

Q2 2014

Magseis ASA

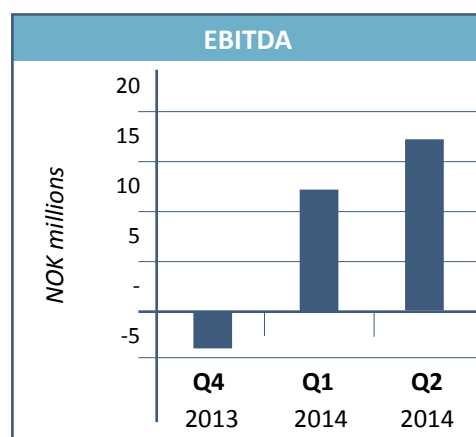
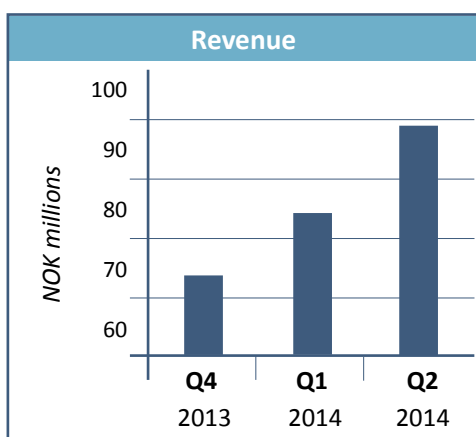
Second quarter and first half



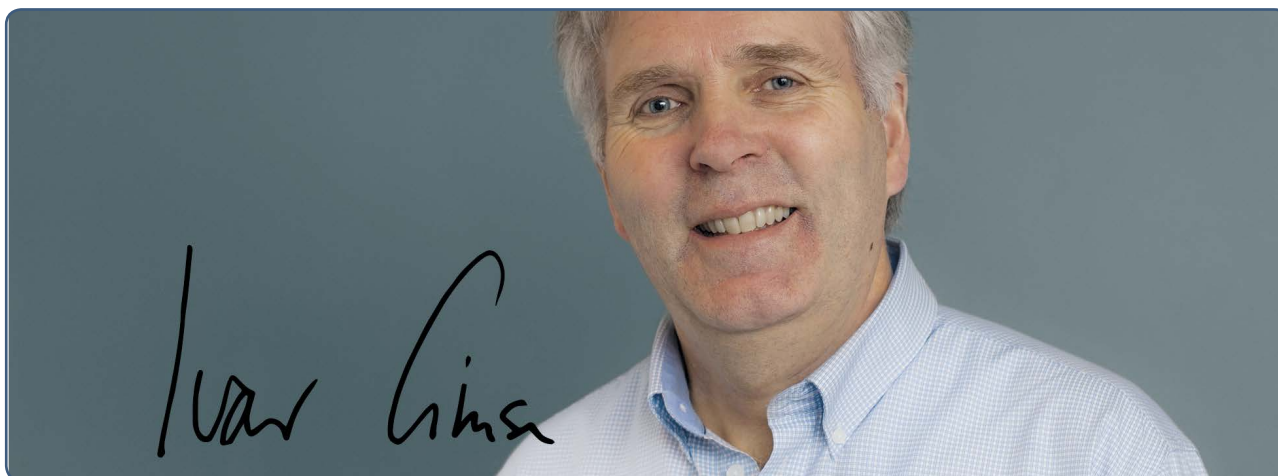
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QUARTERLY HIGHLIGHTS

- Revenues of NOK 98.2 million, compared to NOK 84.4 million during Q1 2014
- EBITDA of NOK 16.9 million compared to NOK 12.4 million during Q1 2014. EBITDA adjusted for non-recurring items of NOK 21.2 million.
- EBIT of NOK 4.2 million compared to NOK 1.2 million during Q1 2014. EBIT adjusted for non-recurring items of NOK 9.5 million.
- Net Income of NOK 1.3 million compared to NOK 2.0 million during Q1 2014.
- During May, Magseis completed the Albatross and Snøhvit survey and thereafter moved straight into production on the Oseberg and Gullfaks surveys for Statoil.
- In April 2014, Magseis successfully conducted a new equity issue of NOK 120 million to finance an expansion of equipment on Artemis Athene and long lead items for a second vessel
- In May 2014, Magseis signed an agreement with Shell Technology Ventures B.V. for a USD 4 million convertible loan which was automatically converted into shares at the time Magseis listed on the stock exchange.
- 6th June 2014, Magseis ASA conducted a listing on Oslo Axess



CEO STATEMENTS



Magseis is quickly approaching its first anniversary of seabed seismic operations. It has been a very exciting year which has seen multiple surveys successfully completed and a strong development in the performance of our technology. It has also been a year marked by several important events such as our listing on Oslo Axess during June 2014 as well as recognition of our potential by some of the industry's most sophisticated users.

On August 26 2014 Magseis ASA was also selected as one of five finalists (from more than 50 nominees) for the ONS SME Innovation Award which is awarded to small and mid-sized companies for groundbreaking innovation within the energy sector. As we look forward I am excited about the potential that lies in expanding to a second crew, and continuing reducing the cost of ocean bottom seismic (OBS) acquisition.

Ivar Gimse
CEO MagSeis

KEY FINANCIALS

In thousands of NOK

Profit and loss	Q2 2014	Q2 2013	YTD 2014	YTD 2013	2013
Revenues	98 240	0	182 653	0	74 128
Cost of sales	62 189	0	117 989	0	59 868
EBITDA	16 916	-11 717	29 346	-15 042	-40 418
EBIT	4 195	-11 986	5 424	-15 558	-52 386
Net profit	1 322	-11 866	3 289	-13 856	-51 810
Basic earnings per share	1.07	-11.27	2.88	-13.15	-49.19

Financial position

Total assets	508 065	330 802	356 887
Total liabilities	90 208	27 466	88 104
Total equity	417 857	303 336	268 783
Equity ratio	82.2%	91.7%	75.3%

Cash flow

Net cash flow from operating activities	36 603	-14 820	-57 570
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BOARD OF DIRECTORS REPORT



Operational comments

During the second quarter, Magseis finalised the Albatross and Snøhvit surveys for Statoil in the Barents Sea. Directly thereafter, our vessel, the Artemis Athene, mobilised for operations in the Oseberg and Gullfaks fields where work has continued for the remainder of the period.

Over these three months, we have experienced a steady increase in our efficiency and utilisation over the first quarter, despite challenging operations in and around areas with significant infrastructure. Our crews are gaining further experience with our proprietary MASS OBS acquisition system and they are pioneering the way for further enhancements and a future fleet increase.

Although, still being a relatively small and young company in the field of OBS operations, we already see that our crews and our system match and surpass most of what our competitors can achieve with respect to efficiency, stability and quality. The unrealised potential and flexibility that is embedded in our technology and that remains to be unleashed give us a strong upper hand as we move forward, increase the size of our spreads, gain further experience and grow our fleet.

Revenues

Second quarter revenues were NOK 98.2 million compared to NOK 0 in Q2 2013. The increase is due to Magseis starting its operations in Q4 2013. Revenues for the first half of 2014 amounted to NOK 182.7 million compared to NOK 0 in the same period in 2013. We experienced a more efficient production and less stand-by in Q2 compared with Q1 which resulted in an increase in revenue of NOK 13.8 million, from NOK 84.4 million in Q1 2014 to NOK 98.2 million in Q2 2014.

Operational costs

Cost of sales amounted to 62.2 million in Q2 2014. Due to

no operations in the first half of 2013, there was no cost of sales in the period. In Q1 2014, cost of sales was 55.8 million and the increase of NOK 6.4 million in Q2 2014 was mainly due to higher production in Q2 2014, which resulted in increased fuel, battery and other costs directly attributable to the vessel operation, and recording of an accrual for maintenance days relating to earlier periods. The increase was also impacted by the strengthened USD against NOK.

Selling, general and administration expenses (SG&A) and other expenses in the second quarter amounted to NOK 17.0 million compared to NOK 10.9 million in Q2 2013. The increase mainly reflects the gradual growth of Magseis. SG&A and other expenses increased to a total of NOK 31.8 million in the first half of 2014 from NOK 13.8 million in the first half of 2013. The increase in SG&A and other expenses from NOK 14.8 million in Q1 2014 to NOK 17.0 million in Q2 2014 mainly reflects the listing cost incurred in Q2 2014.

Depreciation and amortisation was NOK 12.7 million in the second quarter and NOK 23.9 million in the first half of 2014 compared to NOK 0.3 million and NOK 0.5 million in the respective periods in 2013. The major part of the Company's seismic equipment was developed in the first three quarters of 2013 and was depreciated and amortised from Q4 2013 and onwards. It has not been any significant changes in depreciation and amortisation in the last three quarters.

Research and development

Research and development expense (R&D) for the second quarter of 2014 was NOK 2.2 million compared to NOK 0.8 million in the same period in 2013. R&D amounted to NOK 3.5 million in the first half of 2014 compared to NOK 1.3 million in the first half of 2013. The increase was due to less capitalised (recognition as asset) research and devel-

opment expenses as well as increased number of internal research projects in Q2 2014

EBITDA and EBIT

The EBITDA was NOK 16.9 million in Q2 2014 and NOK 29.3 million in the first half of 2014 compared to NOK – 11.7 million and NOK – 15.0 million in the respective periods in 2013. EBITDA has increased by NOK 4.5 million from Q1 2014 to Q2 2014.

EBIT was NOK 4.2 million in the second quarter in 2014 and NOK 5.4 million in the first half of 2014 compared with NOK -12.0 million and NOK – 15.5 million in the respective periods in 2013. The large increase in EBITDA and EBIT is due to operations starting in Q4 2013.

Financial items

Net finance costs was NOK 2.9 million in the second quarter of 2014 compared to NOK 0.1 million in net finance income in the same period in 2013. The increase mainly reflects the fair value adjustment loss of the conversion

of loan in Q2 2014. The loss represents the difference between the conversion price and the share price at the conversion date.

Net finance costs in the first half of 2014 was NOK 2.1 million compared to a net finance income of NOK 1.7 million in the first half of 2013. The net finance income in 2013 mainly reflected interest income gained from the high cash balance at the end of the period.

Earnings and Normalised Earnings

In Q2 and the first half of 2014, the Group incurred costs management considers not to be part of the daily operations (referred to as “non-recurring items”). The Group has also recorded costs in Q2 and first half of 2014 that incurred in earlier periods.

To be able to measure earnings from the Group’s core business in the reported periods, non-recurring items have been eliminated in the normalised earnings in the table below:

<i>In thousands of NOK</i>	Q2 2014			YTD 2014		
	Actual earnings	Adjustments	Normalised earnings	Actual earnings	Adjustments	Normalised earnings
EBITDA	16 916	4 287	21 204	29 346	3 387	32 733
Adjustments for maintenance days		1 800			900	
Adjustments for IPO and conv loan costs		2 487			2 487	
EBIT	4 195	5 354	9 549	5 424	3 743	9 167
Adjustments EBITDA		4 287			3 387	
Adjustments for impairment		1 067			356	
EBT (profit before tax)	1 322	8 641	9 963	3 289	7 029	10 318
Adjustments EBIT		5 354			3 743	
Adjustments fair value adj conversion loss		3 286			3286	

Maintenance days

Parts of accruals recorded in Q2 2014 incurred in earlier periods.

Adjustment IPO

In June 2014 Magseis ASA shares were listed on Oslo Axess. The listing fees to banks, lawyers and auditors, are considered to be non-recurring costs.

Impairment

Impairment relates to loss of some equipment during start of operations in earlier periods.

Fair value adjustment for conversion of loan

In June 2014, the Group converted a loan into shares in Magseis ASA. At the conversion date the loan was measured at fair value which resulted in a loss for the Group. The loss is considered a non-recurring item and is eliminated from normalised earnings above.

Balance Sheet and Cash Flow

As at 30 June 2014 the equity was NOK 417.9 million compared to NOK 303.3 million in 2013. The increase is mainly due to the capital raising of NOK 120.0 million completed in April 2014 and conversion of loan from Shell of USD 4.0 million (appx. NOK 24.0 million) conducted in Q2 2014, offset by decreased retained earnings from the second half in 2013.

Tangibles and intangible assets amounted to NOK 237.7 million as at 30 June 2014 compared to NOK 178.0 million at the end of June 2013. The decrease reflects investments made in Q3 2013 offset by a total depreciation and amortisation of NOK 35.0 million in the period from 1 October 2013 to 30 June 2014.

As at 30 June 2014, current assets amounted to NOK 270.3 million compared to NOK 152.8 million in 2013. The

increase was mainly due to increases in both cash and cash equivalents of NOK 50.0 million and trade and other receivables of NOK 66.4 million.

Non-current liabilities increased from NOK 0 as at 30 June 2013 to NOK 29.2 million in 2014. The increase is due to a finance lease entered into in Q4 2013 and an amortisation of a time charter lease discount from Q4 2013.

Current liabilities as at 30 June 2014 amounted to NOK 61.0 million compared to NOK 27.5 million as at 30 June 2013. The increase reflects somewhat higher trade payables and accruals in 2014.

Employees

As at 30 June 2014, Magseis had a total of 71 dedicated employees including 43 seismic crew, and 14 permanent consultants.

20 LARGEST SHAREHOLDERS AS AT 18 AUGUST 2014

Shareholder	Holdings	
WESTCON GROUP AS	5 001 920	19.13%
GEO INNOVA AS	3 515 780	13.44%
ANFAR INVEST AS	3 285 060	12.56%
CLIPPER A/S	1 360 000	5.20%
BARRUS CAPITAL AS	1 223 740	4.68%
GNEIS AS	904 280	3.46%
OP-EUROPE EQUITY FUND	853 340	3.26%
VARMA MUTUAL PENSION INSURANCE	710 000	2.71%
APM INVEST AS	640 800	2.45%
KLP AKSJE NORGE VPF	552 250	2.11%
VPF NORDEA KAPITAL	538 000	2.06%
STOREBRAND VEKST	509 960	1.95%
MP PENSIJON PK	484 020	1.85%
INVESCO PERP EUR SMALL COMP FD	400 000	1.53%
STOREBRAND NORGE I	398 600	1.52%
KOMMUNAL LANDSPENSJONSKASSE	366 010	1.40%
BARCLAYS CAPITAL SECURITIES LTD.	326 320	1.25%
THE BANK OF NEW YORK MELLON (LUXEM)	270 000	1.03%
VPF NORDEA AVKASTNING	266 000	1.02%
BINTRIX AB	257 760	0.99%
Total 20 largest shareholders*	21 863 840	83.60%
Other shareholders	4 287 620	16.40%
Total outstanding shares*	26 151 460	100.00%

*In addition Shell B.V was issued 1 011 101 shares in connection with the conversion of loan 6 June 2014. These shares have not yet been registered with VPS. Total outstanding shares upon registration will be 27 162 561.

Outlook

Magseis has had a good first half of 2014 during which we have successfully completed surveys in the Barents Sea for Statoil and in the North Sea for Talisman. During May we started on the Gullfaks and Oseberg surveys for Statoil. Work on these surveys has progressed well and is expected to be completed during Q3 2014. In order to secure work for Q4 2014 and 2015 Magseis is working on a number of contract opportunities both in the North Sea and internationally. Based on our discussions with clients we expect that the growth in the OBS segment and development of larger surveys will continue. We believe that our system is uniquely suited to address these developments and while we are in the midst of our current upgrade of Athene (increasing to 4,500 sensors) work is also ongoing to prepare for a second, significantly larger crew which will bring about an unprecedented increase in OBS efficiency. Market and backlog developments will be closely monitored in the determination of the timeline for the launch of our second crew.

Statement on Financial Compliance

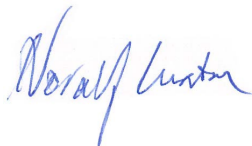
We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 30 June 2014 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting, and gives a true and fair view of the assets, 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 fairly view of the development and performance of the business during the period, and together with the 2013 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 28 August 2014



Anders Farestveit
Chairman



Noralf Matre
Director



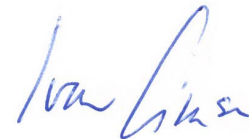
Jan Gateman
Director



Bettina R. Bachmann
Director



Mari Thjømøe
Director



Ivar Gimse
CEO



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of NOK</i>	<i>Note</i>	Q2 2014 <i>(unaudited)</i>	Q2 2013 <i>(unaudited)</i>	YTD 2014 <i>(unaudited)</i>	YTD 2013 <i>(unaudited)</i>	2013 <i>(audited)</i>
REVENUE AND OTHER INCOME						
Revenue		98 240	0	182 653	0	74 128
Total revenue and other income		98 240	0	182 653	0	74 128
OPERATING EXPENSES						
Cost of sales		62 189	0	117 989	0	59 868
Research and development expenses		2 151	834	3 490	1 271	8 243
Selling, general and administrative costs		10 470	7 468	22 581	9 110	37 874
Other expenses		6 514	3 415	9 247	4 661	8 561
Depreciation and amortisation	4,5	12 721	269	23 922	516	11 968
Total operating expenses		94 045	11 986	177 229	15 558	126 514
OPERATING PROFIT (LOSS)		4 195	-11 986	5 424	-15 558	-52 386
FINANCIAL INCOME AND EXPENSES						
Finance income		2 179	976	4 142	2 850	3 803
Finance costs		-5 052	-856	-6 277	-1 148	-3 227
Net finance items		-2 873	120	-2 135	1 702	576
NET PROFIT (LOSS) BEFORE TAX		1 322	-11 866	3 289	-13 856	-51 810
Income tax expense		0	0	0	0	0
NET PROFIT (LOSS)		1 322	-11 866	3 289	-13 856	-51 810
Basic earnings (loss) per share (in NOK)		0.05	-0.56	0.14	-0.66	-2.46
Diluted earnings (loss) per share (in NOK)		0.05	-0.56	0.14	-0.66	-2.46
OTHER COMPREHENSIVE INCOME						
Other comprehensive income (loss) for the period		0	0	0	0	0
Total comprehensive income (loss) for the period, attributable to Owners of the Company		1 322	-11 866	3 289	-13 856	-51 810

CONDENSED CONSOLIDATED BALANCE SHEET

<i>In thousands of NOK</i>	Note	30 June 2014 <i>(unaudited)</i>	30 June 2013 <i>(unaudited)</i>	2013 <i>(audited)</i>
ASSETS				
<i>Non-current assets</i>				
Equipment	4	224 388	163 849	227 182
Intangible assets	5	13 343	14 118	13 412
Total non-current assets		237 731	177 967	240 594
<i>Current assets</i>				
Cash and cash equivalents		194 156	144 076	41 780
Trade receivables		26 531	0	55 973
Deferred steaming costs		994	0	0
Other current assets		48 653	8 759	18 540
Total current assets		270 334	152 835	116 293
TOTAL ASSETS		508 065	330 802	356 887
EQUITY				
<i>Shareholders' equity</i>				
Share capital	6	1 358	1 053	1 053
Share premium	6	477 400	338 504	338 504
Other equity		9 475	2 776	6 177
Retained earnings		-70 376	-38 997	-76 951
Total equity attributable to equity holders of the Company		417 857	303 336	268 783
TOTAL EQUITY		417 857	303 336	268 783
LIABILITIES				
<i>Non-current liabilities</i>				
Obligation under finance lease	9	19 278	0	21 298
Other non-current financial liabilities		9 952	0	11 357
Total non-current liabilities		29 230	0	32 655
<i>Current liabilities</i>				
Trade payables		28 288	17 776	26 372
Current tax payable		0	208	208
Current portion of obligations under finance lease	9	4 443	0	4 170
Other current liabilities		28 247	9 482	24 699
Total current liabilities		60 978	27 466	55 449
TOTAL LIABILITIES		90 208	27 466	88 104
TOTAL EQUITY AND LIABILITIES		508 065	330 802	356 887

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of NOK</i>	<i>Note</i>	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Total
Balance at 1 January 2013		1 053	338 504	815	-25 141	315 231
Profit / (loss) for the period		0	0	0	-13 856	-13 856
Other comprehensive income		0	0	0	0	0
Total comprehensive income for the period		0	0	0	-13 856	-13 856
Share-based payments (options)		0	0	1 961	0	1 961
Balance at 30 June 2013		1 053	338 504	2 776	-38 997	303 336
Balance at 1 January 2014		1 053	338 504	6 177	-76 951	268 783
Profit / (loss) for the period		0	0	0	3 289	3 289
Other comprehensive income		0	0	0	0	0
Total comprehensive income for the period		0	0	0	3 289	3 289
Share issuance		254	120 526	0	0	120 780
Conversion loan		51	23 963	0	0	24 014
Expenses related to share issuance		0	-5 203	0	0	-5 203
Expenses related to conversion of loan		0	-390	0	3 286	2 896
Share-based payments (options)		0	0	3 298	0	3 298
Balance at 30 June 2014		1 358	477 400	9 475	-70 376	417 857

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

<i>In thousands of NOK</i>	Note	30 June 2014 <i>(unaudited)</i>	30 June 2013 <i>(unaudited)</i>	2013 <i>(audited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (Loss) before tax		3 289	-13 855	-51 810
<i>Adjustment for:</i>				
Income tax paid		-208	0	0
Depreciation and amortisation		23 922	516	11 968
Deferred lease discount amortisation		-1 358	0	13 509
Deferred steaming costs		-994	0	0
Fair value adjustment conversion of loan		3 286	0	0
Share based payments expense		3 298	1 961	5 362
Interest expense		782	20	689
Interest income		-471	-2 830	-3 691
Revaluation of foreign currency exchange		405	-41	441
<i>Working capital adjustments:</i>				
(Increase) / decrease in current assets		-670	-71	-56 725
Increase / (decrease) in trade and other payables and accruals		5 322	-520	22 687
		4 652	-591	-34 038
Net cash from operating activities		36 603	-14 820	-57 570
<i>Cash flows from investing activities</i>				
Interest received		471	2 830	3 691
Acquisition of equipment		-19 716	-99 608	-184 457
Payments for capitalised development and intangibles		-1 343	-1 951	-1 951
Net cash used in investing activities		-20 588	-98 729	-182 717
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from sale and leaseback		0	0	25 000
Proceeds from loan		23 963	0	0
Payment of finance lease obligation		-2 006	0	-334
Proceeds from issue of share capital		120 780	0	0
Expenses related to issue of share capital		-5 594	0	0
Interest paid		-782	-20	-244
Net cash from financing activities		136 361	-20	24 422
Net change in cash and cash equivalents		152 376	-113 569	-215 865
Cash and cash equivalents at 1 January		41 780	257 645	257 645
Cash and cash equivalents at period end		194 156	144 076	41 780

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Magseis ASA is a public limited liability company listed on Oslo Axess and incorporated in Bærum, Norway. The address of the Company's registered office is Dicks vei 10b, 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 does 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 at 31 December 2013.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 28 August 2014.

(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 condensed consolidated interim financial statements are presented in Norwegian Kroner (NOK), which is also the Group's functional currency. All financial information presented in NOK has been rounded to the nearest thousand unless otherwise stated.

2.2 Basis for consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2014. 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 2013 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 2013 annual financial statements. There are no new standards effective in 2014 that have had a significant impact to the Group's financial statements.

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. Property, plant and equipment

EQUIPMENT					
<i>In thousands of NOK</i>	Office machines	Seismic equipment	Seismic equipment under finance lease	Under construction	Total
COST					
Balance at 1 January 2013	684	3 701	0	37 510	41 895
Additions	437	0	0	122 473	122 910
Disposals	0	0	0	0	0
Balance at 30 June 2013	1 121	3 701	0	159 983	164 805
Balance at 1 January 2014	1 230	192 333	25 000	19 561	238 124
Additions	312	2 805	0	16 656	19 773
Disposals	0	-1 683	0	0	-1 683
Balance at 30 June 2014	1 542	193 455	25 000	36 217	256 214
Depreciation and impairment losses					
Balance at 1 January 2013	188	251	0	0	439
Depreciation for the year	133	384	0	0	517
Disposals	0	0	0	0	0
Balance at 30 June 2013	321	635	0	0	956
Balance at 1 January 2014	533	9 199	1 210	0	10 942
Depreciation for the year	219	18 507	2 419	0	21 145
Disposals	0	-261	0	0	-261
Balance at 30 June 2014	752	27 445	3 629	0	31 826
Carrying amounts					
at 1 January 2013	496	3 450	0	37 510	41 456
at 30 June 2013	800	3 066	0	159 983	163 849
at 1 January 2014	697	183 134	23 790	19 561	227 182
at 30 June 2014	790	166 010	21 371	36 217	224 388

Useful life of equipment

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

Disposals

During start of operations the Company has lost some parts of equipment. The loss is shown as disposals in the table above. All cost has been recognised in the profit and loss in Q2 2014.

5. Intangible assets

<i>In thousands of NOK</i>	2014	2013
<i>Cost</i>		
Balance at 1 January	14 118	12 167
Additions	1 343	908
Disposals	0	0
Balance at 30 June	15 461	13 075
<i>Amortisation and impairment losses</i>		
Balance at 1 January	706	0
Amortisation for the year	1 412	0
Disposals	0	0
Balance at 30 June	2 118	0
<i>Carrying amounts</i>		
at 1 January	13 412	12 167
at 30 June	13 343	13 075

Development costs

In January 2014, the Group started the development of its second generation equipment, and related costs have been capitalised during the first half of 2014. In addition, intangibles as at 30 June 2014 comprise of prototypes and Magseis software for the first generation equipment which are amortised on a straight-line basis over 5.9 and 3 years respectively. The useful life of prototypes is based on the weighted average useful lives of the capsule nodes.

6. Share capital and reserves

The shares of Magseis are listed on Oslo Axess.

SHARE CAPITAL ISSUED			
	Number of shares	Shares capital NOK '000	Share premium reserve NOK '000
<i>Ordinary shares - Issued and fully paid</i>			
<i>At 1 January 2013</i>	1 053 299	1 053	338 504
At 30 June 2013	1 053 299	1 053	338 504
<i>Ordinary shares - Issued and fully paid</i>			
<i>At 1 January 2014</i>	1 053 299	1 053	338 504
10.apr.14 Placement of 254,274 at 475 NOK per share	254 274	254	120 526
28.mai.14 Share split - 20 for 1	26 151 460		0
06.jun.14 4.02 million USD loan converted for 1,011,101 at 23.75 NOK per share	1 011 101	51	23 963
Capital raising costs	0	0	-5 593
At 30 June 2014	27 162 561	1 358	477 400

In May 2014, Magseis ASA conducted a share split with ratio 1:20 whereby each share with a nominal value of NOK 1 before the split was replaced by 20 new shares, each with a nominal value of NOK 0.05.

In June 2014, Magseis ASA issued a convertible loan where one of the key terms was to automatically convert the loan into shares in Magseis ASA upon completion of the listing on Oslo Axess. The conversion was executed 6 June at the share price of NOK 23.75 per share. The conversion resulted in issuing 1,011,101 new shares. The loan was derecognised at fair value and a loss of 3.3 million was recognised in the profit and loss.

No dividends were paid during the period ended 30 June 2014 (2013: NOK 0).

7. Share-based payments

Description of the share-based payment arrangements

At 30 June 2014, the Group has the following share-based payment arrangements:

Share based payment plan (equity-settled)

The Group has established a share option programme that entitles key management personnel, senior employees and some members of the board to purchase shares in the Group. In accordance with this programme options are exercisable at the market price of the share at the date of the grant and all options are equity settled.

As described in note 6 Share capital reserve, Magseis ASA conducted a share split in May 2014 with a ratio of 1:20. The effects of the share split are taken into account in the share option program. In the table below, all grants and balances for both the current and the comparable period are based on number of shares after the split.

SHARE OPTION PROGRAMS

2013	Number of instruments	Vesting conditions	Contractual life of options
<i>Grant date / employees entitled</i>			
As of 1 January 2013	300 920		1,75
Option grant to key management on 13 March 2013	875 600	20% vest on 13 March 2014, 30% vest on 13 March 2015 and 50% vest on 13 March 2016	2,70
As of 30 June 2013	1 176 520		

2014

<i>Grant date / employees entitled</i>			
As of 1 January 2014	1 482 520		2,60
Option grant to key management on 31 March 2014	60 000	50% vest on 31 March 2016 and 50% vest on 31 March 2017	3,75
Option grant to key management on 1 May 2014	30 000	20% vest on 1 May 2015 30% vest on 1 May 2016 and 50% vest on 1 May 2017	3,84
Option grant to key management on 15 May 2014	20 000	20% vest on 15 May 2015 30% vest on 15 May 2016 and 50% vest on 15 May 2017	3,88
Option grant to key management on 1 June 2014	100 000	20% vest on 1 June 2015 30% vest on 1 June 2016 and 50% vest on 1 June 2017	3,92
As of 30 June 2014	1 692 520		

RECONCILIATION OF OUTSTANDING SHARE OPTIONS

The number and weighted average exercise prices of share options are as follows:

<i>In thousands of NOK</i>	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at 1 January	20,17	1 482 520	17,31	300 920
Forfeited during the period	0	0	0	0
Exercised during the period	0	0	0	0
Granted during the period	24,35	210 000	20,90	875 600
Outstanding at 30 June		1 692 520		1 176 520
Exercisable at 30 June	18,58	272 380	14,41	97 260

The options outstanding at 30 June 2014 have an exercise price in the range of NOK 9.70 to NOK 25.00 and a weighted average contractual life of 2.75 years.

The Group recognised a share-based payment expense of NOK 3.3 million in the period ended 30 June 2014 (2013: NOK 2.0 million) in relations to share options issued.

Inputs for measurement of grant date fair values

The grant date fair value of all share-based payment plans was calculated using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility of comparable listed entities.

The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS					
	01.06.14	15.05.14	01.05.14	31.03.14	13.03.13
Fair value at grant date (weighted average)	12.83	12.20	12.21	12.60	10.69
Share price at grant date	25.00	23.75	23.75	23.75	20.90
Exercise price	25.00	23.75	23.75	23.75	20.90
Expected volatility	75.00 %	75.00 %	75.00 %	75.00 %	75.00 %
Option life (years)	4.00	4.00	4.00	4.00	4.00
Expected dividends	0	0	0	0	0
Risk-free interest rate (weighted average)	1.70 %	1.75 %	1.78 %	1.80 %	1.49 %

8. Related parties

SHARES AND OPTIONS HELD BY CURRENT MEMBERS OF THE BOARD AND MANAGEMENT:				
	Shares		Share options	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
A Farestveit	3 605 460	3 424 460	160 000	160 000
N Matre (Westcon Group)	5 001 920	4 033 500	0	0
J B Gateman	3 515 780	3 494 740	160 000	160 000
B R Bachman	1 011 101	0	0	0
M Tjømmøe	0	0	0	0
I Gimse	904 280	895 860	250 000	160 000
M Ektvedt	0	0	266 580	206 580
Bjørn Jensen	0	0	100 000	0
Total	14 038 541	11 848 560	936 580	686 580

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:

SHARES AND OPTIONS HELD BY CURRENT MEMBERS OF THE BOARD AND MANAGEMENT:						
<i>In thousands of NOK</i>			Transaction value		Balance outstanding	
Name	Trans- actions	Note	30 June 2014	30 June 2013	30 June 2014	30 June 2013
J B Gateman	Consultant costs	(I)	691	576	504	360
N Matre/Westcon Group	Leases	(II)	55 294	0	17 847	0
N Matre/Westcon Group	Other services	(III)	4 280	363	649	453
Total			60 265	939	19 000	813

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

(II) Magseis and Westcon Group have an ongoing vessel time charter (TC) agreement along with a sale and lease-back arrangement. As part of the TC agreement Westcon Group also delivers Marine Management services. In the first half of 2014, this cost amounts to NOK 1.3 million. As at 30 June 2014 the remaining lease terms are both 4.5 years.

(III) In addition to the leases Westcon Group also delivered yard services during first half of 2014.

9. Leases

Operating leases

The TC agreement with Westcon Group (related party) is classified as an operating lease.

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
<i>In thousands of NOK</i>	30 June 2014	30 June 2013
Less than one year	105 551	0
Between one and five years	370 152	0
More than five years	0	0
Total	475 704	0

Finance leases

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				
<i>In thousands of NOK</i>	30 June 2014		30 June 2013	
	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Less than one year	6 737	6 368	0	0
Between one and five years	23 055	17 359	0	0
More than five years	0	0	0	0
Total minimum lease payments	29 792	23 727	0	0
Less amounts representing finance charges	6 065	0	0	0
Present value of minimum lease payments	23 727	23 727	0	0

10. Capital commitments

Future minimum payments relating to equipment are as follows:

<i>In thousands of NOK</i>	30 June 2014	30 June 2013
<i>Contracted but not yet provided for and payable:</i>		
Within one year	57 295	88 888
One year later and no later than five years	0	0
Later than five years	0	0
Total	57 295	88 888

