Q2
2018

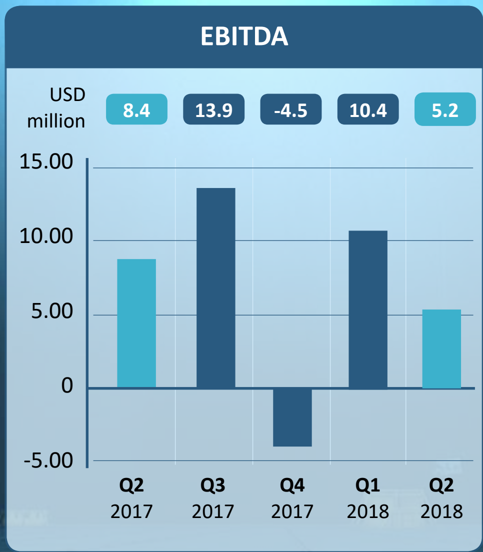
Magseis ASA - Second Quarter

Expanding operational footprint

magseis

Strandveien 50, N-1366 Lysaker NORWAY, Phone: +47 23 36 80 20

HIGHLIGHTS



SECOND QUARTER 2018

- **Revenues of MUSD 19.7 compared to MUSD 19.4 in Q217 and MUSD 24.5 sequentially**
- **EBITDA of MUSD 5.2 compared to MUSD 8.4 in Q217 and MUSD 10.4 sequentially**
- **EBIT of MUSD 1.0 compared to MUSD 4.7 in Q217 and MUSD 6.6 sequentially**
- **Net profit of MUSD -0.5 compared to MUSD 3.3 in Q217 and MUSD 5.7 sequentially**
- **Cash flow from operations MUSD 3.2 compared to MUSD -6.2 sequentially**
- **Awarded 3 new contracts with backlog increasing to MUSD 65**
- **Outstanding operational performance with uptime and data recovery > 99%**
- **Improved MASS III node with 150 days battery life @ 60% CAPEX**
- **Transfer to main list at Oslo Stock Exchange**

CEO STATEMENT

We are pleased to announce the launch of our MASS III node ahead of plan. The MASS III node is with similar design as MASS I, however with significantly improved battery lifetime from 65 to 150 days and with capex reduction of 40%. This enables us to increase the current node building program by 4.000 nodes to in total 10.000 nodes without increasing capex. We expect to be able to market the new nodes in Q1 2019 and complete the building of the 10.000 nodes in Q2 2019, expanding total node count for Magseis to 24.000 which are all interchangeable. Funding for this CAPEX program was secured in the equity offering the Company did in February 2018.

Magseis continue to deliver outstanding operational performance, whilst scaling up the business to take advantage of a significant improvement of demand for Ocean Bottom Seismic (OBS). Magseis is scaling up its operational footprint preparation for three parallel operations in Q3 18 which will be yet another important milestone in the Company. I'm pleased to report that the Company is on track to deliver the growth plan.

The crew onboard Artemis Athene continued to deliver on all performance criterions, however in line with expectations, revenues from the survey declined in the second quarter compared to the previous quarter as the survey moved into shallow water areas where the data takes longer to acquire. The company has entered into a flexible charter hire for the vessel beyond expiry in December 2018 at reduced rates.

The Company has decided to use the vessel market opportunistically instead of engaging in long-term charters of vessels to increase flexibility in our cost base. Our modular approach allows for project-based deployments of vessels and handling systems. This will reduce capex requirement and reduce backlog exposure going forward.

The demand for nodes is increasing across all markets with a significant interest for Ocean Bottom seismic from national oil companies as well as the oil-majors and independents. This confirms our belief that we will see that planned surveys will be postponed due to a global shortfall of supply of nodes.

We will continue to stay true to our focused efforts of further reduce the cost of data acquisition to capture market share from towed streamer techniques.

Per Christian Grytnes - **CEO Magseis**

KEY FINANCIALS

In thousands of USD

Profit and loss	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full Year 2017
Revenues	19 718	19 399	44 283	40 475	73 877
Cost of sales	10 114	8 659	19 805	18 656	35 700
EBITDA	5 193	8 398	15 563	16 727	26 136
EBITDA %	26.3 %	43.3 %	35.1 %	41.3 %	35.4 %
EBIT	997	4 711	7 615	9 472	10 292
EBIT %	5.1 %	24.3 %	17.2 %	23.4 %	13.9 %
Net Profit (Loss)	-540	3 313	5 127	6 823	6 696
Basic earnings (loss) per weighted average shares	-0.01	0.05	0.07	0.11	0.12
Financial Position					
Total assets			136 299	121 023	123 549
Total liabilities			26 003	25 955	28 509
Total equity			137 225	95 069	95 040
Equity ratio			84.1 %	78.6%	76.9 %
Cash Flow					
Net cash from operating activities			-3 000	592	24 157

OPERATIONAL COMMENTS

During Q2 Magseis Operations has invested a lot of effort and energy into scaling up the business and preparing the organisation for supporting and sustaining multiple parallel operations. While last summer saw us running one MASS Modular operation, in addition to the Artemis Athene's operation in the Red Sea, we have now built an organisation capable of running two full scale MASS Modular operations in parallel with the Red Sea operation. Crew and support functions have been sourced, hired, trained and prepared for a Magseis that can run multiple operations, founded on a model that give us the required scalability to meet the market demands and to utilise our node inventory in an efficient manner.

While our operations in Q2 continue to deliver high-quality data on or ahead of time to our clients in the Red Sea, we have also conducted a ROV based, MASS Modular operation in the North Sea.

The Red Sea operation with the Artemis Athene continues to benefit from experience and extremely good performance of the crew onboard, and the stellar performance during Q1 is being maintained in Q2.

In addition to the Artemis Athene operation, we mobilised one of our MASS Modular crews for Point Resources in the North Sea. The acquisition was completed during the first half of June and is yet another showcase of the flexibility of our MASS Modular system and the adaptability of our organisation. Our business in Indonesia, where Magseis provided nodes to another operator, as also completed during Q2.

In parallel with the ongoing operations, we have trained additional crew and finalised our second fully robotised MASS Modular system, allowing us to run the upcoming operations in the third quarter. While the Artemis Athene will continue acquiring OBN data in the Red Sea, we will mobilise and run two other, full scale operations in parallel, in the third quarter.

One of the operations will be a "nodes on a rope" operation in Northern Europe where Magseis provides nodes, node handling systems, data quality control and crew to operate this, while the client provides the vessels and the node deployment and recovery systems. This operation is currently ongoing.

The other operation is a full scale ROV based OBN operation, offshore Malaysia, where Magseis is fully in charge of the operation, providing all required resources to the client. The survey is due to start in the second half of Q3.

QHSE COMMENTS

Q2 saw another milestone in Magseis' history, with successful completion of both ISO 9001 surveillance, and final ISO 45001 certification audits. This included 2 full days of audits for the Oslo, Bergen and Singapore offices, 1 full day for the Stockholm office and a full day on site audit of the Artemis Athene in Saudi Arabia. The official certification was received on 16th May.

BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

Revenues

Revenues for the second quarter of 2018 were USD 19.7 million compared to USD 19.4 million for the second quarter of 2017. The revenue is mainly related to the Saudi Aramco survey and MASS Modular operation in the North Sea.

Revenue for the first half of 2018 was USD 44.3 million compared to USD 40.5 million in the first half of 2017.

Operational costs

Cost of sales (COS) in the second quarter of 2018 was USD 10.1 million compared to USD 8.7 million in the second quarter of 2017 with the quarter in full operations in Saudi Arabia compared to last year where Athene had a yard-stay in April that was capitalised. In addition to mobile ROV operations for 2 months in the second quarter 2018 compared to 1 month's operations same quarter last year.

In the first half of 2018, the COS amounted to USD 19.8 million compared to USD 18.7 million during the same period in 2017.

Selling, general and administration expenses (SG&A) and other expenses in the second quarter of 2018 amounted to USD 3.7 million, compared to USD 1.8 million in the second quarter of 2017. In the first half of 2018 SG&A and other expenses amounted to USD 7.7 million compared to USD 4.1 million during the same period of 2017. Both resulting from increase of staff in the organisation and in the mobile ROV crew according to the company's growth plan.

Research and development

Research and development (R&D) expenses amounted to USD 0.7 million for the second quarter of 2018 compared to USD 0.5 million in the second quarter of 2017.

R&D for the first half of 2018 was USD 1.2 million compared to USD 1.0 million in the first half of 2017.

Depreciation

Depreciation was USD 4.0 million during the second quarter of 2018 compared to depreciation of USD 3.6 million in the second quarter of 2017. The increase is due to more equipment in use.

In the first half of 2018 depreciation was USD 7.6 million compared to USD 6.8 million during the same period of 2017, where net depreciation due to yard stay and mobilisation amounted to USD 0.3 million in 2018 compared to USD 0.8 million last year.

Amortisation

Second quarter 2018 amortisation of USD 0.2 million compared to USD 0.1 million in the second quarter of 2017. The amortisation was related to other intangible assets only.

For the first half of 2018 amortisation amounted to USD 0.4 million compared to USD 0.2 million in the first half of 2017 where the amortisation only relates to other intangible assets.

Impairment

Second quarter 2018 and 2017 has no impairment.

For the first half of 2018 there was no impairment compared to USD 0.2 million for the same period in 2017.

EBITDA and EBIT

The EBITDA was USD 5.2 million in the second quarter of 2018 compared to USD 8.4 million the second quarter of 2017. This decrease in EBITDA was due to increase in the organisation and in the mobile ROV crew according to the company's growth plan, where Magseis now is scaled up its operational footprint for three parallel operations.

EBIT was USD 1.0 million in the second quarter of 2018 compared to USD 4.7 million during the same period in 2017. The decrease in EBIT relates to the same factors as the decrease in EBITDA described above.

EBITDA in the first half of 2018 was USD 15.6 million compared to USD 16.7 million for the same period of 2017. EBIT was USD 7.6 million in the first six months of 2018 compared to USD 9.5 million during the comparable period of 2017.

Balance Sheet and Cash Flow

As of 30 June 2018, the Group's equity was USD 137.2 million compared to USD 95.1 million at 30 June 2017. The equity ratio was 84.1% as of end June 2018.

Tangibles and intangible assets amounted to USD 94.5 million as of 30 June 2018, compared to USD 60.0

million at the same date in 2017. The investments comprise seismic equipment on board Artemis Athene and equipment for the mobile ROV crew as well as capitalisation of expenses related to research and development projects as of June 2018.

As of 30 June in both 2018 and 2017, the net value of the multi-client library was zero, due to Tåkehavet being fully amortised.

As of 30 June 2018, current assets amounted to USD 68.8 million compared to USD 61.1 million as of 30 June 2017. Cash and cash equivalents were USD 36.2 million compared to USD 33.7 million as of 30 June 2017.

Non-current liabilities decreased to USD 12.4 million as of 30 June 2018, compared to USD 14.1 million as of 30 June 2017. The liabilities are mainly related to debt financing from Export Credit Norway and Innovation Norway. The Group complied with the debt covenants as of 30 June 2018. In addition, funding of accumulated USD 7.3 million was received from Shell Global Solutions related to the cooperation agreement for development of a deep-water solution for seismic operations. This funding is recognised as a finance arrangement in the financial statements.

The current portion of long-term debt amounted to USD 2.5 million as of June 2018.

Current liabilities as of 30 June 2018, amounted to USD 13.6 million compared to USD 11.8 million as of 30 June 2017. The increase is mainly due increase in trade payables.

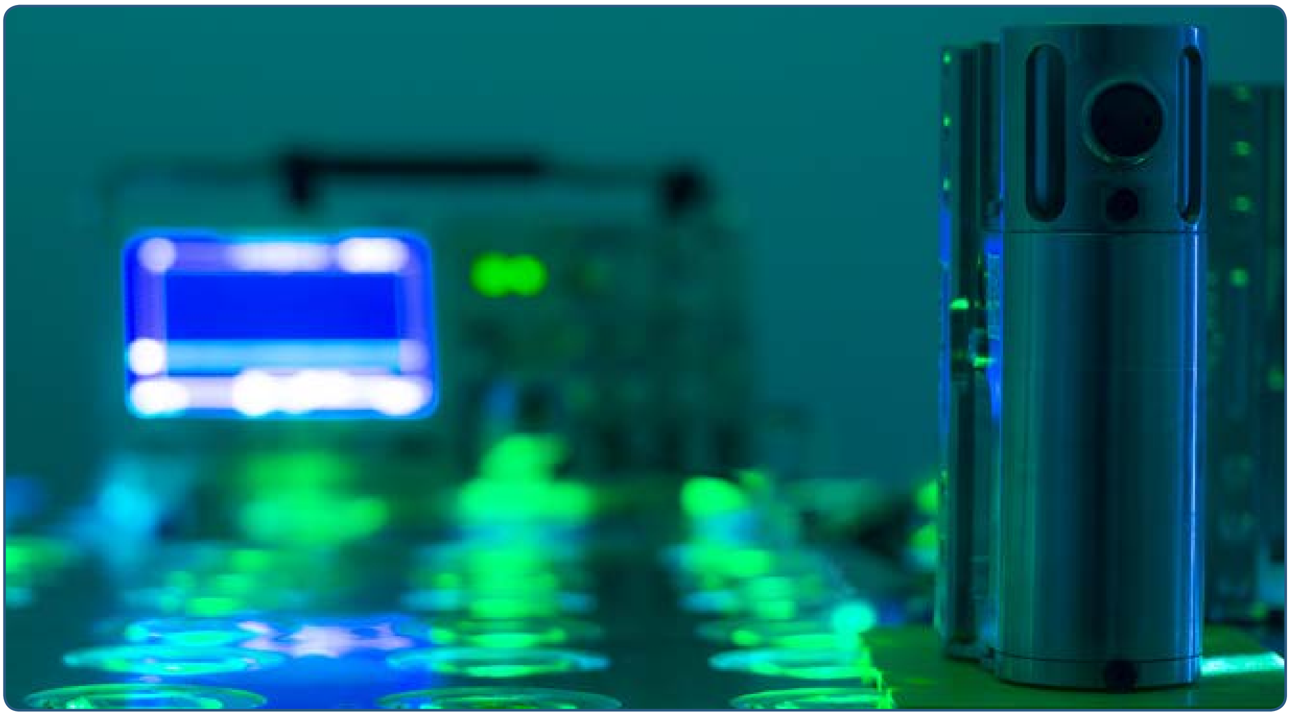
Cash flow from operating activities was negative of USD 3.0 million in the first half of 2018 compared to positive of USD 0.6 million in the same period of 2017. The main reason for the negative cash flow from operations is the net change in current assets and liabilities of USD -16.1 million.

The net cash outflow from investing activities amounted to USD – 25.9 million in the first half of 2018, resulting from investments into the mobile ROV operations as well as production of MASS nodes, compared to USD – 18.3 million in the same period of 2017 when the investments in seismic equipment was lower.

Cash flow from finance activities was USD 35.2 million in the first half of 2018 compared to USD 32.4 million in the same period of 2017. The proceeds are related to the share capital increase of net USD 37.1 million offset by instalments and interest relating to the loans and finance lease totalling USD 1.9 million.

Employees

As of 30 June 2018, Magseis had a total of 168 full-time employees including contractors (30 June 2017: 85) including the offshore seismic crew of 73 employees (30 June 2017: 46).



20 LARGEST SHAREHOLDERS 30 JUNE 2018		
Shareholder	**Holdings**	
ANFAR INVEST AS	6 196 856	8.0 %
WESTCON GROUP AS	5 661 436	7.3 %
AS CLIPPER	4 731 022	6.1 %
GEO INNOVA AS	4 613 382	5.9 %
JPMORGAN CHASE BANK, N.A., LONDON	3 331 958	4.3 %
KLP AKSJENORGE	2 907 948	3.7 %
JPMORGAN CHASE BANK, N.A., LONDON	2 615 638	3.4 %
REDBACK AS	2 333 333	3.0 %
BARRUS CAPITAL AS	2 292 351	3.0 %
VPF NORDEA NORGE VERDI	2 044 353	2.6 %
KOMMUNAL LANDSPENSJONSKASSE	1 948 780	2.5 %
VPF NORDEA KAPITAL	1 580 940	2.0 %
INVESCO PERP EURAN SMLER COMPS FD	1 437 991	1.9 %
CITY FINANCIAL ABSOLUTE EQUITY FD	1 280 399	1.7 %
VPF NORDEA AVKASTNING	1 260 707	1.6 %
STATOIL PENSJON	1 235 697	1.6 %
HAWK INVEST AS	1 103 723	1.4 %
DANSKE INVEST NORGE VEKST	1 049 000	1.4 %
HOLMEN SPESIALFOND	1 000 000	1.3 %
BERNT HOLDING AS	1 000 000	1.3 %
Total 20 largest shareholders	**49 625 514**	**64.0 %**
Other shareholders	27 933 544	36.0 %
Total outstanding shareholders	**77 559 058**	**100.0 %**

Outlook

We are encouraged by the overwhelming activity we see measured in tenders and requests for proposals for ocean bottom nodes. We believe that in 2019 there will be a shift from a supply driven market to a demand driven market. This implies that there will be an opportunity for the industry to de-risk our operations and take advantage of improved market conditions.

STATEMENT OF FINANCIAL COMPLIANCE

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 30 June 2018 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and results of the Group. We also confirm, to the best of our knowledge that the condensed consolidated interim financial statements present a fair view of the development and performance of the business during the period, and together with the 2017 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 16 of August 2018

Jan P. Grimnes,
Chairman

Jan Gateman,
Director and Senior Vice President

Gro Gunleiksrud Haatvedt
Non-executive Director

Bettina R. Bachmann,
Non-executive Director

Edvin Endresen,
Non-executive Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
In thousands of USD	*Note*	**Q2 2018** *(unaudited)*	**Q2 2017** *(unaudited)*	**YTD 2018** *(audited)*	**YTD 2017** *(unaudited)*	**Full Year 2017** *(audited)*
REVENUE AND OTHER INCOME						
Revenue	*4*	19 718	19 399	44 283	40 475	73 877
Total revenue and other income		**19 718**	**19 399**	**44 283**	**40 475**	**73 877**
OPERATING EXPENSES						
Cost of sales		10 114	8 659	19 805	18 656	35 700
Research and development expenses		670	514	1 231	1 013	2 002
Selling, general and administrative costs and other expense		3 741	1 828	7 683	4 078	10 039
Depreciation	*5*	4 005	3 572	7 566	6 791	15 148
Amortisation	*6, 7*	191	116	382	231	463
Impairment	*5*	0	0	0	233	233
Total operating expenses		**18 721**	**14 688**	**36 667**	**31 003**	**63 585**
OPERATING PROFIT (LOSS)		**997**	**4 711**	**7 615**	**9 472**	**10 292**
FINANCIAL INCOME AND EXPENSES						
Finance income		3	2	5	4	3 703
Finance costs		-1 314	-561	-1 507	-1 026	-4 101
Net finance costs		**-1 311**	**-560**	**-1 502**	**-1 022**	**-397**
NET PROFIT (LOSS) BEFORE TAX		**-314**	**4 151**	**6 114**	**8 450**	**9 895**
Income tax expense		227	838	987	1 627	3 199
NET PROFIT (LOSS)		**-540**	**3 313**	**5 127**	**6 823**	**6 696**
Basic earnings (loss) per weighted average shares (in USD)		-0.01	0.05	0.07	0.11	0.12
Diluted earnings (loss) per weighted average shares (in USD)		-0.01	0.05	0.07	0.11	0.12
OTHER COMPREHENSIVE INCOME						
Other comprehensiv income		0	0	0	0	0
Total comprehensive income (loss) for the period		**-540**	**3 313**	**5 127**	**6 823**	**6 696**

CONDENSED AND CONSOLIDATED BALANCE SHEET

In thousands of USD	*Note*	**YTD 2018** *(unaudited)*	**YTD 2017** *(unaudited)*	**Year End 2017** *(audited)*
ASSETS				
Non-current assets				
Equipment	*5*	89 498	54 470	69 083
Multi-client library	*6*	0	0	0
Other intangible assets	*7*	4 951	5 460	5 333
Total non-current assets		**94 450**	**59 930**	**74 416**
Current assets				
Cash and cash equivalents		36 168	33 657	29 776
Trade receivables		24 890	21 404	9 137
Other current assets		7 721	6 032	10 220
Total current assets		**68 779**	**61 093**	**49 133**
TOTAL ASSETS		**163 229**	**121 023**	**123 549**
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*8*	545	438	438
Share premium	*8*	178 508	141 506	141 486
Other equity		3 213	3 166	3 284
Retained earnings		-39 917	-44 917	-45 044
Currency translation reserve		-5 124	-5 124	-5 124
Total equity		**137 225**	**95 069**	**95 040**
LIABILITIES				
Non-current liabilities				
Obligation under finance lease	*10*	0	447	0
Other non-current financial liabilities		12 447	13 675	13 049
Total non-current liabilities		**12 447**	**14 122**	**13 049**
Current liabilities				
Trade payables		5 900	4 045	6 010
Current tax payable		765	1 489	1 111
Current portion of obligations under finance lease and loan	*10*	2 540	3 171	3 249
Other current liabilities		4 353	3 127	5 090
Total current liabilities		**13 557**	**11 832**	**15 460**
TOTAL LIABILITIES		**26 003**	**25 955**	**28 509**
TOTAL EQUITY AND LIABILITIES		**163 229**	**121 023**	**123 549**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of USD	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency trans-lation reserve	Total
Balance at 1 January 2017	**303**	**102 594**	**3 012**	**-51 740**	**-5 124**	**49 045**
Profit / (loss) for the period	0	0	0	6 823	0	6 823
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	6 823	0	6 823
	135	40 376	0	0	0	40 511
	0	-1 465	0	0	0	-1 465
Share-based payments (options)	0	0	154	0	0	154
Balance at 30 June 2017	**438**	**141 506**	**3 166**	**-44 917**	**-5 124**	**95 069**
Balance at 1 January 2018	**438**	**141 486**	**3 284**	**-45 044**	**-5 124**	**95 040**
Profit / (loss) for the period	0	0	0	5 127	0	5 127
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	5 127	0	5 127
Share issuance	107	38 473	0	0	0	38 580
Expenses related to share issuance	0	-1 451	0	0	0	-1 451
Share-based payments (options)	0	0	-70	0	0	-70
Balance at 30 June 2018	**545**	**178 508**	**3 214**	**-39 917**	**-5 124**	**137 226**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW						
In thousands of USD	*Note*	Q2 2018 *(unaudited)*	Q2 2017 *(unaudited)*	YTD 2018 *(unaudited)*	YTD 2017 *(unaudited)*	Full Year 2017 *(audited)*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit / (Loss) before tax		-314	4 151	6 114	8 450	9 895
Adjustment for:						
Income tax and witholding tax paid		-755	-2 063	-1 090	-1 948	-4 447
Depreciation and amortisation	*5, 6*	4 196	3 687	7 948	-233	-438
Deferred lease discount amortisation		-117	-117	-233	7 022	15 611
Impairment	*5*	0	0	0	233	233
Share based payments expense		12	76	-70	154	272
Interest expense		161	462	463	998	1 347
Interest income		-3	-2	-5	-4	-23
Working capital adjustments:						
(Increase) / decrease in current assets		-200	-8 849	-15 278	-9 492	2 368
Increase / (decrease) in trade and other payables and accruals		264	-6 827	-847	-4 588	-660
Net cash from operating activities		**3 244**	**-9 481**	**-2 999**	**592**	**24 157**
Cash flows from investing activities						
Interest received		3	1	5	4	23
Acquisition of equipment and prepayments	*5*	-11 000	-8 796	-25 853	-18 171	-44 366
Payments for capitalised development and intangibles	*7*	0	-33	0	-109	-214
Multi-client investment	*6*	0	0	0	0	0
Net cash used in investing activities		**-10 997**	**-8 827**	**-25 848**	**-18 276**	**-44 557**
Cash flows from financing activities						
Proceeds from loan		0	193	27	620	934
Payment of finance lease obligation and loan		-516	-2 505	-1 453	-6 302	-7 412
Proceeds from issue of share capital		0	728	38 580	40 511	40 511
Expenses related to issue of share capital		0	-183	-1 451	-1 465	-1 485
Interest paid		-161	-462	-463	-998	-1 347
Net cash from financing activities		**-677**	**-2 228**	**35 240**	**32 367**	**31 201**
Net change in cash and cash equivalents		-8 429	-20 537	6 392	14 683	10 802
Cash and cash equivalents at 1 January		44 597	54 194	29 776	18 974	18 974
Cash and cash equivalents at period end		**36 168**	**33 657**	**36 168**	**33 657**	**29 776**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Magseis ASA is a public limited liability company listed on Oslo Stock Exchange main-list and incorporated in Bærum, Norway. The address of the Company's registered office is Strandveien 50, 1366 Lysaker. These condensed consolidated interim financial statements comprise Magseis ASA (referred to as the "Company") and its subsidiaries (together referred to as "Magseis" or the "Group"). The Group is primarily involved in marine seismic operations and seismic related activities.

2.1 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements as of 31 December 2017.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 16 August 2018.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value, which are recorded through the profit and loss.

(c) Going concern

The condensed consolidated interim financial statements have been prepared on the going concern basis.

(d) Functional and presentation currency

The Company and its subsidiaries functional and presentation currency is stated in United States Dollar (USD).

The consolidated financial statements for the Group are presented in United States Dollars (USD). All financial information presented in USD has been rounded to the nearest thousand unless otherwise stated.

(e) Alternative Performance Measures ("APMs")

The European Securities and Markets Authority (ESMA) issued guidelines on Alternative Performance Measures ("APMs") that came into force on 3 July 2016. The Company has defined and explained the purpose of the following APMs;

EBITDA

EBITDA means Earnings before interest, taxes, amortisation, depreciation and impairments. Magseis has included EBITDA as a supplemental disclosure because management believes that the measure provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBIT (Operating Profit)

Earnings before interest and tax is an important measure for Magseis as it provides an indication of the profitability of the operating activities.

The EBIT margin presented is defined as EBIT (Operating Profit) divided by net revenues.

Backlog

Backlog is defined as the total value of future revenue from signed customer contracts. Management believes that the backlog figure is a useful measure in that it provides an indication of the amount of customer backlog and committed activity in the coming periods.

Working Capital

When Magseis use working capital this is defined as Trade receivables minus Trade payables.

2.2 Basis for consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as of 30 June 2018. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The accounting judgements, estimates and assumptions used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2017 annual financial statements.

2.4 Summary of significant accounting policies

The accounting principles used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2017 annual financial statements with except for the changes described below.

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 on 1 January 2018 and have used the modified retrospective method for transition. This method requires the cumulative effect of initially applying IFRS 15 to be recognised in the opening balance (1 January 2018), with no restating of comparative periods. The Company's revenue currently is related to seismic services under contract for specific customers, whereby the seismic data is owned by that customer. The standard has not had any effects for the Company's revenue recognition and implementation of the standard resulted in no changes requiring the cumulative effect of initially applying IFRS 15 to be recognised.

IFRS 9 Financial instruments

The company adopted IFRS on 1 January 2018 and applied retrospectively. The standard has not had any material effects on the consolidated financial statements of Magseis.

3. Operating segments

The Group is operating in one segment being geophysical surveys with respect to products and services. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

4. Revenues

In thousands of USD	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Revenue and other income					
Contract revenue	19 698	19 399	44 239	40 475	73 334
Multi- client revenue	0	0	0	0	0
Other revenues	21	0	43	0	543
Total revenue and other income	**19 718**	**19 399**	**44 283**	**40 475**	**73 877**

5. Equipment

In thousands of USD	Office machines	Seismic equipment	Seismic equipment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2017	419	67 980	4 063	8 112	80 574
Asset completed and ready for intended use	0	5 051	0	-5 051	0
Additions	95	147	0	17 490	17 732
Disposals	0	0	0	-233	-233
Impairment	0	0	0	0	0
Balance at 30 June 2017	**514**	**73 178**	**4 063**	**20 318**	**98 073**
Balance at 1 January 2018	680	71 984	4 063	24 882	101 609
Additions	109	528	0	27 060	27 696
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Reclass- asset under construction	138	17 446	0	-17 584	0
Balance at 30 June 2018	**927**	**89 958**	**4 063**	**34 358**	**129 305**
Depreciation and impairment losses					
Balance at 1 January 2017	335	33 230	2 556	1 463	37 584
Depreciation for the year	39	5 368	393	220	6 020
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Balance at 30 June 2017	**374**	**38 598**	**2 949**	**1 683**	**43 604**
Balance at 1 January 2018	430	28 754	3 342	0	32 527
Depreciation for the year	76	6 811	393	0	7 280
Reversed depreciation sold/ scrapped capex (Disposals)	0	0	0	0	0
Impairment	0	0	0	0	0
Balance at 30 June 2018	**506**	**35 566**	**3 736**	**0**	**39 807**
Carrying amounts					
at 1 January 2017	85	34 750	1 507	6 649	42 991
at 30 June 2017	**141**	**34 580**	**1 114**	**18 635**	**54 470**
at 1 January 2018	250	43 229	721	24 882	69 083
at 30 June 2018	**421**	**54 392**	**328**	**34 358**	**89 498**
Depreciation of the year	76	6 811	393	0	7 280
					0
Depreciation capitalised and deferred - net	0	285	0	0	285
Depreciation charged to expense at 30 June 2018	76	7 096	393	0	7 566

Useful life of equipment

Useful life of seismic equipment and office machines are 3-7 years.

Capitalisation

In 2018 Magseis has capitalised cost relating to the development of the seismic equipment of USD 195 thousands (2017: USD 46 thousands).

Impairment

Magseis has in 2018 recorded an impairment/scrapping of equipment of zero (2017: USD 233 thousands).

6. Multi-client library

In thousands of USD	2018	2017
Cost		
Balance at 1 January	4 383	4 383
Additions	0	0
Disposals	0	0
Balance at 30 June	**4 383**	**4 383**
Amortisation		
Balance at 1 January	4 383	4 383
Amortisation for the year	0	0
Disposals	0	0
Impairment	0	0
Balance at 30 June	**4 383**	**4 383**
Carrying amounts		
at 1 January	0	0
Balance at 30 June	**0**	**0**

7. Other intangible assets

In thousands of USD	2018	2017
Cost		
Balance at 1 January	7 373	7 160
Additions	0	109
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 June	**7 373**	**7 269**
Amortisation		
Balance at 1 January	2 040	1 577
Amortisation for the year	382	231
Disposals	0	0
Adjustment currency conversion	0	0
Balance at 30 June	**2 422**	**1 809**
Carrying amounts		
at 1 January	5 333	5 583
at 30 June	**4 951**	**5 460**

Development costs

In 2018 USD zero was capitalised, compared to USD 0.1 million in 2017.

8. Share capital and reserves

The shares of Magseis are listed on Oslo Stock Exchange.

SHARE CAPITAL ISSUED

		Number of shares	Share capital USD '000	Share premium reserve USD '000
Ordinary shares - Issued and fully paid				
At 1 January 2017		37 818 014	303	102 594
At 30 March 2017	*Private placement of 22,650,000 shares at NOK 15,00 per share*	22 650 000	132	39 651
	Capital raising costs			-1 282
At 20 April 2017	*Private placement of 424,377 shares at NOK 15,00 per share*	424 377	2	726
	Capital raising costs			-183
At 30 June 2017		**60 892 391**	**438**	**141 506**
Ordinary shares - Issued and fully paid				
At 1 January 2018		60 892 391	438	141 486
At 1 February 2018	*Private placement of 6,089,239 shares at NOK 18,00 per share*	6 089 239	40	14 229
	Capital raising costs			-1 351
At 21 February 2018	*Private placement of 10,577,428 shares at NOK 18,00 per share*	10 577 428	68	24 244
	Capital raising costs			-101
At 30 June 2018		**77 559 058**	**545**	**178 508**

No dividends were paid during the period ended 30 June 2018 (2017: USD 0).

9. Related parties

Key management personnel and director transactions

A number of key management persons and board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons, board members and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. The aggregate value of transactions and outstanding balances related to key management personal, board members and entities over which they have control or significant influence were as follows:

RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES:

In thousands of USD			Transaction value		Balance outstanding	
Name	Transactions	Note	30 June 2018	30 June 2017	30 June 2018	30 June 2017
J B Gateman	Consultant costs	(I)	88	81	0	0
Westcon Group	Leases	(II)	10 212	9 708	1 643	1 545
Westcon Group	Other services	(II)	0	0	0	0
Total			**10 300**	**9 790**	**1 643**	**1 545**

(I) *J B Gateman is engaged as an independent consultant as Senior Vice President.*

(II) *Relates to time charters (TC) for one vessel and a sale and leaseback arrangement. As part of the TC agreement for Artemis Athene, Westcon Group also delivers Marine Management services. As at 30 of June 2018 the remaining time charter lease term is 6 months and the sale and leaseback is 5 months.*

10. Leases

Operating leases

The TC agreements with Westcon Group (related party) is classified as an operating lease. The table below sets out the future minimum lease payments of the arrangement based on full day rates:

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
In thousands of USD	30 June 2018	30 June 2017
Less than one year	10 139	18 018
Between one and five years	2 384	9 188
More than five years	0	0
Total	**12 523**	**27 206**

Finance lease

The sale and leaseback arrangement with Westcon Group (related party) is treated as a finance lease. Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

FUTURE MINIMUM LEASE PAYMENTS FINANCE LEASES				
	30 June 2018		30 June 2017	
In thousands of USD	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Less than one year	459	447	1 095	861
Between one and five years	0	0	459	576
More than five years	0	0	0	0
Total minimum lease payments	**459**	**447**	**1 554**	**1 437**
Less amounts representing finance charges	12	0	117	0
Present value of minimum lease payments	**447**	**447**	**1 437**	**1 437**

Refer to note 9 Related parties for further information about leases with related parties.

11. Capital commitments

Future minimum commitments relating to equipment are as follows:

In thousands of USD	30 June 2018	30 June 2017
Contracted but not yet provided for and payable:		
Within one year	17 815	29 308
One year later and no later than five years	0	0
Later than five years	0	0
Total	**17 815**	**29 308**

Strandveien 50, N-1366 Lysaker NORWAY, Phone: +47 23 36 80 20