			
Shareholders of the parent		(23,315)	(11,976)
Total		**(23,315)**	**(11,976)**

CONSOLIDATED STATEMENT OF CASH FLOW

All figures in USD 000's	Note	Year ended 31 December 2019	2018
Cash flows from operating activities			
Profit/(loss) before income tax		(22,564)	(13,769)
Adjustments for			
Depreciation, amortization and impairment	7, 9,12 28	16,741	7,305
Movement in provision	17	1,643	(3,437)
Unrealized exchange (gain)/loss		(92)	(141)
Other items		148	(86)
Interest expense on financial liabilities	24	650	590
Paid income tax	8	(283)	(313)
(Increase)/decrease in inventories		(749)	(181)
(Increase)/decrease in trade receivables, contract assets and restricted cash		(3,851)	(2,268)
Increase in trade payables and other liabilities		943	222
(Decrease)/increase in contract liability		(651)	651
Net cash used in operating activities		**(8,065)**	**(11,427)**
Cash flows from investing activities			
Capital expenditures	7	(20,763)	(21,260)
Proceeds from disposal of PPE		-	241
Long term investment		633	(532)
Multi-client investment	9	(80)	(1,047)
Net cash used in investing activities		**(20,210)**	**(22,597)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	15	28,542	35,965
Transaction costs on issuance of ordinary shares		(2,031)	(2,256)
Repayment of borrowings	18	-	(225)
Interest paid		-	(15)
Repayment of interest portion of lease liability	28	(76)	-
Repayment of principal portion of lease liability	28	(290)	-
Net cash from financing activities		**26,145**	**33,469**
Net decrease in cash and cash equivalents		**(2,130)**	**(554)**
Cash and cash equivalents at beginning of the period, unrestricted	14	**5,774**	**6,329**
Cash and cash equivalents discontinued operations		**-**	**-**
Cash and cash equivalents at end of the period, unrestricted	14	**3,645**	**5,774**

Non-cash transactions

During the year, the Group entered into the following non-cash transactions which are not reflected in the consolidated statement of cash flow:

- Part of the purchase consideration for vessels Petrel Explorer and Fulmar Explorer was paid in the form of company's shares issued on 12 June 2019 and 25 July 2019 for an aggregate amount of $6.4 million (see note 15).
- Non-cash additions to right-of-use assets and lease liabilities of $0.6 million on 1 January 2019 with the adoption of IFRS 16 (see note 2.2).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All figures in USD 000's	Paid in capital	Equity component of warrants	Currency translation reserve	Share options granted	Retained earnings	Total
Balance at 1 January 2018	**261,947**	**2,736**	**(407)**	**-**	**(248,609)**	**15,666**
Comprehensive income for the year						
Profit	-	-	-	-	(11,976)	(11,976)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(11,976)**	**(11,976)**
Contributions by and distributions to owners						
Share issue	33,709	-	-	-		33,709
Reduction of share capital	(5,688)				5,688	-
Equity component of warrants	-	(2,736)	-	-	2,736	-
Share options granted/cancelled	-	-	-	111	-	111
Total contributions by and distributions to owners	**28,021**	**(2,736)**	**-**	**111**	**8,424**	**33,820**
31 December 2018	**289,968**	**-**	**(407)**	**111**	**(252,162)**	**37,509**
Balance at 1 January 2019	**289,968**	**-**	**(407)**	**111**	**(252,162)**	**37,509**
Comprehensive income for the year						
Loss for the year	-	-	-	-	(23,315)	(23,315)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(23,315)**	**(23,315)**
Contributions by and distributions to owners						
Share issue	32,907	-	-	-	-	32,907
Share options granted/cancelled	-	-	-	(24)	-	(24)
Total contributions by and distributions to owners	**32,907**	**-**	**-**	**(24)**	**-**	**32,883**
31 December 2019	**322,875**	**-**	**(407)**	**87**	**(275,477)**	**47,078**

1. General information

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

The company was incorporated in the British Virgin Islands as a limited liability company in 2000. The company was redomiciled to Cyprus on 18 December 2009. SeaBird has been listed on the Oslo Stock Exchange since April 2006, under the ticker symbol "SBX". The company's registered address and its primary business address is 15 Spyrou Kyprianou, Matrix Tower II, 4001 Limassol, Cyprus. The Group also has offices in Bergen (Norway), Oslo (Norway) and Singapore. SeaBird Exploration Plc is tax resident in Norway and registered in the corporate registers in Norway and Cyprus.

At 31 December 2019, SeaBird's active fleet is as follows:

- Eagle Explorer (owned vessel)
- Harrier Explorer (owned vessel)
- Osprey Explorer (owned vessel)
- Voyager Explorer (chartered vessel)
- Petrel Explorer (owned vessel)
- Nordic Explorer (chartered vessel)

At 31 December 2019, SeaBird had one decommissioned vessel, the Aquila Explorer and one stacked vessel – the Fulmar Explorer. The Aquila Explorer was not in use in 2019 and the vessel was sold in January 2020. Petrel Explorer joined the fleet in June 2019 and remained leased-out under a time charter contract until the end of the year. Fulmar Explorer joined the fleet in July 2019 and was moved to Norway to commence the seismic rigging. The vessel remained at the shipyard until the end of the year.

The accompanying consolidated financial statements represent the activities of SeaBird for the year ended 31 December 2019. These consolidated financial statements were authorized for issue by the board of directors on 8 April 2020.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss. The preparation of financial statements also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going concern assumption

The company's consolidated accounts have been prepared based on a going concern assumption.

At 31 December 2019, cash and cash equivalents amounted to $3.6 million, while total current assets amounted to $16.3 million. Net interest-bearing debt at 31 December 2019 was $1.5 million and current liabilities were at $23.4 million. The SeaBird Group had equity of $46.6 million as of December 31 2019. During the year, the Group incurred a loss of $23.315 million.

Despite the losses incurred in 2019, during the year, the Group raised new capital to finance the acquisition of two additional vessels. The company also increased its utilization, day rates and contract backlog as a result of a strengthened seismic market, while corrective actions were taken under the company's new business strategy to rectify the operational problems encountered in 2019.

The Group's financing plan for 2020 substantiates the Group's ability to meet its obligations as they fall due and continue as a going concern. The financing plan includes a new credit facility for the refinancing of the SBX04 bond and financing of the rigging of the Fulmar Explorer. As described in note 34, subsequent to year end, the company announced it received a term sheet for a $16 million three-year secured loan and guarantee facility.

In its assessment of the going concern assumption, management also considers the existing and anticipated effects of the COVID-19 outbreak and the fall in oil price on the company's activities and liquidity position. Up to the date of assessment, the Company has seen one cancellation of OBN work as well as some logistical challenges but not significant disruptions as a direct consequence of COVID-19. Management considers the anticipated impact on the company by assessing industry factors such as the reduction in oil price aggravated by the OPEC + talk failure in early March 2020 and the alongside fall of the gas price, as well as the expected impact on its customers, suppliers, competitors and employees. The Group sees the impact from the outbreak in the form of challenges with market demand, logistics, yard work, movement of spare parts and crew transportation, health and safety issues. Management considers the decrease in demand to be the key risk on the company's liquidity position. As described in note 34, management has reassessed its financial plans developing downside scenarios that incorporate reduced utilization or reduced contract rates. In its assessment, management considers availability of alternative sources of financing to mitigate the impact on liquidity, including cost saving measures and tighter working capital control as a first response. The Board has contingency plans in place in case of a prolonged stand-off, which will take the company's run-rate on cash costs down to a very low level, enabling the company to weather a period of low activity from the oil companies. Other measures, which may include realization of assets or asset-backed financing arrangements, are also considered possible. However, a prolonged and increasing extent of the COVID-19 outbreak combined with continued low oil price may cause challenges for the company with respect to realizing its assets and discharging its liabilities in the normal course of business. The Directors consider lasting low oil prices to constitute a material uncertainty for the industry in general as well as for the Group's ability to continue as a going concern.

At the time of approving the financial statements, the Directors assess that based on the analysis performed, despite the challenges, the liquidity position is manageable and the going concern basis of preparation remains appropriate. The Group's business strategy, the current budgets including the existing backlog and projects under review, the financing plan 2020 including the downside scenarios and the response plans, the low debt burden and the absence of capital or other long-term commitments, the access to equity capital, as well as the Group's long-term strategic forecast, all provide the basis for this assumption.

2.2 Adoption of new or revised standards and interpretations

During the current year, the Group adopted all the new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2019. The nature and effect of the changes as a result of adoption of these new accounting standards is described below.

IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2.19. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- Requires the Group to recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

The Group has elected to apply the practical expedient provided by IFRS 16:C8(b)(ii) and as such, on 1 January 2019, it recognized the right-of-use asset at an amount equal to the lease liability, thus having no impact in the opening retained earnings.

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

The contracts entered into by the Group that are determined to contain a lease under the new standard's definition are primarily the Voyager Explorer's and Nordic Explorer's charter-in contracts described in note 28, the rental agreements for the Group's office premises, contracts for the rental of office equipment, as well as the Group's source contracts under which Group vessels are chartered-out to customers for a specific period. Such contracts were also previously accounted for as leases under IAS 17 and IFRIC 4. The Group's 2D, 3D and multi-client contracts do not contain a lease under the definition of IFRS 16 and continue to be accounted for under the revenue standard IFRS 15. Therefore, the new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments;

b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

c) Separates the total amount of cash paid into a principal portion and interest (both presented within financing activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The Group has used the following practical expedients on initial application using the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has considered at the date of initial application the assessment for onerous leases performed under IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognize right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the lessee recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have any effect on the Group's consolidated financial statements, since the Group did not have any finance lease arrangements at initial application.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). The change in intermediate lessor's accounting did not have any impact on the Group's reporting.

(d) Financial reporting impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 in the current year, compared to amounts that would have been recognized had IAS 17 continued to be applied in 2019, for the lease contracts effective in 2019.

The incremental borrowing rate applied to lease liabilities recognized in the statement of financial position on 1 January 2019 is 13%.

Impact on consolidated statement of profit or loss:

	2019 USD 000
Increase in depreciation of right-of-use assets	(531)
Increase in interest expense on lease liabilities	(76)
Decrease in cost of sales	366
Net impact on profit/(loss) for the year	**(241)**

Impact on consolidated statement of financial position at year end:

	2019 USD 000
Right-of-use assets	132
Lease liabilities – non-current portion	-
Lease liabilities – current portion	(373)
Net impact on equity at year end	**(241)**

As noted above, the Group has elected to apply the practical expedient provided by IFRS 16:C8(b)(ii) and as such, on 1 January 2019, it recognized the right of use asset at an amount equal to the lease liability, thus having no impact in its opening retained earnings.

The following table shows the reconciliation of the operating lease commitments disclosed under IAS17 at 31 December 2018 with the lease liabilities recognized in the statement of financial position at initial application at 1st January 2019.

	2019 USD 000
Operating lease commitments at 31 December 2018 (Note 28)	**923**
Commitments previously included in IAS 17 operating lease commitments, on which the Group elected the short-term or low value exemptions permitted by IFRS 16 (Note 2.2, (c))	**(173)**
	750
Effect of discounting the above amounts	**(105)**
Lease liabilities recognized at 1 January 2019 (Note 28)	**645**

Impact on consolidated statement of cash flows:

Under IFRS 16, lessees must present:

- Short term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by $0.4 million, being the lease payments, and net cash used in financing activities has decreased by the same amount. The adoption of IFRS 16 did not have an impact on net cash flows.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.

If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

With the adoption of IFRIC 23, the Group considered whether it has any uncertain tax positions. The group companies engage in customary intra-group transactions which are reflected in their tax filings in various jurisdictions. The tax authorities may challenge those tax treatments related to transfer pricing transactions. Also, certain group companies have elected to be taxed under the tonnage tax system in Cyprus. The tax authorities may challenge the separation of tonnage-tax qualifying and non-qualifying income. The Group has determined that it is probable that the tax treatments reflected on the group companies' tax returns, will be accepted by the tax authorities.

The adoption of IFRIC 23 did not have a material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS Standards

In the current year, the Group has also applied a number of amendments to IFRS Standards and interpretations issued by the IASB that are effective for annual periods beginning on or after 1 January 2019.

The amendments and interpretations applied for the first time in 2019 are described below:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRSs 2015 –2017 Cycle Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

(C) New and revised IFRS standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

Standards and Interpretations	***Effective for annual period beginning on or after***
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IAS 1 and IAS 8: Definition of Material *	1 January 2020
Amendments to IFRS 3 Business Combinations: Definition of a business	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform *	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards *	1 January 2020
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Not announced

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

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

2.3 Consolidation

(A) SUBSIDIARIES

The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company (its "subsidiaries").

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Subsidiaries are fully consolidated from the date on which control is transferred to SeaBird. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by SeaBird. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of SeaBird's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Inter-company transactions, balances and unrealized gains on transactions between SeaBird companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by SeaBird. For a complete listing of subsidiaries please refer to note 13 of the separate financial statements of SeaBird Exploration Plc.

B) TRANSACTIONS AND MINORITY INTERESTS

The Group has no minority interests.

2.4 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing related services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group has one business segment. The CEO of the Group is considered to be the Chief Operating Decision Maker.

2.5 Foreign currency translation

(A) PRESENTATION CURRENCY

The consolidated financial statements are presented in US dollars, which is also the company's functional currency.

(B) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses arising from financing activities are recognized in finance costs while all other foreign exchange gains and losses are recognized in their individual line items.

(C) SEABIRD COMPANIES

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

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

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

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

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

2.6 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;

- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

The Group's multi-client projects presented in these financial statements joint control arrangements accounted for as joint operations.

2.7 Property, plant and equipment

Property, plant and equipment comprise mainly vessels and seismic equipment on board owned or chartered vessels. Vessels, seismic equipment designated for source and 3D/2D operation and office equipment are carried at historical cost, less accumulated depreciation and impairment.

Cost represents either the purchase price or the fair value at the time of acquisition if the purchase was through a business combination. Certain expenditures for conversions and major improvements are also capitalized if they appreciably extend the life or increase the earning capacity of a vessel. Elements of cost include costs that are directly attributable to the improvement or conversion project but not administration and other general overhead costs. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

- Seismic vessels:
  Up to 25 years
- Seismic equipment (movable):
  4 to 8 years
- Seismic equipment (immovable):
  Vessels remaining life
- Office equipment:
  4 years

The vessels are depreciated from the date they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management. Costs for special periodic and class renewal surveys (dry-docking) are capitalized and depreciated over the estimated period between surveys. When special periodic and class renewal surveys occur the part of the fixed assets register that is replaced is derecognized. Other maintenance and repair costs are expensed as incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

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

2.8 Intangible assets

(A) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

(B) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(C) Derecognition of intangible assets
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

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

The company currently owns no intangible assets other than multi-client investments, which are described below.

(D) Multi-client library

The multi-client library consists of seismic data surveys to be licensed to customers on a non-exclusive basis. Costs directly incurred in acquiring, processing and otherwise completing multi-client seismic surveys, including depreciation and mobilization costs, are capitalized to the multi-client library.

Generally, each multi-client survey is amortized in a manner that reflects the pattern of consumption of its economic benefits.

Upon completion of data processing and delivery to the prefunding customers and those contracted during the work in progress phase, amortization is recognized based on total costs versus forecasted total revenues of the project.

Thereafter, a straight-line amortization is applied over the project's remaining useful life, which for most projects is estimated to be four years. The straight-line amortization is distributed evenly through the financial years, independently of sales during the quarters.

Whenever there is an indication that a survey may be impaired, an impairment test is performed in accordance with the policy described in 2.9. A systematic impairment test of all surveys is performed at least annually at the end of the financial year.

2.9 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

2.10 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.11 Financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value and are subsequently held at fair value or amortized cost based on the classification provisions described below.

2.11.1 Financial assets - classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

In order for a financial asset to be classified and measured at amortized cost or fair through other comprehensive income "OCI", it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables, cash and cash equivalents and restricted cash.

Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not hold any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group does not hold any equity instruments at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes the listed debt investment and the non-listed equity investment shown within the line long-term investments.

2.11.2 Derecognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss.

2.11.3 Financial assets: impairment and credit loss allowance for ECL

The Group assesses on a forward looking basis the ECL for debt instruments (including loans) measured at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognizes credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss.

Debt instruments measured at amortized cost are presented in the consolidated statement of financial position net of the allowance for ECL.

For debt instruments at FVOCI, an allowance for ECL is recognized in profit or loss and it affects fair value gains or losses recognized in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognized from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Group applies the general approach. The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL 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 ("12 months ECL"). If the Group identifies a significant increase in credit risk ("SICR") 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 contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking such as the future prospects of the oil and gas industry in which the Group's debtors operate.

Despite the foregoing, the Group 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 the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

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 events such as: significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for that financial asset because of financial difficulties.

2.11.4 Reclassification of financial assets
Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

2.11.5 Financial assets write off
Financial assets are written off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write off represents a derecognition event. The Group may write off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

2.11.6 Financial liabilities measurement categories
Financial liabilities are initially recognized at fair value and classified as subsequently measured at amortized cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

The Group's financial liabilities are classified as subsequently measured at amortized cost.

Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the consolidated statement of financial position date.

2.11.7 Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group 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 Group 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. In determining whether a modification of terms of a liability is a substantial modification, the Group considers quantitative and qualitative factors. 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, is recognized in profit or loss as the modification gain or loss.

2.12 Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The Group's inventories comprises of fuel and lube oils.

2.13 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments and bank overdrafts.

2.14 Share capital
Ordinary share capital is classified as equity. The difference between the fair value of the consideration received by the company and the nominal value of the share capital issued is taken to the share premium account.

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

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where SeaBird operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. SeaBird establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by SeaBird and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(A) PENSION OBLIGATIONS

SeaBird operates various defined contribution plans under which it pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(B) SHARE-BASED COMPENSATION

Equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for SeaBird equity instruments (options) is booked as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any nonmarket vesting conditions (for example, profitability and sales growth targets).

Nonmarket vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The entity may modify the terms of an existing equity instrument granted in a share-based payment transaction. As a minimum, the services received are measured at the grant date fair value, unless the instruments do not vest because of a failure to satisfy a non-market vesting condition that was specified at grant date. This applies irrespective of any modifications to the terms and conditions on which the instruments were granted (including cancellation or settlement). In addition, the effects of modifications that increase the total fair value of the share-based payment arrangement, or are otherwise beneficial to the employee, are recognized. A modification that results in a decrease in the fair value of equity instruments does not result in a reduction in the expense recognized in future periods. When the modification increases the fair value of the equity instruments granted, the incremental fair value is measured by comparing the fair value of the instrument immediately before and immediately after the modification. This incremental fair value is then included in the measurement of the amount recognized for services received. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest. The amount based on the grant date fair value of the original equity instruments continues to be recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately. If the modification increases the number of equity instruments granted, the fair value of the additional equity instruments granted, measured at the date of the modification, is included in the measurement of the amount recognized for services received.

The cancellation or settlement of an equity instrument is accounted for as an acceleration of vesting. The amount that would otherwise have been recognized for services received over the remainder of the vesting period is, therefore, recognized immediately. If new equity instruments are granted to an employee in connection with the cancellation of existing equity instruments, and they are identified, on the date when they are granted, as replacement equity instruments for the cancelled equity instruments, this is accounted for as a modification of the original equity instruments. The incremental fair value granted is the difference between the fair value of the replacement equity instruments and the net fair value of the cancelled equity instruments at the date the replacement equity instruments are granted. The net fair value of the cancelled equity instruments is their fair value, immediately before the cancellation, less the amount of any payment made to the employee that is accounted for as deduction from equity. If the entity does not identify new equity instruments granted as replacement equity instruments for those cancelled, the new equity instruments are accounted for as a new grant.

2.17 Provisions

Provisions are recognized when SeaBird has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material), using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Onerous leases are contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Provision is made in respect of onerous contracts for the present obligation under the contract. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Revenue recognition

Revenues for contracts with customers arise primarily from (i) proprietary seismic services (2D and 3D exclusive surveys performed in accordance with customer specifications) and (ii) granting of licenses to the Group's multi-client library. Source contracts of seismic vessels and time-charter contracts of maritime vessels under which a vessel is chartered-out to the customer for a specific period are accounted for as leases (refer to note 2.19)

Revenue is recognized at the amount that the Group expects to be entitled in exchange for transferring the promised services to the customer (the 'transaction price'). The Group includes in the transaction price an amount of variable consideration (for example, additional consideration related to a "variation order") only to the extent that it is probable that a significant reversal will not occur when the associated uncertainly is resolved. Revenue is shown net of value-added tax, discounts, and after eliminating sales within the Group. Revenue is recognized when it is probable that the Group will collect the consideration to which it will be entitled and when specific criteria have been met under the contract. In evaluating whether collectability is probable, the Group considers only the customer's ability and intention to pay.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases of decreases in estimates are reflected in the profit or loss in the period in which the circumstances become known to the management.

The principles applied for each of the main types of contracts with customers are described in more detail below:

Identification of performance obligations
The Group assesses whether a contract contains one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation on the basis of its standalone selling price. The proprietary 2D/3D contracts (that do not include data processing service), are generally considered to have a single performance obligation. The

service related to seismic data processing, which is occasionally agreed in contracts with customers, is typically considered to be a separate performance obligation.

Timing of revenue recognition in proprietary seismic services
Revenue from proprietary seismic services (2D/3D contracts) is recognized over time as the services are performed and the Group is entitled to the compensation under the contract. The performance obligation is considered to be satisfied over time because the Group performs the service at the customer specification, the resulting data is owned by the customer and the Group has no alternative right to otherwise use or benefit from the resultant data. Revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The percentage of completion is measured with reference to the actual cost (cost per day multiplied by days lapsed) to total expected costs (cost per day multiplied by expected project days).

Timing of revenue recognition in multi-client sales (licensing)
Multi-client late sales: Revenue from granting a license to a customer to use a specifically defined portion of the multi-client library is recognized at the "point in time" when the customer has received the underlying data or has the right to access the licensed portion of the data.

Multi-client prefunding sales: The Group ordinarily obtains funding from customers before a multi-client survey project is completed. All invoices to clients during work-in-progress phase are booked as contract liabilities. Revenue is recognized at the point in time when the "right to use" license is transferred to the customer. This "point in time" depends on the specific contract, but is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data.

Timing of revenue recognition in source contracts and time-charter contracts
Revenue from source contracts and time-charter contracts is recognized in accordance with the lessor accounting policies (note 2.19). Typically, source contracts and time-charter contracts are classified as operating leases and hire income is recognized on a straight-line basis over the term of the relevant lease.

Financing component
The Group typically does not have any contracts where the period between the delivery of the service and payment by the customer exceeds one year. Consequently, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

Contract assets and contract liabilities
In case the services rendered by the Group as of the reporting date exceed the payments made by the customer as of that date and the Group does not have the unconditional right to charge the client for the services rendered (that is, the Group has earned 'unbilled revenue'), a contract asset is recognized. The Group assesses a contract asset for impairment in accordance with IFRS 9 using the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the contract asset. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9 (see note 2.11.3).

If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognized. The Group recognizes any unconditional rights to consideration separately from contract assets as a trade receivable because only the passage of time is required before the payment is due.

Costs to obtain or fulfil contracts with customers
The Group can recognize the incremental costs incurred by the Group to obtain contracts with customers and the costs incurred in fulfilling contracts with customers that are directly associated with the contract as an asset, if such costs meet the following recognition criteria:

- Incremental costs of obtaining contracts are those costs that the Group incurs to obtain a contract with customer that would not have been incurred if the contract had not been obtained.
- Costs to fulfil a contract are those that (a) relate directly to the contract, (b) generate or enhance resources of the Group that will be used in satisfying performance obligations, and (c) the costs are expected to be recovered.

The Group accounts for the mobilization costs incurred to transfer the vessel to the intended contract area as "costs to fulfil a contract" if they meet the above criteria and recognizes the costs as an asset on the balance sheet, classified within "other current assets". The asset is amortized on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue and recognized in "cost of sales" in the profit or loss. Additionally, the asset is assessed for impairment under the expected credit loss provisions and any impairment loss is recognized in "cost of sales" in profit or loss. The Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

2.19 Leases

Policies applicable from 1 January 2019
The Group as a lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract.

The Group enters into lease agreements as a lessee with respect to its vessels chartered-in, the Group's office premises, as well as rentals of office equipment. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office equipment). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the current year.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lessee transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy (see note 2.7).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are recognized in profit or loss, classified within "Cost of sales" if related to rental of vessels or in "Selling, general and administrative expenses" if related to rental of office space or office equipment.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor
The Group enters into lease agreements as a lessor with respect to its vessels chartered-out under source contracts.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

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

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

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

Impairment of finance leases is evaluated annually based on value in use calculations. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The Group did not have any finance lease liabilities as of 31 December 2018.

2.20 Dividend distribution

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

2.21 Comparatives

The Group made no reclassifications in 2019.

3. Risk factors and financial risk management

3.1 Financial risk factors

SeaBird's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management focuses on the unpredictability of financial markets and monitors and controls risks with a potential significant negative effect for the Group and evaluates to minimize the risks if the cost of doing so is acceptable. The Group may use derivative financial instruments to hedge certain risk exposures from time to time. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included in note 30. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The audit committee oversees how management monitors and manages risk and review the adequacy of the risk management framework in relation to the risks faced by SeaBird.

(A) MARKET RISK
(I) Foreign exchange risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's operating cash inflows are derived from its seismic activities, which are mostly priced in U. S. dollar whilst vessels' costs and crew costs are also mostly in U.S. dollar, thus creating a natural hedge. Nevertheless, as the Group operates internationally, it undertakes transactions denominated in foreign currencies, in particular with regards to taxation payments, as well as administrative expenses. Consequently, the Group is exposed to foreign exchange risk, primarily with respect to the Norwegian kroner, Euro, Colombian Peso, Mexican Peso, New Zealand Dollar, Singapore Dollar, Australian Dollar and the British Pound. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group's management monitors the currency rate fluctuations continuously and entities in the Group may use from time to time various foreign exchange contracts. SeaBird did not have any open foreign exchange contracts as at 31 December 2019 and 2018. Quantitative information regarding the Group's exposure to foreign exchange risk as at year end is set out in note 30.

(II) Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Variable interest rates expose the Group to cash flow interest rate risk, while fixed interest rates expose the Group to fair value interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The company's investment in a listed bond, which carried fixed interest, exposed the Group to fair value interest risk, which was assessed to be insignificant. As of 31 December 2019 and 2018, the SBX04 fixed interest rate bond loan constitutes 100% of total debt. The management monitors the interest rate fluctuations on a continuous basis and acts accordingly. Quantitative information regarding the Group's exposure to interest rate risk as at year end is set out in note 30.

(B) CREDIT RISK
The company sells its services solely to participants in the energy industry, which may increase the Group's overall exposure to credit risk as customers may be similarly affected by prolonged industry downturns. SeaBird has policies in place to ensure that sales of services are made to customers with an appropriate credit history. When contracts are made with counterparties that are considered particularly risky, the company normally dictates short payment terms and upfront payments in contractual arrangements with the client to properly mitigate credit risk. Still, the Group faces the risk of non-payment from customers.

Credit risk also arises from cash and cash equivalents and deposits with financial institutions. SeaBird seeks to limit the amount of credit exposure to any financial institution and is only investing in liquid securities with counterparties with strong credit ratings. The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries or performance guarantees and similar in the normal course of business.

Note 30 details the Group's maximum exposure to credit risk and the measurement bases used to determine expected credit losses.

(C) LIQUIDITY RISK
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of available debt funding and the ability to close out market positions. Due to the cyclical nature of the seismic industry, SeaBird has been aiming to maintain flexibility in funding by a mixture of debt and equity financing. Quantitative information about the Group's exposure to liquidity risk is set out in note 30.

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

(E) CAPITAL RISK MANAGEMENT
The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debt (borrowings disclosed in note 18 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

3.2 Other risk factors

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

SeaBird is exposed to the economic cycle, as changes in the general economic situation could affect demand for SeaBird's services. Demand for offshore geophysical services depends on the level of capital spending by oil and gas companies. Capital expenditures, and in particular exploration and development expenditures, by oil and gas companies can be negatively affected by a number of factors including, but not limited to, decreases in oil and gas prices, fluctuations in production levels and disappointing exploration results.

Low oil prices typically lead to a reduction in capital expenditures as these companies scale down their investment budgets. Sustained periods of substantially reduced capital expenditures by these companies may reduce the demand for the SeaBird's products and services. Furthermore, recoveries in oil and gas prices do not immediately increase exploration, development and production spending, so improving demand for SeaBird's services will generally lag oil and gas price increases. SeaBird's operating income/loss and operating results can vary from month to month. Its operating income is difficult to forecast due to changes in oil companies' exploration and production (E&P) budgets and expenditures, the competitive environment, efficiency in operations, adverse weather conditions and other general economic, changes in input costs and changes market conditions.

SeaBird is also exposed to commodity (bunker fuel) price risk. As SeaBird in general has a fairly short order backlog for contracts where SeaBird is carrying the risk of bunker fuel prices, this risk has not historically been mitigated by forward commodity contracts. Changes in oil prices and exploration and production budgets could materially affect the business and operating results. Unanticipated difficulties in pursuing SeaBird's business strategy could have a material adverse effect on the Group's business, operating results, or financial condition. The market for SeaBird's products and services is competitive. SeaBird faces competition from other companies within the seismic industry, and several of these companies may have greater resources than SeaBird. Generally, overcapacity in the seismic market would have a negative effect on the operating results of the Group, and the possible failure of SeaBird to maintain competitive offering of equipment and services could have a material adverse effect on its business, operating results or financial condition.

SeaBird has a strategy of contracting its vessels both towards the long-term market as well as the more volatile spot market. There can be no guarantee that SeaBird will be able to secure contracts at such rates and utilization rates that are needed. In addition, SeaBird may experience significant off-hires between charters. Furthermore, disputes under the charter parties may occur, which can result in responsibility and losses for the Group. Operations in international markets are subject to risks inherent in international business activities, including, in particular, general economic conditions in each such country, overlapping differing tax structures, managing an organization spread over various jurisdictions, unexpected changes in regulatory requirements, complying with a variety of foreign laws and regulations. SeaBird's business depends on contracts with customers regarding collection and sale/licensing of geophysical data.

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

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

The parent company is subject to taxation in Norway while the majority of its subsidiaries are subject to taxation in Cyprus. The Group is also subject to taxation in various other jurisdictions because of its global operations. SeaBird faces the risk that its tax filings are challenged and may be subject to unexpected claims for unpaid taxes or sanctions as a consequence of breach of applicable tax legislation. Please also refer to note 4C.

With the recent outbreak of the Coronavirus pandemic, and the measures taken by governments to contain the spread of the virus, the economies around the globe have slowed down. Oil price is in downturn, with an alongside fall of the gas price. It is expected that the company's markets and customers will be impacted, with the magnitude of the impact being hard to quantify as the duration of the disruption is still unknown. The impact of the outbreak on the Company could be in the form of reduced demand for services but also in the form of challenges with logistics, yard work, spare parts and crew. Details of the analysis performed by management are set out in notes 34 and 2.1.

3.3 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. SeaBird uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date including quoted market prices or dealer quotes for similar instruments and discounted cash flows.

The carrying value of trade receivables and payables are assumed to approximate their fair values.

Details with regards to fair value estimation relevant to other financial instruments are set out in note 30.

4. Critical accounting estimates and judgments

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. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

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

The Group's estimates of useful lives and plans for depreciation are based on investment considerations and on experience of technical and economic life of similar assets. Expected useful life and residual values of the vessels can change according to environmental requirements, wear and tear, corporate strategy, actual usage of the asset, as well as other operational reasons. If the economic life assigned to the assets proves to be too long, impairment losses or higher depreciation expense could result in future periods, while longer actual useful life will decrease the depreciation expense in future years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each year-end..

(B) ESTIMATED IMPAIRMENT OF VESSELS AND EQUIPMENT

The carrying amount of a vessel is reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the market value of the vessel or the discounted future cash flows expected to result from the use of the vessel and its eventual disposition is less than the vessel's carrying amount.

When examining internal indicators of impairment, management assesses a number of factors, such as the vessels' backlog, operating cash flows, financial plans, and the Group's business strategy. Management also considers the physical condition when assessing the earning capacity of an asset. In examining external indicators for impairment, management considers factors such as the economic cycle and macro-economic fluctuations, global oil price movement, factors affecting governmental exploration plans, as well as other factors impacting the customers' capex plans and demand for seismic services.

The recoverable amounts of the seismic vessels are ordinarily determined using value in use calculations. Each vessel, along with the seismic equipment attached or allocated to the vessel, is considered to be a cash generating unit being tested for impairment. In developing estimates of future cash flows, the Group must make assumptions about future day-rates, utilization, operating expenses, capital investments, residual values and remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions may be highly subjective. Significant and unanticipated changes in these assumptions could result in impairments in the future periods. Currently, there is elevated uncertainty with regards to the future outlook in terms of utilization and day-rates. To the extent that the future actual revenues achieved prove to be less than forecasted, impairment losses on vessels and equipment may result.

Note 7 sets out information about the impairment testing performed in the current year.

5. SEGMENT INFORMATION

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

Primary reporting format – types of revenues

All figures in USD 000's	2019	2018
REVENUE		
Contract	43,483	19,870
Multi-client	1,653	10
Total	**45,136**	**19,880**

Secondary reporting format – geographical segments

All figures in USD 000's	2019	2018
REVENUE		
Europe, Middle East & Africa (EMEA)	14,508	5,852
North & South America (NSA)	21,886	5,363
Asia Pacific (APAC)	8,741	8,666
Total	**45,136**	**19,880**
SEGMENT ASSETS		
Europe, Middle East & Africa (EMEA)	70,876	58,346
North & South America (NSA)	-	-
Asia Pacific (APAC)	-	-
Total	**70,876**	**58,346**

5. SEGMENT INFORMATION (CONTINUED)

CAPITAL EXPENDITURE		
Europe, Middle East & Africa (EMEA)	27,159	21,260
North & South America (NSA)	-	-
Asia Pacific (APAC)	-	-
Total	**27,159**	**21,260**

Revenues earned from the Group's largest two customers of 2019 amounted to 27% of the Group's total revenues earned in the year. In 2018, one major customer contributed $8.3 million revenue, representing 42% of the total revenues of the year.

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

Geographic distribution of assets is based upon location of physical ownership. The geographic distribution of revenues is based upon location of performance. Capital expenditures are based on the location of the company that is making the investment. The geographic distribution of the impairment booked under IAS36 is consistent with the location of physical ownership of the asset.

6. REVENUE

Revenues from contracts with customers are disaggregated as follows:

All figures in USD 000's	2019	2018
Contract revenue	39,969	19,870
Time-charter revenue	3,514	-
Multi-client prefunding sales	1,552	10
Multi-client late sales	101	0
Total revenues	**45,136**	**19,880**

Set out below is the amount of revenue recognized from:

All figures in USD 000's	2019	2018
Amounts included in contract liabilities at the beginning of the year	651	0
Performance obligations satisfied in the year, not invoiced (note 10)	1,836	1,827

The remaining revenue from 2D contracts that remained unsatisfied at year end is estimated to be $ nil, while the remaining revenue from source contracts not completed by year end is estimated to be $2.1 million. The future aggregate minimum revenues under the non-cancellable time charter contract for Petrel Explorer in force at year end are $2.8 million. All revenues are expected to be recognized within 2020.

7. PROPERTY, PLANT AND EQUIPMENT

	Vessels and equipment (owned)	Dry-dock costs and equipment (leased vessels)	Office equipment	Total
Year ended 31 December 2018				
Opening net book amount	27,471	-	937	28,408
Derecognition of cost of property plant and equipment	(5,880)	(16,300)	(101)	(22,281)
Derecognition of accumulated depreciation	5,880	16,300	100	22,280
Additions	20,932	285	43	21,260
Impairments	-	-	(1)	(1)
Depreciation	(7,509)	(49)	(246)	(7,804)
Closing net book amount	**40,894**	**236**	**733**	**41,863**
At 31 December 2018				
Cost	182,755	285	1,169	184,209
Accumulated depreciation and impairments	(141,861)	(49)	(435)	(142,345)
Net book amount	**40,894**	**236**	**733**	**41,863**
Year ended 31 December 2019				
Opening net book amount	40,894	236	733	41,863
Cost of vessel reclassified as held for sale	(54,504)	-	(7)	(54,511)
Accumulated depreciation on vessel classified as held for sale	54,315	-	7	54,322
Derecognition of cost of property plant and equipment	(307)	-	(9)	(316)
Derecognition of accumulated depreciation	307	-	9	317
Additions	26,284	819	55	27,159
Impairments	(4,780)	-	-	(4,780)
Depreciation	(9,735)	(222)	(148)	(10,105)
Closing net book amount	**52,474**	**833**	**641**	**53,949**
At 31 December 2019				
Cost	154,228	1,104	1,208	156,540
Accumulated depreciation and amortization	(101,754)	(271)	(567)	(102,591)
Net book amount	**52,474**	**833**	**641**	**53,949**

During the year, the Group added two new vessels to the fleet. Fulmar Explorer (former BOA Thalassa) and Petrel Explorer (former BOA Galatea) were acquired in June and July 2019 respectively for an aggregate cost of $21.4 million. Both acquisitions were financed through issue of shares. Capital expenditure of $0.7 million was incurred in 2019 in connection with the conversion and dry-dock works on Fulmar Explorer.
In the second quarter of 2019 the Group decided to decommission Aquila Explorer, while in fourth quarter the decision was made to decommission Osprey Explorer. Aquila Explorer was classified as held for sale in July 2019 (see note 12). The seismic equipment on the vessels will be transferred to other vessels in the fleet.

Impairment assessment

The impairment assessment on the Group's fleet is carried out in accordance with the Group's policy described in note 2.9 to the financial statements.

Total impairment losses of $5.0 million have been recognized in the current year's profit or loss (2018: $ nil). The losses concern the vessels Aquila Explorer and Osprey Explorer which the Group plans to decommission in 2020. An impairment loss of $2.5 million has been recognized on Osprey Explorer based on the assessment performed at year-end. Loss of $2.3 million has been recognized on classification of Aquila Explorer as held for sale, while an additional loss of $0.2 million has been recognized on subsequent reassessment.
The recoverable amounts of Osprey Explorer and Aquila Explorer, have been determined based on the vessels' fair value less costs to sell. The vessels' fair value (excluding the seismic equipment which will be retained) is assumed to be the scrap value less costs to decommission. See also note 12 for the impairment assessment on Aquila Explorer.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The recoverable amounts of the remaining vessels of the Group have been determined on the basis of their value in use derived from discounted cash flow calculations. The assessment has not resulted in any impairment loss.
The Group's value in use model includes estimates of the expected future cash flows for each cash generating unit, being the vessel along with the immovable and allocated movable seismic equipment. Cash flows are based on day-rates, utilization, operating costs and required capital investments over the remaining life of the vessel. These cash flows are discounted at the Group's weighted average cost of capital (WACC) to estimate the present value, which is compared to book value at the date of the assessment.

The main assumptions used in the calculation of the value in use of the Group's seismic vessels are:

- Day-rates in 2020 are based on awarded and probable projects expected to materialize in 2020. The rates from 2021 onwards increase by 2% per year.
- Utilization in 2020 is also based on awarded and probable projects expected to materialize in 2020. Utilization beyond 2020 is based on the historic average utilization of the Group's fleet for the period 2012-2019. Utilization remains constant until the end of the vessel's useful life.
- Operating and capital expenditure is based on historic averages and the Group's operating budget and business plan for 2020. Expenses increase by 2% per year.
- For Fulmar Explorer, whose conversion to seismic began prior to year-end, the remaining capital expenditure expected to be incurred until completion of conversion is assumed in the vessel's outflows.
- The vessels are assumed to generate revenue for 15 years from conversion to seismic vessels.
- WACC is calculated using a standard WACC model in which cost of equity, cost of debt and capital structure are the key parameters. WACC has been set at 13.6% (2018: 13.8%). The WACC is estimated on a post-tax basis to be in line with the post-tax cash flows used in the model. Management estimates the pre-tax WACC to be 15.1%.

The value in use of vessel Petrel Explorer, which was acquired in 2019, has been determined based on its current condition, i.e. as a maritime vessel. The 2020 charter rates and utilization are based on the current contracted rates and contract duration. The rates are assumed to increase by 5% per annum until 2024 assuming market recovery, and thereafter a constant inflationary increase of 2% per annum is applied. Operating and capital expenditure is based on the Group's operating budget and business plan for 2020. Expenses increase by 2% per year. The vessel is assumed to generate revenue until it reaches 25 years from construction.

The calculation of value in use is sensitive to changes in the key assumptions, which are considered to be the day-rates, utilization rates, daily OPEX and the discount rate. Management has performed a sensitivity analysis on these assumptions in order to assess the impact on the recoverable amounts had the key assumptions been changed in the negative direction. For example, all other things being equal:

- A decrease in day-rates by 10% over the remaining useful life of the vessels would result in an impairment loss of $2.5 million.
- A decrease in utilization rates by 10% over the remaining useful life of the vessels would result in an impairment loss of $0.1 million.
- An increase in operating expenses by 10% over the remaining useful life of the vessels would not result in any impairment loss.
- An increase in the WACC by 10%, from 13.6% to 15.0% would not result in any impairment loss.

Given the inherent imprecision and corresponding importance of the key assumptions used in the impairment tests, it is possible that changes in the future conditions may lead management to use different key assumptions, which could require a material change in the carrying amount of the vessels. The risks associated with the judgments, estimates and assumptions used in this exercise are discussed in note 4 (B).
The impairment assessment on the Group's fleet is carried out in accordance with the Group's policy described in note 2.9 to the financial statements.

Mortgages and assets

The Group has issued the SBX04 bond (see note 18 for further details). This bond is secured with, among others, an unconditional and irrevocable on-demand guarantee over the vessel owning companies and mortgages on the 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 Glander facility classified within the trade payables at 31 December 2019 is secured by the same as the securities provided in respect of the SBX04 bond, so that the credit facility's rights to full recovery shall be pari passu with the bondholders.

8. INCOME TAX EXPENSE

SeaBird Exploration Plc is subject to taxation in Norway and the majority of its subsidiaries in Cyprus. The Group is also subject to taxation in various other jurisdictions because of its global operations. The Group continues to evaluate its historical tax exposures which might change the reported tax expense.

	2019	2018
Current period	647	290
Adjustment for prior periods	104	(1,148)
Total current tax	**751**	**(858)**

	2019	2018
Continuing operations profit/(loss) before income tax	(22,564)	(13,769)
Tax arising at the rate of 22% (23% in 2018)	(4,964)	(3,167)
Effect of tax adjustments in arriving at taxable profit and tax losses	4,964	3,167
Foreign operations taxed at different rates	144	55
Withholding tax effect current year	503	235
Reassessment of prior year tax provisions	104	(1,148)
Total tax expense/(reversal) attributable to continuing operations	**751**	**(858)**

	2019	2018
Attributable to continued operations	**751**	**(858)**
Attributable to discontinued operations	**-**	**(936)**

The company performed a detailed review of its tax provisions as a part of its annual closing procedures. For 2019 no reversals of tax and interest liabilities are made. In 2018 the company booked a reversal of tax and interest liabilities of $2.1 million of which $1.2 million was a reversal of tax liability of continued operations and $0.9 million was reversal of tax liability for discontinued operations. The reversal was made after reassessing the possibility of tax outflows and re-estimating the level of the tax exposures.

	2019	2018
Long term tax payables	263	1,258
Current portion of tax liabilities	1,995	1,469
Total tax liabilities	**2,257**	**2,727**

The company has agreed payment plans for tax liabilities that extend beyond 12 months from the balance sheet date (long term tax payables). Tax losses of $46.9 million carried forward have not been recognized as deferred tax assets.

INCOME TAXES, PENALTIES AND INTEREST

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

In deciding whether deferred tax assets are to be recognized in connection to unutilized tax losses, management considers the subsidiary's history of taxable losses and the probability of generating taxable profits before the unused tax losses expire. Management's assessment has concluded that no deferred tax assets should be recognized as at year-end.

With regards to interest and penalties assessed on underpayments or late payments of income tax in various jurisdictions, management evaluates whether there is significant uncertainty regarding the amount of income tax to be paid and the reason for delays in the payment of the amount. When no significant uncertainty exists with respect to the overall amount of income tax liability, and the Group deliberately delays payment of the amount, the resulting interest and penalties are distinguished from the assessed income tax. Accordingly, interests on tax liabilities expensed during the year have been recognized within finance expenses (see note 24).

9. MULTI-CLIENT LIBRARY

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

	2019	2018
At 1 January	1,547	-
Gross cash investments	-	1,891
Capitalized depreciation	-	500
Multi-client partner contribution, net of refunds	26	(844)
Impairment	(492)	-
Amortization	(644)	-
At 31 December	**436**	**1,547**

Costs directly incurred in acquiring, processing and otherwise completing multi-client seismic surveys, including vessel's depreciation, are capitalized to the multi-client library. Please see note 2.8 (D) for the capitalization and amortization policies related to the multi-client library.

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

	2019	2018
Completed during prior years	436	-
Completed during current year	-	1,547
Completed surveys	**436**	**1,547**

The company invested in and carried out two multi-client surveys in 2018 in the North Sea. Both projects were joint control arrangements accounted for as joint operations in accordance with the policies described in note 2.6.

As at 31 December 2019, management carried out an impairment review of the Group's multi-client library in accordance with the Group's policy as described in note 2.9, taking into consideration the contracted and expected sales on the multi-client surveys. The recoverable amount of the Group's multi-client library has been determined on the basis of its value in use. The assessment of its value in use was based on the present value of the expected future cash flows derived from discounted cash flow calculations. The review resulted in an impairment loss of US$ 0.5 million (2018: nil).

10. TRADE RECEIVABLES AND CONTRACT ASSETS

	2019	2018
Trade receivables gross	7,498	7,382
Less allowance for expected credit losses	(3,878)	(5,305)
Trade receivables – net	**3,620**	**2,077**

Trade receivables

The average credit period on sales of goods is 30 days. Interest is charged on outstanding overdue trade receivables. None of the trade receivables that have been written off is subject to enforcement activities.

	2019	2018
Unbilled revenue	1,836	1,827
Less allowance for expected credit losses	-	-
Contract assets – net	**1,836**	**1,827**

Contract assets

Payments for seismic charter contracts are not due from the customer until the individual milestones in the contracts have been fulfilled. A contract asset is recognized over the period in which the services are performed to represent the entity's right to consideration for the services transferred to date. Any amount previously recognized as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The movement in allowance of expected credit losses that has been recognized for trade receivables and contract assets, as well as the methodology under which the allowance has been estimated, are presented in note 3.1 (B) - "Credit risk".

11. OTHER CURRENT ASSETS

		2019	2018
Prepaid expenses and deposits		2,784	1,766
Other current assets		480	967
Contract costs		1,507	536
Deferred expenses on vessels decommissioning	(note 12)	273	-
Total other current assets		**5,044**	**3,269**

The contract costs relate to mobilization expenses incurred to transfer the vessel to the intended contract area, capitalized as "costs to fulfil a contract" under the Group's accounting policy described in note 2.18.
The total amount of contract costs recognized as at 31 December 2018 have been amortized in the profit or loss in the current year. The contract costs as at 31 December 2019 are expected to be fully amortized within the next year.
No impairments were recognized in the year in respect of contract costs assets.
Included in other current assets are vessel operational costs recharged to the clients, as well as recoverable VAT amounts

12. ASSET HELD FOR SALE

	2019	2018
Vessel classified as held for sale	-	-
Total asset held for sale	**-**	**-**

During the year, the company executed an agreement to decommission the vessel Aquila Explorer and reclassified the vessel as asset held for sale in July 2019. Immediately before classification as held for sale, the vessel's recoverable amount was re-estimated and an impairment loss of $2.3 million was recognized on classification. The recoverable amount was determined based on the vessel’s fair value less costs to sell. The vessel’s fair value (excluding the seismic equipment which will be retained) is assumed to be the scrap value less costs to decommission.
Subsequent to classification as held for sale, the vessel was valued at the lower of carrying value and selling price less remaining costs to bring the vessel to the delivery location. Due to the delay in completion of the decommissioning, the company incurred additional costs which led to the recognition of an additional impairment of $0.2 million in December 2019 that brought the vessel's value down to nil.
The expenses deferred at year end, presented within other current assets (see note 11), are recoverable through the sale proceeds on the delivery of the vessel to the shipyard. The disposal is expected to be completed during the first quarter of 2020.

13. INVENTORIES

	2019	2018
Marine gas oil	1,259	475
Lube oil and other inventory	667	702
Total inventories	**1,926**	**1,177**

The company recognized $5.1 million in fuel and lube and marine gas oil consumption as expenses in 2019 (2018: $3.4 million).

14. CASH AND BANK BALANCES

	2019	2018
Restricted cash	233	235
Cash and cash equivalents	3,645	5,774
Cash and bank balances	**3,878**	**6,009**

The effective average interest rate on short-term bank deposits was 0.25 % in 2019 (2018: 0.26%).
The restricted cash is held in blocked bank accounts related to payroll tax, employees' prepaid taxes and rent deposits.

15. SHARE CAPITAL AND SHARE OPTIONS

Authorized:	2019 Number of shares	2018 Number of shares
Ordinary shares of $ 0.01 each	1,680,000,000	1,680,000,000

Issued:	Number of shares	Number of shares
At 1 January	284,487,312	110,745,515
New shares issued	254,444,075	173,741,798
Total number of shares as per 31 December	**538,931,387**	**284,487,312**

There are no share classes and no voting restrictions on the shares.

On 31 May 2019, the company issued 208,333,330 shares in a private placement in connection with the purchase of the vessels Petrel Explorer (former BOA Galatea) and Fulmar Explorer (former BOA Thalassa). In consideration of purchase of the vessels the company issued 23,055,373 shares on 12 June 2019 and 23,055,372 shares on 25 July 2019. All shares were issued at a price of 1.20 NOK per share. The costs of the issuance of the shares of $2.0 million have been charged directly to equity as a reduction in share premium. The fair value of the vessels acquired in partial exchange of shares has been directly determined by reference to the vessels' selling price in the transaction.

Employee Share Option Plans

On 12 October 2018, the board of directors of SeaBird Exploration Plc approved an employee share option plan (plan A) for a maximum of 28.4 million share options to be allocated to current and future employees. The share option plan has a duration of three years from grant date. One third of the options granted vested one year after the grant date, one third of the options granted will vest two years after the grant date and the remaining one third of the options granted will vest three years after the grant date. All options are exercisable at any time within one year from the corresponding vesting dates. The options have exercise prices of NOK 2.40 for the tranche vesting one year after grant date, NOK 2.65 for the tranche vesting two years after the grant date and NOK 2.90 for the tranche vesting three years after the grant date. A total of up to 5.4 million options have been granted as of 31 December 2019 (2018: 24.1 million).

On 26 November 2019, the board of directors of SeaBird Exploration Plc approved an employee share option plan (plan B) for a maximum of 53.89 million share options to be allocated to current and future key employees. The share option plan has a duration of three years from grant date. One third of the options granted will vest one year after the grant date, one third of the options granted will vest two years after the grant date and the remaining one third of the options granted will vest three years after the grant date. All options may be exercised at any time within one year from the corresponding vesting dates and the options have exercise prices of NOK 0.60 for the tranche vesting one year after grant date, NOK 0.66 for the tranche vesting two years after the grant date and NOK 0.72 for the tranche vesting three years after the grant date. A total of 32.1 million options have been granted under this plan as of 31 December 2019.

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2019, is presented in equity as share options granted.

	Plan A	Plan B	Number of options outstanding
At 1 January 2019	24,100,000	-	24,100,000
Granted during the year	-	32,100,000	32,100,000
Forfeited during the year	- (18,700,000)	-	(18,700,000)
Exercised in year	-	-	-
Expired in year	-	-	-
At 31 December 2019	**5,400,000**	**32,100,000**	**37,500,000**
of which is vested	3,066,667	-	3,066,667
of which is non-vested	2,333,333	32,100,000	34,433,333
Total options	**5,400,000**	**32,100,000**	**37,500,000**

Share based payments effect on the group's profit or loss amounts to $0.0 million for 2019 and $0.1 million for 2018 (see note 23). The total value of share options granted is calculated using the Black-Scholes model, assuming that all the options will be exercised. The fair value determined at the grant date is expensed over the vesting period of the options for the options granted less expected number of forfeited options. The calculation is based on:

15. SHARE CAPITAL AND SHARE OPTIONS (CONTINUED)

Plan A
• expected volatility of 58%
• exercise price of NOK 2.40 for the tranche vesting one year after grant date, NOK 2.65 for the tranche vesting two years after the grant date and NOK 2.90 for the tranche vesting three years after the grant date
• two, three and four year option life for the individual three option tranches
• no dividends are expected
• a risk free interest rate of 1.1 % per annum

Plan B
• expected volatility of 55.32%
• exercise price of NOK 0.60 for the tranche vesting one year after grant date, NOK 0.66 for the tranche vesting two years after the grant date and NOK 0.72 for the tranche vesting three years after the grant date
• two, three and four year option life for the individual three option tranches
• no dividends are expected
• a risk free interest rate of 1.24 % per annum

The expected volatility of the options are based on the historical volatility of the share price over the most recent period that corresponds with the expected life of the option. The expected life of the option is based on the maturity date and is not necessarily indicative of exercise pattern that may occur. The options include a service condition as the individuals participating in the plan must be employed by the company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

16. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	5,349	2,982
Accrued interest on taxes	2,555	2,423
Accrued vessel and office costs	3,762	3,362
Payable on contract termination (Munin liability) (note 32)	480	480
Payroll related liabilities	1,684	1,650
VAT and other payables	383	962
Total trade and other payables	**14,213**	**11,859**

17. PROVISIONS

	2019	2018
Restructuring provision	608	-
Provision for vessel decommissioning costs	559	-
Other provisions	476	-
Provisions	**1,643**	**-**

	Restructuring provision	Provision for vessel decommissioning costs	Other provisions	Total
At 1 January 2019	-	-	-	-
Additional provision in the year	672	559	476	1,708
Utilization of provision	(64)	-	-	(64)
At 31 December 2019	**608**	**559**	**476**	**1,644**

The restructuring provision relates primarily to voluntary resignation payments and termination payments connected with the company's planned relocation of the head office. The company announced in November 2019 its decision to relocate all activities in Norway to Bergen. The Oslo office is planned to close down at the end of March 2020. The termination payments to key management personnel are disclosed in note 29.

The provision for vessel decommissioning costs relates to the planned decommissioning of Osprey Explorer. During the year, the company announced its decision to implement an "asset-light" operational plan pursuant to which the older vessels owned by the Group are gradually being decommissioned. The provision is estimated based on actual costs incurred during the year for the decommissioning of another group vessel.

Other provisions include various provisions related to the running operation of the Group including litigation and penalties.

18. INTEREST BEARING LOANS AND BORROWINGS

	Coupon rate	Maturity	2019	2018
Non-current				
SBX04 secured bond loan - tranche A	12%	2018	-	-
SBX04 secured bond loan - tranche B	6%	2020	-	4,559
			-	**4,559**
Current				
SBX04 secured bond loan - tranche A	12%	2018	-	-
SBX04 secured bond loan - tranche B	6%	2020	5,152	-
Total			**5,152**	**-**

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

Bond loan - SBX04 (Tranche 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 $5.2 million per 31 December 2019 (2018: $4.6 million). The amount comprise of nominal value of $4.6 million plus payment in kind interest of $0.7 million plus accrued interest of $0.0 million plus amortized interest of $0.6 million less gain of $0.7 million in fair value adjustment). The SBX04 secured bond loan (Tranche B) is due 30 June 2020, and it is carrying 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 Osprey Explorer, Petrel Explorer, Fulmar Explorer, Eagle Explorer, Voyager Explorer and Harrier Explorer.
Subsequent to year end, the company entered into negotiations with potential financiers with regards to the refinancing of the bond loan. Note 34 describes the financing agreement reached in first quarter 2020.

Covenants
SBX04 bond facility financial covenants:
All bond covenants were suspended for the remaining term of the SBX04 bond as a part of the restructuring implemented in third quarter 2017. Hence, the Group is not subject to any covenant tests as per 31 December 2019 and 31 December 2018.

19. LONG TERM TRADE PAYABLES

	Coupon rate	Maturity	2019	2018
Trade payables (Glander facility)	6%	2020	-	400
Total			**-**	**400**

Trade payable facility
The facility provided by a bunkering supplier (the "Glander facility"), previously classified as "long term trade payables", has been reclassified within "trade payables" (note 16). The facility is recognized at amortized cost. Coupon interest rate is 6.0%. Interest may be paid in kind and is due on 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.

20. OTHER FINANCIAL ITEMS, NET

	2019	2018
Net foreign exchange gain/(loss)	735	383
Other financial income	144	383
Other financial expense	(143)	(87)
Total other financial items, net	**736**	**679**

Other financial income mainly relates to interest income on bank deposits held at amortized cost, while other financial expense relates to bank charges.

21. OTHER INCOME (EXPENSES), NET

	2019	2018
Gain/(loss) on sale of property, plant and equipment	-	39
Gain on insurance claim	-	202
Vessel decommissioning costs	(1,063)	-
Other income	1,094	281
Total other income (expense)	**31**	**522**

Other income includes mainly income from meals and accommodation services provided to third parties.
The vessel decommissioning costs relates to the planned decommissioning of Osprey Explorer (note 17) and incurred decommissioning costs for Aquila Explorer.

22. EXPENSES BY NATURE

	2019	2018
Charter hire *	3,376	3,142
Crew and crew related costs	17,460	10,322
Seismic and marine expenses	21,981	5,435
Other operating expenses	236	1
Total cost of sales	**43,053**	**18,899**
Staff cost and Directors' remuneration	3,834	3,949
Legal and professional	983	630
Travel expenses	415	388
Rent and other office expenses *	452	383
Other expenses	1,673	1,506
Total selling, general and administrative expenses	**7,357**	**6,856**

* Charter hire of 2019 represents the charter hire expense for Nordic Explorer and the variable lease payments for Voyager Explorer. For Nordic Explorer, the Group has opted to apply the 'short-term leases' exemption permitted by IFRS 16 and to recognize the lease expense on a straight-line basis over the term of the lease period. The variable hire payments for Voyager Explorer are determined based on the operational status of the vessel as per the charter party agreement, and as per IFRS 16 requirement, are not included in the measurement of the lease liability (see note 28). Also, included in Rent and office expenses of 2019 is the rental cost of office premises and small items of office equipment following the 'short-term leases' and 'low-value assets' exemptions adopted by the Group.

23. EMPLOYEE BENEFIT EXPENSE

	2019	2018
Crew salaries and benefits	13,227	7,933
Salary costs for staff	3,060	3,196
Social security cost for staff	407	422
Pension cost for staff	158	120
Directors' remuneration	119	114
Insurance and other costs	91	97
Total employee benefit expense	**17,061**	**11,882**
Including accrued costs relating to the employee share option plan	87	111
Average number of employees and temporary crew contractors	460	325

24. FINANCE EXPENSE

	2019	2018
Interest on bond borrowings (note 18)	593	525
Interest on suppliers' balances	91	6
Interest on tax liabilities	161	1,370
Interest on lease liabilities	76	-
Other interest expenses	-	57
Total finance expense	**921**	**1,958**

25. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year (note 15). All figures in '000s except earnings per share.

	2019	2018
Profit/(Loss) attributable to equity holders of the company	(23,315)	(11,976)
Weighted average number of ordinary shares in issue	429,436	204,512
Basic earnings per share ($ per share)	(0.05)	(0.06)
Weighted average number of diluted shares	429,436	204,512
Diluted earnings per share ($ per share)	(0.05)	(0.06)

Basic earnings per share		
From continuing operations	(0.05)	(0.06)
From discontinued operations	-	0.00
Total basic earnings per share	**(0.05)**	**(0.06)**

Diluted earnings per share		
From continuing operations	(0.05)	(0.06)
From discontinued operations	-	0.00
Total diluted earnings per share	**(0.05)**	**(0.06)**

The total outstanding amount of shares in the company was 538,931,387 common shares at 31 December 2019 with a nominal value of $0.01 per share. There are no share classes. The weighted average number of ordinary and diluted shares outstanding was 204.5 million in 2018 and 429.4 million in 2019.

The basic and diluted earnings per share were also calculated for discontinued operations presented in the prior year's financial statements. Discontinued operations presented in the prior year's financial statements related to the disposal of the company Fugro OBN Technologies AS (former SeaBird Technologies AS) in 2011. The group had recognized a provision for income tax for an amount of $0,9 million which was fully reversed in 2018. There were no other amounts recognized in the profit or loss or the statement of financial position of discontinued operations.

26. DIVIDENDS

No dividend was distributed for 2018 and no dividend will be distributed for the year ended 31 December 2019.

27. COMMITMENTS AND CONTINGENCIES

The Group's bond borrowings (the SBX04 bond) (see note 18) are secured with, among others, an unconditional and irrevocable on-demand guarantee over the vessel owning companies' shares and assets. 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 supplier's credit facility (see note 19) is secured by the same security as the 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. The company has also issued a parent company guarantees in relation to the charter party for the vessel Voyager Explorer and the settlement agreement relating to the termination of the charter party for the vessel Munin Explorer.

28. LEASES

The Group as a lessee

In June 2017, the Group signed an agreement to charter in the Voyager Explorer with the duration of approximately five months, which was subsequently extended until early 2018. In March 2018, the company signed a bareboat charter agreement for the Voyager Explorer with a duration of one year and with an option to renew for two more one-year periods. A third year extension of hire is possible but conditional on the readjustment of the rates upon mutual agreement of the parties. The Group has exercised its right and has extended the charter-hire until March 2020. As per contract, a minimum lease payment is required to be made during the lease term and beyond that, charter rates are flexible depending on the operational status of the vessel. Variable lease payments for the vessel not included in the measurement of the right-of-use asset or lease liability and expensed in the profit or loss within cost of sales amounted to $0,4 million in 2019 (see note 22).

Set out below are the carrying amount of the right-of-use asset recognized and the movement during the year:

Right-of-use asset	2019	2018
Cost		
Balance at 1 January	-	-
Adjustment due to transition to IFRS 16	645	-
Remeasurement of right-of-use asset	18	
Balance at 31 December	**663**	**-**
Depreciation		
Balance at 1 January	-	-
Charge for the year	531	-
Balance at 31 December	**531**	**-**
Net book amount	**132**	**-**

Set out below are the carrying amounts of the lease liability and the movement during the year:

Lease liability	2019	2018
Balance at 1 January	645	-
Interest on lease liability	76	-
Lease payments	(366)	-
Remeasurement of lease liability	18	-
Balance at 31 December	**373**	**-**
Non-current portion	-	-
Current portion	373	-
	373	**-**

The lease liabilities have been determined by discounting the expected lease payments using the Group's incremental borrowing rate of 13.0%. The maturity of lease liabilities is presented in note 30 Liquidity risk.

The Group as a lessor

The Group hires out the vessel Petrel Explorer on a time charter basis. The future aggregate minimum revenue under the non-cancellable time charter-out period in place is disclosed in note 6.

Previous disclosures in the financial statements under IAS 17

Operating leases

Operating lease commitments	2018
No later than 1 year	136
Later than 1 year and no later than 5 years	787
Later than 5 years	-
Total operating lease commitments	**923**

The reconciliation between the operating lease commitments as at 31 December 2018 and the lease liabilities recognized on 1 January 2019 with the adoption of IFRS 16 is set out in note 2.2.

29. RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

I) Key management and board compensation

	2019	2018
Management salaries and other short-term employee benefits	924	949
Termination benefits	418	349
Post employment benefits	40	-
Board remuneration	136	114
Consulting agreements (board members)	34	116
Total key management and board compensation	**1,552**	**1,529**

Key management is defined as Hans Petter Klohs (CEO from June 2018 until October 2019), Finn Atle Hamre (COO from June 2018), Gunnar Jansen (CCO from August 2018, Acting CEO from October 2019) and Nils Haugestad (CFO from April 2012).

Board members include Ståle Rodahl (from October 2019), Heidar Engebret (from June 2018 to October 2019), Dag Fredrik Arnesen (from June 2018 to August 2019), Ketil Nereng (from June 2018 to August 2019), Olav Haugland (until August 2019), Sidsel Godal (from August 2019 to January 2020), Nicholas Knag Nunn (from August 2019). In January 2020 new board members were elected, Øivind Dahl-Stamnes (from January 2020) and Rolf Inge Jacobsen (from January 2020).

II) Loans to related parties

SeaBird has no loans to related parties.

III) Commitments and contingencies to related parties

SeaBird has neither commitments nor contingencies to related parties.

IV) Shareholding

Management (as defined at 31 December 2019 under I) and the board of directors, as of 31 December 2019 held the following shares on own account):

Name	Title	Ordinary shares	Outstanding options*
Ståle Rodahl	Executive Chairman	8,500,000	7,200,000
Nicholas Knag Nunn	Board Member	-	-
Øivind Dahl-Stamnes	Board Member	500,000	-
Rolf Inge Jacobsen	Board Member	-	-
Sidsel Godal	Board Member	-	-
Gunnar Jansen	CCO/CLO/CEO**	-	7,200,000
Nils Haugestad	CFO	800,000	2,600,000
Finn Atle Hamre	COO	302,500	7,200,000

*Please see note 15 for further information of the company's share option program.
**Acting CEO from 20 October 2019

V) Purchase of services from board members

The company entered into a consultancy agreement with Mr Stale Rodahl in his capacity as Chairman of the Board, pursuant to which, Mr Rodahl will render consultancy services to the company, focusing on strategic matters. Under the engagement, Mr Rodahl should render consultancy services to the Company to such extent as agreed with the Board, at a rate of NOK 1,500 per hour. For 2019 the Company incurred a cost of approximately $22,000 under this agreement.

30. 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 Group.

The Group has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- contract assets
- cash and cash equivalents and restricted bank balances

In general, vessels on time charter are prepaid, while vessels contracted to oil companies usually have payment terms on an average of 30 days. Interest is charged on outstanding overdue trade receivables.

The Group always measures the loss allowance for trade receivables (including lease receivables) and contract assets at an amount equal to lifetime expected credit loss (ECL). The expected credit losses on trade receivables are estimated by carrying out an individual assessment on each outstanding balance. Management takes into account the counterparty's financial position, past default experience, industry knowledge and market reputation. Management also considers macroeconomic factors, such as general economic conditions, factors specific to the oil and seismic industry and an assessment of both the current and the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

With regards to cash and cash equivalents, the Group 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. The Norwegian Bank's Guarantee Fund covers deposits up to NOK 2 million per depositor per bank. The Group monitors changes in external credit ratings and default rates and compares these to credit risk at initial recognition. Cash held at banks with investment grade are assessed as low credit risk and belong to Stage 1. As the Group's deposits are held in banks with high credit quality ratings with investment grade, the probability of default is low and the expected credit loss is minimal. Thus, no loss has been recognized in the consolidated financial statements.

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

	Note	2019	2018
Trade receivables	10	3,620	2,077
Contract assets	10,11	3,343	2,363
Restricted cash	14	233	235
Cash and cash equivalents	14	3,645	5,774
		10,841	**10,449**

The carrying amount of the Group's financial assets at FVPL as disclosed in note 33 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

The aging of trade receivables at the reporting date was:

		2019		2018
	Gross	Impairment	Gross	Impairment
Not past due	1,214	-	1,502	-
Past due 0-30 days	604	-	423	-
Past due 31-120 days	1,969	(243)	(3)	-
More than 120 days	3,711	(3,635)	5,461	(5,305)
Total trade receivable	**7,498**	**(3,878)**	**7,382**	**(5,305)**

The following table details the movement in the allowance for expected credit losses of trade receivables and contract assets:

30. FINANCIAL INSTRUMENTS (CONTINUED)

Allowance for expected credit losses	2019	2018
As at 1 January	5,305	5,565
Provision for expected credit losses	243	-
Reversal of expected credit losses	(669)	(168)
Write-off	(1,000)	(92)
Net carrying amount	**3,878**	**5,305**

The Group has recognized a loss allowance of 100% against all receivables over 180 days past due because historical experience has indicated that the receivables are generally not recoverable.

Expected credit losses of $0.7 million were reversed in 2019 as the amounts were recovered. Gross receivables and the corresponding expected credit losses of $1.0 million were deemed unrecoverable and written off in 2019 (2018: $0.1 million).

Of the gross trade receivables balance at the end of the year, an amount of $1.9 million (2018: $nil) was due from a debtor who faces liquidity constraints and delayed the repayments towards the company. The counterparty agreed to a regular repayment schedule for the settlement of the receivable and since then the debtor has been consistent with the agreed payments. The ECL allowance recognized in connection to this receivable is $0.2 million. The company's second larger debtor had an outstanding balance of $0.9 million as at year end (2018: $nil), which has been fully recovered after year end. As described in note 3.1 (B), the company's concertation of credit risk is due to the narrow customer base within the oil & gas industry and the fact that the market participants face common risks connected to the industry's general economic conditions.

Liquidity Risk

Ultimate responsibility for risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity requirements. The group manages liquidity risk by maintaining sufficient cash and cash equivalents, seeking the availability of equity funding and debt funding, and by continuously monitoring forecast and actual cash flows.
The tables below summarizes the maturity profile of the group's financial liabilities at year end on contractual undiscounted payments. The tables have been drawn based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. Fixed interest rates are applied on the interest-bearing borrowings (refer to note 18) and tax liabilities. The Group has no variable interest-rate liabilities.

2019	On Demand	Less Than 12 Months	1 to 5 Years	Total
Interest-bearing borrowings	-	5,476	-	5,476
Trade payables	-	5,349	-	5,349
Other payables	-	8,864	-	8,864
Lease liabilities	-	373	-	373
Other long term liability	-	-	160	160
Total financial liabilities	**-**	**20,062**	**160**	**20,222**

2018	On Demand	Less Than 12 Months	1 to 5 Years	Total
Interest-bearing borrowings	-	-	5,476	5,476
Trade payables	-	2,982	529	3,511
Other payables	-	9,048	410	9,458
Other long term liability	-	480	640	1,120
Total financial liabilities	**-**	**12,510**	**7,055**	**19,565**

30. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

As described in note 3.1(A)(I), the Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are presented in the tables below. The Group is mainly exposed to fluctuations with respect to the Norwegian kroner, Euro, Colombian Peso, Mexican Peso, Indonesian Rupee, New Zealand Dollar, Australian Dollar, Singapore Dollar and the British Pound.

The table also details the Group's sensitivity to a 10% increase in US dollar against the relevant foreign currencies. A positive number below indicates an increase in profit. For a 10% weakening of US dollar against the relevant currency, there would be an opposite negative impact on the profit.

2019	ASSETS	LIABILITIES	Net exposure	Change in FX rate (US$ strengthens)	Profit increase/ (decrease)
AUD	-	76	(76)	10%	8
EUR	11,522	384	11,138	10%	(1,114)
GBP	33	9	24	10%	(2)
MXN	-	265	(265)	10%	27
NOK	1,562	-	1,562	10%	(156)
IDR	5	9	(4)	10%	-
SGD	15	311	(296)	10%	30
NZD	-	381	(381)	10%	38
COP	-	3,153	(3,153)	10%	315
Other	59	31	28	10%	(3)
	13,196	**4,619**	**8,577**		**(858)**

2018	ASSETS	LIABILITIES	Net exposure	Change in FX rate (US$ strengthens)	Profit increase/ (decrease)
AUD	-	739	(739)	10%	74
EUR	243	2,330	(2,087)	10%	209
GBP	145	111	33	10%	(3)
MXN	228	4	223	10%	(22)
NOK	1,267	1,127	140	10%	(14)
IDR	81	957	(876)	10%	88
SGD	30	190	(159)	10%	16
NZD	-	694	(694)	10%	69
COP	-	2,976	(2,976)	10%	298
Other	71	154	(83)	10%	8
	2,064	**9,282**	**(7,218)**		**722**

Exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
USD				
AUD 1	0.6947	0.7471	0.7023	0.7046
EUR 1	1.1192	1.1798	1.1234	1.1447
GBP 1	1.2757	1.3335	1.3204	1.2705
MXN 1	0.0519	0.0520	0.0529	0.0509
NOK 1	0.1136	0.1229	0.1139	0.1151
IDR 100	0.0001	0.0070	0.0001	0.0070
SGD 1	0.7329	0.7409	0.7434	0.7323
NZD 1	0.6584	0.6917	0.6746	0.6717
COP 100	0.0305	0.0339	0.0304	0.0308

30. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

As described in note 3.1(A)(II), the Group's exposure to the risk of changes in market interest rates relates primarily to the Group's fixed-rate borrowings as well as the fixed-rate listed bond investment. The Group does not hold any variable-rate debt instruments.
The table below presents the carrying values of its fixed-rate financial instruments:

Fixed-rate financial instruments	2019	2018
Debt investment in secured bond (listed)	(0)	(523)
SBX04 secured bond loan - tranche B	5,152	4,559
	5,152	**4,036**

Cash equivalents and restricted cash of $3.9 million as at 31 December 2019 (2018: $6.0 million) are interest bearing assets with variable rates.
An increase/decrease of 100 basis points in interest rates at 31 December 2019 would have increased/decreased equity and profit or loss by $0.4 million (2018: $0.6 million).

Fair value estimation
As described in note 3.3, the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods, such as quoted market prices of similar instruments, estimated discounted cash flows and makes assumptions that are based on market conditions existing at the reporting date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of the Group's SBX04 secured bond loan (listed, level 1) as at 31 December 2019 is $4.4 million. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. In general, this evaluation shows no material difference.

Fair value measurements recognized in statement of financial position
The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.
- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2019	Level 1	Level 2	Level 3	Total
Financial assets	-	-	54	54
Financial liabilities	-	-	-	-

2018	Level 1	Level 2	Level 3	Total
Financial assets	523	-	54	577
Financial liabilities	-	-	-	-

Significant assumptions used in determining fair value of financial assets and liabilities
The listed bond investment is a financial asset with standard terms and conditions that is traded on a financial market. Its fair value is determined from quoted market price or broker quote. The fair value of the non-listed equity shipping investment is determined from broker quote.

31. AUDIT FEES

	2019	2018
Total fees charged for statutory audit	263	264
Total fees charged for tax advisory services	3	3
Total fees charged for other non-audit services	-	6
Total	**267**	**273**

32. OTHER NON-CURRENT LIABILITIES

	2019	2018
Payable on contract termination (Munin liability)	160	640
Total other non-current liabilities	**160**	**640**

Amount represents the non-current portion of the liability recognized in respect of the settlement agreement reached with the owners of vessel Munin Explorer. The vessel had been leased by the Group under a bareboat hire-in contract that ran through October 2019, with a day rate of $12,735 and an annual rate increase of 2%. SeaBird announced a restructuring of debt and charter hire commitments in August 2017. As part of the restructuring, the Munin Explorer charter hire was changed to $2,088 per day and the charter period was extended to June 2020 . On 16 February 2018, the Group entered into a settlement agreement with Ordinat Shipping AS, the owners of Munin Explorer, for the termination of the charter party agreement, redelivery of the vessel and a series of payments of $0.04 million per month to settle the remaining amount due to the owners by April 2021. The settlement agreement also provides for a three year non-competition restriction whereby the vessel cannot compete in the company's markets. The vessel was redelivered to its owners in quarter two 2018.
The current portion of the liability ($0.48 million as per 31 December 2019) has been booked within other payables (see note 16).

33. LONG-TERM INVESTMENTS

The below investments are financial assets mandatorily measured at fair value through profit or loss:

	2019	2018
Debt investment in corporate bond (listed)	-	523
Equity investment in a shipowning company (non-listed)	54	54
At 31 December	**54**	**577**

In July 2018, the Group made purchases in a secured bond. The investment was classified at fair value through profit and loss. In 2019, following the disposal of the underlying vessels held as security, the bond was partially redeemed, with the company receiving proceeds of $0,6 million. The remaining debt was written down to zero fair value.
The Group also holds 4.5% in a shipping company that owns a vessel. The investment is classified as a financial assets at FVPL. The management has assessed that there was no material change to the investment's fair value since the prior year.
For information about the methods and assumptions used in determining the investments' fair value please refer to note 30 - Section "Fair values estimation".

34. SUBSEQUENT EVENTS

On 9 January 2020, the company announced a letter of award for a 3D survey in Asia. The survey commences at the end of Q1 and is expected to be completed in Q2 this year. The company will use a third party vessel and equipment for this survey as it seeks to optimize its capacity against all contract opportunities currently seen in the region. In conjunction with the LOA above, Seabird will also enter into a frame agreement with the customer, under which further work may be awarded to the Company.

On 9 January 2020, the company concluded the extraordinary General Meeting which elected a new board of directors. SeaBird's board of directors now consist of Mr Ståle Rodahl as executive chairman, Mr Nicholas Knag Nunn, Mr Øivind Dahl-Stamnes and Mr Rolf Inge Jacobsen. The Company's nomination committee consists of Mr Svein Øvrebø, Mr Per Øyvind Berge and Mr Hans Christian Anderson.

On 27 January 2020, the company updated the contract schedule for 2020. The Company received a letter of award for provision of source services for two OBN surveys to be carried out in West Africa, with an expected total duration of about 80 days. The first survey is expected to start in April 2020 and the second survey will follow immediately after. The vessel Eagle Explorer will be used for both surveys.

On 27 January 2020, the company and EMGS amended the time charter agreement for the Petrel Explorer which originally contained two options for EMGS to extend the contract by 6 months each. The first of these two options has been converted to 6 monthly options. EMGS has declared the first option, meaning that the charter period for the Petrel Explorer is now firm until 30 April 2020.

On 18 February 2020, the company announced it received a term sheet for a $16 million three-year secured loan and guarantee facility. The proceeds from the loan will be used to repay the SBX04 bond loan expiring in June, and to outfit the "Fulmar Explorer" for seismic operations. The outfitting project commenced in Q1 with an expected duration of 3 months. Marketing of the "Fulmar Explorer" will begin immediately.

The company also signed a 2-year, plus 2×1 year options, "pay as you work" flexible charter agreement with Uksnøy & Co AS for the 2007-built «Geo Barents». The vessel will be equipped for source, 2D and niche 3D work with expected availability ultimo March. The company will begin marketing the vessel immediately for work commencing in April or later.

Furthermore, the company decided to decommission the 1985-built «Osprey Explorer» and recycle the in-water seismic equipment to the "Geo Barents". Through these initiatives, the company has an upgraded fleet of 6 owned and chartered vessels, enabling the company to offer its clients a modern and competitive fleet in its industry segments. Furthermore, the initiatives will allow the company to operate with a more flexible cost base, where the modern owned vessels offer a competitiveness that allows for a significant base utilization while the chartered vessels provide flexibility as activity levels fluctuate. Together with the previously announced restructuring and cost reduction program, this will ensure a stronger, leaner and more competitive company for the benefit of our clients and shareholders in the years to come.

On 20 February 2020, the Company announced a new OBN source contract in Asia Pacific. The expected duration of the contract is about 5 months and start-up is expected in April 2020. The vessel Voyager Explorer will be employed on this contract and the bareboat-charter will therefore be extended.

On 2 March 2020, the company announced a one-month extension of the Petrel Explorer time charter contract with EMGS. The charter period is then firm until 31 May 2020. Furthermore, the company received indicative bid interest from a prospective buyer of the vessel. Given the positive market backdrop, the company`s preferred strategy for the vessel is to maintain exposure through the current charter party. However, pending further extensions, the company may seek a new owner for the vessel.

34. SUBSEQUENT EVENTS (CONTINUED)

On 6 April, the company announced cancellation of two OBN surveys off West Africa announced on 27 January due to COVID-19 situation. The Eagle Explorer had mobilized and was ready for work, and the company expects to be made on the contract.

With the recent and rapid development of the Coronavirus (COVID-19) outbreak the world economy entered a period of health care crisis that has already caused and will continue to cause a major global disruption not only in business activity but in everyday life as well. Many countries have adopted extraordinary and economically costly containment measures requiring in some cases companies to limit or even suspend normal business operations and to implement restrictions on travelling and strict quarantine measures. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. The outbreak is considered as a non-adjusting event for reporting purposes and is therefore not reflected in the recognition and measurement of the assets and liabilities in the Group's financial statements as at 31 December 2019. Management has considered the unique circumstances and the risk exposures of the company and has concluded that the impact on the financial results of the company could be in the form of reduced demand for services, challenges in the collection of receivables, or increased costs due to operational disruptions that affect logistics, yard work, movement of spare parts, crew transportation and crew health and safety issues. Up to the date of approval of this report, the event did not have an immediate impact on the business operations. Nevertheless, management considers the decrease in oil and gas prices and the resulting liquidity constraints put on its customers, and determines the reduction in demand for services to be the major risk factor for the company's liquidity position. The decrease in oil price caused by COVID-19 disruption was further aggravated by the failure in OPEC discussions in early March 2020. Talks between OPEC and Russia over cutting oil production in response to the coronavirus outbreak collapsed without a deal, sending oil priced down to their lowest level in three years, near $45 per barrel. Management acknowledges the impact of these developments on the clients' capex decision and consequently the Group's revenues. For this reason, the company has exercised two sensitivity analyses on its financial plan 2020 to quantify the possible effect of the outbreak and the reduction in oil price. The first exercise assumes a scenario where daily rates of the company's assumed contracts decreases by 10%. In this scenario the company sees a 17% reduction in its forecasted EBITDA for 2020. The second exercise assumes a scenario where the company's assumed contracts later in the year does not materialize and the expected utilization drops by 10 percent point. In this scenario the company sees a 19% decrease in its forecasted revenue for 2020 and EBITDA of 2020 is nearly halved. In the second scenario, the company also sees a possible slight working capital build up towards the year end. In both scenarios the company is able to meet the covenants on the facility expected to be granted based on the term sheet described above, by delaying certain payments which will not affect the company's operational ability. Management will continue to monitor the situation closely and assess future measures including alternative sources of financing as a fall back plan in case the period of disruption becomes prolonged. The Board has contingency plans in place in case of a prolonged stand-off, which will take the Group's run-rate on cash costs down to a very low level, enabling the Group to weather a period of low activity from the oil companies.

35. DEFINITIONS

The company is using Alternative Performance Measures (non-IFRS measures) in its reporting to the market. Please see below definitions for the company's main Alternative Performance Measures.

Gross Margin = Revenues – Cost of sales
SG&A (Sales, general and administrative costs)
EBITDA (Earnings before interest, taxes, depreciation and amortization) = Revenues – Cost of sales – SG&A
Adjusted EBITDA EBITDA adjusted for non-recurring items
EBIT (Earnings before interest and taxes)= EBITDA – Depreciation – Amortization
Net interest bearing debt = Interest bearing debt – Cash and cash equivalents
Equity ratio = Shareholders' equity / Total assets

SEPARATE FINANCIAL REVIEW

SEPARATE FINANCIAL ACCOUNTS 2019

Notes to the financial statements:

STATEMENT OF FINANCIAL POSITION

All figures in USD 000's	Note	As of 31 December 2019	2018
ASSETS			
Non-current assets			
Investments in subsidiaries	13	58,966	46,089
Total non-current assets		**58,966**	**46,089**
Current assets			
Other current assets	4	41	23
Restricted cash	5	3	11
Total current assets		**44**	**34**
Total Assets		**59,010**	**46,123**
EQUITY			
Shareholders equity			
Paid in capital	6	322,876	289,969
Currency translation reserve		12	12
Share options granted	6	87	111
Retained earnings		(276,543)	(252,582)
Total Equity		**46,432**	**37,510**
LIABILITIES			
Non-current liabilities			
Due to related parties, non-current	15	-	7,935
Total non-current liabilities		**-**	**7,935**
Current liabilities			
Trade and other payables	7	197	678
Due to related parties, current	15	12,381	-
Total current liabilities		**12,578**	**678**
Total liabilities		**12,578**	**8,613**
Total equity and liabilities		**59,010**	**46,123**

On 8 April 2020, the board of directors of SeaBird Exploration Plc authorized these consolidated financial statements for issue.

Ståle Rodahl
Executive Chairman

Øivind Dahl-Stamnes
Director

Nicholas Knag Nunn
Director

Rolf Inge Jacobsen
Director

STATEMENT OF INCOME

All figures in USD 000's	Note	Year ended 31 December 2019	2018
Revenues	8	447	22,366
Selling, general and administrative expenses	10	(644)	(1,463)
Impairment on group receivables, net of reversals	15	7,696	(12,040)
Impairment on investments in subsidiaries	13	(31,553)	(27,680)
Finance expense	11	(1,154)	(66)
Other financial items, net	9	1,247	4,821
Profit/(loss) before tax		**(23,961)**	**(14,062)**
Income tax	3	-	2,086
Profit/(loss) for the year		**(23,961)**	**(11,976)**

STATEMENT OF COMPREHENSIVE INCOME

All figures in USD 000's	Note	Year ended 31 December 2019	2018
Profit/(loss)		**(23,961)**	**(11,976)**
Other comprehensive income		-	-
Total other comprehensive income, net of tax		**-**	**-**
Total comprehensive income		**(23,961)**	**(11,976)**
Total comprehensive income attributable to:			
Shareholders of the parent		(23,961)	(11,976)
Total		**(23,961)**	**(11,976)**

STATEMENT OF CHANGES IN EQUITY

All figures in USD 000's	Paid in capital	Equity component of warrants	Share options granted	Retained earnings	Currency translation reserve	Total
Balance at 1 January 2018	**261,948**	**2,736**	**-**	**(249,029)**	**12**	**15,667**
Income for the year	-	-	-	(11,976)	-	(11,976)
Total recognised income /(loss) for the year	**-**	**-**	**-**	**(11,976)**	**-**	**(11,976)**
Share issue	33,709	-	-	-	-	33,709
Equity component of warrants	-	(2,736)	-	2,736	-	-
Change due to reduction in nominal value shares	(5,688)	-	-	5,688	-	-
Share options granted/cancelled	-	-	111	-	-	111
Balance at 31 December 2018	**289,969**	**-**	**111**	**(252,582)**	**12**	**37,510**
Balance at 1 January 2019	**289,969**	**-**	**111**	**(252,582)**	**12**	**37,510**
Loss for the year	-	-	-	(23,961)	-	(23,961)
Total recognised income /(loss) for the year	**-**	**-**	**-**	**(23,961)**	**-**	**(23,961)**
Share issue	32,907	-	-	-	-	32,907
Share options granted/cancelled	-	-	(24)	-	-	(24)
Balance at 31 December 2018	**322,876**	**-**	**87**	**(276,543)**	**12**	**46,432**

STATEMENT OF CASH FLOW

All figures in USD 000's	Note	Year ended 31 December 2019	2018
Cash flows from operating activities			
Profit/(loss) before income tax		(23,961)	(14,062)
Non-cash adjustments for:			
(Reversal)/impairment on group receivables	15	(7,696)	12,040
Impairment on investments in subsidiaries	13	31,553	27,680
Paid income tax		-	-
Dividend income*	8	-	(20,976)
Interest income*	9	(861)	(4,284)
Interest expense	11	1,153	66
Unrealized FX gain/loss		(102)	(347)
Non cash share option cost		(24)	-
(Increase)/decrease in trade and other receivables and restricted cash		(9)	(9)
Increase/(decrease) in trade and other payables		(53)	(109)
Net cash from operating activities		**-**	**-**
Net cash from financing activities		**-**	**-**
Net (decrease)/increase in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at beginning of the period	5	**-**	**-**
Cash and cash equivalents at end of the period	5	**-**	**-**

***Non-cash transactions:**

During the year the Company entered into the following non-cash transactions which are not reflected in the statement of cash flow:

- Settlement of intra-group balances. The settlement was effected through assignment of balances between the companies, capitalization, repayment through dividend distributions and write-off of balances.
- The Company issued share capital in the year but the funds were received by a subsidiary to purchase vessels Petrel Explorer and Fulmar Explorer. Furthermore, additional share capital was issued as part of the purchase consideration for the vessels by a subsidiary on 12 June 2019 and 25 July 2019 for an aggregate amount of $6.4 million (see note 6).

1. GENERAL INFORMATION

Country of incorporation
The company was incorporated in British Virgin Islands as a limited liability company. The company redomiciled to Cyprus on 18 December 2009. The primary business address of the company is Spyrou Kyprianou 15, Matrix Tower II, 4001 Limassol, Cyprus.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Dividend income (see note 8) is recognized when the shareholders' rights to receive payment have been established.

Shares in subsidiaries (see note 13) are stated at cost less any provision for impairment. The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in profitability, negative balance between the subsidiary's equity position and the carrying value of the investment, or external macro-economic factors that may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated recoverable amounts of these subsidiaries are compared to their carrying amounts to determine if a write-down is necessary. If a recoverable amount subsequently increases, the impairment charge is reversed accordingly.

The remaining accounting policies applied by the Company are those described in note 2 to the consolidated financial statements.

For the discussion of risk factors and financial risk management (note 16), refer also to note 3 to the consolidated financial statements.

3. INCOME TAX EXPENSE

Current tax	2019	2018
Reversal of tax provision of prior periods	-	(2,086)
Total current tax expense / (reversal)	**-**	**(2,086)**

	2019	2018
Profit/(loss) before income tax	(23,961)	(14,062)
Tax arising at the rate of 22.0% (23.0% in 2018)	(5,271)	(3,234)
Tax effect of adjustments in Norway	5,271	3,234
Reversal of tax provisions in other jurisdictions *	-	(2,086)
Total tax expense/(reversal) attributable to continued operations	**-**	**(2,086)**

* The company performed a detailed review of its tax provisions as a part of its annual closing procedures. For 2019 no reversals of tax and interest liabilities are made. In 2018 the company booked a reversal of tax and interest liabilities of $2.1 million of which $1.2 million was a reversal of tax liability of continued operations and $0.9 million was reversal of tax liability for discontinued operations. The reversal was made after reassessing the possibility of tax outflows and re-estimating the level of the tax exposures.

4. OTHER CURRENT ASSETS

	2019	2018
Prepaid expenses	27	23
Other current assets	14	-
Total other current assets	**41**	**23**

5. CASH AND BAND BALANCES

	2019	2018
Restricted cash	3	11
Total cash and bank balances	**3**	**11**

The restricted cash consists of payroll withholding taxes.

6. SHARE CAPITAL AND SHARE OPTIONS

Authorized:	2019 Number of shares	2018 Number of shares
Ordinary shares of $ 0.01 each	1,680,000,000	1,680,000,000

	Number of shares	Number of shares
At 1 January	284,487,312	110,745,515
New shares issued	254,444,075	173,741,798
Total number of shares as per 31 December	**538,931,387**	**284,487,312**

There are no share classes and no voting restrictions on the shares.

On 31 May 2019, the company issued 208,333,330 shares in a private placement in connection with the purchase of the vessels Petrel Explorer (former BOA Galatea) and Fulmar Explorer (former BOA Thalassa). In consideration of purchase of the vessels the company issued 23,055,373 shares on 12 June 2019 and 23,055,372 shares on 25 July 2019. All shares were issued at a price of 1.20 NOK per share.

Employee Share Option Plans

On 12 October 2018, the board of directors of SeaBird Exploration Plc approved an employee share option plan (plan A) for a maximum of 28.4 million share options to be allocated to current and future employees. The share option plan has a duration of three years from grant date. One third of the options granted vested one year after the grant date, one third of the options granted will vest two years after the grant date and the remaining one third of the options granted will vest three years after the grant date. All options are exercisable at any time within one year from the corresponding vesting dates. The options have exercise prices of NOK 2.40 for the tranche vesting one year after grant date, NOK 2.65 for the tranche vesting two years after the grant date and NOK 2.90 for the tranche vesting three years after the grant date. A total of up to 5.4 million options have been granted as of 31 December 2019 (2018: 24.1 million).

On 26 November 2019, the board of directors of SeaBird Exploration Plc approved an employee share option plan (plan B) for a maximum of 53.89 million share options to be allocated to current and future key employees. The share option plan has a duration of three years from grant date. One third of the options granted will vest one year after the grant date, one third of the options granted will vest two years after the grant date and the remaining one third of the options granted will vest three years after the grant date. All options may be exercised at any time within one year from the corresponding vesting dates and the options have exercise prices of NOK 0.60 for the tranche vesting one year after grant date, NOK 0.66 for the tranche vesting two years after the grant date and NOK 0.72 for the tranche vesting three years after the grant date. A total of 32.1 million options have been granted under this plan as of 31 December 2019.

Estimated value of the share options granted, reduced for services not rendered as per 31 December 2019, is presented in equity as share options granted.

6. SHARE CAPITAL AND SHARE OPTIONS (CONTINUED)

	Plan A	Plan B	Number of options outstanding
At 1 January 2019	24,100,000	-	**24,100,000**
Granted during the year	-	32,100,000	**32,100,000**
Forfeited during the year	(18,700,000)	-	**(18,700,000)**
Exercised in year	-	-	**-**
Expired in year	-	-	**-**
At 31 December 2019	**5,400,000**	**32,100,000**	**37,500,000**
of which is vested	3,066,667	-	**3,066,667**
of which is non-vested	2,333,333	32,100,000	**34,433,333**
Total options	**5,400,000**	**32,100,000**	**37,500,000**

Share based payments effect on the company's profit or loss amounts to $0.1 million for 2019 and $0.1 million for 2018. The total value of share options granted is calculated using the Black-Scholes model, assuming that all the options will be exercised. The fair value determined at the grant date is expensed over the vesting period of the options for the options granted less expected number of forfeited options. The calculation is based on:

Plan A
• expected volatility of 58%

• exercise price of NOK 2.40 for the tranche vesting one year after grant date, NOK 2.65 for the tranche vesting two years after the grant date and NOK 2.90 for the tranche vesting three years after the grant date
• two, three and four year option life for the individual three option tranches
• no dividends are expected
• a risk free interest rate of 1.1 % per annum

Plan B
• expected volatility of 55.32%
• exercise price of NOK 0.60 for the tranche vesting one year after grant date, NOK 0.66 for the tranche vesting two years after the grant date and NOK 0.72 for the tranche vesting three years after the grant date
• two, three and four year option life for the individual three option tranches
• no dividends are expected
• a risk free interest rate of 1.24 % per annum

The expected volatility of the options are based on the historical volatility of the share price over the most recent period that corresponds with the expected life of the option. The expected life of the option is based on the maturity date and is not necessarily indicative of exercise pattern that may occur. The options include a service condition as the individuals participating in the plan must be employed by the company for a certain period of time in order to earn the right to exercise the share options. The options include no performance conditions.

7. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	22	275
Accrued expenses and other payables	173	403
Total trade and other payables	**195**	**678**

8. REVENUES

	2019	2018
Dividends received	-	20,976
Costs recharged to group companies (Management fee)	426	1,324
Management fee mark-up to group companies	21	66
Total revenues	**447**	**22,366**

The group has a transfer pricing policy in place, which implies that certain sales, general and administrative costs are rechargeable to SeaBird Exploration Norway AS. Amounts recharged under this agreement was $0.4 million in 2019 ($1.3 million in 2018).

9. OTHER FINANCIAL ITEMS, NET

		2019	2018
Interest income on intercompany borrowings	(note 15)	861	4,284
Net foreign exchange gain/(loss)		392	540
Other financial income/(expense)		(6)	(3)
Total other financial items		**1,247**	**4,821**

10. EXPENSES BY NATURE

	2019	2018
Staff cost and Directors' remuneration	143	896
Legal and professional	233	250
Other expenses	268	317
Total selling, general and administrative expenses	**644**	**1,464**

11. FINANCE EXPENSE

		2019	2018
Interest on intercompany borrowings	(note 15)	1,153	66
Total finance expense		**1,153**	**66**

12. DIVIDENDS

No dividend was distributed for 2018 and no dividend will be distributed for the year ended 31 December 2019.

13. SHARES IN SUBSIDIARIES

Company	Principal activity	Country of incorporation	Shareholding and voting rights
Aquila Explorer Inc.	Vessel holding company	Panama	100%
SeaBird Exploration Crewing Limited	Crewing company	Cyprus	100%
Biliria Marine Company Limited	Inactive	Cyprus	100%
GeoBird Management AS	Operating company	Norway	100%
Harrier Navigation Company Limited	Vessel holding company	Cyprus	100%
Hawk Navigation Company Limited	Inactive	Cyprus	100%
Munin Navigation Company Limited	Inactive	Cyprus	100%
Oreo Navigation Company Limited	Inactive	Cyprus	100%
Osprey Navigation Company Inc.	Vessel holding company	Panama	100%
Raven Navigation Company Limited	Inactive	Cyprus	100%
Sana Navigation Company Limited	Inactive	Cyprus	100%
Seabed Navigation Company Limited	Dormant	Cyprus	100%
SeaBird Exploration Americas Inc.	Management company	USA	100%
SeaBird Exploration Asia Pacific PTE. Ltd.	Management/operating company	Singapore	100%
SeaBird Exploration Cyprus Limited	Management/operating company	Cyprus	100%
SeaBird Exploration Finance Limited	Finance company	Cyprus	100%
SeaBird Exploration FZ-LLC	Management company	UAE	100%
SeaBird Exploration Multi-Client Limited	Multi-client company	Cyprus	100%
SeaBird Exploration Norway AS	Management company	Norway	100%
SeaBird Exploration Shipping AS	Operating company	Norway	100%
SeaBird Exploration UK Limited	Management company	UK	100%
SeaBird Exploration Vessels Limited	Vessel holding company	Cyprus	100%
Silver Queen Maritime Limited	In liquidation	Malta	100%
SeaBird Crewing Mexico S. DE R.L. DE C.V.*	Crewing company	Mexico	100%
SeaBird Seismic Mexico S. DE R.L. DE C.V.*	Operating company	Mexico	100%
SeaBird Exploration Nigeria Limited*	Operating company	Nigeria	100%

*Indirect subsidiary

During the year, the Company has recognized a net impairment loss on investment in subsidiaries of $31.6 million (2018: $27.7 million). The impairment assessment is made in accordance with the Company's policy described in note 2.

14. COMMITMENTS AND CONTINGENCIES

The company's commitments and contingencies as per 31 December 2019 related to the financial guarantees described in note 15 (v). The Company's commitments and contingencies as per 31 December 2018 were similar.

15. RELATED-PARTY TRANSACTIONS

i) Purchases of services and expenses recharged to group companies

Expenses amounting to $0.4 million were recharged to group companies with 5% mark-up during 2019 (2018: $1.3 million recharged from group companies).

ii) Key management personnel compensation

	2019	2018
Salaries and other short-term employee benefits	-	114
Social security costs	-	34
Pension costs	-	-
Total	**-**	**148**

The compensation of the key management personnel employed by the company's subsidiaries, as well as the remuneration of the company's directors, are presented in group note 29.

iii) Due from related parties

	2019	2018
Loans to companies within SeaBird group:		
At beginning of year	-	1,786
Additional loans, net of repayments	-	131,355
Conversion of loans to equity in subsidiaries	(8,557)	(125,385)
Interest charged	861	4,284
Net impairment of group receivables, net of reversals	7,696	(12,040)
At end of year	**-**	**-**

The above loans were provided at 5.95 % weighted average interest rate (5.95% in 2018) and are repayable on demand. The loans are unsecured.

iv) Due to related parties

	2019	2018
Loans from companies within SeaBird group:		
At beginning of year	7,935	290
Additional loans, net of repayments	3,293	7,579
Interest charged	1,153	66
At end of year	**12,381**	**7,935**

The above loans were provided at 6.35% weighted average interest rate (6.35% in 2018) and are repayable on demand.

v) Financial guarantees

The company is exposed to credit risk in relation to financial guarantees given to the bondholders of the SXB04 bond (please refer to group note 18), as well as to the owner of Voyager Explorer in relation to the charter-in contract entered into by a subsidiary and the owner of Munin Explorer in relation to the termination agreement entered into during the year (see group notes 16, 18 and 32 respectively). The company's maximum exposure in respect of these guarantees is the maximum amount the company could have to pay if the guarantee is called on, irrespective of the likelihood of being exercised, as shown below:

	Note	2019	2018
SBX04 bond guarantee		5,152	4,559
Chartered-in vessel Voyager Explorer - hire contract guarantee		750	750
Munin liability guarantee		640	1,120
Total		**6,542**	**6,429**

The related expected credit loss assessment and loss allowance are disclosed in note 16.

15. RELATED-PARTY TRANSACTIONS (CONTINUED)

vi) Dividends
The company received dividend income from its subsidiaries of $ nil in 2019 ($21.0 million in 2018). Please see note 8 for further details.

vii) Shareholding
Management (as defined 31 December 2019 under I) and the board of directors, as of 31 December 2019 held the following shares on own account):

Name	Title	Ordinary shares	Outstanding options*
Ståle Rodahl	Executive Chairman	8,500,000	7,200,000
Nicholas Knag Nunn	Board Member	-	-
Øivind Dahl-Stamnes	Board Member	500,000	-
Rolf Inge Jacobsen	Board Member	-	-
Sidsel Godal	Board Member	-	-
Gunnar Jansen	CCO/CLO/CEO**	-	7,200,000
Nils Haugestad	CFO	800,000	2,600,000
Finn Atle Hamre	COO	302,500	7,200,000

*Please see note 6 for further information of the company's share option program. As per 31 December 2019 no options have vested in the company's share option program.
**Acting CEO from 20 October 2019.

viii) Purchase of services from board members

The company entered into a consultancy agreement with Mr Stale Rodahl in his capacity as Chairman of the Board, pursuant to which, Mr Rodahl will render consultancy services to the company, focusing on strategic matters. Under the engagement, Mr Rodahl should render consultancy services to the Company to such extent as agreed with the Board, at a rate of NOK 1,500 per hour. For 2019 the Company incurred a cost of approximately $22,000 under this agreement.

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.
The company has the following types of financial assets that are subject to the expected credit loss model:
• Amounts due from related
• Cash and bank balances (including restricted cash)
• Financial guarantees

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

	Note	2019	2018
Financial guarantees	15	(6,542)	(6,429)
Cash and bank balances	5	3	11
Total		**(6,539)**	**(6,418)**

The amount of financial guarantee contracts presented in the table above reflects the company's maximum exposure with regards to the guarantees described in note 15 (v) and is not an amount recognized on the statement of financial position.

The company estimates the amount of provision to be recognized for financial guarantees provided to subsidiaries, by calculating its expected loss on the contacts. The provision is estimated based on individual assessment per guarantee, assessing whether credit risk has increased significantly since initial recognition. Management considers the date that the company becomes a party to the irrevocable commitment to be the date of initial recognition. In assessing whether there has been a significant increase in the credit risk since initial recognition, the company considers the changes in the risk that the specific subsidiary will default on the contract. Factors considered, include among others, the subsidiary's equity position, financial performance, liquidity position, fair values of tangible assets held by the subsidiary, as well as current and forward-looking macroeconomic factors affecting the entity. Taking into consideration these factors, management classified the financial guarantee contracts within Stage 1, i.e. with no significant increase in credit risk since initial recognition. The ECL is therefore measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. As the expected credit loss is immaterial, the Company has not recognized a provision for financial guarantee contracts.

The receivables from subsidiaries are assessed for lifetime expected credit losses, determining whether credit risk has increased significantly since initial recognition. At year-end 2019 the receivable balance is $nil. During the prior year, the assessment on intra-group receivables has led to a write off of $12 million. When the Company has receivables from subsidiaries, the loss allowance is estimated based on individual assessment per receivable, taking into consideration the subsidiary'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 counterparty is unable to pay and/or when there is a management decision to settle intra-group balances through write-offs.

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 balances at year end were minimal, no loss has been recognized in the financial statements.

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 on a group level, and ensuring the availability of funding through an adequate amount of available debt or equity.
The tables below summarize the maturity profile of the company's financial liabilities at 31 December on contractual undiscounted payments: The amounts included for financial guarantee contracts are the maximum amount the company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee (see note 15) and is not an amount recognized on the statement of financial position.
The contractual maturity is based on the earliest date on which the company may be required to pay.

16. FINANCIAL INSTRUMENTS (CONTINUED)

2019	On Demand	Less Than 12 Months	1 to 5 Years	Total
Due to related parties	-	-	-	-
Financial guarantee contracts	-	6,382	160	6,542
Total liquidity risk	**-**	**6,382**	**160**	**6,542**

2018	On Demand	Less Than 12 Months	1 to 5 Years	Total
Due to related parties	7,935	-	-	7,935
Financial guarantee contracts	-	1,230	6,116	7,346
Total liquidity risk	**7,935**	**1,230**	**6,116**	**15,281**

Currency risk

The company's exposure to foreign currency risk was as follows based on notional amounts per 31 December 2019

2019	ASSETS	LIABILITIES	Net exposure	Change in FX rate (US$ strengthens)	Profit increase/ (decrease)
EUR	22	94	(72)	10%	7
NOK	4	203	(199)	10%	20
TOTAL	**26**	**297**	**(271)**		**27**

2018	ASSETS	LIABILITIES	Net exposure	Change in FX rate (US$ strengthens)	Profit increase/ (decrease)
EUR	-	-	-	10%	-
NOK	-	18	(18)	10%	2
TOTAL	**-**	**18**	**(18)**		**2**

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
EUR 1	1.1192	1.1798	1.1234	1.1447
NOK 1	0.1136	0.1229	0.1139	0.1151

17. AUDIT FEES

	2019	2018
Total fees charged for statutory audit	78	89
Total	**78**	**89**

18. SUBSEQUENT EVENTS

Note 34 to the consolidated financial statements describes the significant events that occurred subsequent to the end of the reporting period that impact the company and its subsidiaries. There were no other significant events concerning the parent company alone.

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Independent Auditor's Report

To the Members of Seabird Exploration Plc

Report on the Audit of the Consolidated Financial Statements and the Separate Financial Statements

Opinion

We have audited the consolidated financial statements of Seabird Exploration Plc and its subsidiaries (the "Group"), and the separate financial statements of Seabird Exploration Plc (the "Company"), which are presented in pages 30 to 86 and comprise the consolidated statement of financial position and the separate statement of financial position of the Company as at 31 December 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flow, and the separate statements of income, comprehensive income, changes in equity and cash flow of the Company, for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements and the separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2019, and of their financial performance and their 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 Consolidated Financial Statements and the Separate Financial Statements section of our report. We remained independent of the Group and the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements and the separate 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the financial statements, which indicates that the outbreak of COVID-19 subsequent to year-end and the sharp reduction in oil price impose a major risk of reduction in demand for the Group's services, which is extended to the Group's liquidity position. Although the Group has developed a plan of utilizing alternative sources of financing, as well as a contingency plan in case of a prolonged period of low activity, the realization of the planned measures, as well as the actual quantification of the impact and the duration of the disruption are highly uncertain. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

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 consolidated financial statements and the separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements and the separate 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
Impairment evaluation of property, plant and equipment The carrying value of property, plant and equipment, which consists of the vessels, capitalized drydock, seismic and other equipment (together, the "vessels and seismic equipment") as at year-end is $53.9 million, representing 76% of the Group's total assets. Management has considered the existence of impairment indicators such as the continued operating losses and sustained uncertainty in the seismic market and has performed an impairment testing to determine the recoverable amounts of the vessels and equipment as at 31 December 2019. The assessment resulted in impairment losses of $5.0 million recognized in the current year's profit or loss. We refer to note 7 to the consolidated financial statements. In performing the impairment testing, management has estimated the recoverable amounts based on value-in-use calculations using a discounted cash flow model. Estimating the cash flows involves the use of various assumptions concerning the following: o future utilization; o day-rates; o operating expenses; o capital expenditure; o residual values; and o discount rate to calculate the present value. Significant management judgment needs to be applied to develop these assumptions and there is a high degree of estimation uncertainty. Considering the significance of the carrying value of these assets to the consolidated financial statements, we have identified the impairment evaluation as a key audit matter.	Our procedures in relation to the impairment evaluation of vessels and seismic equipment included amongst others: - Assessing the value-in-use calculation as an appropriate methodology for the impairment assessment; - Testing the mathematical accuracy of the discounted cash flows model and the relevance of the input data used; - Assessing the reasonableness of management's key assumptions used in the value-in-use calculations by considering factors such as: o market conditions and prospects; o the Group's historical performance including historic utilization rates, day-rates, operating expenses; o projected performance and capital expenditure in comparison to the Group's budgets and historic actuals; o orders backlog and submitted tenders; o main business risks; o market prices such as scrap steel price to estimate the residual values; and o appropriateness of the projection period. - Using our internal valuation specialists to review the model and input data used to determine the weighted average cost of capital; - Performing sensitivity analysis and considering the potential impact of downside changes in the key assumptions; and - Reviewing the disclosures in the financial statements notes 2.9 "Impairment of non-financial assets", 4(B) "Critical accounting estimates and judgment", and 7 "Property, plant and equipment" in connection to the IFRS requirements. All the above procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, including the corporate governance statement and the management report in pages 2 to 29, but does not include the consolidated financial statements, the separate financial statements, and our auditor's report thereon.

Our opinion on the consolidated financial statements and the separate 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 consolidated financial statements and the separate 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 consolidated financial statements or the separate 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 and those charged with governance for the consolidated financial statements and the separate financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements and separate 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 consolidated financial statements and separate financial statements, the Board of Directors is responsible for assessing the Group's and 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the separate 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 consolidated financial statements and separate financial statements.

Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

Auditor's responsibilities for the audit of the consolidated financial statements and separate 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 consolidated financial statements and the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and 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 Group's and 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 Group and the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Board of Directors through its Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements and the separate financial statements of the current period and are therefore the key audit matters.

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Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

Report on other legal and regulatory requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the auditor and period of engagement

We were first appointed as auditors of the Group and the Company on 10 August 2018 by a shareholders' resolution. Our appointment has been renewed by shareholders' resolution and this is our second period of engagement appointment.

Consistency of the additional report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements and the separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 7 April 2020 in accordance with Article 11 of the EU Regulation 537/2014.

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 Group or the Company and which have not been disclosed in the consolidated financial statements or the separate 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, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements and the separate financial statements.

- In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements and the separate financial statements.

- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

- In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

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Independent Auditor's Report (continued)

To the Members of Seabird Exploration Plc

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.

....

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

Limassol, Cyprus
8 April 2020

SEABIRD EXPLORATION PLC

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Article 9 sections (3c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law 2007 ("the Law") we, the members of the Board of Directors and the Company official responsible for the financial statements of Seabird Exploration Plc for the year ended 31 December 2019, on the basis of our knowledge, declare that:

(a) The annual consolidated and separate financial statements which are presented on pages 30 to 86:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of Article 9, section (4) of the law, and

(ii) provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Seabird Exploration Plc and the entities included in the consolidated financial statements as a whole and

(b) The management report provides a fair view of the developments and the performance as well as the financial position of the Seabird Exploration Plc as a whole, together with a description of the main risks and uncertainties which they face.

Members of the Board of Directors:

Ståle Rodahl
Executive Chairman

Nicholas Knag Nunn
Director

Øivind Dahl-Stamnes
Director

Rolf Inge Jacobsen
Director

Responsible for drafting the financial statements:

Erik von Krogh (Chief Financial Officer)

Limassol, Cyprus
8 April 2020

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