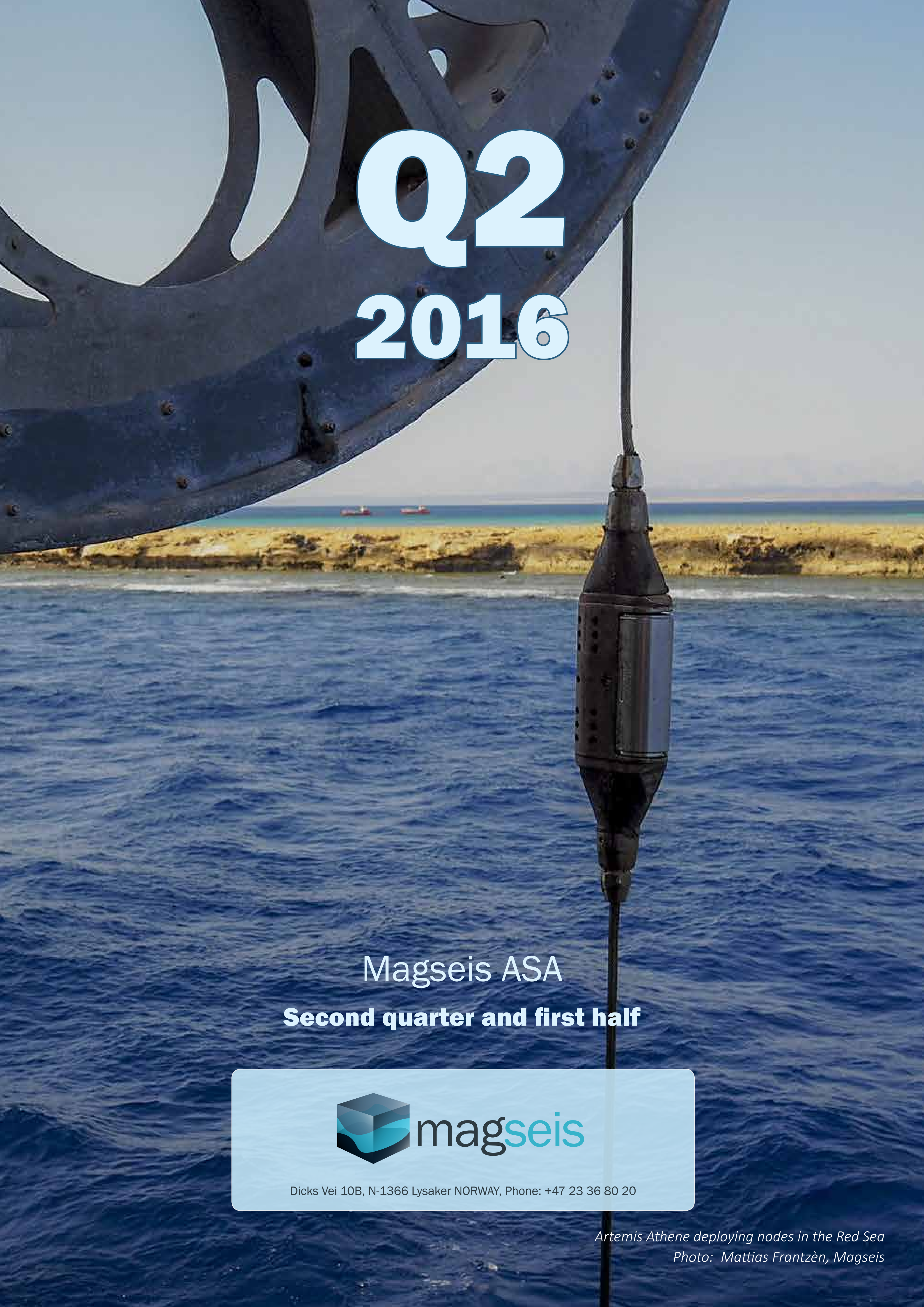


Q2 2016

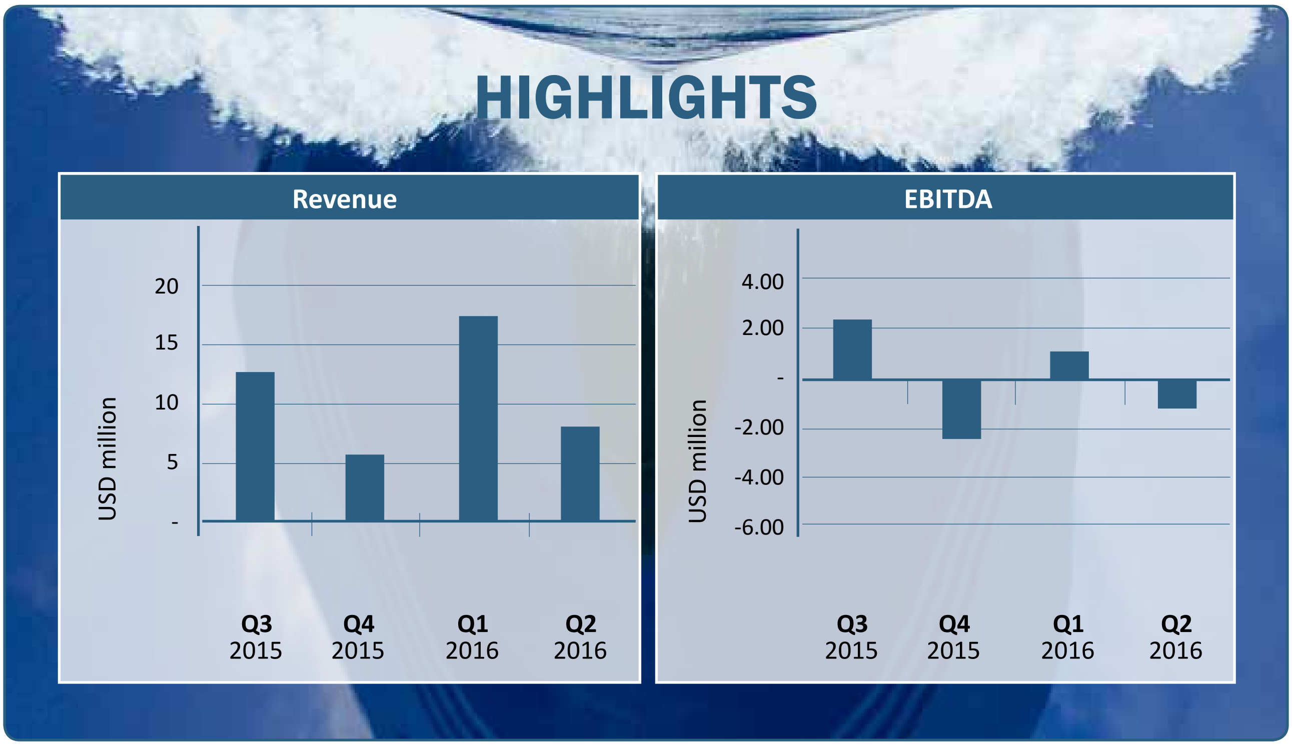
Magseis ASA

Second quarter and first half

magseis

Dicks Vei 10B, N-1366 Lysaker NORWAY, Phone: +47 23 36 80 20

Artemis Athene deploying nodes in the Red Sea
Photo: Mattias Frantzèn, Magseis



Second quarter

- **Completed the Bokor survey for Petronas – our largest and most complex survey to date (4,000 active 4 component sensors, dual vessel operation with a rolling spread configuration)**
- **Conducted extensive preparations and invested more than USD 8 million for Saudi Aramco's Red Sea survey to ensure start up early 3rd quarter**
- **Raised USD 12 million of equity finance from a combination of new and existing shareholders**
- **Secured more than USD 9 million of debt finance from Export Credit Norway and Innovation Norway (the latter during Q3 2016) in addition to the pre-payment financing from our partner BGP**
- **Revenue of USD 7.7 million compared to USD 16.6 million in 2015**
- **Reduced income gave an EBITDA of USD -1.6 million compared to USD 3.8 million in 2015**
- **EBIT of USD -3.5 million compared to USD 1.5 million in 2015**
- **Net Income of USD -4.0 million compared to USD 1.6 million in 2015**

First half

- **Revenues of USD 25.8 million compared to USD 22.3 million in the first half of 2015**
- **EBITDA of USD -0.02 million compared to USD -0.3 million in 2015**
- **EBIT of USD -6.0 million compared to USD -4.8 million in 2015**
- **Net Income of USD -7.9 million compared to USD -5.0 million in 2015**

CEO STATEMENTS

During the second quarter of 2016, we successfully completed the Bokor survey for Petronas in Malaysia and, on May 18th, started the mobilisation for Saudi Aramco's Red Sea survey. The Bokor survey was a challenging project with high field activity, our first two-vessel operation and record number of sensors in the water. With the successful completion, good HSE performance and positive feedback from Petronas and their partners, we are well positioned to respond successfully to new business opportunities in this important region for seabed seismic.

After the completion of the Bokor survey, we mobilised for the Red Sea. Our staff did an excellent job during the preparations for the survey by closely following up manufacturing of the equipment and securing a safe and smooth importation of the Artemis Athene into Saudi Arabia. After some delays we are now in production in the Red Sea following an impressive first shot ceremony attended by senior BGP management. The current production efficiency and excellent cooperation with BGP and Saudi Aramco lead us to believe that we will be back on the original production schedule well before this first contract is finished.

This is truly one of the most complex surveys ever awarded. We will operate a spread of 350km cable in water depths ranging from 1-1000m. Both our partner and we are well aware of the confidence we have been given by Saudi Aramco in ensuring the successful completion of this project, as well as the new business prospects that could materialise as a result.

This Saudi Aramco Red Sea survey is a pilot with an expected duration of 9 months and it has a good chance to be expanded by another 12 months or more. With the completion of the survey in Malaysia and successful start of the Red Sea survey, we have established Magseis as a leading international provider of seabed seismic services.

The quality of the services we deliver is gaining recognition and I was pleased with the paper presented by Statoil at the EAGE which highlighted the quality uplift that our data has provided in the Barents Sea. This underpins the feedback we have received from most of our other clients and provides a foundation for more work in the years to come.

On a personal note, this marks the final quarter of my tenure as Founder-CEO. It has been an extraordinary journey and I am very proud of what we have achieved as a team by introducing our ground-breaking technology so quickly and with such good feedback from our clients. I believe the prospects for Magseis are bright and I look forward to dedicating more of my time to developing new business opportunities and delivering on our original vision of bringing OBS costs down.

Finally I would like to welcome our new CEO, Idar Horstad, whom I am confident will successfully lead Magseis into the next stage of its development and ensure that we continue to develop and strengthen our business further.

Ivar Gimse - **CEO Magseis**

KEY FINANCIALS

In thousands of USD

Profit and loss	Q2 2016	Q2 2015	YTD 2016	YTD 2015	2015
Revenues	7 671	16 595	25 786	22 321	40 671
Cost of sales	5 903	9 891	19 532	16 764	31 427
EBITDA	-1 578	3 799	-19	-326	-2 347
EBIT	-3 546	1 513	-6 032	-4 772	-15 637
Net profit	-3 970	1 570	-7 912	-4 958	-16 510
Basic earnings per share	-0.25	0.06	-0.12	-0.18	-0.57
Financial position					
Total assets			86 748	79 227	72 830
Total liabilities			29 186	14 341	19 169
Total equity			57 563	64 886	53 661
Equity ratio			66.4%	81.9%	73.7%
Cash flow					
Net cash flow from operating activities			-3 928	-9 752	-3 625

BOARD OF DIRECTORS REPORT

Operational comments

The second quarter of 2016 saw Magseis finishing the Bokor survey on behalf of Petronas. Last shot was fired on May 14th followed by a quick recovery of our in-sea equipment, securing the last cable onboard by May 17th, demobilising on May 18th.

Finalising the Bokor survey has proven Magseis' capabilities within the Ocean Bottom Seismic ("OBS") market, showing our ability to roll massive spreads of Magseis' MASS nodes and cable and conducting very complex and highly efficient OBS acquisition programs.

Once the Bokor project was completed, the Artemis Athene sailed for Singapore where she was due for preparations related to the upcoming project offshore Saudi Arabia on behalf of BGP and Saudi Aramco.

As part of these preparations the full inventory of nodes onboard the Athene was upgraded to Magseis' generation 2 electronics (MASS 1 G2) and fitted with an upgrade to extend battery lifetime by more than 50%. In addition, close to 400 km of new cable was assembled and either loaded onto the vessel or transported separately to Saudi Arabia. Finally, the Athene was docked to undergo a main engine overhaul as well as the repair of a damaged propeller.

The Saudi Aramco Red Sea survey officially commenced on July 30th. The investments and various upgrades that have been done will allow Magseis to deploy an immense spread of some 350 km of active cable in a rolling configuration which is probably the world's largest OBS spread so far.

Despite the challenging seabed topography in the survey area with water depths ranging from 1-1000m, Magseis is confident that our MASS node technology will work well and provide Magseis' client with the highest OBS data quality available in the market. During our recent projects, Magseis has gained significant experience in conducting so called rolling operations and will also benefit from having conducted a small 3D test survey in the same area during 2015.

FINANCIAL REVIEW

Revenue

Revenue for the second quarter was USD 7.7 million. All revenue was related to the Bokor survey which was completed mid-May. The rest of the quarter was used transiting to and on a planned yard stay. In comparison the revenues for the second quarter of 2015 came in at USD 16.6 million.

Further, the revenue for the first half was USD 25.8 million compared to USD 22.3 million in the first half of 2015.

Operational costs

Cost of sales in the quarter was USD 5.9 million compared to USD 9.9 million in the second quarter of 2015. The reduction of cost is primarily due to costs following the completion of the Bokor survey, related to a planned yard stay and transit to Saudi Arabia, being capitalised.

In the first half of 2016, the Cost of sales amounted to USD 19.5 million compared to USD 16.8 million during the same period in 2015. The increase reflects continuous operations for two vessels during 2016 until mid-May compared to a one vessel operation and a period of reduced time-charter hire as a consequence of the capacity upgrade last year.

Selling, general and administration expenses (SG&A) and other expenses in the second quarter amounted to USD 2.6 million compared to USD 2.0 million in the same period in 2015. SG&A and other expenses have increased gradually along with the growing offshore organisation; in addition, a weaker NOK has cancelled out some of the underlying cost increase.

In the first half of 2016 SG&A and other expenses amounted to USD 5.0 million compared to USD 4.5 million during the same period of 2015.

In this challenging industry environment the Company is continually working to reduce the operational cost base through negotiations with sub-suppliers and ensuring that the Company's marine operations and onshore support is being run efficiently. At the same time the Company needs to maintain a sound platform to be able to conduct increasingly complex projects and capitalise on growth opportunities.

Research and development

Research and development (R&D) expenses progresses as planned for the second quarter was USD 0.8 million compared to USD 0.9 million in the second quarter of 2015.

R&D for the first half of 2016 was USD 1.3 million compared to USD 1.4 million in the first half of 2015.

Depreciation

Depreciation was USD 1.6 million in the second quarter and is impacted by USD 1.4 million being capitalised as mobilisation compared to total depreciation of USD 2.3 million in the second quarter of 2015. The gross depreciation compared to last year has increased due to more equipment in operation.

In the first half of 2016 depreciation was USD 4.6 million including USD 1.4 million being capitalised as mobilisation compared to USD 4.2 million during the same period of 2015.

Amortisation

Second quarter amortisation was USD 0.1 million compared to USD 0.1 million for the same period in 2015 related to other intangible assets.

For the first half of 2016 USD 1.1 million was amortisation, where amortisation of multi-client library was USD 0.9 million, compared to USD 0.2 for the same period in 2015 for other intangibles.

EBITDA and EBIT

The EBITDA was USD -1.6 million in the second quarter compared to USD 3.8 million the second quarter of 2015. EBITDA was driven by contract revenue only until mid-May compared to full quarter operational activity last year. EBIT was USD -3.5 million in the first quarter compared to USD 1.5 million in the same period in 2015. The decrease in EBIT relates to the same factors as the decrease in EBITDA.

EBITDA in the first half of 2016 was USD -0.02 million compared to USD 0.3 million for the same period of 2015. EBIT was USD -6.0 million in the first six months of 2016 compared to USD -4.8 million during the comparable periods of 2015.

Balance Sheet and Cash Flow

At 30 June 2016, the Group's equity was USD 57.6 million compared to USD 64.9 million at 30 June 2015. During the quarter Magseis raised USD 12.1 million of equity financed from a combination of new and existing shareholders.

Tangibles and intangible assets amounted to USD 55.2 million as at 30 June 2016 compared to USD 48.9 million at the same date in 2015. The investments reflect seismic equipment onboard Artemis Athene as well as capitalisation of expenses related to research and development projects per June 2016.

At 30 June 2016, the net value of multi-client library is zero due to amortisation of USD 0.9 million in the first quarter. No multi-client library was recognised in the same period last year.

As at 30 June 2016, current assets amounted to USD 31.5 million compared to USD 30.4 million as at 30 June 2015. Cash and cash equivalents is USD 16.9, USD 5.1 million higher than the same period in 2015.

Non-current liabilities increased to USD 14.4 as at 30 June 2016 from USD 3.5 million at the same date in 2015. The increase is mainly due to pre-funding of USD 8 million from BGP to assist the financing of required investments for the Saudi Aramco Red Sea project. In addition, funding received of totally USD 4.2 million, 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.

Current liabilities as at 30 June 2016 amounted to USD 14.8 million compared to USD 10.9 million as at 30 June 2015. The increase is mainly due to increase in trade payables of USD 5.9, driven by the investments required for the Saudi Aramco Red Sea project, and offset by a 2.0 million decrease in other current liabilities.

Cash flow from operating activities was USD-3.9 million in the first half of 2016 compared to USD -9.8 million in the same period of 2015 and is a result of good vessel utilisation during 2016 compared to last year.

The net cash outflow from investing activities amounted to USD --10.7 million in the first half of 2016 compared to USD -6.6 million in the same period of 2015 when the investment activity was at a lower level.

Cash flow from finance activities was USD 20.1 million in the first half of 2016 compared to USD 6.6 in the same period of 2015. The proceeds related to the cooperation agreement with Shell Global Solutions and pre-funding agreement with BGP, in addition to proceeds from share capital issuing, offset by instalments and paid interest relating to the finance lease.

Employees

Per 30 June 2016 Magseis had a total of 80 full-time employees (30 June 2015: 77) including offshore seismic crew of 43 employees (30 June 2015: 42).

20 LARGEST SHAREHOLDERS 30 JUNE 2016		
Shareholder	**Holdings**	
WESTCON GROUP AS	5 328 103	14.1 %
ANFAR INVEST AS	4 315 684	11.4 %
GEO INNOVA AS	3 905 050	10.3 %
CLIPPER A/S	2 158 409	5.7 %
VPF NORDEA KAPITAL	1 683 887	4.5 %
BARRUS CAPITAL AS	1 625 685	4.3 %
J.P. MORGAN CHASE BANK N.A. LONDON	1 501 947	4.0 %
VERDIPAPIRFONDET PARETO INVESTMENT	1 447 721	3.8 %
OP-EUROPE EQUITY FUND	1 254 249	3.3 %
VPF NORDEA AVKASTNING	1 089 312	2.9 %
REDBACK AS	1 000 000	2.6 %
EUROCLEAR BANK S.A./N.V. ('BA')	988 092	2.6 %
VERDIPAPIRFONDET KLP AKSJENORGE	939 615	2.5 %
GNEIS AS	924 825	2.4 %
INVESCO PERP EUR SMALL COMP FD	638 048	1.7 %
KOMMUNAL LANDSPENSJONSKASSE	623 780	1.6 %
MP PENSJON PK	595 075	1.6 %
STOREBRAND VEKST	512 395	1.4 %
COSIMO AS	420 000	1.1 %
STOREBRAND NORGE I	416 992	1.1 %
Total 20 largest shareholders	**31 368 869**	**82.9 %**
Other shareholders	6 449 145	**17.1 %**
Total outstanding shareholders	**37 818 014**	**100.0 %**

Artemis Athene at the startup of the S 78 project in the Red Sea - Photo: Ivar Gimse, Magseis

Outlook

Our crew arrived in Duba mid-July with an official start-up of July 30th which is a delay relative to the original schedule. Magseis has since the completion of the Bokor project and throughout the mobilisation for the Aramco Red Sea survey, worked closely together with BGP Arabia, benefiting from their experience and relationships in the region. Data acquisition is now well underway with the Magseis and BGP Arabia crews working together as one team.

During the quarter, Magseis entered into additional secured debt financing from Innovation Norway (the Norwegian government's investment vehicle for stimulation of entrepreneurial development) in the amount of USD 4.9 million. This comes in addition to the USD 4.4 million of secured debt financing that will be provided by Export Credit Norway AS during Q3. Together this funding comprises a major part of the financing for the Red Sea survey and strengthens the company's working capital.

The Company is still in an early phase of commercialisation and expects to optimise the cost base and generate economies of scale as we grow and capitalise on the experience gained over the past three years.

With the Red Sea survey, well underway Magseis is also experiencing a positive development in tender activity and with a significant volume of ongoing tenders, we are optimistic that the conditions for further growth will soon fall into place – enabling us to continue the development towards our goal of becoming the leading global provider of OBS services.

During Q3 Ivar Gimse will step down as CEO of Magseis. The Board recognises and appreciates the significant contribution that Ivar has made to the development and successful commercialisation of Magseis. The appointment of Idar Horstad as CEO marks a new phase for Magseis. The Board is confident that he will strengthen the Magseis organisation and facilitate the Company's growth plans.

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 2016 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 2015 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 16 August 2016

Mari Thjømøe, *Chairman*	Jan P. Grimnes, *Non-executive Director*	Jan Gateman, *Director and Senior Vice President*
Bettina R. Bachmann, *Non-executive Director*	Jan M. Drange, *Non-executive Director*	Ivar Gimse, *Chief Executive Officer*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of USD	*Note*	Q2 2016 *(unaudited)*	YTD 2016 *(unaudited)*	Q2 2015 *(unaudited)*	YTD 2015 *(unaudited)*	YE 2015 *(audited)*
REVENUE AND OTHER INCOME						
Revenue	*4*	7 671	25 786	16 595	22 321	40 671
Total revenue and other income		**7 671**	**25 786**	**16 595**	**22 321**	**40 671**
OPERATING EXPENSES						
Cost of sales		5 903	19 532	9 891	16 764	31 427
Research and development expenses		769	1 261	861	1 391	2 056
Selling, general and administrative costs		2 301	4 236	1 787	3 555	7 569
Other expenses		277	777	257	937	1 966
Depreciation and amortisation	*5*	1 580	4 571	2 171	4 185	9 193
Amortisation	*6,7*	133	1 143	115	229	3 978
Impairment	*5*	254	300	0	35	119
Total operating expenses		**11 217**	**31 819**	**15 082**	**27 093**	**56 308**
OPERATING PROFIT (LOSS)		**-3 546**	**-6 032**	**1 513**	**-4 772**	**-15 637**
FINANCIAL INCOME AND EXPENSES						
Finance income		340	459	300	184	283
Finance costs		-450	-1 053	-276	-125	- 717
Net finance costs		**-109**	**-594**	**24**	**59**	**- 434**
NET PROFIT (LOSS) BEFORE TAX		**-3 655**	**-6 627**	**1 537**	**-4 713**	**-16 071**
Income tax expense		315	1 285	-33	245	439
NET PROFIT (LOSS)		**-3 970**	**-7 912**	**1 570**	**-4 958**	**-16 510**
Basic earnings (loss) per share		-0.25	-0.12	0.06	-0.18	-0.57
Diluted earnings (loss) per share		-0.25	-0.12	0.05	-0.18	-0.57
OTHER COMPREHENSIVE INCOME						
Currency exchange differences		0	0	0	0	0
Total comprehensive income (loss) for the period, attributable to Owners of the Company		**-3 970**	**-7 912**	**1 570**	**-4 958**	**-16 510**

CONDENSED CONSOLIDATED BALANCE SHEET

In thousands of USD	*Note*	**YTD 2016** *(unaudited)*	**YTD 2015** *(unaudited)*	**YE 2015** *(audited)*
ASSETS				
Non-current assets				
Equipment	*5*	51 382	47 164	47 346
Multi-Client Library	*6*	0	0	877
Intangible assets	*7*	3 818	1 710	3 543
Total non-current assets		**55 199**	**48 874**	**51 766**
Current assets				
Cash and cash equivalents		16 855	11 814	11 435
Trade receivables		5 769	8 598	2 693
Other current assets		8 924	9 941	6 936
Total current assets		**31 549**	**30 353**	**21 064**
TOTAL ASSETS		**86 748**	**79 227**	**72 830**
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*8*	303	254	254
Share premium	*8*	102 486	90 944	90 945
Other equity		2 855	2 366	2 630
Retained earnings		-42 957	-23 555	-35 045
Currency translation reserve		-5 124	-5 123	-5 123
Total equity attributable to equity holders of the Company		**57 563**	**64 886**	**53 661**
TOTAL EQUITY		**57 563**	**64 886**	**53 661**
LIABILITIES				
Non-current liabilities				
Obligation under finance lease	*10*	1 437	2 329	1 891
Other non-current financial liabilities		12 923	1 137	4 402
Total non-current liabilities		**14 360**	**3 466**	**6 293**
Current liabilities				
Trade payables		10 007	4 642	7 607
Current tax payable		190	0	212
Current portion of obligations under finance lease	*10*	1 362	805	848
Other current liabilities		3 266	5 428	4 209
Total current liabilities		**14 825**	**10 875**	**12 876**
TOTAL LIABILITIES		**29 186**	**14 341**	**19 169**
TOTAL EQUITY AND LIABILITIES		**86 748**	**79 227**	**72 830**

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 2015	**237**	**83 774**	**2 039**	**-18 517**	**-5 123**	**62 410**
Profit / (loss) for the period	0	0	0	-4 958	0	-4 958
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-4 958	0	-4 958
Share issuance	17	7 452	0	0	0	7 469
Expenses related to share issuance	0	-282	0	0	0	-282
Fair value adjustment currency forward contract	0	0	0	-80	0	-80
Share-based payments (options)	0	0	327	0	0	327
Balance at 30 June 2015	**254**	**90 944**	**2 366**	**-23 555**	**-5 123**	**64 886**
Balance at 1 January 2016	**254**	**90 945**	**2 630**	**-35 045**	**-5 124**	**53 660**
Profit / (loss) for the period	0	0	0	-7 912	0	-7 912
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-7 912	0	-7 912
Share issuance	49	12 134	0	0	0	12 183
Expenses related to share issuance	0	-594	0	0	0	-594
Share-based payments (options)	0	0	225	0	0	225
Balance at 30 June 2016	**303**	**102 486**	**2 855**	**-42 957**	**-5 124**	**57 562**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of USD	*Note*	**Q2 2016** *(unaudited)*	**YTD 2016** *(unaudited)*	**Q2 2015** *(unaudited)*	**YTD 2015** *(unaudited)*	**YE 2015** *(audited)*
Cash flows from operating activities						
Profit / (Loss) before tax		-3 655	-6 627	1 538	-4 713	-16 071
Adjustment for:						
Income tax paid		0	-37	33	-245	-34
Deferred lease discount amortisation		-117	-233	-115	-232	-498
Depreciation and amortisation	*5, 6, 7*	1 714	5 714	2 286	4 411	7 607
Impairment	*5*	254	300	0	35	1 119
Gain on currency forward contract recognised in profit and loss		0	0	-80	-80	0
Fair value adjustment convertible loan		0	0	0	0	550
Share based payments expense		118	225	150	327	995
Interest expense		104	366	123	246	454
Interest income		-1	-5	-8	-24	-242
Working capital adjustments						
(Increase) / decrease in current assets		-3 374	-5 065	-8 789	-6 384	103
Increase / (decrease) in trade and other payables and accruals		-503	1 435	286	-3 093	1 273
		-3 877	-3 630	-8 504	-9 477	1 376
Net cash from operating activities		**-5 461**	**-3 928**	**-4 576**	**-9 752**	**-4 744**
Cash flows from investing activities						
Interest received		1	5	8	24	242
Acquisition of equipment	*5*	-8 211	-10 179	-1 793	-6 622	-13 403
Payments for capitalised development and intangibles	*7*	-189	-541	0	0	-198
Multi-client investment	*6*	0	0	0	0	0
Net cash used in investing activities		**-8 399**	**-10 714**	**-1 785**	**-6 598**	**-13 359**
Cash flows from financing activities						
Proceeds from loan		4 220	9 250	0	0	5 200
Payment of finance lease obligation		-208	-411	-187	-368	-685
Proceeds from issue of share capital		12 183	12 183	7 468	7 469	20 163
Expenses related to issue of share capital		-594	-594	-282	-282	-934
Interest paid		-104	-366	-123	-246	-454
Net cash from financing activities		**15 497**	**20 062**	**6 876**	**6 573**	**23 290**
Net change in cash and cash equivalents		1 637	5 420	514	-9 777	5 187
Cash and cash equivalents at 1 January		15 218	11 435	11 299	21 591	6 867
Net foreign exchange difference		0	0	0	0	0
Cash and cash equivalents at period end		**16 855**	**16 855**	**11 814**	**11 814**	**12 054**

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 2015.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 16 August 2016.

(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 Group's functional and presentation currency has been United States Dollars (USD). All financial information is presented in USD and has been rounded to the nearest thousand unless otherwise stated.

(e) Functional and presentation currency

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 EBIT-DA 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.

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 2016. 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 2015 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 2015 annual financial statements. There are no new standards effective in 2016 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. Revenues

In thousands of USD	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Revenue and other income				
Contract revenue	7 671	16 595	23 941	21 886
Multi-client revenue	0	0	1 845	435
Other revenues	0	0	0	0
Total revenue and other income	**7 671**	**16 595**	**25 786**	**22 321**

5. Equipment

EQUIPMENT *In thousands of USD*	Office machines	Seismic equipment	Seismic equipment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2015	324	34 653	4 063	16 167	55 207
Additions	45	2 183	0	2 408	3 591
Disposals	0	4 991	0	0	4 991
Impairment	0	-51	0	0	-51
Adjustment currency conversion	0	0	0	0	0
Balance at 30 June 2015	**369**	**41 776**	**4 063**	**18 575**	**63 738**
Balance at 1 January 2016	391	55 141	4 063	5 618	65 212
Asset completed and ready for intended use	0	0	0	0	0
Additions	22	3 291	0	7 022	10 335
Disposals	0	0	0	-254	-254
Impairment	0	-46	0	0	-46
Balance at 30 June 2016	**413**	**58 386**	**4 063**	**12 386**	**75 248**
Depreciation and impairment losses					
Balance at 1 January 2015	170	7 708	983	0	8 861
Depreciation for the year	23	1 790	197	0	2 010
Disposals	0	0	0	0	0
Impairment	0	-16	0	0	-16
Adjustment currency conversion	0	0	0	0	0
Balance at 30 June 2015	**193**	**9 482**	**1 180**	**0**	**10 855**
Balance at 1 January 2016	252	15 844	1 769	0	17 866
Depreciation for the year	45	5 561	393	0	6 000
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Balance at 30 June 2016	**298**	**21 405**	**2 163**	**0**	**23 865**
Carrying amounts					
at 1 January 2015	154	26 945	3 080	16 166	46 345
at 30 June 2015	**176**	**32 294**	**2 883**	**18 575**	**53 928**
at 1 January 2016	139	39 297	2 294	5 618	47 346
at 30 June 2016	**115**	**36 981**	**1 901**	**12 386**	**51 383**
Depreciation of the year	45	5 561	393	0	6 000
Impairment of equipment	0	0	0	0	0
Depreciation capitalised and deferred - net	0	-1 429	0	0	-1 429
Depreciation charged to expense at 30 June 2016	45	4 132	393	0	4 571

Useful life of equipment

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

Capitalisation

In the first half of 2016 Magseis has not capitalised cost relating to the development of the seismic equipment (2015: USD 1.0 million).

Impairment

Magseis has during the half of of 2016 recorded a minor impairment of USD 46 thousands (2015: USD 35 thousands).

6. Multi-client library

MULTI-CLIENT LIBRARY		
In thousands of USD	**2016**	**2015**
Cost		
Balance at 1 January	4 383	0
Additions	0	0
Disposals	0	0
Balance at 30 June	**4 383**	**0**
Amortisation		
Balance at 1 January	3 506	0
Amortisation for the year	877	0
Disposals	0	0
Impairment	0	0
Balance at 30 June	**4 383**	**0**
Carrying amounts		
at 1 January	877	0
Balance at 30 June	**0**	**0**

7. Other intangible assets

INTANGIBLES		
In thousands of USD	**YTD 2016**	**YTD 2015**
Cost		
Balance at 1 January	4 588	2 513
Additions	541	0
Disposals	0	0
Adjustments currecy conversion	0	0
Balance at 30 June	**5 129**	**2 513**
Amortisation		
Balance at 1 January	1 045	574
Amortisation for the year	266	229
Disposals	0	0
Adjustments currecy conversion	0	0
Balance at 30 June	**1 311**	**803**
Carrying amounts		
at 1 January	3 543	1 939
Balance at 30 June	**3 818**	**1 824**

Development costs

Capitalisation of USD 0.5 million in 2016 and USD 0.0 million was capitalised in 2015.

8. Share capital and reserves

The shares of Magseis are listed on Oslo Axess.

SHARE CAPITAL ISSUED

		Number of shares	Share capital USD '000	Share premium reserve USD '000
Ordinary shares - Issued and fully paid				
At 1 January 2015		27 162 561	237	83 774
11 June 2015	*Private placement of 2,655,453 shares at NOK 22 per share*	2 655 453	17	7 451
	Capital raising costs			-282
At 30 June 2015		29 818 014	254	90 944
Ordinary shares - Issued and fully paid				
At 1 January 2016		29 818 014	254	90 945
6 May 2016	*Private placement of xxx shares at NOK 12.50 per share*	6 800 000	42	10 345
	Capital raising costs			-505
30 May 2016	*Subseqvent offering of xxx share at NOK 12.50 per share*	1 200 000	7	1 789
	Capital raising costs			-88
At 30 June 2016		**37 818 014**	**303**	**102 486**

No dividends were paid during the period ended 30 June 2016 (2015: 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 personnel, 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 2016	30 June 2015	30 June 2016	30 June 2015
J B Gateman	Consultant costs	(I)	84	87	0	54
N Matre/Westcon Group	Leases	(II)	12 430	9 344	48	1 545
N Matre/Westcon Group	Other services		0	1 265	7	0
Total			**12 514**	**10 696**	**55**	**1 599**

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

(II) Relates to time charters (TC) for two vessels and a sale and leaseback arrangement. As part of the TC agree ment for Artemis Athene and Artemis Atlantic, Westcon Group also delivers Marine Management services. As at 30 June 2016 the remaining time charter lease term is 2 years and 6 months and the sale and leaseback is 2 years and 5 months.

Senior unsecured loan

On 18 December 2015, shareholders and board members Anders Farestveit and Jan Gateman provided Magseis with a seniuor unsecured loan with a principal of NOK 4.0 million (approx. USD 450 thousands). The loan was paid back including interest in June 2016.

10. Leases

Operating leases

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

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
In thousands of USD	30 June 2016	30 June 2015
Less than one year	17 960	17 202
Between one and five years	26 196	42 958
More than five years	0	0
Total	**44 155**	**60 160**

Finance lease

The sale and leaseback agreement with Westcon Group (related party) is treated as 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 2016		30 June 2015	
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	1 098	965	1 098	1 038
Between one and five years	1 551	1 363	2 649	2 096
More than five years	0	0	0	0
Total minimum lease payments	**2 649**	**2 329**	**3 747**	**3 134**
Less amounts representing finance charges	320	0	613	0
Present value of minimum lease payments	**2 329**	**2 329**	**3 134**	**3 134**

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:

CAPITAL COMMITMENTS		
In thousands of USD	30 June 2016	30 June 2015
Contracted but not yet provided for and payable:		
Within one year	2 714	10 840
One year later and no later than five years	0	0
Later than five years	0	0
Total	**2 714**	**10 840**

Dicks Vei 10B, N-1366 Lysaker NORWAY, Phone: +47 23 36 80 20