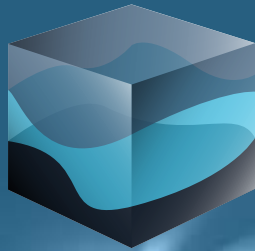
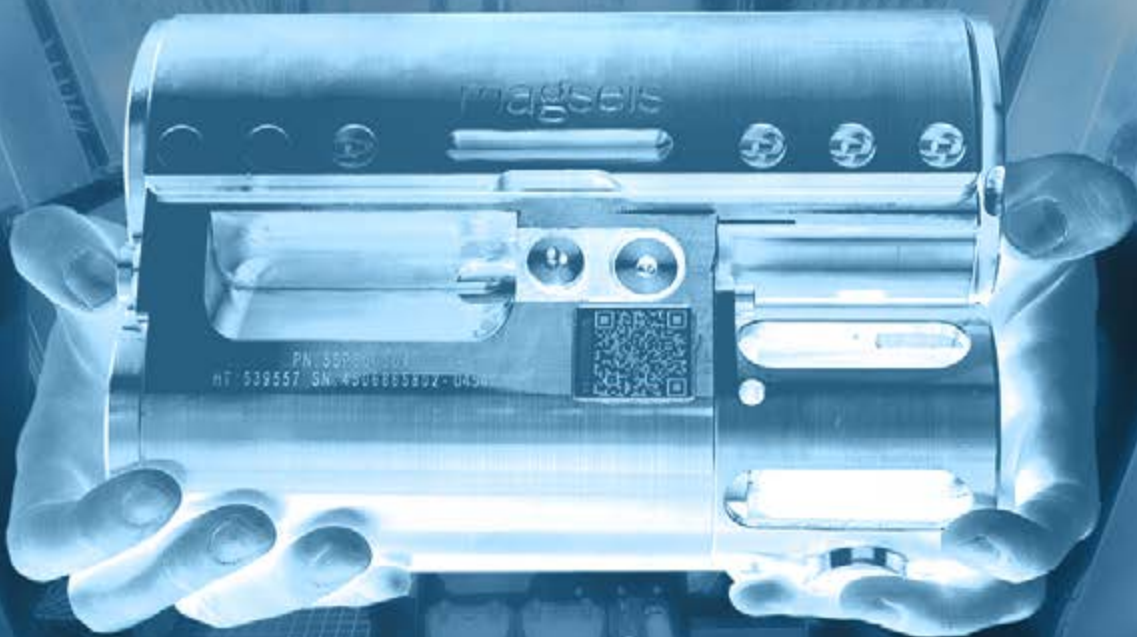


Q1 2018



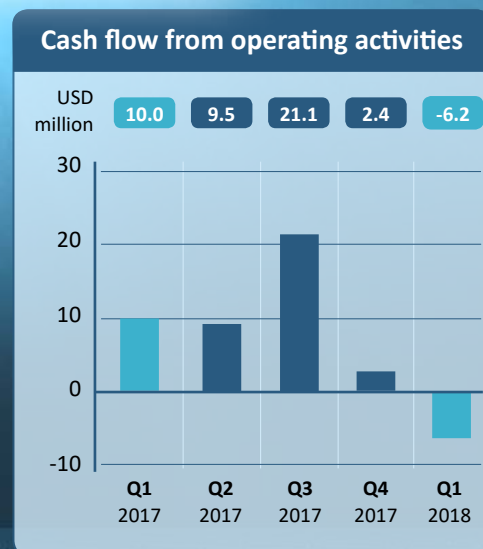
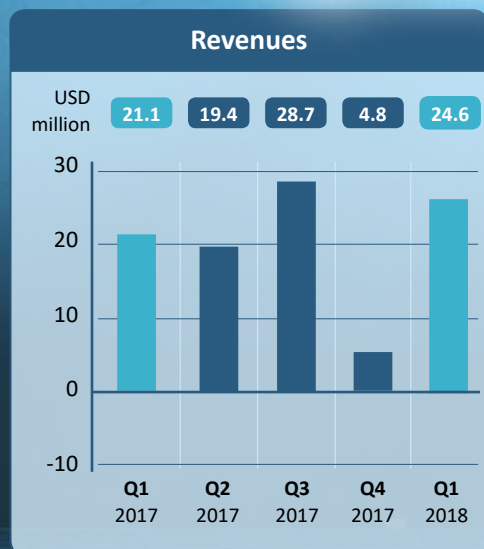
magseis



Magseis ASA - First quarter

HIGHLIGHTS

Operational Excellence



FIRST QUARTER 2018

- Revenues increased 16.5% to MUSD 24.6 compared to Q117 and MUSD 19.8 sequentially
- EBITDA increased 16.4% to MUSD 10.4 compared to Q117 and MUSD 14.9 sequentially
- EBIT increased 117.8% to MUSD USD 6.6 compared to Q117 and MUSD 14.6 sequentially
- Net profit increased 88.5% to MUSD 5.7 compared to Q117 and MUSD 15.5 sequentially
- Cash flow from operations MUSD -6.2 due to an increase in trade receivables as revenues increased sequentially
- Operational uptime and data recovery rate > 99% with no safety reported incidents
- Raised MUSD 37.0 million in equity to fund future growth
- Awarded contract for leasing of MASS nodes and full operations in South East Asia
- Application for transfer to main list at OSE in the second quarter

CEO STATEMENTS



“We are pleased to announce one of our best quarterly financial reports in the history of Magseis. This is attributable to the outstanding performance by our MASS node technology and crew onboard Artemis Athene, who despite harsh working conditions, continue to deliver operational excellence. We believe our operational track record position the Company well for future extensions in this ongoing campaign for Saudi-Aramco.

We are also pleased to see that a substantial part of the sequential revenue growth reflects all the way to the bottom line which shows the scalability of our business model with efficient survey design and improved utilisation.

This track-record combined with the record high tender activity gives us confidence in positioning the Company for future growth and investing in and prepare for multiple parallel operations. The Company successfully completed an equity issue to fund this growth strategy.

We continue our relentless efforts to reduce the cost of our acquisition methods which we firmly believe will significantly increase the addressable market for Ocean Bottom Seismic (OBS), as we will capture market share from towed streamer techniques and the production monitoring market.”

Per Christian Grytnes - CEO Magseis

KEY FINANCIALS

In thousands of USD

| Profit and loss | Q1 2018 | Q1 2017 | 2017 |
|---|---------|---------|--------|
| Revenues | 24 564 | 21 076 | 73 877 |
| Cost of sales | 9 691 | 9 997 | 35 700 |
| EBITDA | 10 370 | 8 329 | 26 136 |
| EBIT | 6 618 | 4 762 | 10 292 |
| Net profit/loss | 5 667 | 3 511 | 6 696 |
| Basic earnings (loss) per weighted average shares | 0.08 | 0.09 | 0.12 |

| Financial position | Q1 2018 | Q1 2017 | 2017 |
|--------------------|---------|---------|---------|
| Total assets | 165 032 | 128 067 | 123 549 |
| Total liabilities | 27 278 | 36 933 | 28 509 |
| Total equity | 137 754 | 91 134 | 95 040 |
| Equity ratio | 83.5 % | 71.2% | 76.9 % |

| Cash flow | Q1 2018 | Q1 2017 | 2017 |
|---|---------|---------|--------|
| Net cash flow from operating activities | -6 243 | 10 074 | 24 157 |

OPERATIONAL COMMENTS

Magseis is proud to announce that it has been selected as winner of the ConocoPhillips 2017 Supplier Recognition Award Program. On the basis of our Ocean Bottom Seismic survey over the Eldfisk field in the North Sea, summer 2017, Magseis was praised for “Doing Business Better” and providing ConocoPhillips with a safe operation and high-quality 4D seismic data for reservoir monitoring at a significantly lower cost than on previous Eldfisk campaigns.

Another quarter with outstanding performance delivered by the Artemis Athene in the Red Sea. Our MASS Acquisition system is proving its reliability and sturdiness through an exceptionally low failure rate, resulting in a stable and sustainable high production. Despite the harsh environment, our MASS nodes perform extraordinarily well, providing our client with a reliable source of high-quality ocean bottom seismic data. Our crew members continue their excellent performance which Magseis continue to benefit from which can be attributed

to their hard work and relentless effort of doing business better.

In parallel with our ongoing operation in the Red Sea, we have mobilised a smaller handling system to support an OBS survey in SE Asia. While Magseis is providing our MASS nodes and a scaled down node handling system, the client is performing the node deployment and recovery. The operation is continuing into Q2 and is another proof of both the scalability and the flexibility of our MASS Acquisition system.

Our node inventory is increasing, and we are preparing for starting off the North Sea season. To support the growing node inventory, we aim at having available multiple full MASS Modular systems in addition to smaller systems. This to ensure that we can support all types of OBS operation in a cost-effective manner with systems that are scaled to fit the clients’ needs and requirements.

QHSE COMMENTS

Q1 2018 has been another good quarter with regards to QHSE, with no incidents and good proactive activity.

The stage 1 audit for ISO 45001:2018 occupational health and safety standard was completed in February, and the stage 2 audits were complete in April together with the 9001:2015 surveillance audit.

The Athene crew has continued to run smoothly with high levels of commitment. To complete the ISO 45001:2018 certification process the Athene will be audited in May.

In January Magseis became approved providers of IOSH Working Safely and IOSH Managing safely training courses, and successfully completed 4 Working Safely courses during the quarter, 2 on the Athene and 2 in the office.



BOARD OF DIRECTORS REPORT

FINANCIAL REVIEW

Revenues

Revenues for the first quarter of 2018 were USD 24.6 million compared to USD 21.1 million for the first quarter of 2017. The increased revenue is related to improved productivity and efficient survey designs on the Saudi Aramco survey.

Operational costs

Cost of sales (COS) in the first quarter of 2018 was USD 9.7 million compared to USD 10.0 million in the first quarter of 2017 with both quarter in full operations in Saudi Arabia.

Selling, general and administration expenses (SG&A) and other expenses in the first quarter of 2018 amounted to USD 3.9 million, compared to USD 2.2 million in the first quarter of 2017. This results from an increase in the organisation and in the mobile ROV crew according to the growth plan.

Research and development

Research and development (R&D) expenses amounted to USD 0.6 million for the first quarter of 2018 compared to USD 0.5 million in the first quarter of 2017.

Depreciation

Depreciation was USD 3.6 million during the first quarter of 2018 compared to depreciation of USD 3.2 million in the first quarter of 2017. The increase is due to more equipment in use.

Amortisation

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

Impairment

First quarter 2018 impairment is zero, compared to USD 0.2 million during the first quarter of 2017 which was related to the impairment and scrapping of nodes.

EBITDA and EBIT

The EBITDA was USD 10.4 million in the first quarter of 2018 compared to USD 8.3 million the first quarter of 2017. This increase in EBITDA was due to improved productivity

EBIT was USD 6.6 million in the first quarter of 2018

compared to USD 4.8 million during the same period in 2017. The increase in EBIT relates to the same factors as the increase in EBITDA described above.

Balance Sheet and Cash Flow

As of 31 March 2018, the Group's equity was USD 137.8 million compared to USD 91.1 million at 31 March 2017. The equity ratio was 83.5% as of end March 2018.

Tangibles and intangible assets amounted to USD 86.1 million as of 31 March 2018, compared to USD 54.1 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 March 2018.

As of 31 March both 2018 and 2017, the net value of the multi-client library was zero, due to Tåkehavet being fully amortised.

As of 31 March 2018, current assets amounted to USD 78.9 million compared to USD 74.0 million as of 31 March 2017. Cash and cash equivalents were USD 44.6 million compared to USD 54.2 million as of 31 March 2017.

Non-current liabilities decreased to USD 12.9 million as of 31 March 2018, compared to USD 14.8 million as of 31 March 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 31 March 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 3.0 million as of March 2018.

Current liabilities as of 31 March 2018, amounted to USD 14.4 million compared to USD 22.2 million as of 31 March 2017. The reduction is mainly due to the repayment of BGP pre-funding, payment of withholding tax for operations in Saudi Arabia and reduced trade payables.

Cash flow from operating activities was negative of USD 6.2 million in the first quarter of 2018 compared to

positive of USD 10.1 million in the same period of 2017. The main reason for the negative cash flow from operations is the negative change in current assets and liabilities of USD 16.2 million.

The net cash outflow from investing activities amounted to USD – 14.9 million in the first quarter of 2018, resulting from investments into the mobile ROV operations as well as production of MASS nodes, compared to USD – 9.4 million in the same period of 2017 when the investments in seismic equipment was lower.

Cash flow from finance activities was USD 35.9 million in the first quarter of 2018 compared to USD 34.6 million in the same period of 2017. The proceeds are related to the share capital increase of net USD 37.0 million offset by instalments and interest relating to the loans and finance lease totalling USD 0.9 million.

Employees

As of 31 March 2018, Magseis had a total of 127 full-time employees including contractors (31 March 2017: 85) including the offshore seismic crew of 61 employees (31 March 2017: 46).

| 20 LARGEST SHAREHOLDERS 31 MARCH 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 | 3 408 363 | 4.4 % |
| 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 | 1 549 165 | 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 | 1 256 607 | 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 % |
| BERNT HOLDING AS | 1 000 000 | 1.3 % |
| GNEIS AS | 930 380 | 1.2 % |
| Total 20 largest shareholders | 49 596 424 | 63.9 % |
| Other shareholders | 27 962 634 | 36.1 % |
| Total outstanding shareholders | 77 559 058 | 100.0 % |

Outlook

The overall market addressable for Magseis is growing measured in the number of active tenders and oil companies request for quotes (RFQ).

More specifically, Magseis is well positioned for upcoming extensions to our Red Sea operation which has been

tendered and is expected to be awarded in the second quarter 2018.

In addition, Magseis has submitted a number of tenders, which are also expected to be awarded during the second quarter 2018

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 31 March 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 2018 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 9th of May 2018



Jan P. Grimnes,
Chairman



Jan Gateman,
Director and Senior Vice President



Gro Gunleiksrud Haatvedt
Non-executive Director



Bettina R. Bachmann,
Non-executive Director



Jan M. Drange,
Non-executive Director

| CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | | | | |
|---|-------------|--------------------------------------|--------------------------------------|---|
| <i>In thousands of USD</i> | <i>Note</i> | Q1 2018 <i>(unaudited)</i> | Q1 2017 <i>(unaudited)</i> | Full Year 2017 <i>(audited)</i> |
| <i>REVENUE AND OTHER INCOME</i> | | | | |
| Revenue | 4 | 24 564 | 21 076 | 73 877 |
| Total revenue and other income | | 24 564 | 21 076 | 73 877 |
| <i>OPERATING EXPENSES</i> | | | | |
| Cost of sales | | 9 691 | 9 997 | 35 700 |
| Research and development expenses | | 560 | 499 | 2 002 |
| Selling, general and administrative costs and other expense | | 3 942 | 2 250 | 10 039 |
| Depreciation | 5 | 3 561 | 3 219 | 15 148 |
| Amortisation | 6, 7 | 191 | 116 | 463 |
| Impairment | 5 | 0 | 233 | 233 |
| Total operating expenses | | 17 946 | 16 314 | 63 585 |
| OPERATING PROFIT (LOSS) | | 6 618 | 4 762 | 10 292 |
| <i>FINANCIAL INCOME AND EXPENSES</i> | | | | |
| <i>Finance income</i> | | 2 | 2 | 3 703 |
| Finance costs | | -193 | -464 | -4 101 |
| Net finance costs | | -191 | -462 | -397 |
| NET PROFIT (LOSS) BEFORE TAX | | 6 427 | 4 299 | 9 895 |
| Income tax expense | | 760 | 789 | 3 199 |
| NET PROFIT (LOSS) | | 5 667 | 3 511 | 6 696 |
| Basic earnings (loss) per weighted average shares (in USD) | | 0.08 | 0.09 | 0.12 |
| Diluted earnings (loss) per weighted average shares (in USD) | | 0.08 | 0.09 | 0.12 |
| <i>OTHER COMPREHENSIVE INCOME</i> | | | | |
| Other comprehensive income | | 0 | 0 | 0 |
| Total comprehensive income (loss) for the period. | | 5 667 | 3 511 | 6 696 |

CONDENSED AND CONSOLIDATED BALANCE SHEET

| <i>In thousands of USD</i> | <i>Note</i> | YTD 2018 <i>(unaudited)</i> | YTD 2017 <i>(unaudited)</i> | YE 2017 <i>(audited)</i> |
|---|-------------|---------------------------------------|---------------------------------------|------------------------------------|
| ASSETS | | | | |
| <i>Non-current assets</i> | | | | |
| Equipment | 5 | 80 968 | 48 569 | 69 083 |
| Multi-client library | 6 | 0 | 0 | 0 |
| Other intangible assets | 7 | 5 142 | 5 543 | 5 333 |
| Total non-current assets | | 86 110 | 54 111 | 74 416 |
| <i>Current assets</i> | | | | |
| Cash and cash equivalents | | 44 597 | 54 195 | 29 776 |
| Trade receivables | | 24 900 | 12 602 | 9 137 |
| Other current assets | | 9 425 | 7 159 | 10 220 |
| Total current assets | | 78 921 | 73 956 | 49 133 |
| TOTAL ASSETS | | 165 032 | 128 067 | 123 549 |
| EQUITY AND LIABILITIES | | | | |
| <i>Shareholders' equity</i> | | | | |
| Share capital | 8 | 545 | 435 | 438 |
| Share premium | 8 | 178 508 | 140 963 | 141 486 |
| Other equity | | 3 201 | 3 089 | 3 284 |
| Retained earnings | | -39 377 | -48 229 | -45 044 |
| Currency translation reserve | | -5 124 | -5 124 | -5 124 |
| Total equity | | 137 754 | 91 134 | 95 040 |
| <i>LIABILITIES</i> | | | | |
| <i>Non-current liabilities</i> | | | | |
| Obligation under finance lease | 10 | 0 | 704 | 0 |
| Other non-current financial liabilities | | 12 855 | 14 063 | 13 049 |
| Total non-current liabilities | | 12 855 | 14 767 | 13 049 |
| <i>Current liabilities</i> | | | | |
| Trade payables | | 4 978 | 6 429 | 6 010 |
| Current tax payable | | 1 473 | 2 875 | 1 111 |
| Current portion of obligations under finance lease and loan | 10 | 2 963 | 5 021 | 3 249 |
| Other current liabilities | | 5 010 | 7 841 | 5 090 |
| Total current liabilities | | 14 424 | 22 166 | 15 460 |
| TOTAL LIABILITIES | | 27 278 | 36 933 | 28 509 |
| TOTAL EQUITY AND LIABILITIES | | 165 032 | 128 067 | 123 549 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>In thousands of USD</i> | Share capital | Share premium reserve | Share based payments reserve | Retained earnings | Currency translation 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 | 3 511 | 0 | 3 511 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income for the period | 0 | 0 | 0 | 3 511 | 0 | 3 511 |
| | 133 | 39 650 | 0 | 0 | 0 | 39 783 |
| | 0 | -1 282 | 0 | 0 | 0 | -1 282 |
| Share-based payments (options) | 0 | 0 | 78 | 0 | 0 | 78 |
| Balance at 31 March 2017 | 435 | 140 963 | 3 089 | -48 229 | -5 124 | 91 134 |
| Balance at 1 January 2018 | 438 | 141 486 | 3 284 | -45 044 | -5 124 | 95 040 |
| Profit / (loss) for the period | 0 | 0 | 0 | 5 667 | 0 | 5 667 |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income for the period | 0 | 0 | 0 | 5 667 | 0 | 5 667 |
| Share issuance | 107 | 38 473 | 0 | 0 | 0 | 38 580 |
| Expenses related to share issuance | | -1 451 | 0 | 0 | 0 | -1 451 |
| Share-based payments (options) | 0 | 0 | -82 | 0 | 0 | -82 |
| Balance at 31 March 2018 | 545 | 178 508 | 3 202 | -39 377 | -5 124 | 137 754 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| <i>In thousands of USD</i> | <i>Note</i> | YTD 2018 <i>(unaudited)</i> | YTD 2017 <i>(unaudited)</i> |
|--|-------------|---------------------------------------|---------------------------------------|
| <i>CASH FLOWS FROM OPERATING ACTIVITIES</i> | | | |
| Profit / (Loss) before tax | | 6 427 | 4 299 |
| <i>Adjustment for:</i> | | | |
| Income tax and withholding tax paid | | -334 | 115 |
| Depreciation and amortisation | 5, 6 | 3 752 | 3 335 |
| Deferred lease discount amortisation | | -116 | -116 |
| Impairment | 5 | 0 | 233 |
| Share based payments expense | | -82 | 78 |
| Interest expense | | 302 | 536 |
| Interest income | | -2 | -2 |
| <i>Working capital adjustments:</i> | | | |
| (Increase) / decrease in current assets | | -15 078 | -643 |
| Increase / (decrease) in trade and other payables and accruals | | -1 111 | 2 240 |
| | | -16 190 | 1 597 |
| Net cash from operating activities | | -6 243 | 10 074 |
| <i>Cash flows from investing activities</i> | | | |
| Interest received | | 2 | 2 |
| Acquisition of equipment and prepayments | 5 | -14 854 | -9 375 |
| Payments for capitalised development and intangibles | 7 | 0 | -76 |
| Multi-client investment | 6 | 0 | 0 |
| Net cash used in investing activities | | -14 852 | -9 449 |
| <i>Cash flows from financing activities</i> | | | |
| Proceeds from loan | | 27 | 428 |
| Payment of finance lease obligation and loan | | -937 | -3 797 |
| Proceeds from issue of share capital | | 38 580 | 39 783 |
| Expenses related to issue of share capital | | -1 451 | -1 282 |
| Interest paid | | -302 | -536 |
| Net cash from financing activities | | 35 917 | 34 596 |
| Net change in cash and cash equivalents | | 14 821 | 35 221 |
| Cash and cash equivalents at 1 January | | 29 776 | 18 974 |
| Cash and cash equivalents at period end | | 44 597 | 54 195 |

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 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 9 May 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 have functional and presentation currency is 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 31 March 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.

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 material effects for the Company's revenue recognition.

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

| <i>In thousands of USD</i> | Q1 2018 | Q1 2017 | Full Year 2017 |
|---------------------------------------|---------------|---------------|----------------|
| <i>Revenue and other income</i> | | | |
| Contract revenue | 24 542 | 21 076 | 73 334 |
| Multi- client revenue | 0 | 0 | 0 |
| Other revenues | 22 | 0 | 543 |
| Total revenue and other income | 24 564 | 21 076 | 73 877 |

5. Equipment

| <i>In thousands of USD</i> | Office machines | Seismic equipment | Seismic equipment under finance lease | Under construction | Total |
|--|-----------------|-------------------|---------------------------------------|--------------------|----------------|
| <i>Cost</i> | | | | | |
| Balance at 1 January 2017 | 419 | 51 996 | 4 063 | 6 648 | 63 127 |
| Asset completed and ready for intended use | 0 | 4 528 | 0 | -4 528 | 0 |
| Additions | 30 | 41 | 0 | 8 591 | 8 662 |
| Disposals | 0 | 0 | 0 | -233 | -233 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2017 | 449 | 56 565 | 4 063 | 10 478 | 71 555 |
| Balance at 1 January 2018 | 680 | 71 984 | 4 063 | 24 882 | 101 609 |
| Additions | 42 | 238 | 0 | 15 024 | 15 305 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Reclass- asset under construction | 0 | 0 | 0 | 0 | 0 |
| Balance at 31.March 2018 | 723 | 72 222 | 4 063 | 39 906 | 116 914 |
| <i>Depreciation and impairment losses</i> | | | | | |
| Balance at 1 January 2017 | 335 | 17 245 | 2 556 | 0 | 20 136 |
| Depreciation for the year | 18 | 2 636 | 197 | 0 | 2 851 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2017 | 353 | 19 881 | 2 753 | 0 | 22 987 |
| Balance at 1 January 2018 | 430 | 28 754 | 3 342 | 0 | 32 527 |
| Depreciation for the year | 32 | 3 190 | 197 | 0 | 3 419 |
| Reversed depreciation sold/ scrapped capex (Disposals) | 0 | 0 | 0 | 0 | 0 |
| Impairment | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2018 | 462 | 31 945 | 3 539 | 0 | 35 946 |
| <i>Carrying amounts</i> | | | | | |
| at 1 January 2017 | 85 | 34 750 | 1 507 | 6 649 | 42 991 |
| at 31 March 2017 | 97 | 36 682 | 1 311 | 10 479 | 48 569 |
| at 1 January 2018 | 250 | 43 229 | 721 | 24 882 | 69 083 |
| at 31March 2018 | 261 | 40 277 | 524 | 39 906 | 80 968 |
| Depreciation of the year | 32 | 3 190 | 197 | 0 | 3 419 |
| Depreciation capitalised and deferred - net | 0 | 142 | 0 | 0 | 142 |
| Depreciation charged to expense at 31 March 2018 | 32 | 3 332 | 197 | 0 | 3 561 |

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 55 thousands (2017: USD 42 thousands).

Impairment

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

6. Multi-client library

| <i>In thousands of USD</i> | 2018 | 2017 |
|----------------------------|--------------|--------------|
| <i>Cost</i> | | |
| Balance at 1 January 16 | 4 383 | 4 383 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| Balance at 31 March | 4 383 | 4 383 |
| <i>Amortisation</i> | | |
| Balance at 1 January 16 | 4 383 | 4 383 |
| Amortisation for the year | 0 | 0 |
| Disposals | 0 | 0 |
| Impairment | 0 | 0 |
| Balance at 31 March | 4 383 | 4 383 |
| <i>Carrying amounts</i> | | |
| at 1 January 16 | 0 | 0 |
| Balance at 31 March | 0 | 0 |

7. Other intangible assets

| <i>In thousands of USD</i> | 2018 | 2017 |
|--------------------------------|--------------|--------------|
| <i>Cost</i> | | |
| Balance at 1 January | 7 373 | 7 160 |
| Additions | 0 | 76 |
| Disposals | 0 | 0 |
| Adjustment currency conversion | 0 | 0 |
| Balance at 31 March | 7 373 | 7 236 |
| <i>Amortisation</i> | | |
| Balance at 1 January | 2 040 | 1 577 |
| Amortisation for the year | 191 | 116 |
| Disposals | 0 | 0 |
| Adjustment currency conversion | 0 | 0 |
| Balance at 31 March | 2 231 | 1 693 |
| <i>Carrying amounts</i> | | |
| at 1 January | 5 333 | 5 583 |
| at 31 March | 5 142 | 5 543 |

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 Axess.

| SHARE CAPITAL ISSUED | | | |
|--|-------------------|---------------------------|-----------------------------------|
| | Number of shares | Share capital USD '000 | Share premium reserve USD '000 |
| <i>Ordinary shares - Issued and fully paid</i> | | | |
| At 1 January 2017 | 37 818 014 | 303 | 102 594 |
| At 30 March 2017 | 22 650 000 | 132 | 39 651 |
| <i>Private placement of 22,650,000 shares at NOK 15,00 per share</i> | | | |
| <i>Capital raising costs</i> | 0 | 0 | -1 282 |
| At 31 March 2017 | 60 468 014 | 435 | 140 963 |
| <i>Ordinary shares - Issued and fully paid</i> | | | |
| At 1 January 2018 | 60 892 391 | 438 | 141 486 |
| At 1 February 2018 | 6 089 239 | 40 | 14 229 |
| <i>Private placement of 6,089,239 shares at NOK 18,00 per share</i> | | | |
| <i>Capital raising costs</i> | | | -1 351 |
| At 21 February 2018 | 10 577 428 | 68 | 24 244 |
| <i>Private placement of 10,577,428 shares at NOK 18,00 per share</i> | | | |
| <i>Capital raising costs</i> | | | -101 |
| At 31 March 2018 | 77 559 058 | 545 | 178 508 |

No dividends were paid during the period ended 31 March 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: | | | | | | |
|--|------------------|------|-------------------|---------------|---------------------|---------------|
| <i>In thousands of USD</i> | | | Transaction value | | Balance outstanding | |
| Name | Transactions | Note | 31 March 2018 | 31 March 2017 | 31 March 2018 | 31 March 2017 |
| J B Gateman | Consultant costs | (I) | 45 | 41 | 14 | 0 |
| Westcon Group | Leases | (II) | 5 139 | 4 644 | 1 586 | 1 592 |
| Westcon Group | Other services | (II) | 0 | 0 | 0 | 0 |
| Total | | | 5 185 | 4 685 | 1 600 | 1 592 |

- (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 31 March 2018 the remaining time charter lease term is 9 months and the sale and leaseback is 8 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 | | |
|--|---------------|---------------|
| <i>In thousands of USD</i> | 31 March 2018 | 31 March 2017 |
| Less than one year | 13 882 | 18 018 |
| Between one and five years | 3 183 | 13 680 |
| More than five years | 0 | 0 |
| Total | 17 065 | 31 697 |

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 | | | | |
|--|-------------------------------|---|-------------------------------|---|
| <i>In thousands of USD</i> | 31 March 2018 | | 31 March 2017 | |
| | Future minimum lease payments | Present value of minimum lease payments | Future minimum lease payments | Present value of minimum lease payments |
| Less than one year | 732 | 704 | 1 095 | 1 000 |
| Between one and five years | 0 | 0 | 732 | 668 |
| More than five years | 0 | 0 | 0 | 0 |
| Total minimum lease payments | 732 | 704 | 1 827 | 1 668 |
| Less amounts representing finance charges | 28 | 0 | 159 | 0 |
| Present value of minimum lease payments | 704 | 704 | 1 668 | 1 668 |

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:

| <i>In thousands of USD</i> | 31 March 2018 | 31 March 2017 |
|---|---------------|---------------|
| <i>Contracted but not yet provided for and payable:</i> | | |
| Within one year | 28 688 | 7 984 |
| One year later and no later than five years | 0 | 0 |
| Later than five years | 0 | 0 |
| Total | 28 688 | 7 984 |

