

Q2 2015

Magseis ASA

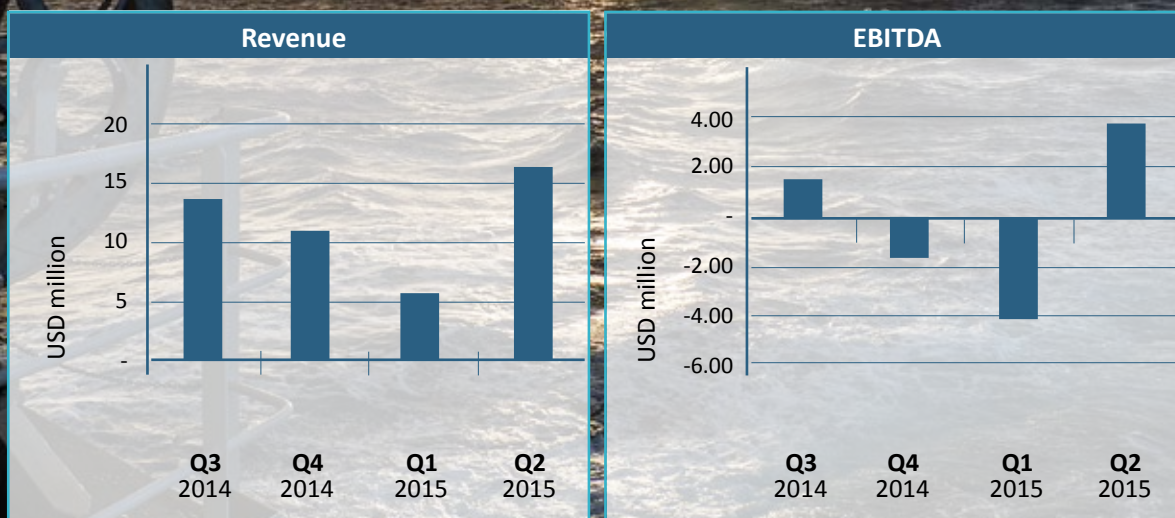
Second quarter and first half



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HIGHLIGHTS



Second quarter

- Working on high-specification 4D survey for Chevron on the UK sector
- Recorded the best financial quarter to-date
- Revenues of USD 16.6 million and EBITDA of USD 3.8 million
- EBIT of USD 1.5 million and Net Income of USD 1.6 million
- Successfully raised USD 7.5 million in new equity which enables new strategic investments

First half

- Revenues of USD 22.3 million compared to USD 30.3 million in the first half of 2014
- EBITDA for the first half ended at USD -0.3 million compared to USD 4.9 million in 2014
- EBIT of USD -4.8 million compared to USD 0.9 million in 2014
- Net Income of USD -5.0 million compared to USD 0.5 million in 2014

CEO STATEMENTS



During the second quarter Magseis has been working on a high-specification 4D project for Chevron in the UK sector of the North Sea.

With the crew operating 150 kilometers of cable for the first time we got off to a slow start.

However, performance has improved gradually and our client is pleased with the operation and data quality. I am particularly happy that during the survey we successfully commercialized our second generation sensor technology as well as established our ability to conduct ROV-based operations to deploy our long-life sensors directly underneath infrastructure.

Revenue for the quarter was adversely impacted by the slow start to the project and came in at USD 16.6 million while EBITDA and EBIT came in at USD 3.8 and USD 1.5 million respectively. This represents the best financial quarter in our history to date and is a result we can be proud of, especially with the reduced rates that prevail in the current industry climate.

The utilization in the seabed segment continues to hold up reasonably well and we have over recent months seen an improvement in tender activity. Our focus for the months ahead remains on securing good employment for Artemis Athene and building on the very positive feedback from current and prospective clients to progress our plans for a second, larger crew.

Ivar Gimse - CEO Magseis

KEY FINANCIALS

In thousands of USD

Profit and loss	Q2 2015	Q2 2014	YTD 2015	YTD 2014	2014
Revenues	16 595	16 415	22 321	30 268	56 606
Cost of sales	9 891	10 391	16 764	19 548	39 217
EBITDA	3 799	2 827	-326	4 867	5 077
EBIT	1 513	701	-4 772	903	-3 649
Net profit	1 570	221	-4 958	544	-5 379
Basic earnings per share	0.06	0.01	-0.18	0.02	-0.21

Financial position

Total assets	79 227	82 575	82 021
Total liabilities	14 341	14 661	19 600
Total equity	64 886	67 914	62 421
Equity ratio	81.9%	82.2%	76.1%

Cash flow

Net cash flow from operating activities	-9 752	6 407	5 948
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BOARD OF DIRECTORS REPORT

Operational comments

The Artemis Athene has worked for Chevron in the UK sector of the North Sea throughout the second quarter of 2015. The vessel mobilised out of Peterhead April 1st and despite the stringent specifications and requirements from our client, the crew has managed to acquire a very high quality seabed seismic data set over the field.

Our crew mastered the recent vessel upgrade well and successfully deployed 150 km of MASS cable on the larger of the 5 swaths of the survey. The survey has also required undershooting of both an FPSO and a permanent platform



structure that reside within the boundaries of the survey area. For this purpose Magseis mobilised and conducted, with support from Swire Seabed, an ROV operation to deploy and recover our long-life Generation 2 MASS nodes. The ROV operation was successfully conducted during July providing Chevron with a seamless dataset covering their asset.

The overall survey is expected to be finalised in the second part of August after which the Artemis Athene is expected to commence an industry-supported multi-client project in the Barents Sea.



FINANCIAL REVIEW

Revenues

Our Artemis Athene crew has been in full production on the Chevron survey throughout the quarter. This has resulted in revenues of USD 16.6 million. In comparison, during the second quarter of 2014 we recorded revenue of USD 16.4 million. Revenue for the first half was USD 22.3 million compared to USD 30.3 million in the first half of 2014. The reduced revenue in 2015 is mainly a result of less production and a yard stay during the first quarter.

Cost of sales

Cost of sales in the second quarter was USD 9.9 million compared to USD 10.4 million in the second quarter of 2014. The reduction of USD 0.5 million is due to lower fuel prices and crew costs. Cost of Sales for the first half of 2015 amount to USD 16.8 million compared to USD 19.5 million during the same period in 2014. In addition to lower fuel prices and crew costs this also reflects a reduction in time charter hire during the yard stay and the reduced level of production during the first quarter of 2015.

Selling, General and Administration expenses

Selling, general and administration expenses (SG&A) and other expenses amounted to USD 2.0 million in the second quarter and USD 4.5 million in the first half of 2015. This compares to USD 2.8 million and USD 5.3 million during the same period of 2014. The reduction is mainly due to a combination of a strengthened USD and lower other expenses compared to 2014 when the company undertook a listing process on Oslo Axess. The reduced costs are partly offset by the gradual growth of the organization.

Research and development

Research and development expenses (R&D) for the second quarter were USD 0.9 million and USD 1.4 million in the first half. As a comparison, the R&D expenses amounted to USD 0.4 million in the second quarter and USD 0.6 million in the first half of 2014. The increase is mainly due to higher R&D activity during 2015.

Depreciation and amortisation

In the first quarter and first half of 2015, depreciation and amortisation were USD 2.3 million and USD 4.4 million respectively compared to USD 1.9 million and USD 3.7 million during the same periods of 2014. The increase is attributable to the upgrade of capacity on Athene during 2015.

EBITDA and EBIT

The EBITDA was USD 3.8 million in the second quarter of 2015 compared to USD 2.8 million in the second quarter of 2014. EBITDA in the first half of 2015 was USD -0.3 million due to the yard stay and low production in the first quarter. EBITDA was USD 4.9 million during the first quarter of 2014. EBIT was USD 1.5 million in the second quarter and USD -4.8 million in the first six months of 2015 compared to USD 0.7 million and 0.9 million during the comparable periods of 2014.

Balance Sheet and Cash Flow

As at 30 June 2015 the Group's equity was USD 64.9 million including a currency translation reserve of USD -5.1 million which reflects the currency differences triggered by the change of presentation currency from NOK to USD in 2014. The equity as at 30 June 2014 was USD 67.9 million compared to USD 62.4 million as at 31 December 2014. The increase in equity from 31 December 2014 is mainly due to the capital raise of USD 7.5 million offset by net loss in the first half of 2015.

Tangibles and intangible assets amounted to USD 48.9 million as at 30 June 2015 compared to USD 38.6 million at the same date in 2014 and USD 48.3 million by year-end 2014. The increase reflects investments made to increase the capacity on Artemis Athene.

As at 30 June 2015, current assets amounted to USD 30.3 million compared to USD 43.9 million as at 30 June

2014 and USD 33.7 million as at 30 December 2014. The reduction mainly due to decrease in cash and cash equivalents of USD 9.8 million, mainly caused by investments in new equipment, offset by an increase in other current assets. Non-current liabilities decreased to USD 3.5 million from USD 4.1 million as at year-end 2014. The gradual decrease is due to amortisation of the time charter for Athene and reduction in the finance lease obligation.

Current liabilities as at 30 June 2015 amounted to USD 10.9 million compared to USD 9.9 million as at 30 June 2014 and USD 15.5 million at 31 December 2014. The decrease since the beginning of the year mainly reflects relatively high level of trade payables and accruals as at year-end 2014 related to receipt of new equipment.

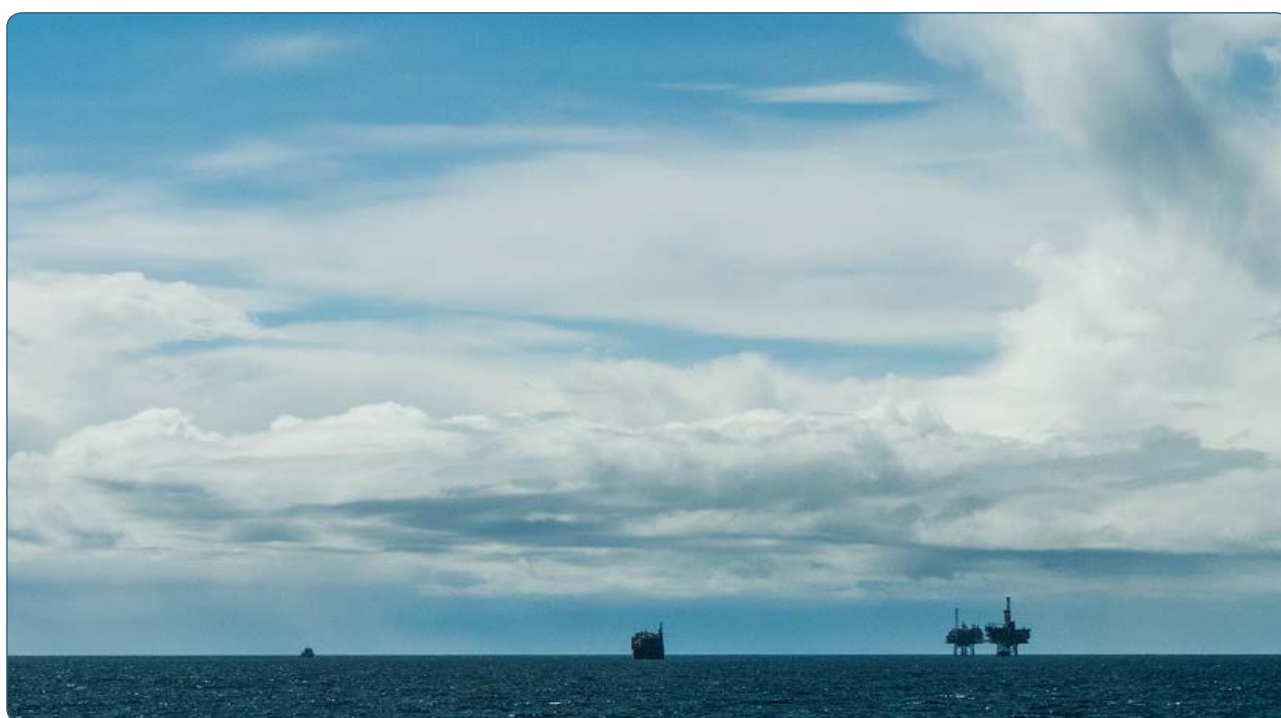
Cash flow from operating activities was USD -9.8 million in the first half of 2015 compared to USD 6.4 million in the same period of 2014. This is a result of several factors including late payment from one client (since received), an unusually high level of trade payables as at year-end 2014 and differences between revenue recognition and invoiced production. The cash outflow from investing activities amounted to USD -6.6 million in the first half of 2015 compared to USD -3.4 million during the same period of 2014 when the investment activity was at a significantly lower level. In 2015 cash flow from finance activities was USD 6.6 million which reflects the share issuance conducted in June 2015. The cash flow from finance activities in the first half of 2014 was USD 22.8 million as a result from a share issuance conducted in April 2014.

Employees

Per 30 June 2015 Magseis had a total of 77 full-time employees (30 June 2014: 64) including offshore seismic crew of 42 employees (30 June 2014: 38).



20 LARGEST SHAREHOLDERS 30 JUNE 2015		
Shareholder	Holdings	
WESTCON GROUP AS	5 328 103	17.87 %
GEO INNOVA AS	3 745 050	12.56 %
ANFAR INVEST AS	3 499 284	11.74 %
CLIPPER A/S	1 538 409	5.16 %
BARRUS CAPITAL AS	1 323 740	4.44 %
J.P. MORGAN CHASE BANK N.A. LONDON	1 109 947	3.72 %
OP-EUROPE EQUITY FUND	944 249	3.17 %
GNEIS AS	908 825	3.05 %
VPF NORDEA KAPITAL	840 487	2.82 %
KLP AKSJE NORGE VPF	747 615	2.51 %
VARMA MUTUAL PENSION INSURANCE	700 000	2.35 %
APM INVEST AS	640 800	2.15 %
STOREBRAND NORGE I	627 458	2.10 %
STOREBRAND VEKST	602 391	2.02 %
VPF NORDEA AVKASTNING	563 512	1.89 %
BARCLAYS BANK PLC	524 820	1.76 %
INVESCO PERP EUR SMALL COMP FD	500 000	1.68 %
KOMMUNAL LANDSPENSJONSKASSE	495 780	1.66 %
MP PENSJON PK	484 020	1.62 %
INVESCO FUNDS	270 000	0.91 %
Total 20 largest shareholders	25 394 490	85.16 %
Other shareholders	4 423 524	14.84 %
Total outstanding shareholders	29 818 014	100.00 %



Outlook

During the third quarter Magseis has worked to complete the Chevron survey and experienced a significant improvement in operational performance compared to the second quarter. Following the completion of the survey, Athene is scheduled to start an industry supported multi-client project in the Barents Sea building on the work already conducted in the region which shows a marked improvement in imaging compared to existing streamer data. This survey is expected to last for approximately 1-2 months after which Athene is expected to leave the North Sea.

Magseis is participating in several tenders for work to be conducted in Q4 2015 and beyond. Regardless of the outcome of these tenders and other projects in the pipeline Magseis will monitor and manage its cost-base prudently in order to navigate the current challenging industry environment as best possible. We are also

continuously improving our efficiency and building on the positive interest in our technology from clients in order to build a foundation for the introduction of our second, significantly larger 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 2015 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 2014 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 20 August 2015



Anders Farestveit,
Chairman



Noralf Matre,
Non-executive Director



Jan Gateman,
Director and Senior Vice President



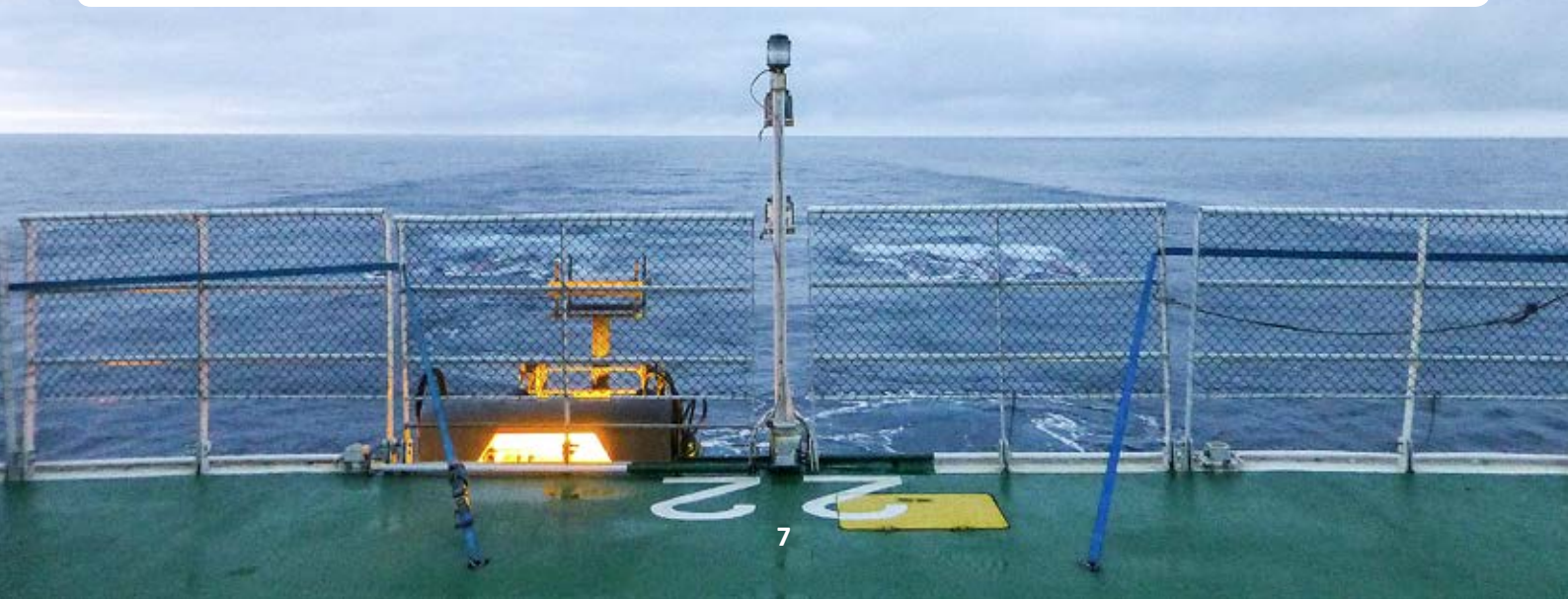
Bettina R. Bachmann,
Non-executive Director



Mari Thjømøe,
Non-executive Director



Ivar Gimse,
Chief Executive Officer



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of USD</i>	<i>Note</i>	Q2 2015 <i>(unaudited)</i>	Q1 2015 <i>(unaudited)</i>	YTD 2015 <i>(unaudited)</i>	Q2 2014 <i>(unaudited)</i>	YTD 2014 <i>(unaudited)</i>	Full year 2014 <i>(audited)</i>
<i>REVENUE AND OTHER INCOME</i>							
Revenue	4	16 595	5 726	22 321	16 415	30 268	56 606
Total revenue and other income		16 595	5 726	22 321	16 415	30 268	56 606
<i>OPERATING EXPENSES</i>							
Cost of sales		9 891	6 874	16 764	10 391	19 548	39 217
Research and development expenses		861	530	1 391	359	579	1 591
Selling, general and administrative costs		1 787	1 768	3 555	1 750	3 737	7 767
Other expenses		257	679	937	1 088	1 537	2 954
Depreciation and amortisation	5, 6	2 286	2 125	4 411	1 888	3 726	7 607
Impairment	5	0	35	35	238	238	1 119
Total operating expenses		15 082	12 011	27 093	15 714	29 365	60 255
OPERATING PROFIT (LOSS)		1 513	-6 285	-4 772	701	903	-3 649
<i>FINANCIAL INCOME AND EXPENSES</i>							
Finance income		300	-116	184	364	686	3 784
Finance costs		-276	151	-125	-844	-1 045	-5 514
Net finance costs		24	35	59	-480	-359	-1 730
NET PROFIT (LOSS) BEFORE TAX		1 537	-6 250	-4 713	221	544	-5 379
Income tax expense		-33	278	245	0	0	0
NET PROFIT (LOSS)		1 570	-6 528	-4 958	221	544	-5 379
Basic earnings (loss) per share		0.06	-0.24	-0.18	0.01	0.02	-0.21
Diluted earnings (loss) per share		0.05	-0.24	-0.18	0.01	0.02	-0.21
<i>OTHER COMPREHENSIVE INCOME</i>							
Currency exchange differences		0	0	0	-1 879	-1 155	-1 155
Total comprehensive income (loss) for the period, attributable to Owners of the Company		1 570	-6 528	-4 958	-1 658	-611	-6 534

CONDENSED CONSOLIDATED BALANCE SHEET				
<i>In thousands of USD</i>	<i>Note</i>	YTD 2015 <i>(unaudited)</i>	YTD 2014 <i>(unaudited)</i>	Year end 2014 <i>(audited)</i>
<i>ASSETS</i>				
<i>Non-current assets</i>				
Equipment	5	47 164	36 469	46 346
Intangible assets	6	1 710	2 169	1 939
Total non-current assets		48 874	38 638	48 285
<i>Current assets</i>				
Cash and cash equivalents		11 814	31 556	21 591
Trade receivables		8 598	4 312	7 621
Other current assets		9 941	8 069	4 524
Total current assets		30 353	43 937	33 736
TOTAL ASSETS		79 227	82 575	82 021
<i>EQUITY AND LIABILITIES</i>				
<i>Shareholders' equity</i>				
Share capital	7	254	237	237
Share premium	7	90 944	83 774	83 755
Other equity		2 366	1 590	2 039
Retained earnings		-23 555	-12 564	-18 487
Currency translation reserve		-5 123	-5 123	-5 123
Total equity attributable to equity holders of the Company		64 886	67 914	62 421
TOTAL EQUITY		64 886	67 914	62 421
<i>LIABILITIES</i>				
<i>Non-current liabilities</i>				
Obligation under finance lease	9	2 329	3 133	2 739
Other non-current financial liabilities		1 137	1 617	1 369
Total non-current liabilities		3 466	4 750	4 108
<i>Current liabilities</i>				
Trade payables		4 642	4 598	8 050
Current tax payable		0	0	0
Current portion of obligations under finance lease	9	805	722	761
Other current liabilities		5 428	4 591	6 681
Total current liabilities		10 875	9 911	15 492
TOTAL LIABILITIES		14 341	14 661	19 600
TOTAL EQUITY AND LIABILITIES		79 227	82 575	82 021

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 2014	186	60 026	1 044	-13 108	-3 968	44 180
Profit / (loss) for the period	0	0	0	544	0	544
Other comprehensive income	0	0	0	0	-1 155	-1 155
Total comprehensive income for the period	0	0	0	544	-1 155	-611
Share issuance	43	20 120	0	0	0	20 163
Conversion loan	8	4 011	0	0	0	4 019
Fair value adjustment convertible loan	0	550	0	0	0	550
Expenses related to share issuance	0	-868	0	0	0	-868
Expenses related to conversion of loan	0	-65	0	0	0	-65
Share-based payments (options)	0	0	546	0	0	546
Balance at 30 June 2014	237	83 774	1 590	-12 564	-5 123	67 914
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
Conversion loan	0	0	0	0	0	0
Fair value adjustment convertible loan	0	0	0	0	0	0
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

<i>In thousands of USD</i>	<i>Note</i>	YTD 2015 <i>(unaudited)</i>	YTD 2014 <i>(unaudited)</i>	2014 <i>(audited)</i>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>				
Profit / (Loss) before tax		-4 713	544	-5 379
<i>Adjustment for:</i>				
Income tax paid		-245	-34	-34
Deferred lease discount amortisation		-232	-249	-498
Deferred steaming cost		0	166	0
Depreciation and amortisation	5, 6	4 411	3 726	7 607
Impairment	5	35	238	1 119
Gain on currency forward contract recognised in profit and loss		-80	0	0
Fair value adjustment convertible loan		0	550	550
Share based payments expense		327	546	995
Interest expense		246	114	454
Interest income		-24	-48	-242
<i>Working capital adjustments:</i>				
(Increase) / decrease in current assets		-6 384	60	103
Increase / (decrease) in trade and other payables and accruals		-3 093	794	1 273
		-9 477	854	1 376
Net cash from operating activities		-9 752	6 407	5 948
<i>Cash flows from investing activities</i>				
Interest received		24	48	242
Acquisition of equipment	5	-6 622	-3 090	-13 403
Payments for capitalised development and intangibles	6	0	-325	-198
Net cash used in investing activities		-6 598	-3 367	-13 359
<i>Cash flows from financing activities</i>				
Proceeds from loan		0	4 020	5 200
Payment of finance lease obligation		-368	-331	-685
Proceeds from issue of share capital		7 469	20 163	20 163
Expenses related to issue of share capital		-282	-934	-934
Interest paid		-246	-114	-454
Net cash from financing activities		6 573	22 804	23 290
Net change in cash and cash equivalents		-9 777	25 844	15 879
Cash and cash equivalents at 1 January		21 591	6 867	6 867
Net foreign exchange difference		0	-1 155	-1 155
Cash and cash equivalents at period end		11 814	31 556	21 591

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 2014.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 20 August 2015.

(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

Since 1 July 2014, 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. Comparative figures earlier presented in NOK has been translated by using quarterly average rates for the profit and loss, closing rates for assets and liabilities, and historical transaction rates for equity and other non-monetary items. The exchange differences arising from using different currency rates in comparative figures are presented as currency translation reserve in equity.

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 2015. 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 2014 annual financial statements. The accounting judgements, estimates and assumptions used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2014 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 2014 annual financial statements. There are no new standards effective in 2015 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. Revenue

<i>In thousands of USD</i>	Q2 2015	Q2 2014	YTD 2015	YTD 2014
<i>Revenue and other income</i>				
Contract revenue	16 595	16 415	21 886	30 268
Multi-client revenue	0	0	435	0
Total revenue and other income	16 595	16 415	22 321	30 268

USD 1.3 million of total revenue in the second quarter of 2015 relates to additional vessels provided by Magseis as part of the ongoing survey for Chevron on the Captain field. Revenues and corresponding costs for these services are treated gross as Magseis bears the counterparty risk towards the service providers.

5. Equipment

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 2014	202	31 614	4 109	3 216	39 142
Asset completed and ready for intended use	0	0	0	0	0
Additions	52	464	0	2 756	3 272
Disposals	0	-279	0	0	-279
Adjustment currency conversion	-3	-358	-46	-86	-493
Balance at 30 June 2014	251	31 442	4 063	5 886	41 642
Balance at 1 January 2015	306	34 676	4 063	16 161	55 207
Asset completed and ready for intended use		2 183	0	-2 183	
Additions	45	4 991	0	0	5 035
Disposals	0	0	0	0	0
Impairment	0	-51	0	0	-51
Balance at 30 June 2015	351	41 798	4 063	13 979	60 191
<i>Depreciation and impairment losses</i>					
Balance at 1 January 2014	88	1 512	199	0	1 799
Depreciation for the year	36	3 071	400	0	3 508
Disposals	0	-43	0	0	-43
Adjustment currency conversion	-2	-71	-9	0	-82
Balance at 30 June 2014	122	4 461	590	0	5 181
Balance at 1 January 2015	170	7 708	983	0	8 861
Depreciation for the year	43	3 746	393	0	4 182
Disposals	0	0	0	0	0
Impairment	0	-16	0	0	-16
Balance at 30 June 2015	213	11 438	1 376	0	13 027
<i>Carrying amounts</i>					
at 1 January 2014	115	30 102	3 910	3 215	37 343
at 30 June 2014	128	26 981	3 473	5 886	36 469
at 1 January 2015	137	26 967	3 080	16 161	46 346
at 30 June 2015	138	30 361	2 687	13 979	47 164

Useful life of equipment

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

Capitalisation

In the first half of 2015 Magseis has capitalised USD 1.0 million (2014: USD 0.6 million) in cost relating to the development of the seismic equipment.

Impairment

Magseis has during the first half of 2015 recorded a minor impairment of USD 35 thousands (2014: USD 238 thousands).

6. Intangible assets

INTANGIBLES		
<i>In thousands of USD</i>	2015	2014
<i>Cost</i>		
Balance at 1 January	2 513	2 321
Additions	0	222
Disposals	0	0
Adjustment currency conversion	0	-29
Balance at 30 June	2 513	2 514
<i>Amortisation</i>		
Balance at 1 January	574	116
Amortisation for the year	229	234
Disposals	0	0
Adjustment currency conversion	0	-5
Balance at 30 June	803	345
<i>Carrying amounts</i>		
at 1 January	1 939	2 205
Balance at 30 June	1 710	2 169

Development costs

No capitalisation was conducted in 2015, but in the first quarter of 2014 USD 0.2 million was capitalised. In addition, intangibles as at 30 June 2015 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 sensor capsules.

7. 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 2014	1 053 299	186	60 026
10 April 2014	<i>Placement of 254,274 at 475 NOK per share</i>	42	20 120
28 May 2014	<i>Share split - 20 for 1</i>	0	0
06 June 2014	<i>4.02 million USD loan converted for 1,011,101 at 23.75 NOK per share</i>	9	4 561
	<i>Capital raising costs</i>	0	-933
At 30 June 2014	27 162 561	237	83 774
<i>Ordinary shares - Issued and fully paid</i>			
At 1 January 2015	27 162 561	237	83 775
11 June 2015	<i>Private placement of 2,655,453 shares at NOK 22 per share</i>	17	7 451
	<i>Capital raising costs</i>	0	-282
At 30 June 2015	29 818 014	254	90 944

At 1 July 2014 Magseis ASA and its subsidiaries changed their functional and presentation currency from Norwegian Krone (NOK) to United States Dollars (USD). The translation resulted in a currency translation difference arising from using different currency rates for profit and loss, assets and liabilities, equity and other non-monetary items for comparison figures. The effect is shown as currency translation reserve in the statement of changes in equity. Refer to Consolidated changes in equity further information.

No dividends were paid during the period ended 30 June 2015 (2014: USD 0).

8. Related parties

During the first half of 2015, 35 000 share options with an average strike price of NOK 24.71 have been issued to employees. Magseis has recognised share-based expense of USD 0.2 million in 2015 (2014: USD 0.6million).

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	30 June 2015	30 June 2014	30 June 2015	30 June 2014
J B Gateman	Consultant costs	(I)	87	114	54	59
N Matre/Westcon Group	Leases	(II)	9 344	9 151	1 545	0
N Matre/Westcon Group	Other services	(III)	1 265	715	0	74
Total			10 695	9 981	1 599	132

- (I) *J B Gateman is engaged as an independent consultant as Senior Vice President.*
- (II) *Relates to a time charter (TC) and a sale and leaseback arrangement. As part of the TC agreement Westcon Group also delivers Marine Management services. For the first half of 2015 this cost amounts to USD 0.2 million. As at 30 June 2015 the remaining time charter lease term is 3 years and 6 months and the sale and leaseback is 3 years and 5 months.*
- (III) *In addition to the leases Westcon Group also delivered yard services during first six months of 2015.*

9. Leases

Operating leases

The TC agreement with Westcon Group (related party) is classified as an operating lease. The table below sets out the future minimum lease payments of the arrangement:

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
<i>In thousands of USD</i>	30 June 2015	30 June 2014
Less than one year	17 202	17 155
Between one and five years	42 958	60 160
More than five years	0	0
Total	60 160	77 315

Finance lease

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

FUTURE MINIMUM LEASE PAYMENTS FINANCE LEASES				
	30 June 2015		30 June 2014	
<i>In thousands of USD</i>	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	1 038	1 095	1 035
Between one and five years	2 649	2 096	3 747	2 821
More than five years	0	0	0	0
Total minimum lease payments	3 747	3 134	4 842	3 856
Less amounts representing finance charges	613	0	986	0
Present value of minimum lease payments	3 134	3 134	3 856	3 856

Refer to note 8 Related parties for further information about leases with related parties.

10. Capital commitments

Future minimum commitments relating to equipment are as follows:

CAPITAL COMMITMENTS		
<i>In thousands of USD</i>	30 June 2015	30 June 2014
<i>Contracted but not yet provided for and payable:</i>		
Within one year	10 870	9 312
One year later and no later than five years	0	0
Later than five years	0	0
Total	10 870	9 312

