# Q2

Second Quarter 2019

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$9.2 m

revenues

-$1.7 m

EBITDA

68%

utilization

Acquisition

of BOA Thalassa and BOA Galatea

$29.8 m

additional capital raised in the quarter

# 2019 SUMMARY OBSERVATIONS FOR THE SECOND QUARTER

SeaBird recorded revenues of $9.2 million in Q2 compared to $12.3 million in Q1. EBITDA was negative $1.7 million in the quarter compared to positive $2.7 million in Q1.

The company had a total of 267 revenue days in Q2 2019 from six vessels on projects and 68% vessel utilization. This compares with 321 revenue days from four vessels on projects and 76% utilization in Q1 2019.

The ocean bottom seismic (OBS) market continues to grow. The demand is largely driven by the oil & gas companies' focus on increased oil recovery on producing fields, as well as near-field exploration. The demand for proprietary 2D and niche 3D exploration surveys based on operators commitments in exploration licenses continues at a moderate pace in selective regions focusing on energy security. The multi-client streamer activity is still lagging due to limited prefunding as end clients' (oil & gas operators) decision processes appear to be generally delayed as the oil & gas sentiment abated towards mid-2019 driven by macro developments.

The profitability in the quarter was negatively affected by project delays and increased operating expenses on the Nordic Explorer 3D survey in West Africa and the Harrier Explorer 2D survey in South America. The company booked a loss provision for Q3 2019 of $1.3 million relating to the Nordic Explorer West Africa 3D survey due to the contract being treated as an onerous contract according to IAS 37. This provision is based on an estimated survey completion by mid-September 2019. This is more than two months later than the original survey plan, predominantly due to the survey being acquired with two streamers versus four streamers as originally planned. The extended survey duration will result in increased operating expenses and generate an estimated project margin of negative $1.4 million.

The ongoing Harrier Explorer 2D survey in the Americas is estimated to be completed in ultimo September 2019 which is about two months later than the original plan. The extended survey duration will result in increased operating expenses and generate an estimated project margin of close to zero.

Both the "Harrier Explorer" and the "Nordic Explorer" are rigged with the "Digistreamer" technology and both surveys are affected by difficulties with availability and lead-time of select seismic streamer equipment parts relating to this technology. This includes a significant increase in the repair period for streamer sections compared to historic experience caused by the service offering, repair facilities and inventory level for certain technology components included in the "Digistreamer" all being significantly downscaled post the 2014 downturn. The company placed orders for repair of streamer and for new streamer related equipment shortly after the contract awards. However, the combined effect of worse than expected condition of the "Nordic Explorer" streamer pool equipment (included in the charter-in agreement for the vessel), increased repair period and logistical lead times exceeded the equipment related contingency included in the project plans for the 2D and 3D surveys.

SeaBird will after completion of the projects have a significant pool of repaired and tested "Digistreamer" ready for use. In addition comes a larger pool of Sercel Sentinel streamer. The "Digistreamer" related problems experienced in Q2 and Q3 2019 are therefore not expected to have any effects on future 2D and niche 3D projects.

**Fleet review**

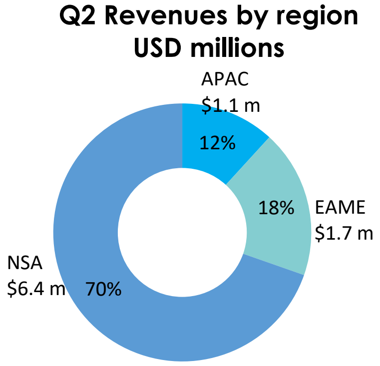
The company has actively been seeking to upgrade and renew the vessel fleet and seismic equipment in tandem with the improving oil services market. Following the acquisition of the Eagle Explorer in 2018, the company has recently completed the acquisition of the 2008/2009-built seismic vessels BOA Galatea and BOA Thalassa (to be renamed Petrel Explorer and Fulmar Explorer). The acquisition of these vessels provides SeaBird with two additional high-quality vessels at very attractive prices, further strengthening the company's position and service offering in the 2D, source and niche 3D markets.

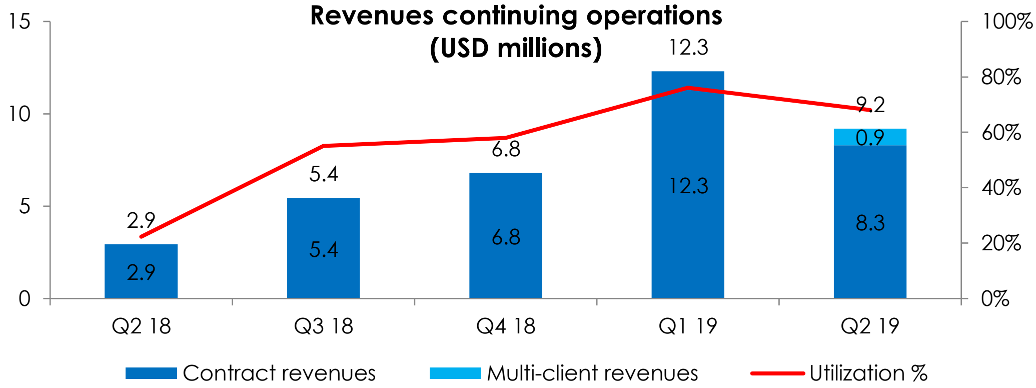
The Petrel Explorer was delivered to SeaBird on 13 June 2019 and is on time charter to EMGS until March 2020, with options for EMGS to extend for two periods of six months each. The Fulmar Explorer was delivered to SeaBird on 25 July 2019 and preparations for outfitting/rigging as a seismic source vessel are ongoing. The vessel is expected to enter the market early 2020.

**Key financial and operational figures**

- Revenues for the quarter were $9.2 million, compared to $12.3 million Q1 2019 and $2.9 million Q2 2018.
- Reported EBITDA for the quarter was negative $1.7 million compared to positive $2.7 million for Q1 2019 and negative $2.3 million for Q2 2018.
- Reported EBIT for the quarter was negative $7.2 million compared to positive $0.1 million for Q1 2019 and negative $4.0 million for Q2 2018.
- Capital expenditures were $12.5 million during the quarter compared to negative $0.2 million in Q2 2018.
- Vessel utilization for the quarter was 68%, compared to 76% in Q1 2019 and 22% in Q2 2018.

# KEY HIGHLIGHTS




### Operational review

Vessel utilization for the second quarter of 2019 was 67.9%, down from 76.1% in the first quarter. Contract surveys represented 67.9% of vessel capacity compared to 76.1% for the first quarter of 2019. Multi-client projects represented 0% of vessel capacity compared to 0% in the first quarter of 2019. Technical downtime for the fleet was 6.3% in Q2 2019, up from 4.5% in Q1. Yard stays represented 8% of vessel capacity during the quarter. Lost time injury frequency (LTIF) rate for the quarter was 0.0.

Eagle Explorer completed its source contract in the Gulf of Mexico during the quarter and mobilized for a new project in Northern Europe. Voyager Explorer completed its source contract in South East Asia in April and was idle for the remainder of the quarter. The Osprey Explorer finished in late June an OBN source contract in the US Gulf of Mexico and the vessel mobilized for a new source contract in North West Europe subsequent to quarter end. Harrier Explorer completed its source contract in North America and started on a 2D survey in South America. The BOA Thalassa (Petrel Explorer) was operating on its long-term contract with EMGS in Asia during the quarter. Aquila Explorer was not active on projects in the quarter.

The BOA Galatea (Fulmar Explorer) was delivered to the company subsequent to quarter end. Preparations for outfitting/rigging the Fulmar Explorer as a seismic source vessel are ongoing and the vessel is expected to enter the market in early 2020. In light of the recent fleet renewal related acquisitions and the outfitting/rigging of the Fulmar Explorer, the company has decided to decommission the Aquila Explorer. As a part of this decommissioning, select seismic equipment (including compressors and winches) will be removed from the Aquila Explorer and utilized for the seismic outfitting of the Fulmar Explorer. The decommissioning is expected to be concluded in the third quarter of 2019. Consequently, the company booked a $2.3 million impairment charge for the Aquila Explorer in quarter two.

Operating costs in the quarter were higher than expected, largely due to the operational issues experienced on Nordic Explorer and Harrier Explorer. As a result, a $1.3 million onerous contract provision was booked in quarter two related to the Nordic Explorer project in West-Africa. The increased costs related to Harrier Explorer's project in South America is expecting to result in a profit margin of approximately zero on this survey.

Multi-client revenues were $0.9 million in the period. The company recognized $0.8 million in multi-client prefunding from 2018 projects as data processing was completed during the quarter and $0.1 million in additional late sales. Multi-client investments net of partner contribution were $0.0 million in the period.

### Regional review

North and South America (NSA) revenues of $6.4 million represented 70% of total Q2 revenues. Osprey Explorer and Eagle Explorer completed their project in North America towards the end of the quarter. Harrier Explorer completed its source vessel contract in North America and started on its 2D contract survey in South America towards the end of the quarter.

Europe, Africa, Middle East (EAME) revenues of $1.7 million represented 19% of total Q2 revenues. Nordic Explorer started on its project in West Africa late in the quarter. Moreover, the multi-client revenues from the two 2018 projects in Northern Europe represent the remaining portion of revenues in the region.

Asia Pacific (APAC) revenues of $1.1 million represented 12% of total Q2 revenues. Voyager Explorer completed its source contract in South East Asia early in the quarter.

### Important events in the first half of the year

On 7 January 2019, the company announced that it had received notification of award to acquire 2D seismic data for an international oil & gas company in the Americas region commencing in Q2 2019 with an expected duration of two months.

On 24 January 2019, the company announced extensions of two existing contracts. The contract for the Voyager Explorer, which was working on an ocean bottom node survey in the Far East, was extended by approximately 90 days, with an option for the charterers to extend by another 30 days. Moreover, the Osprey Explorer had been working on an ocean bottom node (OBN) survey in the Americas region. This contract was extended from initially 60 days to approximately 180 days. Due to the extension of the ongoing survey, the company agreed to terminate Osprey's engagement in the follow-on OBN contract with expected completion in mid-April. SeaBird received compensation for the change in vessel schedule.

On 11 March 2019, the company announced the recovery of approximately $0.8 million on a receivable that was previously written down to $0.15 million. The gain of $0.7 million related to this transaction was booked in quarter one.

On 12 March 2019, the company announced that the contract for the Eagle Explorer with CGG was extended by approximately 80 days. The contract is now firm until 15 August 2019, with further options for CGG to extend with up to 60 days. The Eagle Explorer has been on a 160-day source vessel contract in the Gulf of Mexico with CGG since acquired in November and completing its 10-year class docking in December 2018. The extension is for another survey as source vessel in Northern Europe.

On 1 April 2019, the company announced that it received a letter of award for a niche 3D survey in West Africa, with a total value of approximately $6.5 million. The company also reported that it decided to time-charter the Nordic Explorer to perform the survey in West-Africa and bid the Nordic Explorer for subsequent opportunities in the second half of 2019. In connection with the charter agreement, SeaBird obtained ownership of nine kilometers of ION DigiSTREAMER from the owners of the Nordic Explorer. The company also announced that it secured a three weeks source contract for an OBN survey in the Gulf of Mexico starting early April 2019, which was to be performed by Osprey Explorer. The company also announced that it held an option to purchase the BOA Galatea and BOA Thalassa vessels.

On 11 April 2019, the company announced it was in exclusive process to acquire the seismic vessels BOA Galatea and BOA Thalassa in a transaction which valued the vessels at NOK 185 million on an en-bloc basis. The company also announced a contemplated private placement to raise NOK 225-250 million.

On 12 April 2019, the company announced that the private placement was successfully placed, and that it allocated subscriptions for 208,333,330 offer shares at a subscription price of NOK 1.20, raising NOK 250 million in gross proceeds. The company also announced that the board resolved to carry out a subsequent offering of up to 25,000,000 shares.

On 29 April, the company announced that the requisite majority of BOA SBL bondholders approved the sale of the BOA vessels to SeaBird, and that in total 46,110,745 SeaBird shares (corresponding to NOK 55.3 million) will be issued as consideration to the BOA SBL bondholders.

On 10 May 2019, the company announced that it had secured a new contract for source work (Osprey Explorer) in the US Gulf of Mexico with a repeat customer with an expected duration 40 - 60 days.

On 23 May 2019, the company announced that agreement had been reached with the bondholders with respect to all material terms for the acquisition of the BOA vessels.

On 23 May 2019, the company announced a contract award by Wintershall Dea for a 2D survey acquisition in the Norwegian Sea with an expected duration of one month.

On 24 May 2019, it was announced that the company had entered into final agreement with BOA SBL AS to acquire the seismic vessels BOA Galatea and BOA Thalassa and that all conditions for completion of the private placement were satisfied. The BOA Thalassa will be on time charter to EMGS until March 2020 (plus 2 x 6 months option). Following closing of the acquisition of the vessels, a further 46,110,745 shares will be issued as part consideration to the sellers of the vessels, and the remaining part of the purchase price (NOK 129,667,106) will be paid in cash.

On 13 June 2019, the company announced that it completed 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. The company also announced that it decided to cancel the contemplated subsequent offering of up to 25,000,000 shares as the company's shares had been trading below the offer price in the subsequent offering.

## Outlook

Seismic spending the last couple of years has largely been allocated to increase oil recovery (IOR) from producing fields and near-field exploration, and this has resulted in a commensurate increase in source vessel demand related to ocean bottom seismic surveys. This structural trend is expected to continue and the newly acquired vessels Fulmar & Petrel have technical specifications and capabilities making them very suited for high capacity source vessel operations.

Tendering activity for OBN surveys continues at a healthy level while tendering and decisions to commence exploration streamer surveys have been lagging and this has negatively impacted commencement of a number of streamer surveys.

## Financial comparison

All figures below relate to continuing operations unless otherwise stated. For discontinued operations, see note 1. The company reports a net loss of $6.6 million for Q2 2019 (net loss of $2.7 million in the same period in 2018).

Revenues were $9.2 million in Q2 2019 ($2.9 million). The increased revenues are primarily due to higher utilization and increased fleet size.

Revenues for first half of 2019 were $21.5 million ($7.6 million).

Cost of sales was $9.4 million in Q2 2019 ($3.5 million). The increased costs is predominantly due to increased fleet size, higher project activity and relatively higher 2D and 3D survey activity.

For the first half of 2019, cost of sales amounted to $17.8 million, up from $6.5 million for same period during 2018.

SG&A was $1.8 million in Q2 2019, similar to $1.8 million in Q2 2018. Approximately $0.1 million of the Q2 2019 SG&A cost is non-cash, relating to the employee share option plan.

SG&A for the first half of 2019 was $3.7 million ($6.5 million).

Net reversal of bad debt charges were $ nil million in Q2 2019 ($0.0 million).

Net reversal of bad debt charges for the first half was $0.7 million ($0.2 million reversal).

Other income (expense) was positive $0.2 million in Q2 2019 (positive $0.0 million).

Other income (expense) for the first half was $0.4 million ($0.8 million).

EBITDA was negative $1.7 million in Q2 2019 (negative $2.3 million).

EBITDA for first half of 2019 was positive $1.0 million (negative $1.3 million).

Depreciation, amortization and impairment were $5.5 million in Q2 2019 ($1.7 million). The increase is predominantly due to Aquila impairment charge, the acquisition of Petrel Explorer, Eagle Explorer and related seismic equipment, multi-client amortization booked in the quarter (following the completion of data processing) and amortization of the Voyager lease asset resulting from the implementation of IFRS 16 (Leases).

For the first half of 2019, depreciation, amortization and impairment charges were $8.1 million ($3.4 million).

Finance expense was $0.1 million gain in Q2 2019 (cost of $0.7 million).

For the first half of 2019, finance expense was $0.3 million (cost of $1.2 million).

Other financial items were positive $0.7 million in Q2 2019 (positive $0.1 million).

For the first half of 2019, other financial items were positive $0.6 million (positive $0.4 million).

Income tax cost was $0.1 million in Q2 2019 ($1.0 million gain).

For the first half of 2019 income tax cost was $0.2 million ($0.9 million gain).

Capital expenditures in the quarter were $12.5 million ($0.2 million). The increased capital expenditure is predominantly due to the acquisition of BOA Thalassa (to be renamed Petrel Explorer).

Multi-client investment was $0.0 million in Q2 2019 ($ nil).

## Key figures - continuing operations

| All figures in USD 1 000'S (except EPS and equity ratio) | Quarter ended 30 June 2019 (Unaudited) | Quarter ended 30 June 2018 (Unaudited) | Year to Date 30 June 2019 (Unaudited) | Year to Date 30 June 2018 (Unaudited) | Year ended 31 December 2018 (Audited) |
|---|---|---|---|---|---|
| Revenues | 9,202 | 2,937 | 21,513 | 7,645 | 19,880 |
| EBITDA | (1,745) | (2,272) | 975 | (1,262) | (5,185) |
| EBIT | (7,242) | (3,979) | (7,104) | (4,707) | (12,490) |
| Profit/(loss) | (6,561) | (3,620) | (6,965) | (4,602) | (12,911) |
| Earnings per share (diluted) | (0.02) | (0.00) | (0.02) | 0.00 | (0.06) |
| | | | | | |
| Cash flow operating activities | (2,606) | (2,606) | (3,597) | (7,211) | (11,427) |
| Capital expenditures* | (12,484) | (210) | (12,940) | 345 | (21,260) |
| | | | | | |
| Total assets | 84,019 | 49,373 | 84,019 | 49,373 | 58,346 |
| Net interest bearing debt | (14,092) | (11,595) | (14,092) | (11,595) | (1,215) |
| Equity ratio | 72.1% | 58.8% | 72.1% | 58.8% | 64.3% |

Note: all figures are from continuing operations. See note 1 for discontinued operations.
*2019 CAPEX includes non-cash investment of $3.2 million for BOA Galatea equity issue raised from sellers of the vessel

# FINANCIAL REVIEW

### Liquidity and financing

Cash and cash equivalents at the end of the period were $18.9 million ($16.2 million in Q2 2018), excluding $0.2 million restricted cash ($0.9 million in Q2 2018). Net cash from operating activities was negative $2.6 million in Q2 2019.

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 $4.8 million per Q2 2019 (nominal value of $4.6 million plus payment in kind interest of $0.6 million plus accrued interest of $0.0 million plus amortized interest of $0.4 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. The outstanding loan balance is scheduled to be paid at the maturity date. Interest paid during Q2 2019 was $ nil. The bond is listed on Nordic ABM, and is traded with ticker SBEF02 PRO.

Glander facility, is classified as trade payables. The trade payable facility is recognized at amortized cost of $0.1 million. Coupon interest rate is 6.0%. Interest may be paid in kind and is due 30 June 2020. The facility's maturity date is 30 June 2020. Interest paid during Q2 2019 was $ nil.

Net interest bearing debt was negative $14.1 million as at the end of Q2 2019 (negative $12.5 million in Q2 2018).

The number of ordinary shares in the company is 515,876,015 each with a nominal value of USD 0.01 as per 30 June 2019. The company has an employee share option plan 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 the initial grant date (12 October 2018). 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. A total of up to 24.5 million options have been granted as of 30 June 2019. The options will have an exercise price of NOK 2.40 for the tranche vesting one year after the initial 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.

The company's accounts for the second quarter of 2019 have been prepared on the basis of a going concern assumption.

### Subsequent events

On 25 July 2019, the company announced that the acquisition of BOA Galatea. 23,055,372 new shares of the Company has been issued as part consideration for the vessel. Following issue of the new consideration shares, the Company has 538,931,387 shares outstanding, each of par value USD 0.01.

On 30 July 2019, the company provided an update on contracts and ongoing projects. The Eagle Explorer recently started on a new survey for CGG West of Shetland. This survey is scheduled for completion in September. The Voyager Explorer is currently warm-stacked in Southeast Asia. The Osprey Explorer is currently transiting to North West Europe for a source contract with expected duration of approximately two months, including mobilization. Preparations for outfitting/rigging the Galatea as a seismic source vessel are ongoing and the vessel is expected to enter the market in early 2020 as the "Fulmar Explorer". In light of the recent fleet renewal related acquisitions and the outfitting/rigging of Galatea, the company has decided to decommission the Aquila Explorer. Select seismic equipment (including compressors and winches) will be removed from the Aquila Explorer and utilized for the seismic outfitting of the Galatea. The decommissioning is expected to be concluded in the third quarter of 2019.

On 30 July 2019, the company also announced project delays and additional costs related to the niche 3D survey in West Africa and the 2D survey in the Americas, which would negatively affect earnings in both Q2 and Q3 2019. The 3D survey was initially expected to be completed early in Q3 2019 utilizing the Nordic Explorer (chartered-in project vessel) and is now estimated to be completed in the latter part of Q3. The 2D survey was expected to be completed in the first half of Q3 2019 utilizing the Harrier Explorer and is now estimated to be completed in the second half of the same quarter. These production delays and survey extensions are due to difficulties with availability and lead-time of select seismic streamer equipment parts.

On 9 August 2019, the annual general meeting of the shareholders was held in Nicosia, Cyprus. All proposals were approved with requisite majority. In the meeting, the annual financial statements of the company were approved, Deloitte was reelected as the company's auditor, Mr. Olav Haugland was elected as new chairman, Mrs. Sidsel Godal and Mr. Nicholas Knag Nunn were elected as new board members. Moreover, Mr. Svein Øvrebø (Chairman), Mr. Marius Horgen and Mr. Per Øyvind Berge were appointed as members of the nomination committee.

### Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half year of 2019, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", gives a true and fair view of the company's consolidated assets, liabilities, financial position and results of operations. We also confirm that, to the best of our knowledge, the first half 2019 report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year and major related parties' transactions.

**The Board of Directors and Chief Executive Officer**

SeaBird Exploration Plc

14 August 2019

Olav Haugland
**Chairman**

Heidar Engebret
**Director**

Sidsel Godal
**Director**

Nicholas Knag Nunn
**Director**

Hans Petter Klohs
**Chief Executive Officer**

## Consolidated interim statement of financial position

| All figures in USD 000's | As of 30 June 2019 (Unaudited) | As of 30 June 2018 (Unaudited) | As of 31 December 2018 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible assets | | | |
| Property, plant and equipment | 47,339 | 25,282 | 41,863 |
| Multi-Client Investment | 1,085 | - | 1,547 |
| Long term investments | 615 | 54 | 577 |
| | **49,039** | **25,336** | **43,987** |
| **Current assets** | | | |
| Inventories | 2,057 | 891 | 1,177 |
| Trade receivables | 5,468 | 2,656 | 2,077 |
| Other current assets | 7,563 | 2,721 | 3,269 |
| Contract assets | 562 | 629 | 1,827 |
| Assets classified as held for sale | 189 | - | - |
| Restricted cash | 206 | 912 | 235 |
| Cash and cash equivalents | 18,936 | 16,228 | 5,774 |
| | **34,980** | **24,037** | **14,360** |
| **Total assets** | **84,019** | **49,373** | **58,346** |
| **EQUITY** | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Paid in Capital | 319,742 | 273,310 | 289,967 |
| Currency Translation reserve | (407) | (407) | (407) |
| Share options granted | 364 | - | 111 |
| Retained earnings | (259,128) | (243,854) | (252,162) |
| | **60,572** | **29,049** | **37,509** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | - | 4,633 | 4,559 |
| Long term trade payables | - | - | 400 |
| Long term tax liabilities | 1,083 | 1,164 | 1,258 |
| Other long term liabilities | 400 | 920 | 640 |
| | **1,483** | **6,716** | **6,857** |
| **Current liabilities** | | | |
| Trade payables | 3,429 | 3,937 | 2,982 |
| Contract liabilities | 544 | - | 651 |
| Other payables | 10,293 | 8,051 | 8,877 |
| Provisions | 1,317 | - | - |
| Loans and borrowings | 4,844 | - | - |
| Current tax liabilities | 1,537 | 1,620 | 1,469 |
| | **21,964** | **13,608** | **13,979** |
| **Total liabilities** | **23,447** | **20,324** | **20,837** |
| **Total equity and liabilities** | **84,019** | **49,373** | **58,346** |

## Consolidated interim statement of income

| All figures in USD 000's (except EPS) | Quarter ended 30 June 2019 (Unaudited) | Quarter ended 30 June 2018 (Unaudited) | Year to Date 30 June 2019 (Unaudited) | Year to Date 30 June 2018 (Unaudited) | Year ended 31 December 2018 (Audited) |
|---|---|---|---|---|---|
| Revenues | 9,202 | 2,937 | 21,513 | 7,645 | 19,880 |
| Cost of sales | (9,384) | (3,465) | (17,821) | (6,531) | (18,899) |
| Selling, general and administrative expenses | (1,760) | (1,783) | (3,743) | (3,318) | (6,856) |
| Net bad debt charges | - | - | 669 | 168 | 167 |
| Other income (expenses), net | 197 | 38 | 357 | 775 | 522 |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | **(1,745)** | **(2,272)** | **975** | **(1,262)** | **(5,185)** |
| Depreciation | (2,511) | (1,706) | (4,962) | (3,445) | (7,304) |
| Amortization | (673) | - | (803) | - | - |
| Impairment | (2,313) | (1) | (2,313) | (1) | (1) |
| **Earnings before interest and taxes (EBIT)** | **(7,242)** | **(3,979)** | **(7,104)** | **(4,707)** | **(12,490)** |
| Finance expense | 56 | (738) | (252) | (1,156) | (1,958) |
| Other financial items, net | 697 | 111 | 619 | 398 | 679 |
| **Profit/(loss) before income tax** | **(6,489)** | **(4,606)** | **(6,736)** | **(5,466)** | **(13,769)** |
| Income tax | (73) | 986 | (229) | 863 | 858 |
| **Profit/(loss) continuing operations** | **(6,561)** | **(3,620)** | **(6,965)** | **(4,602)** | **(12,911)** |
| Net profit/(loss) discontinued operations (note 1) | - | 936 | - | 936 | 936 |
| **Profit/(loss) for the period** | **(6,561)** | **(2,684)** | **(6,965)** | **(3,666)** | **(11,976)** |
| **Profit/(loss) attributable to** | | | | | |
| Shareholders of the parent | (6,561) | (2,684) | (6,965) | (3,666) | (11,976) |
| **Earnings per share** | | | | | |
| Basic | (0.02) | (0.00) | (0.02) | 0.00 | (0.06) |
| Diluted | (0.02) | (0.00) | (0.02) | 0.00 | (0.06) |
| **Earnings per share from continued operations** | | | | | |
| Basic | (0.02) | (0.00) | (0.02) | 0.00 | (0.06) |
| Diluted | (0.02) | (0.00) | (0.02) | 0.00 | (0.06) |

## Consolidated interim statement of comprehensive income

| All figures in USD 000's | Quarter ended 30 June 2019 (Unaudited) | Quarter ended 30 June 2018 (Unaudited) | Year to Date 30 June 2019 (Unaudited) | Year to Date 30 June 2018 (Unaudited) | Year ended 31 December 2018 (Audited) |
|---|---|---|---|---|---|
| **Profit/(loss)** | **(6,561)** | **(2,684)** | **(6,965)** | **(3,666)** | **(11,976)** |
| Other comprehensive income | - | - | - | - | - |
| Net movement in currency translation reserve and other changes | - | - | - | - | - |
| **Total other comprehensive income, net of tax** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive income** | **(6,561)** | **(2,684)** | **(6,965)** | **(3,666)** | **(11,976)** |
| **Total comprehensive income attributable to** | | | | | |
| Shareholders of the parent | (6,561) | (2,684) | (6,965) | (3,666) | (11,976) |
| **Total** | **(6,561)** | **(2,684)** | **(6,965)** | **(3,666)** | **(11,976)** |

## Consolidated interim statement of changes in equity

| All figures in USD 1 000's | Year to Date 30 June 2019 (Unaudited) | Year to Date 30 June 2018 (Unaudited) | Year ended 31 December 2018 (Audited) |
|---|---|---|---|
| **Opening balance** | **37,509** | **15,666** | **15,666** |
| Profit/(loss) for the period | (6,965) | (3,666) | (11,976) |
| Increase/(decrease) in share capital | 29,775 | 17,049 | 33,709 |
| Increase/(decrease) equity component of warrants | - | (2,736) | - |
| Increase/(decrease) equity from reduction in nominal value of shares | - | (5,688) | - |
| Share options granted | 253 | - | 111 |
| Reclassification of share capital to retained earnings | - | 8,424 | - |
| **Ending balance** | **60,572** | **29,049** | **37,509** |

## Consolidated interim statement of cash flow

| All figures in USD 000's | Quarter ended 30 June 2019 (Unaudited) | Quarter ended 30 June 2018 (Unaudited) | Year to Date 30 June 2019 (Unaudited) | Year to Date 30 June 2018 (Unaudited) | Year ended 31 December 2018 (Audited) |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit / (loss) before income tax | (6,489) | (4,606) | (6,736) | (5,466) | (13,769) |
| Adjustments for: | | | | | |
| Depreciation, amortization and impairment | 5,628 | 1,706 | 8,079 | 3,445 | 7,305 |
| Other items | (75) | 2,086 | (720) | 2,086 | (86) |
| Movement in provision | 1,317 | 0 | 1,317 | (2,994) | (3,437) |
| Unrealized exchange (gain) /loss | (69) | 175 | (63) | 142 | (141) |
| Interest expense on financial liabilities | 160 | 156 | 312 | 291 | 590 |
| Paid income tax | (110) | (46) | (78) | (102) | (313) |
| (Increase)/decrease in inventories | (821) | 127 | (880) | 105 | (181) |
| (Increase)/decrease in contact assets | 2,715 | 653 | 1,265 | 1,148 | (50) |
| (Increase)/decrease in trade and other receivables | (5,290) | 173 | (6,985) | (3,234) | (2,218) |
| Increase/(decrease) in long term liabilities | (4,408) | (139) | (5,200) | 1,641 | 605 |
| Increase/(decrease) in trade and other payables | 4,947 | (2,891) | 6,200 | (4,272) | (383) |
| Increase/(decrease) in contract liability | (111) | - | (108) | - | 651 |
| **Net cash from operating activities** | **(2,606)** | **(2,606)** | **(3,597)** | **(7,211)** | **(11,427)** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Capital expenditures | (9,282) | (210) | (9,739) | 345 | (21,260) |
| Proceeds from disposal of PPE | - | - | - | - | 241 |
| Long term investment | - | - | 5 | - | (532) |
| Multi-client investment | (29) | 0 | (80) | 0 | (1,047) |
| **Net cash used in investing activities** | **(9,311)** | **(210)** | **(9,815)** | **345** | **(22,597)** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issuance of ordinary shares | 28,542 | 17,220 | 28,542 | 17,220 | 35,965 |
| Transaction costs on issuance of ordinary shares | (1,968) | (169) | (1,968) | (169) | (2,256) |
| Repayment of borrowings | (0) | (24) | - | (285) | (225) |
| Interest paid | - | - | - | - | (15) |
| **Net cash from financing activities** | **26,574** | **17,027** | **26,574** | **16,766** | **33,470** |
| | | | | | |
| **Net (decrease)/increase in cash and cash equivalents** | **14,657** | **14,211** | **13,162** | **9,899** | **(554)** |
| **Cash and cash equivalents at beginning of the period** | **4,279** | **2,017** | **5,774** | **6,329** | **6,329** |
| **Cash and cash equivalents at end of the period** | **18,936** | **16,228** | **18,936** | **16,228** | **5,774** |

## Note 1: Interim statement of income for discontinued operations

| All figures in USD 1 000's | Quarter ended 30 June 2019 (Unaudited) | Quarter ended 30 June 2018 (Unaudited) | Year to Date 30 June 2019 (Unaudited) | Year to Date 30 June 2018 (Unaudited) | Year ended 31 December 2018 (Audited) |
|---|---|---|---|---|---|
| Revenues | - | - | - | - | - |
| Cost of sales | - | - | - | - | - |
| Selling, general and administrative expenses | - | - | - | - | - |
| Other income (expenses), net | - | - | - | - | - |
| **Earnings before interest, tax, depreciation and amortization (EBITDA)** | - | - | - | - | - |
| | | | | | |
| Depreciation and amortization | - | - | - | - | - |
| Impairment | - | - | - | - | - |
| **Earnings before interest and taxes (EBIT)** | - | - | - | - | - |
| | | | | | |
| Interest expense | - | - | - | - | - |
| Other financial items, net | - | - | - | - | - |
| **Profit/(loss) before income tax** | - | - | - | - | - |
| | | | | | |
| Income tax | - | 936 | - | 936 | 936 |
| **Profit/(loss) discontinuing operations** | **-** | **936** | **-** | **936** | **936** |
| Gain/(loss) on sale of OBN business | - | - | - | - | - |
| **Net profit/(loss) from discontinued operations** | **-** | **936** | **-** | **936** | **936** |
| | | | | | |
| **Profit/(loss) attributable to** | | | | | |
| Shareholders of the parent | - | 936 | - | 936 | 936 |

# Selected notes and disclosures

SeaBird Exploration Plc is a limited liability company. The company's address is Spyrou Kyprianou 15, Matrix Tower II, 3rd floor, 4001, Limassol, Cyprus. The company also has offices in Oslo (Norway), Bergen (Norway) and Singapore. The company is listed on the Oslo Stock Exchange under the ticker symbol "SBX".

## Basis of presentation

The condensed interim consolidated financial statements have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) and the act and regulations for the Oslo Stock Exchange. The condensed interim consolidated financial statements do not include all information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

The consolidated financial statements for the year ended 31 December 2018 and quarterly reports are available at www.sbexp.com. The financial statements as of Q2 2019, as approved by the board of directors 14 August 2019, are unaudited.

## Significant accounting principles

The accounting policies used for preparation of the condensed interim consolidated financial statements are consistent with those used in the consolidated financial statements for 2018 unless otherwise stated.

## Risk factors

The information in this report may constitute forward-looking statements. These statements are based on various assumptions made by the company, many of which are beyond its control and all of which are subject to risks and uncertainties. Risk factors include but are not limited to the demand for our seismic services, the high level of competition in the source and 2D/3D markets, changes in governmental regulations, adverse weather conditions, and currency and commodity price fluctuations. For further description of relevant risk factors, we refer to the annual report 2018. As a result of these and other risk factors, actual events and actual results may differ materially from those indicated in or implied by such forward looking statements

## Segment information

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

## Revenue recognition

The company has adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January, 2018. The company continues to recognize contract revenues and costs in line with project duration starting from first shot point in the seismic survey and ending at demobilization.

Under IFRS 15, multi-client pre-funding arrangements would be classified as "right to use" licenses and the revenue is to be recognized at the point in time when the "right to use" license is transferred to the customer. This "point in time" is typically upon completion of processing of the survey and granting of access to the finished data or delivery of the finished data, which typically occurs 9-12 months after completion of the physical data collection.

## Leased vessels

The company has adopted IFRS 16 "Leases" from 1 January, 2019. IFRS 16 sets out a model for identification of lease arrangements and their treatment in the financial statements, and long-term lease contracts usually need to be brought on balance sheet. The company recognized the lease for the Voyager Explorer as a lease asset and lease liability as per 1 January 2019, and the company booked lease amortization cost of $0.1 million and interest cost of $0.0 million in quarter two relating to the company's minimum lease liability for the Voyager Explorer charter party.

## Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the item. Costs are included in the asset's carrying amount or recognized as a separate asset, if appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Costs of all repairs and maintenance are expensed as incurred. Depreciation on property, plant and equipment is calculated using the straightline method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Seismic vessels | 15 years from date of conversion or 25 years from initial build |
| Maritime equipment | 10 to 15 years |
| Seismic equipment | 4 to 8 years |
| Office equipment | 4 years |

## 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. A systematic impairment test of all surveys is performed at least annually at the end of the financial year.

Multi-client sales in Q2 2019 were $0.9 million ($ nil). The company recognized prefunding from 2018 as revenues during the quarter (data processing completed). Multi-client amortization in Q2 2019 was $0.5 million ($ nil). Net multi-client investment was $0.0 million in Q2 2019.

SeaBird's multi-client library consists of two surveys in the EAME region and two multi-client surveys in South East Asia. The multi-client library has a book value of $1.1 million as per 30 June 2019, which relates to the two 2018 surveys in the EAME region.

| Multi-client library | USD millions |
|---|---|
| Opening balance 1 April 2019 | 1.6 |
| Capitalized cost | 0.0 |
| Capitalized depreciation | - |
| Partner contribution | 0.0 |
| Impairment | - |
| Amortization | (0.5) |
| **Net book value 30 June 2019** | 1.1 |

## Debt securities and maturities

The company has one bond loan (SBX04; SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2020). The total book value of outstanding debt as per 30 June 2019 is $4.8 million. Please see table below for additional details.

The SBX04 bond loan matures on 30 June 2020 and will not have any principal payments before 30 June 2020. All accrued interest may be paid-in-kind and deferred until 30 June 2020.

Glander facility, previously classified as «loans and borrowings», has been reclassified as «trade payables». The trade payable facility is recognized at amortized cost of $0.1 million. Coupon interest rate is 6.0%. Interest may be paid in kind and is due 30 June 2020. The facility's maturity date is 30 June 2020. Interest paid during Q2 2019 was $ nil.

| Debt securities | USD millions |
|---|---|
| **Current loans and borrowings** | |
| *Secured debt* | |
| SBX04 bond loan, face value | 4.6 |
| Payment in kind (PIK) interest | 0.6 |
| Fair value adjustment * | (0.7) |
| Accrued interest and accumulated amortized interest | 0.4 |
| **Non-current loans and borrowings 30 June** | **4.8** |

| Aggregate maturities of loans and borrowings | USD millions |
|---|---|
| **Overview of repayment** | |
| 2018 | - |
| 2019 | - |
| 2020 | 5.5 |
| **Total debt principal due 30 Jun 2020** | **5.5** |

## Discontinued operations

On 8 December 2011, the company sold the ocean bottom node business (accounted for as discontinued operations) to Fugro Norway AS. The company has no remaining assets or potential revenues, but has recorded selected tax liabilities in relation to the discontinued operations. The company had a net income from discontinued operations of $0.0 million in the quarter. See note 1 to the consolidated income statement for the income statement for discontinued operations.

## Share capital and share options

During the quarter the company issued 208,333,330 shares in the private placement to finance the acquisition of the BOA vessels. Moreover, a further 23,055,373 shares was issued as part consideration to the sellers of the BOA Thalassa. In June, the company also announced that it decided to cancel the contemplated subsequent offering of up to 25,000,000 shares as the company's shares had been trading below the offer price in the subsequent offering. The total number of ordinary shares at 30 June 2019 was 515,876,015 with a nominal value of $0.01 per share.

Subsequent to quarter closing, the company completed the acquisition of BOA Galatea. 23,055,372 new shares of the Company were issued as part consideration for the acquisition of the vessel. The Company has 538,931,387 shares outstanding, with a nominal value $0.01, following the issue of the new shares in July 2019.

The company has an employee share option plan 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 (12 October 2018). A total of up to 24.5 million options have been granted as of 30 June 2019 and 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. All options may be exercised at any time within one year from the corresponding vesting dates.

## SeaBird Exploration Finance

SeaBird Exploration Finance Limited, as the issuer of 'SeaBird Exploration Finance Limited First Lien Callable Bond Issue 2015/2018' ('SBX04'), has the following intra-group loans with other SeaBird entities as of 30 June 2019:

| | USD Thousands |
|---|---|
| Receivables | |
| Osprey Navigation | 16,010 |
| Aquila Explorer | 7,144 |
| BUT SBX APAC – Indonesia | 6,286 |
| Harrier Navigation | 4,700 |
| Baruka Management | 4,333 |
| SeaBird Exploration MC | 1,507 |
| SeaBird Exploration Nigeria | 107 |
| SeaBird Exploration UK | 52 |
| Hawk Navigation | 24 |
| Others | 25 |
| **Total receivables from intra-group companies** | **40,187** |
| Payables | |
| SeaBird Exploration Plc | 21,985 |
| SeaBird Exploration Cyprus | 10,267 |
| SeaBird Exploration Asia Pacific | 8,006 |
| SeaBird Exploration FZ LLC | 1,498 |
| Munin Navigation | 1,051 |
| Raven Navigation | 1,023 |
| SeaBird Exploration Norway | 972 |
| GeoBird Management | 798 |
| SeaBird Exploration Vessels | 699 |
| SANA Navigation | 495 |
| SeaBird Seismic Mexico | 405 |
| SeaBird Exploration America | 180 |
| Seabed Navigation | 128 |
| Oreo Navigation | 30 |
| SeaBird Crewing Mexico | 8 |
| Biliria Marine | 7 |
| Seaship Holding Services | 1 |
| **Total payables to intra-group companies** | **47,553** |
| **Total net receivables from intra-group companies** | **(7,366)** |

## Related party transactions

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

## Going concern

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