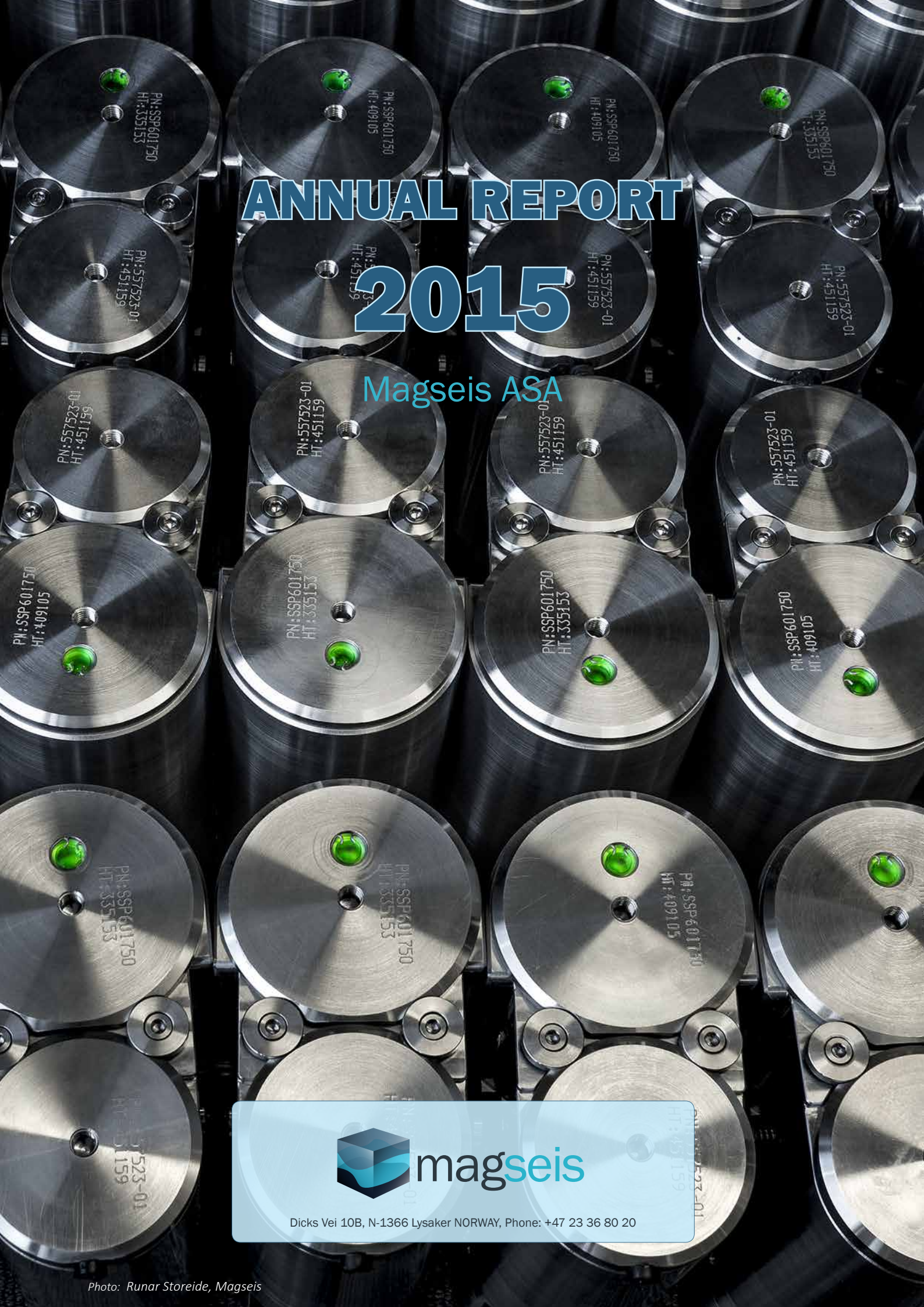
ANNUAL REPORT 2015

Magseis ASA



magseis

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

Photo: Runar Storeide, Magseis

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From Magseis operation at Captain Field

Photo: Jonathan Cudmore, Magseis

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

MAGSEIS AT A GLANCE

- Magseis is a geophysical company established in 2009, which has introduced a new and more efficient ocean bottom seismic ("OBS") system to the global seismic market.
- Our proprietary Marine Autonomous Seismic System ("MASS") has since its introduction rapidly established itself as the preferred technical and commercial choice among some of the world's leading oil and gas companies. We aim to use this competitive advantage to drive down acquisition costs and create an industry leading global seabed seismic company.
- The Company´s headquarters is located in Oslo. In addition, we have offices in Bergen, Stockholm and Singapore.
- 77 employees support our ambitions around the world every day.

HIGHLIGHTS

- During 2015, Magseis continued to build on our track-record of providing high-quality OBS surveys with operations carried out in a safe, efficient manner and to our, and clients', high standards.
- In the first quarter, Magseis completed a pilot survey for Saudi Aramco designed as a prequalification for a larger upcoming contract. In February 2016 this investment paid dividends as we were awarded a 9 month firm (+ 12 months optional extension) contract for Saudi Aramco together with BGP.
- During the first half of the year we delivered on our target to upgrade our operational capacity to 150 kilometres of cable, and by the end of 2015 our inventory of sensors stands at 5 000.
- A high-specification 4D survey was carried out in the UK sector of the North Sea for Chevron during the second quarter. This was the first time Magseis combined MASS cable deployment and MASS sensor deployment by Remotely Operated Vehicle (ROV).
- Magseis invested in its second, small but well-funded, Multi-Client survey in the Barents Sea during the third quarter.
- During the fourth quarter Magseis was awarded a contract with Petronas for work offshore Malaysia. The survey commenced during December and calls for a record number of sensors to be operated in a so-called "rolling spread" – supporting future operational efficiency targets.
- Revenues of USD 40.7 million, compared to USD 56.6 million in 2014.
- EBITDA of USD -2.3 million compared to USD 5.1 million in 2014.
- EBIT of USD -15.6 million compared to USD -3.6 million in 2014.
- Net loss of USD -16.5 million compared to USD -5.4 million in 2014.

Stern wheel of Artemis Athene in the Mediterranean Sea

Photo: Kristian Røislien, Magseis

CEO COMMENT

Ivar Gimse, CEO Magseis *Photo: Runar Storeide, Magseis*

During our second year of operation we, and the entire seismic market, faced an oil and gas industry that had to implement drastic measures to adjust to the falling oil price. This naturally affected us as well, and our utilisation and financial results for 2015 suffered accordingly.

However, our strategic and operational goals for 2015 were two-fold: First we needed to continue building on our strong track-record of executing challenging 4D surveys and adding to our list of satisfied clients. Secondly, we wanted to continue to invest in equipment to drive further productivity improvements for our proprietary Marine Autonomous Seismic System ("MASS").

During 2015 Magseis won contracts for new and old clients. Included in this were milestone contracts such as the complex Captain field survey for Chevron in the UK and a pilot survey for Saudi Aramco in the Red Sea. Most importantly, the latter contract resulted in the subsequent award of our largest contract to date, which will commence in Q3 2016 and secure backlog well into 2017. Better client feedback than this is hard to come by.

We have continued to invest in more sensors and cable capacity. We have also introduced our new Generation 2 technology during this year. These investments have improved our productivity significantly, and positions us well for further cost efficient expansion. In a challenging market, Magseis has been able to deliver on its strategic goals in a meaningful way.

Our achievements during 2015 have improved our competitive position in the 4C seismic sector significantly. We firmly believe we have the industry´s most efficient crew, and the ability to build on this strong position. Next year we will benefit from a very strong backlog in the most challenging year for seismic companies and our financial performance and position will strengthen. Going forward we need to acknowledge the fact that the oil service industry is experiencing challenging times and work to reduce our cost base in a manner that also reflects that our second generation technology has now been successfully commercialised. At the same time we see a shrinking competitive universe and encouraging market activity within our segment of the oil service industry. Capturing growth opportunities whilst safeguarding our financial position will be our challenging goal going forward.

Ivar Gimse
CEO Magseis

KEY FINANCIALS				
Profit and loss *In thousands of USD*	**Group 2015**	**Group 2014**	**Parent 2015**	**Parent 2014**
Revenues	40 671	56 606	39 060	56 625
Cost of sales	31 427	39 217	30 501	39 245
EBITDA	-2 347	5 077	-3 046	5 087
EBIT	-15 637	-3 649	-16 336	-3 639
Net profit (loss)	-16 510	-5 379	-16 998	-5 403
Basic earnings (loss) per share	-0.58	-0.21		
Financial position				
Total assets	72 830	82 021	71 435	82 230
Total liabilities	19 169	19 600	18 261	19 830
Total equity	53 661	62 421	53 174	62 400
Equity ratio	73.7%	76.1%	74.4%	75.9%
Cash flow				
Net cash flow from operating activities	-3 625	5 948	-3 634	5 942

THIS IS MAGSEIS

Company overview

Magseis ASA (the "Company" or "Parent") is a Norwegian geo-physical company founded in 2009. The Company has developed a proprietary OBS acquisition system ("MASS") based on the principle of small, autonomous sensor capsules that can be integrated in an optimized steel cable. The sensor capsules can be deployed and recovered at high speed, with great accuracy and in much larger quantities than existing equipment in the market.

On board the vessel, the sensor capsules are handled by a fully-automated system based on well-established industrial robot technology as well as in-house developed software. The system has been designed to handle large numbers of sensor capsules in a safe and efficient manner while also reducing the amount of manual handling required.

The system is operated from the vessel Artemis Athene which is a seismic vessel that was rebuilt by its owner Artemis Athene AS (a wholly owned subsidiary of Westcon Group AS) in the second half of 2013 to enable Magseis' operations.

OBS data is widely recognised as the highest quality seismic data available today. Exploration and Production companies have over the past few years, started to adopt OBS technology to cope with the increasingly challenging geology of today's reservoirs.

Traditionally exploration seismic has made up the majority of the total 3D volume, however, production related seismic is now the fastest growing segment, with OBS expected to capture an increasing share of high-end seismic work in the future relative to towed streamer seismic.

Magseis' technology allows an Ocean Bottom Cable to be deployed in much greater lengths than previously possible. Through this technology, Magseis has succeeded in reducing the time required to conduct OBS surveys and consequently the cost. Our vision and expectation is that OBS costs can be reduced to a level where it becomes a widely used tool not only for field development, but also for exploration.

The year in review

2015 took us on an exciting journey in a very challenging market. Shortly after the turn of the year, the Artemis Athene set sail for warmer waters. Leaving the Barents Sea early January, our crew commenced deploying our MASS cable in the Red Sea on February 3rd paving the way for future opportunities with Saudi Aramco. This pilot test also allowed us the opportunity to demonstrate our deep-water capabilities and Magseis successfully deployed and recovered our cable based node system in more than 1000 meters water depth.

After completing the job in the Red Sea, the Artemis Athene returned to the North Sea for the summer season. Prior to the start up for Chevron UK on their Captain field, the Artemis Athene conducted a 5 year classing and an upgrade from 75km to 150 km of MASS cable, our first step towards truly high capacity vessels. Being our largest 4D survey to date, the Captain survey marked a new achievement for us utilising ROV deployment of nodes close to and on the seabed under offshore installations (platforms and a FPSO). The Magseis technology mastered the challenges, the survey was concluded successfully, providing our client with the very high data quality required to achieve their objectives.

Following on from the Chevron survey the Athene conducted two surveys (one of which was a multi-client survey) in the Barents Sea, again proving our harsh environment capabilities.

Upon award by Petronas of their Bokor survey offshore Malaysia, the Artemis Athene again headed south, arriving just in time to commence production before the end of the year.

In summary, a year of hard work to secure employment leading to a lot of vessel transit resulting in an overall utilisation of 67%, significantly down from the 90% achieved in 2014.

On the other hand, also a year where Magseis has proven and strengthened our competitive position, further enhanced our capacity and technology with the introduction of the generation 2 MASS sensors as well as commercialising deployment of MASS sensors by ROV. A tool that gives us increased reach and flexibility, and that as of 2015 is available for all our clients.

Market outlook

The trend in the global OBS market continues with larger seabed seismic surveys and during 2015 such projects were being tendered for acquisition in 2016 and beyond. In order to acquire OBS data over greater areas, we see that clients are asking for larger acquisition spreads and more in-sea equipment in order to drive down cost per sq km. There is a significant interest in OBS data to improve imaging in areas where traditional streamer seismic cannot operate due to infrastructure and/or obstructions as well as in complex geological areas where full azimuthal coverage and shear-waves are needed to fully image the subsurface strata. We also see that OBS is highly production-oriented and remains important for improved development and recovery of existing reservoirs.

During 2015, clients have adjusted to a lower oil price environment and some projects have been pushed out in time, but most projects remain a firm part of their plans as part of field development programs, ahead of drilling campaigns and with the current focus for optimizing oil and gas recovery rather than exploring for new fields.

The North Sea remains active with ongoing tendering and industry interest for projects starting in the summer season of 2016 and 2017, especially in the 4D monitoring segment. There are several projects being planned in the North and South America (NSA) region with Mexico and Brazil both expected to be active markets. South-East Asia remains a prospective region with a combination of large projects and smaller field development projects in the pipeline. Middle East has large projects planned for late 2017 and Africa also presents several opportunities in the more traditional production-oriented segment of the market.

We are experiencing increased tendering activity for large volumes of work and whilst 2016 may remain subject to more careful spending from clients, we are confident in our view of a improved OBS market in 2017 and 2018.

The year to come

Magseis continues to see an increased interest in the MASS technology, and our track record so far is a good proof of concept. The Artemis Athene is currently in operation off Sarawak and our backlog extends well into 2017, meaning that the vessel will be occupied on a continuous basis throughout 2016. The test pilot survey conducted for Saudi Aramco (through BGP International), early 2015, provided both Saudi Aramco and BGP with confidence that Magseis could provide the best possible technology available to acquire this complex survey, covering water depths from 0m all the way down to >1000m.

The Artemis Athene will be provided with more than 4000 second generation MASS nodes and will during certain parts of the survey handle upwards to 350km of cable in a very large rolling spread, again pushing the boundaries for large scale OBS surveys.

Our best-in-class technology, now complemented with the enhanced functionality and battery life of our second generation MASS nodes, provides us with an excellent foundation to capture further market share through introducing significantly larger and more efficient crews when the market recovers.

The Crew at stern of Artemis Athene, after one of our successful operations. *Photo: Jacques Schutte, Magseis*

DIRECTORS

Name

Experience and Special Responsibilities

Anders Farestveit
Chairman, Non-Executive Director

Anders Farestveit has 45 years' experience from the seismic and oil exploration industry. Anders founded GECO in 1972 and served as CEO until 1987 when Schlumberger acquired 50% of the Group. Anders served as Working Chairman of Schlumberger Norway until 1999 when he retired. Anders was one of the founders of the seismic company Wavefield InSeis ASA which was listed at the Oslo Stock Exchange in 2007. Wavefield Inseis was subsequently acquired by CGG in 2008.

He has been recognised for his contribution to the seismic industry and has received several awards, as Honorary Doctor University of Bergen, Honorary member SEG, Oilman of the year by Society of Petroleum Engineers SPE International 1993 and Gullkronen honour award, by Rystad Energy in 2016

He holds a Master of Science degree in Geophysics.

Noralf Matre
Non-Executive Director

Noralf Matre has 40 years' of experience from the shipyard and offshore industries as CEO and in different senior management positions. Noralf is one of three main shareholders and board member of Westcon Group. Noralf is presently chairman for Maritim Management AS which is Westcon Group's seismic ship operation company.

As shipyard manager and ship owner Noralf has been involved with all aspects of ship building and operation of ships.

He is a College graduate from the University of Stavanger in 1973 within shipping economics.

Jan B Gateman
Executive Director
Senior Vice President

Jan Gateman has 30 years seismic industry experience, with particular focus on the Multi client seismic business segment, and has held various senior management positions with companies such as Geco 1983- 1987, Nopec 1987-1993, CGG 1993-1998, GeoInnova, Inseis and Wavefield Inseis.

He was one of the persons pioneering the Multi Client 3D seismic industry in North West Europe and is also one of the founders of both GeoInnova and InSeis.

He holds a Master of Science degree in Marine Geology.

Mari Thjømøe
Non-Executive Director

Mari Thjømøe has 25 years of experience from the oil and energy sector and served as Senior Vice President in Statoil ASA, she was CFO of KLP, and CFO and acting CEO of Norwegian Property ASA. Mrs Thjømøe is working as an independent consultant and director/chairman of the Board in several private and public limited liability companies, including listed companies.
In 2014, Mrs Thjømøe was awarded the Gabrielsen board award.

She holds a Master of Economy and Business Administration from the Norwegian Business School 1987, BI, a Chartered Financial Analyst from the Norwegian School of Economics and Business Administration 1992, NHH and has participated in the Senior Executive Programme at London Business School 2010 and "Making Corporate Boards More Effective" at Harvard Business School 2014.

Bettina Bachmann
Non-Executive Director

Bettina Bachmann joined Shell in 1983 in The Hague as an explorer and soon moved to Tunisia, where her first assignment included geological fieldwork and exploration evaluation. This was followed by a number of postings across the Middle East and Europe in various technical and leadership roles in exploration and production.

Following a short assignment to design leadership courses for exploration, Bettina moved to Upstream R&D in 2005 where she was responsible for strategy, planning and technology deployment. In 2009, Bettina was appointed Vice President for Subsurface and Wells Software in Production and Technology. Since 2012, this also includes Shell's globally organised support and deployment teams in the regions.

She holds a Masters degree in geophysics from the ETH in Zurich.

EXECUTIVE MANAGEMENT

Ivar Gimse
Chief Executive Officer

Ivar Gimse has more than 25 years seismic industry experience, with particular focus on data processing, multi-client seismic project development, Ocean Bottom Cable operations and technical marketing. Ivar held various senior management positions with Geco-Prakla 1983-1998 and PGS 1998-2006 before joining InSeis in 2006 as Vice President, Business Development.

He holds a Master of Science degree in Geophysics.

Mikkel Ektvedt
Chief Financial Officer

Mikkel Ektvedt has more than 15 years of experience from the finance and offshore industries. From 2000 until 2008 Mikkel worked for the corporate finance division of SEB in London and Oslo. Prior to joining Magseis, Mikkel worked as VP of corporate development for FLEX LNG in London.

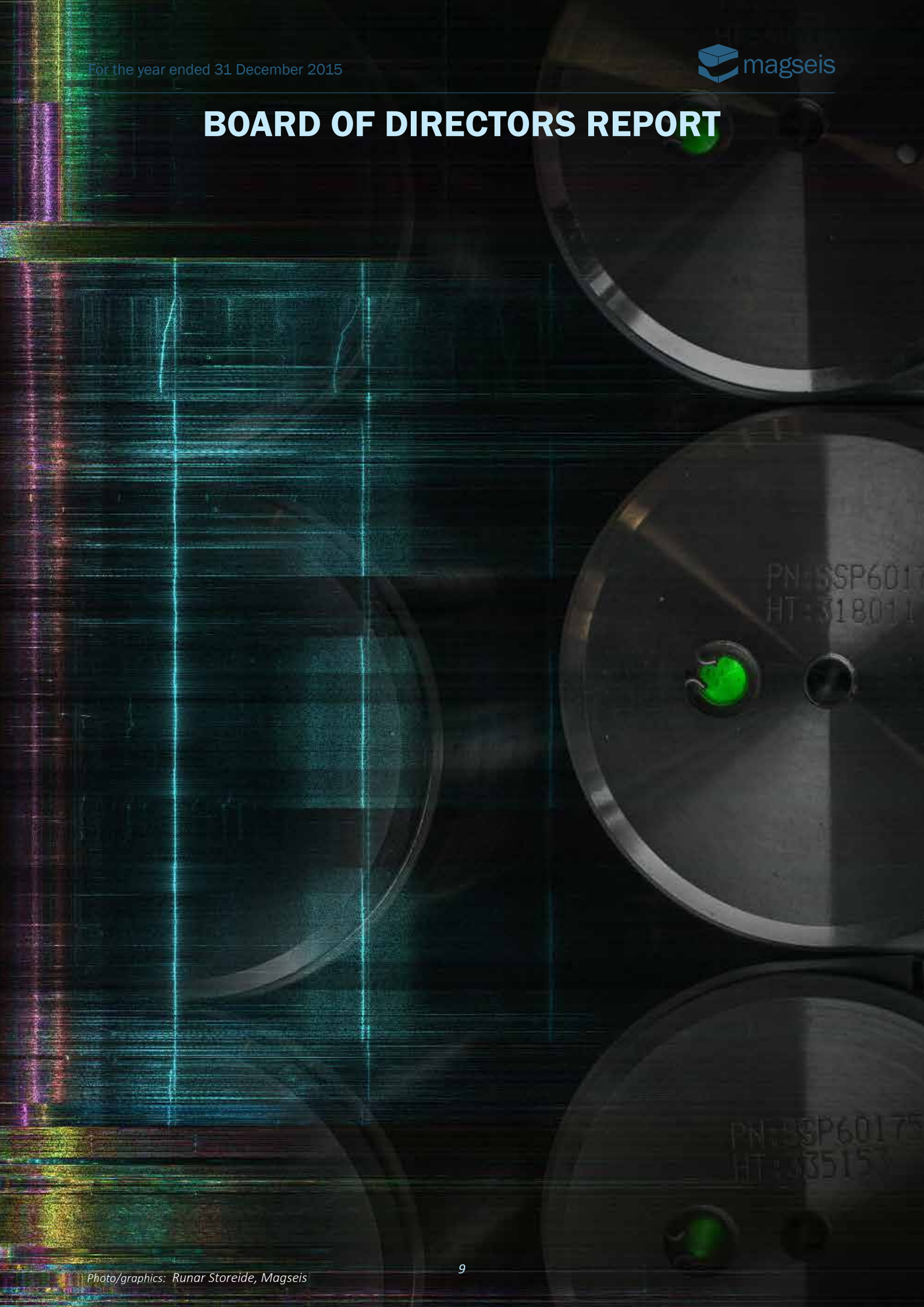
He holds a Bachelor of Business Administration from Simon Fraser University in Canada.

Bjørn Jensen
Chief Operating Officer

With almost 20 years of experience from the Offshore service industry, Bjørn Jensen joined Magseis in June 2014. Prior to entering his current role as COO of Magseis, he has held various managerial positions, lastly as Managing Director of iSurvey AS, a Norwegian based offshore survey company. From 1995 to 2011 Bjørn worked for PGS, both offshore and from 1998 in different roles on shore. From 2008 he held the position as VP Operations with a global operational responsibility for all PGS Marine Seismic operations.

He holds a master of Science in Engineering Cybernetics, specialising in Navigation and Control of marine vessels from NTNU in Trondheim.

BOARD OF DIRECTORS REPORT



Photo/graphics: Runar Storeide, Magseis

FINANCIAL REVIEW

Magseis has functional and presentation currency for the Group and Parent in USD.

Revenues

The Group's revenue was USD 40.7 million whereof USD 5.8 million relates to a multi-client survey and the rest relates to ordinary exclusive contract surveys. In 2014, the revenue amounted to USD 56.6 million whereof USD 0.4 million relates to multi-client revenue. The decrease results primarily from mobilisation incurred for Artemis Athene to the Red Sea and back during the first quarter and the mobilisation to Malaysia during the fourth quarter.

The Parent company's revenue was 39.1 million whereof USD 5.8 million relates to a multi-client survey, USD 1.5 million related to Intercompany revenues and the rest relates to ordinary exclusive contract surveys. In 2014 the revenue was in line with the Group with USD 19 thousands in Intercompany revenues.

Operational costs

The Group's cost of sales amounted to USD 31.4 million in 2015 and mainly contains cost related to vessel operations such as time charter, fuel cost and crew cost. In 2014 cost of sales amounted to USD 39.2 million. The reduction is mainly related to reduced time charter hire as a consequence of the capacity upgrade being combined with the vessel owner's 5-year classing of the Athene in March, the capitalised cost related to the Tåkehavet multi-client survey and a general decrease in fuel and battery consumption resulting from the large portion of mobilisation during 2015.

The Parent's cost of sales are at the same level as the Group except for 14 days in December 2015 where the cost of sales decreased as a result from crew services being moved to Magseis Singapore Services Pte. Ltd. and the contract with the external client was held by Magseis Malaysia Sdn. Bhd. The 2014 cost of sale was at the same level as the Group.

Selling general and administration expenses (SG&A) and other expenses amounted to USD 9.5 million compared to USD 10.7 million in 2014 for both the Group and the Parent. The SG&A is at the same level as last year and reduction in other expenses is mainly due to special circumstances in 2014 such as the listing of Magseis ASA on Oslo Axess.

Research and development (Group and Parent)

Research and development expenses (R&D) was USD 2.1 million. R&D cost contains cost related to the R&D department in Sweden and other R&D projects. In 2014 R&D cost amounted to USD 1.6 million. The increase in the full year expenses reflects the increased activity level in a deep-water development project conduced in cooperation with Shell Global Solutions. From 1 July 2015 all expenses related to the project are capitalised as an intangible asset.

Depreciation, amortisation and impairment (Group and Parent)

Depreciation amounted to USD 9.2 million in 2015 compared to USD 7.1 million in 2014. Increased depreciation results from increased capacity on Artemis Athene.

Amortisation of USD 4.0 million in 2015 compared to USD 0.5 million in 2014. The increase is mainly due to amortisation of Multi-client survey Tåkehavet in the Barents Sea with USD 3.5 million.

During 2015, an impairment of USD 0.1 million related to damaged equipment was recognised. In 2014, damaged equipment resulted in an impairment of USD 1.1 million.

Financial items

In 2015 finance income for both the Group and the Parent amounted to USD 0.3 million. In 2014, financial income was USD 3.8 million for the Group and USD 3.7 million for the Parent. The finance income mainly contains foreign exchange gain.

Financial costs for both the Group and the Parent amounted to USD 0.7 million in 2015, and comprised USD 0.1 million foreign exchange loss in addition to interest expense. In 2014 financial costs for both the Group and the Parent was 5.5 million which comprised foreign exchange loss, a loss from fair value adjustment of a convertible loan of USD 0.5 million and interest expense related to a finance lease of USD 0.5 million.

EBITDA and EBIT

In 2015, the Group recorded an EBITDA of USD -2.3 million while the Parent's EBITDA amounted to USD -3.0 million with an EBIT of USD -15.6 million for the Group and USD -16.3 million for the Parent.

In 2014, EBITDA was USD 5.1 million while EBIT was USD -3.6 million for both the Group and the Parent.

The sharp drop in oil price during 2015 contributed to a challenging market. Magseis experienced reduced rates for its surveys in addition to long transit for the vessel in the first and fourth quarter resulted in lower revenue, EBITDA and EBIT compared to 2014.

Net loss

Net loss for 2015 was USD -16.5 million for the Group compared to USD -5.4 million in 2014. The net loss in 2015 is transferred to retained earnings.

Net loss for 2015 was USD -17.0 million for the Parent compared to USD -5.4 million in 2014. The net loss in 2015 is transferred to retained earnings.

Other comprehensive income (Group and Parent)

No currency exchange difference is recognised in 2015. While as in 2014, Magseis recognised currency exchange differences of USD -1.2 million reflecting the change in functional and presentation currency from NOK to USD from 1 July 2014. The effect is shown as currency translation reserve in the statement of changes in equity.

Balance sheet

At 31 December 2015, the Group's equity was USD 53.9 million while the Parent's equity amounted to USD 53.2 million compared to USD 62.4 million for both the Group and Parent in 2014. The decrease from year-end 2014 is a result of the net loss offset by the capital raise of USD 7.5 million conducted in June 2015.

Tangible and other intangible assets amounted to USD 50.9 million as at 31 December 2015 compared to USD 48.3 million at the end of 2014 for both the Group and Parent. The increase reflects investments in seismic equipment to expand the capacity on Artemis Athene, capitalisation of expenses related to research and development less depreciation and amortisation.

At 31 December 2015, a net multi-client library of USD 0.9

million was recognised based on the survey conducted in the Barents Sea during the third and fourth quarter of 2015 for both the Group and the Parent. No multi-client library was recognised in 2014.

At 31 December 2015, the Group's current assets amounted to USD 21.1 million while the Parent's current assets amounted to USD 19.7 million compared to USD 33.7 million for the Group and USD 33.9 million for the Parent in 2014. The reduction is due to a decrease in trade receivables and cash and cash equivalents resulting from investments to increase the capacity on-board Artemis Athene.

Non-current liabilities increased to USD 6.3 million as at 31 December 2015 from USD 4.1 million in 2014 for both the Group and the Parent. The increase is due to funding received, from our research partner Shell Global Solutions related to our cooperation agreement for development of a deep-water solution, for seismic operations. This R&D project is recognised as a finance arrangement in the financial statements. Refer to note 19 other non-current financial liabilities for further information.

As at 31 December 2015 current liabilities for the Group amounted to USD 12.9 million and for the Parent USD 12.0 million compared to USD 15.5 million as at 31 December 2014 for the Group and for the Parent USD 15.7 million. The decrease from the beginning of the year mainly reflects a relatively high level of trade payables and accruals at year-end 2014 related to the acquisition of new equipment.

Cash Flow (Group and Parent)

Cash flow from operating activities was USD -3.6 million in 2015 compared to a positive USD 5.9 million during the same period of 2014. The deviation from EBITDA (USD -2.3 million) is due to changes in the working capital. The net cash outflow from investing activities amounted to USD -15.9 million for 2015 compared to USD -13.4 million during the same period of 2014. In 2015, cash flow from finance activities was USD 9.3 million and reflects a share issue in June and the proceeds related to the cooperation agreement with Shell Global Solutions offset by instalments and paid interest relating to the finance lease. The cash flow from finance activities for 2014 was USD 23.3 million and reflects the share issuance conducted in April 2014 and proceeds from a convertible loan.

FUNDING AND GOING CONCERN

The consolidated annual financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the settlement of liabilities in the normal course of business. In 2015, the Group incurred a loss after tax of USD -16.5 million and ended with a cash balance of USD 11.4 million and a working capital surplus of USD 8.2 million as at 31 December 2015.

The Group has contracted backlog to April 2017, which is a particular achievement in the seismic industry currently. Magseis is undertaking tenders for a significant volume of work related to 2017 season. On this basis, the Group is working to manage its cost and liquidity position. In order to execute the current backlog and continue expansion plans, the Group is dependent on additional funding. The Group has at the end of March 2016 successfully raised new equity capital of NOK 85 million and will conduct a subsequent repair offering of up to NOK 15 million during May. The new issue is subject to approval at an extraordinary general meeting in April 2016. Further, during March 2016 Magseis has received credit committee approval from The Norwegian Export Credit Guarantee Agency (GIEK) for an equipment purchase loan facility of up to USD 4 million from Export Credit Norway. Final term sheet and loan documentation are still to be negotiated but expected to be finalised by GIEK and Export Credit Norway within Q2 2016. The Board expects that the Group despite of operating in a challenging market will have the ability to grow further as our backlog and position in the Ocean Bottom Seismic ("OBS") market continues to develop. The ability of the Group to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is fulfilled.

RISKS

The Group is exposed to risk factors including, but not limited to, the ones described below.

Due to the current market situation, the Group's current focus is to secure backlog for the existing crew. Magseis has a strategic growth target which includes expansion to a second crew during 2016-2017 following on the back of sufficient backlog visibility. The current focus and future plans expose the Group to a variety of commercial, operational and financial risks, including market risks, credit risks and liquidity risks.

Magseis is exposed to the economic cycle and macro-economic fluctuations, since changes in the general economic situation affect the demand for seismic technology and services as the seismic industry experienced in 2015. Although the challenging market situation has not been as severe for the OBS as for traditional streamer seismic. There are strong drivers supporting the anticipated growth of OBS acquisition, however no assurance can be provided with regard to future market development. Magseis' business and operations depends heavily upon development and production spending by oil and gas companies. The reduction in activity in 2015 may therefore result in a reduced demand for OBS acquisition services. However, historically, in times of low oil price, demand in exploration spending has been reduced in much greater extent than production related spending, where Magseis is active.

The Group has historically funded its operations through equity financing. Obtaining such financing may be subject to market risks and other risks that influence the availability, structure and terms of financing. The willingness of investors to invest depends on the outlook for the OBS market, the oil prices and the demand.

The Group's revenue and purchases are denominated in various currencies. This involves risks for variations in currency rate fluctuations.

The revenue and cash flow from operations gives the Group access to working capital for ongoing operations. This revenue and cash flow are both dependent on the financial position of the customers and the willingness of these customers to honour their obligations towards Magseis in a timely manner. The inability of one or more of the contractual parties to make payment under the contracts might have a significant adverse effect on the Group's financial position. The Group's revenue is primarily from large international oil and gas companies, including companies owned whole or in part by governments, and the Board deems the Group's exposure to credit risk as relatively limited due to the nature of the Group's customer base.

The Group may require additional capital in the future, due to unforeseen events or in order to take advantage of opportunities such as expansion of capacity, acquisitions, joint ventures or other business opportunities that may be identified. Any negative development in sales, gross margins or sales processes, may lead to a strained liquidity position and a potential need for additional funding through equity financing, debt financing or

other means. Any additional equity financing may be dilutive to existing shareholders.

WORKING ENVIRONMENT AND PERSONNEL

At the end of 2015, Magseis had a total of 77 employees and 15 full time consultants, whereof 78 are men and 14 women. Of the 77 employees, 41 are based offshore and 36 are based onshore. There have not been any serious injuries or accidents in the current or prior year. In 2015 the average sick day percentage for the onshore staff was 1.1 percent and 1.0 percent for the offshore crew. In 2014, the average sick days recorded was 0.6 percent for the onshore staff and 1.9 percent for the offshore crew. The Group's policy prohibits unlawful discrimination against employees, on account of ethnic or national origin, age, gender, sexual orientation or religion. Respect for the individual is the cornerstone of this policy and the Group also aims to treat its employees with dignity and respect.

SOCIAL CORPORATE RESPONSIBILITY

Magseis aspires to be an honest and trustworthy company. Our reputation depends upon understanding the principles of corporate responsibility, and continuously demonstrating integrity and honesty.

Corporate responsibility managed in Magseis through a set of processes which a monitor and ensure active compliance within the spirit of the law, ethical standards, and international norms. These processes incorporate the following elements:

- Internal control
- Corporate Governance
- Ethics and Compliance
- Corporate social responsibility
- Code of Conduct
- Q and HSE Policies.

The topics are tightly inter-connected, as an example; compliance is an important mechanism that supports effective governance, whilst effective governance is a tool to combat internal corruption or unethical business practice.

Some of these processes apply to how management operate the business, but also elements apply to every employee and individual working on behalf of or representing Magseis.

Human rights and labour

Magseis respects fundamental human rights, labour rights and labour standards, such as non-discrimination, freedom of association and collective bargaining, decent wages and regulated working hours. Operating internationally with employees from many countries, Magseis makes its best effort to meet international standards in all its locations regardless of local regulations.

Environment

Magseis recognises that its activities have an impact on the environment in the use of raw materials, emissions to air and water, waste generation, and interaction with marine life and habitat. We are committed to minimising that impact through a program of continual improvement in environmental performance, which incorporates measurement, monitoring and feedback.

Anti-corruption

Magseis has established anti-bribery and anti-corruption guidelines. These guidelines involve conducting background checks and due diligence reviews on new potential agents and business partners. There are also guidelines incorporated in Magseis's Code of Conduct, with a mandatory requirement for all employees to read and sign a compliance agreement. Where the Code of Conduct or company guidelines differ from local laws or regulations, the highest standard applies.

Board of Directors of Magseis ASA,
Lysaker, 6 April 2016

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*

STATEMENT ON FINANCIAL COMPLIANCE

We confirm, to the best of our knowledge, that the consolidated financial statements and the separate financial statements of the Parent for the period 1 January to 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations by the International Financial Reporting Interpretations Committee (IFRICs) as adopted by the European Union (EU), and additional requirements in the Norwegian Accounting Act and gives a true and fair view of the assets, liabilities, financial position and results of the Group and Parent. We also confirm to the best of our knowledge that the Board of Directors report includes a true and fair review of the development, performance and financial position of Magseis ASA and the Group together with a description of the principal risks and uncertainties that they face.

Board of Directors of Magseis ASA,
Lysaker, 6 April 2016

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*

CORPORATE GOVERNANCE REPORT

General principles, implementation and reporting on Corporate Governance

The Group believes that good and sound corporate governance creates shareholder value and reduces risks, and has made a strong commitment to developing high standards of Corporate Governance. The Group has complied, and will continue to comply, with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code"), last revised on 30 October 2014, and which is available on the Norwegian Corporate Governance Committee's web site www.nues.no. The principles are also in accordance with section 3-3b of the Norwegian Accounting Act, which can be found at www.lovdata.no/all/nl-19980717-056.html. Magseis is viewing the development of high standards of Corporate Governance as a continuous process and will continue to focus on improving the level of Corporate Governance.

The Board of Directors has the overall responsibility for Corporate Governance at Magseis and ensures that the Group implements sound Corporate Governance.

Purpose and background

Good corporate governance is characterised by open, responsible communication and cooperation among the Company's owners, its board, and management, in the context of both short- and long-term value creation perspectives. The Magseis board want our shareholders, employees, customers, suppliers, financial associates, and governmental bodies, as well as society in general, to be confident and trust that Magseis is governed in a satisfactory fashion. The Board and election committee also have procedures to secure that the Board is sufficiently independent in the execution of its duties. Corporate governance deals with questions and principles related to the distribution of roles between governing bodies, as well as their respective areas of responsibility and authority. Sufficient attention must be given to the formulation of these roles and functions, in order to secure ample control, but at the same time to encourage innovation and entrepreneurship.

The purpose of this policy is to regulate the division of roles between shareholders, the Board of Directors and executive management and through the efficient use of the Company's resources help to ensure the greatest possible value creation over time in the best interests of shareholders, employees and other stakeholders.

Business of Magseis

The vision of Magseis is to reduce OBS cost to a level where it increases its potential market and becomes a widely used tool not only for field development, but also for exploration. This is reflected in Article 3 of the Articles of Association, which reads "The Company's business activities include development of geophysical equipment and methods, generation, marketing and sale of exclusive and non-exclusive geophysical exploration and other thereto naturally related activities".

The Group's core purpose is to significantly reduce the costs of OBS operations and broaden the scope where OBS can be used. Magseis wants to be their customers' first choice within field development and the exploration industry. In fulfilling this purpose, Magseis will create long-term value for their customers and shareholders.

Equity and dividends

The Group's equity as per 31 December 2015 amounts to USD 53.7 million, approx. 74% of the Group's total assets, and is considered adequate relative to the Company's financial objectives, overall strategy and risk profile. On a continuous basis, Magseis evaluates the available alternatives to ensure adequate liquidity for its prioritised project activities and to provide the required long-term financial strength and flexibility. To achieve its ambitious long-term growth objectives, it is likely that Magseis will need to raise additional capital in the years to come.

Magseis will over time develop a dividend policy including an appropriate payout to its shareholders. The Group is currently in a growth phase and has not yet distributed any dividends. As per 31 December 2015, the Company has no distributable equity and the Board of Directors will not propose a dividend for 2015 to the Annual General Meeting.

Equal treatment of shareholders and transactions with close associates

Magseis has one class of shares, and all shares carry equal voting rights. The shareholders exercise the highest authority in the Group through the General Meeting. All shareholders are entitled to submit items to the agenda, and to meet, speak, and vote at the General Meeting.

Freely negotiable shares

The Company's shares are not subject to ownership restrictions pursuant to law, licensing conditions or the Articles of Association and all shares are freely negotiable (with possible exceptions due to foreign law restrictions on sale and offering of securities).

General Meetings

Through the Company's General Meeting, the shareholders exercise the highest authority in the Group. General Meetings are held in accordance with the Code. All shareholders are entitled to submit items to the agenda, meet, speak and vote at General Meetings. The Annual General Meeting is held each year before the end of June. Extraordinary General Meetings may be called by the Board at any time.

The Board will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and supporting information, as well as a proxy voting form, are convened by written notice to all shareholders with known addresses and will normally also be made available on the Company's website www.magseis.com no later than 21 days prior to the date of the General Meeting. Shareholders who wish to receive the attachments may request the Group to mail such attachments free of charge.

Shareholders who are unable to be present in the meeting are encouraged to participate by proxy, and a person who will be available to vote on behalf of shareholders as their proxy will be nominated. Proxy forms will allow the proxy-holder to cast votes for each item separately. A final deadline for shareholders to give notice of their intention to attend the meeting or vote by proxy

will be set in the notice for the meeting. Such deadline will be set as close as possible to the date of the General Meeting, and under any circumstance in accordance with the principles of section 5-3 of the Public Limited Companies Act.

The Chairman of the Board of Directors, the CEO, and the CFO will under normal circumstances, be present at the meeting in person. The Chairman for the meeting is independent. Notice, enclosures and protocol of meetings will be available on Magseis' website.

The General Meeting elects the members of the Board of Directors (employee-elected board members would be elected among employees), determines the remuneration of the members of the Board of Directors, approves the annual accounts and decides such other matters, which by law, by separate proposal or according to the Group's Articles of Association, are to be decided by the General Meeting. The General Meeting will normally vote separately on each candidate for election for the Board of Directors and any other corporate bodies to which members are elected by the General Meeting.

The minutes from General Meetings will be posted on the Group's Website within 15 days after the General Meeting has been held. Information that a General Meeting has been held will be made public as soon as possible after the end of the meeting.

Nomination committee

Magseis' nomination committee consists of two members where one is the Chairman of the Board of Directors and the other is independent of the Board of Directors and the executive management. The Code states that the majority of the committee's members should be independent of the Board of Directors and the executive management and that at least one member should not be a member of the Board of Directors. Since the Nomination Committee only consists of two members the Code's guidelines are assessed to be met. The requirement for having a nomination committee and the committee's duties are incorporated in the Company's Articles of Association. The General Meeting elects the members of the committee and approves the Nomination Committee Guidelines and remuneration. The Nomination Committee's duties are to submit to the General Meeting a proposal of candidates for election to the Board of Directors and to propose the fees to be paid to members of the Board of Directors.

Corporate assembly and Board of Directors: Composition and independence

According to Norwegian law, Magseis is not required to, and does not have a corporate assembly.

The Board of Directors has overall responsibility for the management of the Group. This includes a responsibility to supervise and exercise control of the Group's activities. As at the date of the Annual Report, the Board of Directors consists of five members, including one company representative. The proceedings and responsibilities of the Board of Directors are governed by a set of rules of procedure. It is the Group's intention that the members of the Board of Directors will be selected in the light of an evaluation of the Group's needs for expertise, capacity and balanced decision making, with the aim of ensuring that the Board of Directors can operate independently of any special interests and that the Board of Directors can function effectively as a collegial body.

The directors are encouraged to hold shares in the Group, which the Board of Directors believes promotes a common financial interest between the members of the Board of Directors and the shareholders of the Group. Pursuant to the Code, the majority of the shareholder-elected members of the Board of Directors shall be independent of the Group's management and its main business connections. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Group's main shareholders. Both Mari Thjømøe and Bettina Bachmann are considered to be independent of the Group's main shareholders. However, the majority of shareholder-elected directors are not independent of the Group's management and main business connections.

Currently, one executive consultant is a Director. The current members of the Board of Directors represent 47 % of the shareholders. The executive consultant is the third largest shareholder with ownership of approx. 13 %. The Board of Directors continuously evaluates conflict of interest and the members' independence in each resolution.

The term of office for members of the Board of Directors are two years unless the General Meeting decides otherwise, but a director may be re-elected.

The work of the Board of Directors

The Board of Directors meet a number of times within a year, including for strategy meetings, financial reporting and additional meetings under special circumstances if necessary. During 2015, the Board of Directors held 11 meetings. The Board of Directors working methods are openly discussed. Between meetings, the Chairman and Chief Executive Officer update the members of the Board of Directors on current matters. Each Board of Directors meeting includes a briefing by CEO followed by questions and answers session (Q&A). The Board of Directors meetings are a continuous centre of attention to ensure; executive personnel maintain systems, procedures and a corporate culture that promote high ethical conduct and compliance with legal and regulatory requirements.

Remuneration of the Board of Directors

The remuneration to the members of the Board of Directors is resolved in the Annual General Meeting.

Remuneration of the executive personnel

The Group's policy for management remuneration is that leading employees shall receive competitive salary in order to maintain continuity in the executive management. The Group shall offer a level of salary, which reflects the level of salary in equivalent companies in Norway and abroad. All executive personnel are included in the Group's share option program.

Audit committee

In 2015, the Group established an Audit Committee.

The audit committee shall consist of board members who fulfil the requirements of section 6-42 of the Public Companies Act. Moreover, the majority of the members should be independent of the Company.

The audit committee shall;

- Review interim and annual financial reports and processes
- Monitor the systems for internal control and risk management,
- Maintain ongoing contact with the Company's elected auditor regarding the audit of the annual financial statement, and
- Assess and monitor the auditor's independence, hereunder particularly to which extent other services than

auditing, provided by the auditor or the auditing Company, constitute a threat against the auditor's independence.

The auditor should, at least once a year, review together with the audit committee, the Company's internal control, hereunder identify weaknesses and provide suggestions for improvements.

Risk management and internal control

The Board, in conjunction with the executive management, evaluates the risks inherent in the operations of the Group.

Principal among these risks are those relating to current operations as well as construction of the Group's proprietary system, obtaining contractual counter-parties, retaining key staff and general financial risk. In addition, the following risks inherent in the business plan are monitored: commodity prices, exchange rates, competition, the political and regulatory environment, counter-party performance, and the potential growth of the business and the application of new technology.

The Board of Directors, working with the finance department and through the annual audit process, ensures that the Group has reliable internal control and systems for risk management. The Board of Directors is presented and approves an annual budget/forecast at the end of the preceding financial year or in the beginning of the commencing financial year. Thereafter, the Board is presented with regular updates and reports identifying material variations from the approved budget/forecast. Explanations are obtained for material variances. The Board of Directors is also presented with (and approves) interim financial statements on a quarterly basis, which are reviewed with the executive management.

Information and communications

Communication with shareholders, investors and analysts is a high priority for Magseis. The Group believes that objective and timely information to the market is a prerequisite for a fair valuation of the Group, and in turn, the generation of shareholder value. The Group continually seeks ways to enhance its communication with the investment community.

Take-overs

The Board of Directors endorses the recommendation of the Code. The Articles of Association of Magseis do not contain any restrictions, limitations or defence mechanisms on acquiring the Group's shares. In accordance with the Securities Trading Act and the Code, the Board has adopted guidelines for possible takeovers. In the event of an offer, the Board of Directors will not seek to hinder or obstruct takeover bids for Magseis' activities or shares. Any agreement with the bidder that acts to limit the Group's ability to arrange other bids for the Group's shares will only be entered into where the Board of Directors believes it is in the common interest of the Group and its shareholders.

Information about agreements entered into between the Group and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. If an offer is made for the shares of Magseis, the Board of Directors will make a recommendation on whether the shareholders should or should not accept the offer, and will normally arrange for a valuation from an independent expert.

Auditor

KPMG AS has been appointed the auditors for the Company since 2012 and the Board will from time to time evaluate the audit arrangement for the Company.

The auditor is to participate in meetings of the audit Committee and the Board of Directors that deal with the annual accounts. The auditor will present to the Board of Directors a report outlining the audit activities in the previous fiscal year and highlighting the areas that caused the most attention or discussions with management, and a plan for the work related to the Group's audit. The Board meet with the company´s auditor without management present at least one time every year. The General Meeting is informed about the Group's engagement and remuneration of the auditor and the fees paid to the auditor for services other than the annual audit, and details are given in notes to the Annual Report. The remuneration paid to the auditor will be approved by the General Meeting.

Operational room ROV during Captain Field job. *Photo: Jonathan Cudmore, Magseis*

FINANCIAL STATEMENTS

Statements of comprehensive income

For the year ended 31 December 2015

magseis

In thousands of USD	*Note*	Group 2015	Group 2014	Parent 2015	Parent 2014
REVENUE AND OTHER INCOME	*5*	**40 671**	**56 606**	**39 060**	**56 625**
OPERATING EXPENSES					
Cost of sales	*6*	31 427	39 217	30 501	39 245
Research and development expenses	*6*	2 056	1 591	2 045	1 591
Selling, general and administrative costs	*6*	7 569	7 767	7 611	7 751
Other expenses		1 966	2 954	1 949	2 951
Depreciation	*13*	9 193	7 147	9 193	7 144
Amortisation	*12,14*	3 978	460	3 978	463
Impairment	*13*	119	1 119	119	1 119
Total operating expenses		**56 308**	**60 255**	**55 396**	**60 264**
OPERATING PROFIT (LOSS)		**-15 637**	**-3 649**	**-16 336**	**-3 639**
FINANCIAL INCOME AND EXPENSES					
Finance income	*7*	283	3 784	299	3 740
Finance costs	*7*	-717	-5 514	-716	-5 504
Net finance costs		**-434**	**-1 730**	**-417**	**-1 764**
NET PROFIT (LOSS) BEFORE TAX		**-16 071**	**-5 379**	**-16 753**	**- 5 403**
Income tax expense	*10*	439	0	245	0
NET PROFIT (LOSS)		**-16 510**	**-5 379**	**-16 998**	**-5 403**
Basic earnings (loss) per share (in USD)	*16*	-0.58	-0.21	-0.57	-0.21
Diluted earnings (loss) per share (in USD)	*16*	-0.58	-0.21	-0.57	-0.21
OTHER COMPREHENSIVE INCOME					
Currency exchange differences		0	-1 155	0	-1 155
Total comprehensive income (loss) for the year, attributable to Owners of the Company		**-16 510**	**-6 534**	**-16 998**	**-6 558**

In thousands of USD	*Note*	Group 2015	Group 2014	Parent 2015	Parent 2014
Non-current assets					
Equipment	*13*	47 346	46 346	47 346	46 346
Multi-client library	*12*	877	0	877	0
Intangible assets	*14*	3 543	1 939	3 543	1 939
Investment in subsidiaries	*22*	0	0	15	8
Total non-current assets		**51 766**	**48 285**	**51 781**	**48 293**
Current assets					
Cash and cash equivalents	*8*	11 435	21 591	11 395	21 560
Trade receivables	*3*	2 693	7 621	2 693	7 621
Other current assets	*9*	6 936	4 524	5 566	4 756
Total current assets		**21 064**	**33 736**	**19 654**	**33 937**
TOTAL ASSETS		**72 830**	**82 021**	**71 435**	**82 230**

Equity and liabilities					
Shareholders' equity					
Share capital	*15*	254	237	254	237
Share premium	*15*	90 945	83 755	90 945	83 755
Other equity	*17*	2 630	2 039	2 630	2 039
Retained earnings		-35 045	-18 487	-35 532	-18 508
Currency translation reserve		-5 123	-5 123	-5 123	-5 123
Total equity attributable to equity holders of the Company		**53 661**	**62 421**	**53 174**	**62 400**
TOTAL EQUITY		**53 661**	**62 421**	**53 174**	**62 400**
LIABILITIES					
Non-current liabilities					
Obligation under finance lease	*18*	1 891	2 739	1 891	2 739
Other non-current financial liabilities	*19*	4 402	1 369	4 402	1 369
Total non-current liabilities		**6 293**	**4 108**	**6 293**	**4 108**
Current liabilities					
Trade payables	*3*	7 607	8 050	7 178	8 046
Current tax payable	*10*	212	0	18	0
Current portion of obligations under finance lease	*18*	848	761	848	761
Other current liabilities	*11*	4 209	6 681	3 924	6 915
Total current liabilities		**12 876**	**15 492**	**11 968**	**15 722**
TOTAL LIABILITIES		**19 169**	**19 600**	**18 261**	**19 830**
TOTAL EQUITY AND LIABILITIES		**72 830**	**82 021**	**71 435**	**82 230**

Board of Directors of Magseis ASA,
Lysaker, 6 April 2016



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

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GROUP							
In thousands of USD	*Note*	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	-5 379	0	-5 379
Other comprehensive income		0	0	0	0	-1 155	-1 155
Total comprehensive income for the period		0	0	0	-5 379	-1 155	-6 534
Share issuance		43	20 120	0	0	0	20 163
Conversion loan		8	3 992	0	0	0	4 000
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	995	0	0	995
Balance at 31 December 2014	15	**237**	**83 755**	**2 039**	**-18 487**	**-5 123**	**62 421**
Balance at 1 January 2015		**237**	**83 755**	**2 039**	**-18 487**	**-5 123**	**62 421**
Adjustments to the opening balance		0	19	0	-48	0	-29
Adjusted balance at 1 January 2015		**237**	**83 774**	**2 039**	**-18 535**	**-5 123**	**62 392**
Profit / (loss) for the period		0	0	0	-16 510	0	-16 510
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income for the period		0	0	0	-16 510	0	-16 510
Share issuance		17	7 452	0	0	0	7 469
Expenses related to share issuance		0	-281	0	0	0	-281
Share-based payments (options)		0	0	591	0	0	591
Balance at 31 December 2015	15	**254**	**90 945**	**2 630**	**-35 045**	**-5 123**	**53 661**

PARENT

In thousands of USD	*Note*	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**	**-13 105**	**-3 968**	**44 183**
Profit / (loss) for the year		0	0	0	-5 403	0	-5 403
Other comprehensive income		0	0	0	0	-1 155	-1 155
Total comprehensive income for the period		0	0	0	-5 403	-1 155	-6 558
Share issuance		43	20 120	0	0	0	20 163
Conversion loan		8	3 992	0	0	0	4 000
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	995	0	0	995
Balance at 31 December 2014	*15*	**237**	**83 755**	**2 039**	**-18 508**	**-5 123**	**62 400**
Balance at 1 January 2015		**237**	**83 755**	**2 039**	**-18 508**	**-5 123**	**62 400**
Adjustments to the opening balance		0	19	0	-26	0	-6
Adjusted balance at 1 January 2015		**237**	**83 774**	**2 039**	**-18 534**	**-5 123**	**62 394**
Profit / (loss) for the period		0	0	0	-16 998	0	-16 998
Other comprehensive income		0	0	0	0	0	0
Total comprehensive income for the period		0	0	0	-16 998	0	-16 998
Share issuance		17	7 452	0	0	0	7 469
Expenses related to share issuance		0	-281	0	0	0	-281
Share-based payments (options)		0	0	591	0	0	591
Balance at 31 December 2015	*15*	**254**	**90 945**	**2 630**	**-35 532**	**-5 123**	**53 174**

In thousands of USD	*Note*	Group 2015	Group 2014	Parent 2015	Parent 2014
Cash flows from operating activities					
Profit / (Loss) before tax		-16 071	-5 379	-16 753	-5 403
Adjustment for:					
Income tax paid	*10*	-245	-34	-245	-34
Deferred lease discount amortisation		-460	-498	-460	-498
Depreciation and amortisation	*12,13,14*	13 171	7 607	13 171	7 607
Impairment	*13*	119	1 119	119	1 119
Fair value adjustment convertible loan		0	550	0	550
Share based payments expense	*17*	591	995	591	995
Interest expense		595	454	595	454
Interest income		-49	-242	-49	-242
Working capital adjustments:					
(Increase) / decrease in current assets		2 487	103	4 105	-125
Increase / (decrease) in trade and other payables and accruals		-3 763	1 273	-4 708	1 519
		-1 276	1 376	-603	1 394
Net cash from operating activities		-3 625	5 948	-3 634	5 942
Cash flows from investing activities					
Interest received		49	242	49	242
Acquisition of equipment	*13*	-10 133	-13 403	-10 133	-13 403
Payments for capitalised development and intangibles	*14*	-1 389	-198	-1 389	-198
Multi-client library investments	*12*	-4 383	0	-4 383	0
Net cash used in investing activities		-15 856	-13 359	-15 856	-13 359
Cash flows from financing activities					
Proceeds from loan	*19*	3 310	5 200	3 310	5 200
Payment of finance lease obligation		-761	-685	-761	-685
Proceeds from issue of share capital	*15*	7 469	20 163	7 469	20 163
Expenses related to issue of share capital	*15*	-281	-934	-281	-934
Interest paid		-412	-454	-412	-454
Net cash from financing activities		9 325	23 290	9 325	23 290
Net change in cash and cash equivalents		-10 156	15 879	-10 165	15 873
Cash and cash equivalents at 1 January		21 591	6 867	21 560	6 842
Net foreign exchange difference		0	-1 155	0	-1 155
Cash and cash equivalents at period end		**11 435**	**21 591**	**11 395**	**21 560**

NOTES TO THE 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 consolidated financial statements comprise Magseis ASA (referred to as the "Company" or "Parent") and its subsidiaries (together referred to as "Magseis" or "the "Group"). The Group is primarily involved in marine seismic operations and seismic-related activities. The Group's Ocean Bottom Seismic (OBS) acquisition system and our automated handling system provides efficient OBS operations.

These financial statements have been approved for issue by the Board of Directors 6 April 2016 and will be finally approved in the ordinary general meeting 6 May 2016.

2.1 Basis of preparation

(a) Statement of compliance

The Parent and consolidated financial statements (together the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and their interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The 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 management continuously evaluates the Group's working capital using cash flow forecasts that are based on contracted work orders and anticipated backlog as well as the fixed cost base and planned investments. When concluding on the going concern assumption, management uses the cash flow forecasts for the 12 months following the release date of the financial report, as the basis.

When assessing the appropriateness of the going concern assumption various assumptions are made by management, which depend on factors beyond the Group's control, and are subject to certain risks and uncertainties. Accordingly, actual results may differ materially from those contained in forward looking statements.

The consolidated annual financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the settlement of liabilities in the normal course of business. In 2015 the Group incurred a loss after tax of USD 16.5 million and ended with a cash balance of USD 11.4 million and a working capital surplus of USD 8.2 million as at 31 December 2015.

The group has contracted backlog to April 2017, which is a particular achievement in the seismic industry currently. Magseis is undertaking tenders for a significant volume of work related to 2017 season. On this basis the Group is working to manage its cost and liquidity position.

In order to execute the current backlog and continue expansion plans, the Group is dependent on additional funding. The Group has at the end of March 2016 successfully raised new equity capital of NOK 85 million and will conduct a subsequent repair offering of up to NOK 15 million during May 2016. The new issue is subject to approval at an extraordinary general meeting in April 2016. Further, during March 2016 Magseis has received credit committee approval from The Norwegian Export Credit Guarantee Agency (GIEK) for an equipment purchase loan facility of up to USD 4 million from Export Credit Norway. Final term sheet and loan documentation are still to be negotiated but expected to be finalized by GIEK and Export Credit Norway within Q2 2016.

The board is optimistic that the Group in a very challenging market will maintain the ability to grow further as the Group's backlog and position in the OBS market continues to develop. The ability of the Group to continue as a going concern, and thereby be able to pay its debts as and when they fall due, is fulfilled.

(d) Functional and presentation currency

The Group changed its functional and presentation currency on 1 July 2014 from Norwegian Krone (NOK) to United States Dollar (USD). The change in functional currency was due to the change in the economic environment of the Group while the change in presentation currency has been implemented to better reflect the profile with revenues, costs and cash flows primarily generated in USD.

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

2.2 Basis for consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Lease classification

The Group has entered into several lease agreements. The Group

determines the classification of the lease based on an evaluation of the terms and conditions of the arrangements. This includes among others, judgements of whether the lease term constitutes a major part of the economic life of the leased asset and whether the present value of lease payments amounts to all or substantially all of the fair value of the leased asset at inception of the lease. Refer to note 18 Leases for further information.

Capitalisation of development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

When identifying internal indicators of impairment, the Group assesses a number of key factors. The Group's backlog, cash flow forecasts from operations and strategy will impact the value of an asset. Since Magseis seismic equipment is based on new technology, the actual compared to the intended function of a specific asset will impact the value. Management also take into account the physical condition when estimating the value of an asset.

Magseis is exposed to the economic cycle and macro-economic fluctuations, since changes in the general economic environment could affect the demand for seismic technology and services. This may indicate the need for impairment. To assess whether one or more external indicators of impairment are present, the Group's management continuously monitor the demand for the Group's services. Management also considers any expected changes in regulations of the industry. When assessing external indicators, management assume that its perception of current and future expectations are correct.

Useful lives of equipment and intangible assets

When the Group recognises new equipment and intangibles, the management assess the useful life of the individual equipment and intangible. A significant part of the Group's equipment and intangibles are considered unique, and management obtains information from specialists inside the organisation with the applicable expertise when assessing the useful lives. In co-operation with the specialists, management estimate the wear and other factors for different components before grouping them and determining their useful life.

Management uses its best estimates and assumptions when assessing the amounts that reflect the equipment's or intangible's value. Numerous internal and external factors impact the calculation. Hence a change in the assumptions may have a material impact on the Group's financial position as well as profit and loss. Refer to note 13 Equipment and 14 Intangible assets for further information.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share- based payment transactions are disclosed in Note 17 Share- based payments.

Provisions

Provisions are based on the management's best estimate. Provisions are reviewed at each reporting date to reflect the best estimate of liabilities.

Amortisation of Multi-client library

The management forecasts future sales on each Multi-Client survey for the purpose of determining the amortisation rate in the work in progress (WIP) period and the amount of impairment, if any. In forecasting future-sales management considers past experience, market developments, geographical prospects, political risk and timing of licensing rounds. Amortisation rates could deviate significantly from year to year due to inherent uncertainty about future sales. Furthermore, future sales of Multi-Client library may not be sufficient to cover the carrying amount. In the case that actual revenue is less than forecasted revenue the future reporting periods will reflect lower profit due to increased amortisation rate and/or impairment of Multi-Client library. The Group applies a straight-line amortisation policy after the project is completed to reduce the risk of an increase of future amortisation rate or impairment. The straight-line amortisation will be assigned over the project's remaining useful life, which for most projects is expected to be 4 years. The minimum amortisation policy is described in note 2.4(e).

Revenue recognition

The Group renders seismic OBS services for customers on marine exclusive contracts. Revenue from these services is recognised by use of the percentage of completion method. This method requires the Group to estimate the services performed to date as a proportion of the total contractual services to be performed.

2.4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's financial statements, unless otherwise indicated.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The revenue is measured at fair value of the consideration received, net of discounts and sale taxes and duty.

(I) Exclusive contracts

The Group performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. Revenue can be based on various parameters, such as length of cable deployed and acquisition of source-lines. The Group recognises contract revenue as the services are performed and become chargeable to the customer on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognised based on the ratio of the project's progress to date (percentage of completion), provided that all other revenue recognition criteria are satisfied.

(II) Multi-client surveys

Multi-Client surveys consist of surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalised into the Multi-Client surveys. The carrying amount of Multi-Client library on the balance sheet date is shown at costs less accumulated amortisation and accumulated impairments.

Revenues related to Multi-Client surveys generally falls into two categories:

Pre-commitment arrangements - When the Group obtains pre-funding from customers before a seismic project is started or during the project period. These pre-commitments cover specific areas or license blocks. In return for the commitment, the customer obtains early access to the data, favourable pricing compared to late sales and a degree of influence over the project. Advance payments from customers are deferred and recognised over the project period from the time the project commences based on the ratio of project cost incurred during that period to total estimated project cost.

Late sales – When the Group grants a license entitling non-exclusive access to complete and ready for use, specially defined portions of Multi-client data library in exchange for a fixed and determinable payment. Revenue is recognised at the time of the transaction when the customer executes a valid license agreement and has been granted access to the data. There are no late sales in 2015.

(III) Mobilisation revenue and cost

Mobilisation revenue and the related mobilisation costs relates to moving the seismic vessel and its crew from one location to the location specified by the contract. Such cost includes in the Multi-Client survey or exclusive contract with which the costs are associated. The mobilisation costs related to Multi-Client survey are capitalised as a part of the Multi-Client library as mentioned. Transit costs on exclusive surveys are deferred and charged to expense based upon the percentage of completion of the project. The estimated probable future economic inflows are documented at inception and cover the costs capitalised or deferred. If the projects are not able to cover all of the costs which could be capitalised or deferred then only those costs that are recoverable are capitalised/deferred.

(b) Foreign currency

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

Non-monetary assets items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

(c) Financial instruments

(I) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, restricted cash, trade and other payables and finance lease obligation.

Non-derivative financial instruments are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to the cash flows from the financial asset expire, or the Group transfers the financial asset to another party without retaining control of substantially all of the risks and rewards of the asset. Financial liabilities are de-recognised if the Group's obligation specified in the contract expire or are discharged or cancelled.

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(II) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of purchase contracts that meet the definition of a derivative is recognised in the income statement as cost of sales. Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

(III) Share capital
Ordinary shares are classified as equity. All shares have equal voting rights and equal rights to dividends. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(d) Property, plant and equipment

Items of equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses.
Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Items of equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date the asset is completed and ready for use.

If an indication of impairment exists, an impairment test is performed. If the recoverable amount of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses on de-recognising of the asset calculated as the difference between the net disposal and the carrying amount of the asset is included in the income statement in the year the asset is de-recognised.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Seismic equipment 3 - 7 years
- Fixtures and Fittings 3 years
- IT Equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Equipment under construction are classified as non-current assets and recognised at the cost, it is not depreciated until the non-current asset is taken into use.

(e) Intangible assets

Intangible assets, except for Multi-client library
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development is considered to have a finite life and expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Capitalised development costs 3 - 6 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Multi-client library
Multi-Client library includes both completed seismic data and projects in work which is licensed on a non-exclusive basis to oil and gas search/production companies. Costs directly incurred during acquiring, imaging and otherwise completing seismic surveys are capitalised to the Multi-Client library. Costs incurred while mobilisation of a vessel from one location to another and imaging phases of the survey are also capitalised to the Multi-Client library.

A project remains in surveys-in-progress until imaging is complete, at which point it is transferred to finished library.

The company will adopt the amendment to IAS 38 “Intangible assets” effective form January 1, 2016; during the work in progress (WIP) phase, amortisation will continue to be based on total cost versus forecasted total revenue of the project. After a project is completed and ready for sale, a straight-line amortisation will apply. The straight-line amortisation will be assigned over the project’s remaining useful life, which for most projects is expected to be 4 years. The straight-line amortisation will be distributed evenly through the financial year independently of sales during the quarters.
The previous minimum amortisation policy will be discontinued from January 1, 2016.

The Company expects additional, non-sales related, impairment expense to occur because each individual survey is evaluated at least annually for impairment or when specific indicators exist. Also see impairment (i).

(f) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be

estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The Group's provisions comprise vacation pay to employees which will be settled 1 July the year after the reporting date. The provisions carrying amount is measured at cost.

Provision is made where there is objective evidence that the Group will be unable to recover balances in full from trade and other receivables. Balances are written off when the probability of recovery is assessed as being remote.

(g) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are recognised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. For the purpose of calculating the present value, the interest rate implicit in the lease is used as the discount factor. Lease payments made under finance leases are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets are depreciated over the shorter of the lease term and their useful life, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Operating leases

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position. Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(h) Trade receivables

Trade receivables are carried at their anticipated realisable value, which is the original invoice amount less an estimated valuation allowance for impairment of these receivables. A valuation allowance for impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(i) Impairment

(I) Financial assets

Financial assets which are valued at amortised cost are written down when it is probable that the Group will not recover all the amounts relating to contractual receivables. The amount of the impairment loss is recognised in the profit or loss as a finance cost. Any reversal of previous impairment losses is recognised when a reduction in the need to write down the asset can be related to an event after the impairment loss has been recognised. The decrease in impairment loss is reversed through profit or loss.

(II) Non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The Group test intangible assets which are under production at the reporting date regardless of indications of impairment. An asset's recoverable amount is the higher of an asset's or a cash-generating-unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit or loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

(j) Employee benefits

(I) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(II) Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service conditions at the vesting date. All grants given include a total vesting period of up to three years.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Management believes this gives the employees incentive to be part of the organisation for a longer period.

(III) Defined contribution plan

The Group is required to maintain a pension plan in accordance with the Norwegian Pension Benefit Act. The pension plans of the Group comply with the requirements set forth in the Norwegian Pension Benefit Act. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits

relating to employee service in the current and prior period. The Group has therefore no further payment obligations once the contributions have been paid. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity for pension, based on obligatory, agreed on or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(k) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants that compensate the Group for expenses incurred are offset in profit or loss in the same periods in which the expenses were originally recognised. Grants that compensate the Group for the cost of an asset are offset in balance sheet and then recognised in profit or loss as a reduced depreciation over the useful life of the assets.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on foreign currency transactions that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise of interest expense, impairment losses recognised on financial assets, losses on foreign currency trans- actions and fair value measurement of financial transactions that are recognised in profit or loss.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes when probable. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not recognised for temporary differences from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

(n) Earnings per share

The Group present its basis earnings per share and diluted earnings per share after dilution. Ordinary earnings per share are calculated as the ratio between the net profit/(loss) for the year that accrues to the ordinary shareholders and the weighted average number of shares outstanding. The figure for diluted earnings per share is the result that accrues to the ordinary shareholders, and the number of weighted average number of shares outstanding has been adjusted for all diluting effects related to share options.

(o) Events after the balance sheet date

A distinction is made between events both favourable and unfavourable that provide evidence of conditions that existed at the balance sheet date (adjusting events) and those that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Financial statements will only be adjusted to reflect adjusting events (although there are disclosure requirements for non-adjusting events).

(p) Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents includes cash, bank deposits and other short term highly liquid placement with original maturities of three months or less. The cash flows are divided into operating activities, investing activities and financing activities

(q) Fair value measurement

When measuring the fair value of an asset or a liability, the management uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1:
Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2:
Inputs other than quoted prices included within Level 1 that are, observable for the asset or liability either directly or indirectly.

Level 3:
Unobservable inputs for the asset or liability.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are expected to be endorsed by the EU. The following are expected to impact the financial statements:

IFRS 15 Revenue from contracts with customers

IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. Magseis is in the process of evaluating the potential impact of IFRS 15. The standard becomes mandatory for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39 Magseis is in the process of evaluating the potential impact of IFRS 9. The standard becomes mandatory for annual periods beginning on or after 1 January 2018.

IFRS 16 Leases

IFRS 16 replaces existing guidance in IAS 17 Leases. IFRS 16 eliminates the current dual accounting model for leases and will establish a single, on-balance sheet accounting model that is similar to the current finance lease accounting under IAS 17. Magseis is in the process of evaluating the potential impact of IFRS 16. The standard becomes mandatory for annual periods beginning on or after 1 January 2019.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets.

The amendments clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. Magseis will adopt the amendment to IAS 38 "Intangible assets" effective form January 1, 2016; during the work in progress (WIP) phase, amortisation will continue to be based on total cost versus forecasted total revenue of the project. After a project is completed and ready for sale, a straight-line amortisation will apply on all new multi-client survey after WIP period, as of 31 December 2015, Magseis has one Multi-client survey not yet finished the processing.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest rate risk). The Group's overall risk management programme considers the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Lack of payments from customers/ clients may significantly and adversely impair the Group's liquidity. The concentration of the Group's customers in the oil and gas industry may impact the Group's overall exposure to credit risk as customers may be similarly affected by prolonged changes in economic and industry conditions as well as by the general constraints on liquidity resulting from the recent drop in oil price. Further, laws in some jurisdictions in which the Group operates could make collection difficult or time consuming. The Group undertakes due consideration to the credit quality of its potential clients during contract negotiations to minimise the risk of payment delinquency, but no assurance can be given that the Group will be able to fully avoid this risk.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Credit exposure as of 31 December

	GROUP	GROUP	PARENT	PARENT
In thousands of USD	Carrying amount/ fair value	Carrying amount/ fair value	Carrying amount/ fair value	Carrying amount/ fair value
Year	***2015***	***2014***	***2015***	***2014***
Financial assets				
Cash and cash equivalents	11 435	21 591	11 395	21 561
Trade receivables	2 693	7 621	2 693	7 621
Other receivables	4 080	2 027	1 018	2 263
Total	**18 208**	**31 239**	**15 106**	**31 445**

The aging of trade receivables at the reporting date was (equal for Group and Parent):

In thousands of USD	Carrying amount	Impairment	Carrying amount	Impairment
Year	***2015***	***2015***	***2014***	***2014***
Past due 0-30 days	2 693	0	5 755	0
Past due 31-120 days	0	0	1 866	0
More than 120 days	0	0	0	0
Total	**2 693**	**0**	**7 621**	**0**

In addition the Parent only has intercompany receivables whereas non is due at 31 December 2015.

During 2015, the Group had no loss on receivables. As at 31 December 2015, the Group's and Parent's trade receivables comprise only receivables from ENI and BGP which are international oil companies and are considered recoverable. Thus no provision has been made for the receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses cash flow forecasts, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 2-3 months. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

If the Group were to be unemployed for a longer period, it would need to manage its cost base and would, inter alia, seek to reduce costs or negotiate a grace period from some of its largest cost sources such as the time charter vessel. Management believes this, in addition to the Group's cash on demand and ability to raise additional financing, lowers the liquidity risk to a satisfactory level.

The following are remaining contractual maturities at the end of the reporting period of financial liabilities including interest payments:

GROUP							
In thousands of USD	Carrying amount	Contractual cash flow	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
At 31 December 2015							
Non-derivative financial liabilities							
Trade payables	7 607	7 607	7 607	0	0	0	0
Non-trade payables	892	892	510	382	0	0	0
Accrued expenses	2 847	2 847	2 847	0	0	0	0
Finance lease obligations	2 739	3 195	273	825	1 095	1 002	0
Unsecured loan facility	455	455	0	0	114	341	0
Non-current finance arrangement	3 038	5 583	0	0	2 382	3 201	0
Total	**17 578**	**20 579**	**11 237**	**1 207**	**3 591**	**4 544**	**0**
At 31 December 2014							
Non-derivative financial liabilities							
Trade payables	8 050	8 050	8 050	0	0	0	0
Non-trade payables	2 025	2 025	1 656	369	0	0	0
Accrued expenses	4 203	4 203	4 203	0	0	0	0
Finance lease obligations	3 501	4 290	270	825	1 098	2 097	0
Total	**17 779**	**18 568**	**14 179**	**1 194**	**1 098**	**2 097**	**0**

PARENT							
In thousands of USD	Carrying amount	Contractual cash flow	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
At 31 December 2015							
Non-derivative financial liabilities							
Trade payables	7 178	7 178	7 178	0	0	0	0
Non-trade payables	1 160	1 160	778	382	0	0	0
Accrued expenses	4 203	4 203	4 203	0	0	0	0
Finance lease obligations	2 739	3 195	273	825	1 095	1 002	0
Unsecured loan facility	455	455	0	0	114	341	0
Non-current finance arrangement	3 038	5 583	0	0	2 382	3 201	0
Total	**18 773**	**21 774**	**12 432**	**1 207**	**3 591**	**4 544**	**0**
At 31 December 2014							
Non-derivative financial liabilities							
Trade payables	8 046	8 046	8 046	0	0	0	0
Non-trade payables	2 261	2 261	1 892	369	0	0	0
Accrued expenses	4 203	4 203	4 203	0	0	0	0
Finance lease obligations	3 501	4 290	270	825	1 098	2 097	0
Total	**18 011**	**18 800**	**14 411**	**1 194**	**1 098**	**2 097**	**0**

In addition to balance sheet items listed above, Magseis has entered into a 5-year time charter treated as an operating lease which has a significant impact on the liquidity risk. The remaining cash outflows the following 3 years are USD 52.5 million with an equal exposure each month (Group and Parent). Refer to note 18 Leases for further information.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group, United States dollar (USD). The currencies in which these transactions primarily are denominated are Norwegian krone (NOK), Euro (EUR), Pound Sterling (GBP), Singapore Dollars (SGD), Malaysian Ringgit (MYR) and Swedish krona (SEK).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying forwards or options, or buying or selling at spot rates when necessary to address short-term imbalances.

Contractual cash flow in denominated currencies.

CURRENCY RISK GROUP						
In thousands	SEK	GBP	NOK	SGD	EUR	MYR
At 31 December 2015						
Trade payables	3 067	471	20 987	149	7	2 376
Accruals	991	169	8 686	46	99	1 423
Financial statement position exposure	**4 058**	**640**	**29 673**	**195**	**106**	**3 800**
Capital commitments	0	0	13 860	0	0	0
Forecast transaction exposure	**0**	**0**	**13 860**	**0**	**0**	**0**
Total	**4 058**	**640**	**43 533**	**195**	**106**	**3 800**

In thousands	SEK	GBP	NOK	SGD	EUR	MYR
At 31 December 2014						
Trade payables	3 882	466	26 195	145	108	0
Accruals	652	301	23 857	0	19	0
Financial statement position exposure	**4 534**	**767**	**50 052**	**145**	**127**	**0**
Capital commitments	2 283	0	31 134	0	0	0
Forecast transaction exposure	**2 283**	**0**	**31 134**	**0**	**0**	**0**
Total	**6 817**	**767**	**81 185**	**145**	**127**	**0**

The table below shows a sensitivity of exposure to currency risk at the reporting date. This analysis assumes that all other variables remain constant and ignores any impact of forecast transactions.

	Change in exchange rate*	Effect on P&L before tax					
In thousands		SEK	GBP	NOK	SGD	EUR	MYR
2015	(+) 10%	-48	-95	-337	-14	-12	-88
	(-) 10%	48	95	337	14	12	88
2014	(+) 10%	-59	-119	-673	-2	-15	0
	-10 %	59	119	673	2	15	0

** Plus (+) indicates depreciation and minus (-) appreciation of USD against foreign currency.*

Contractual cash flow in denominated currencies.

CURRENCY RISK - PARENT						
In thousands	SEK	GBP	NOK	SGD	EUR	MYR
At 31 December 2015						
Trade payables	1 041	471	20 945	17	7	0
Accruals	0	6	8 686	1	99	0
Financial statement position exposure	**1 041**	**477**	**29 631**	**19**	**106**	**0**
Capital commitments	0	0	13 860	0	0	0
Forecast transaction exposure	**0**	**0**	**13 860**	**0**	**0**	**0**
Total	**1 041**	**477**	**43 491**	**19**	**106**	**0**

In thousands	SEK	GBP	NOK	SGD	EUR	MYR
At 31 December 2014						
Trade payables	3 882	466	26 195	145	108	0
Accruals	652	301	23 857	0	19	0
Financial statement position exposure	**4 534**	**767**	**50 052**	**145**	**127**	**0**
Capital commitments	2 283	0	31 134	0	0	0
Forecast transaction exposure	**2 283**	**0**	**31 134**	**0**	**0**	**0**
Total	**6 817**	**767**	**81 185**	**145**	**127**	**0**

The table below shows a sensitivity of exposure to currency risk at the reporting date. This analysis assumes that all other variables remain constant and ignores any impact of forecast transactions.

	Change in exchange rate*	Effect on P&L before tax					
In thousands		SEK	GBP	NOK	SGD	EUR	MYR
2015	(+) 10%	-12	-71	-337	-1	-12	0
	(-) 10%	12	71	337	1	12	0
2014	(+) 10%	-59	-119	-673	-2	-15	0
	-10 %	59	119	673	2	15	0

** Plus (+) indicates depreciation and minus (-) appreciation of USD against foreign currency.*

Interest rate risk

The Group currently has one long-term interest-bearing loan and a finance lease where both have a constant interest rate throughout the term. In addition, the company has engaged in a cooperation agreement related to a development project. The funds received from this partner is treated as a finance arrangement and interest is calculated based on an annuity method. The cash flow is based on a forecast of expected future receipt of funds and instalments and interest expense rate and amount will vary each quarter when these forecasts are update. The Group has interest bearing assets. Long term strategy is to place parts of the cash and cash equivalents in high interest deposits for periods to secure higher returns, while balancing the need to access funds as required.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group manages its capital to ensure it will be able to continue as a going concern while maximising shareholder wealth and financial stability. Based on the strong organic growth, working capital requirement and large investment programs, the Group's financial strategy has been to maintain a solid equity ratio, focus on increasing cash flow from operations and hire seismic vessels rather than purchase and finance seismic vessels onto the Group's balance sheet. The Group defines its capital as equity, share capital and reserves.

Financial instruments

At 31 December 2015 and 2014 there are no differences between the carrying amount and fair value upon initial recognition for any financial assets or financial liabilities. The table below provides an overview of the carrying amounts and fair values of financial assets and financial liabilities, including their level in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Group	Group	Parent	Parent	Group and Parent
In thousands of USD	Carrying amount /fair value	Carrying amount /fair value	Carrying amount /fair value	Carrying amount /fair value	Fair value level
Year	***2015***	***2014***	***2015***	***2014***	
Financial liabilities					
Finance lease obligation	2 739	3 501	2 739	3 501	Level 2
Non-current finance arrangement	3 038	1 200	3 038	1 200	Level 3
Non-current unsecured loan	455	0	455	0	Level 2
Total	**5 777**	**4 701**	**5 777**	**4 701**	

Level 2 is defined as, assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly.

Non-current finance arrangement (Level 3)

The carrying amount/fair value of the non-current financial arrangement is a function of expected future cash flows and a contractual repayment schedule which is dependent on the Group's future revenues. The carrying amount is on a present value technique using estimated future cash flows. The cash flows reflects the expected market development and the risk inherent in future revenues.

4. 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. In 2015 the Group's operating revenue relates to contract OBS acquisition and to pre-funding multi-client survey.

5. Revenue and other income

In thousands of USD	Group	Group	Parent	Parent
Year	***2015***	***2014***	***2015***	***2014***
Revenue and other income				
Contract revenue	34 871	56 189	31 808	56 189
Multi-client revenue	5 800	417	5 800	417
Intercompany revenue	0	0	1 452	19
Total revenue and other income	**40 671**	**56 606**	**39 060**	**56 625**

6. Operating expenses

In thousands of USD	Group	Group	Parent	Parent
Year	***2015***	***2014***	***2015***	***2014***
Cost of sales				
Charter hire	17 758	17 253	17 758	17 253
Crew cost	6 510	9 813	6 063	9 813
Fuel costs	2 997	4 880	2 997	4 880
Consultants	0	197	0	197
Batteries	1 373	1 750	1 373	1 750
Other cost of sales	2 790	5 324	2 311	5 324
Total cost of sales	**31 427**	**39 217**	**30 501**	**39 217**
Research and development expenses				
Corporate and consultant costs	2 056	1 591	2 045	1 591
Total research and development cost	**2 056**	**1 591**	**2 045**	**1 591**
Selling, general and administrative costs				
Salary and social expenses	5 588	5 740	5 680	5 724
Administrative expenses	1 981	2 027	1 931	2 027
Total selling, general and administrative cost	**7 569**	**7 767**	**7 611**	**7 751**
Salary and social expenses				
Salary	4 055	3 817	4 161	3 812
Social security tax	606	596	606	596
Pension	254	212	246	201
Equity-settled share-based payment transactions	591	1 100	591	1 100
Other payments	82	15	75	15
Total salary and social expenses	**5 588**	**5 740**	**5 680**	**5 724**

Details of the expenses to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

KPMG AUDITORS' REMUNERATION				
In thousands of USD	Group	Group	Parent	Parent
Year	*2015*	*2014*	*2015*	*2014*
Audit services				
Audit of annual financial statements	87	64	87	64
Other services				
Other assurance services	6	55	6	55
Total	**93**	**118**	**93**	**118**

7. Finance income and cost

In thousands of USD	Group	Group	Parent	Parent
Year	*2015*	*2014*	*2015*	*2014*
Interest income	49	242	49	242
Currency gains	159	3 543	151	3 498
Other financial items	75	0	99	0
Total finance income	**283**	**3 784**	**299**	**3 740**
Interest expense	261	45	259	45
Currency losses	122	4 510	123	4 500
Finance charges payable under finance lease	334	410	334	410
Fair value adjustment convertible loan	0	549	0	549
Total finance cost	**717**	**5 514**	**716**	**5 504**
Net finance costs	**434**	**1 730**	**416**	**1 764**

8. Cash and cash equivalents

In thousands of USD	Group	Group	Parent	Parent
Year	*2015*	*2014*	*2015*	*2014*
Unrestricted cash balances	11 248	21 412	11 218	21 380
Restricted cash - Employee tax withholding accounts	187	180	177	180
Cash and cash equivalents	**11 435**	**21 591**	**11 395**	**21 560**

9. Other current assets

In thousands of USD	Group	Group	Parent	Parent
Year	*2015*	*2014*	*2015*	*2014*
Prepayments	995	430	979	420
Deposits	174	118	174	118
VAT receivable	635	1 106	635	1 106
Intercompany receivables	0	0	1 709	242
Other receivables	3 446	916	383	916
Fuel stock	525	848	525	848
Battery stock	1 162	1 106	1 162	1 106
Total other current assets	**6 936**	**4 524**	**5 566**	**4 756**

10. Income tax

In thousands of USD	Group 2015	Group 2014	Parent 2015	Parent 2014
Current tax expense				
Current period	439	0	245	0
Total	**439**	**0**	**245**	**0**
Deferred tax expense				
Origination and reversal of temporary differences	-1 242	-193	-1 242	-193
Benefit of tax losses and other deferred tax benefits not recognised	1 242	193	1 242	193
Total	**0**	**0**	**0**	**0**
Numerical reconciliation between tax expense and pre-tax accounting profit				
Profit / (loss) before tax	**-16 071**	**-5 379**	**-16 752**	**-5 403**
Income tax at 27%	-4 339	-1 452	-4 523	-1 459
Adjusted for other tax regimes	9	0	0	0
Non-deductible expenses	3	3	3	3
Non-assessable income	0	0	0	0
Losses (recognised) / not recognised	4 520	1 449	4 520	1 456
Withholding tax paid	245	0	245	0
Total income tax expenses / (benefit)	**439**	**0**	**245**	**0**

The Group and Parent have unutilised tax losses of USD 24.6 million (2014: USD 19.1 million) available to be offset against future taxable income. The deductible temporary difference and tax losses do not expire under current tax legislation. The net deferred tax asset for the Group and Parent has not been recognised on the basis that it does not meet the criteria for recognition.
The Norwegian tax rate (attributable to the Parent) is 27 percent.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following, and none have been recognised:

In thousands of USD	Group 2015	Group 2014	Parent 2015	Parent 2014
Non-current assets	1 612	2 827	1 612	2 827
Current assets	0	0	0	0
Non-current liabilities	-1 933	-1 442	-1 933	-1 442
Current liabilities	0	-440	0	-440
Tax loss carry-forwards	-6 647	-5 147	-6 647	-5 147
Tax (assets) liabilities	-6 968	-4 202	-6 968	-4 202
Set off of tax	6 968	4 202	6 968	4 202
Net tax (assets) liabilities	**0**	**0**	**0**	**0**

11. Other current liabilities

In thousands of USD	Group	Group	Parent	Parent
Year	***2015***	***2014***	***2015***	***2014***
Other payables	502	437	472	424
Accrued expenses	2 847	3 776	2 294	3 776
Current portion of deferred gain on sale and leaseback	18	18	18	18
Current portion of deferred lease discount	454	453	454	453
Intercompany payables	0	0	301	247
Provisions holiday day	382	369	382	369
Loss provision multi-client project	0	429	0	429
Short-term loan	0	1 200	0	1 200
Other current liabilities	7	0	3	0
Total other current liabilities	**4 209**	**6 681**	**3 924**	**6 915**

12. Multi-client library

In the fourth quarter of 2015 Magseis finished a multi-client project in the Barents Sea. The net booked value at 31 December 2015 relates to expected late-sales in the first quarter of 2016.

In thousands of USD		
Year	***2015***	***2014***
Cost		
Balance at 1 January	0	0
Additions	4 383	0
Disposals	0	0
Balance at 31 December	**4 383**	**0**
Amortisation		
Balance at 1 January	0	0
Amortisation for the year	3 506	0
Disposals	0	0
Impairment	0	0
Balance at 31 December	**3 506**	**0**
Carrying amounts		
at 1 January	0	0
at 31 December	**877**	**0**

13. Equipment

All equipment is recognised in the Parent, thus, there are no differences between the Group and the Parent.

In thousands of USD	Office machines	Seismic equipment	Seismic equipment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2014	202	31 615	4 109	3 216	39 142
Additions	124	4 281	0	13 280	17 685
Disposals	0	0	0	0	0
Impairment	0	-888	0	-293	-1 181
Adjustment currency conversion	-2	-355	-46	-36	-439
Balance at 31 December 2014	**324**	**34 653**	**4 063**	**16 167**	**55 207**
Balance at 1 January 2015	324	34 653	4 063	16 167	55 207
Asset completed and ready for intended use	0	20 331	0	-20 331	0
Additions	67	1 521	0	8 780	10 368
Disposals	0	0	0	0	0
Impairment	0	-277	0	0	-277
Balance at 31 December 2015	**391**	**56 228**	**4 063**	**4 616**	**65 298**
Depreciation and impairment losses					
Balance at 1 January 2014	88	1 512	199	0	1 799
Depreciation for the year	83	6 275	786	0	7 144
Disposals	0	0	0	0	0
Impairment	0	-62	0	0	-62
Adjustment currency conversion	-1	-17	-2	0	-20
Balance at 31 December 2014	**170**	**7 708**	**983**	**0**	**8 861**
Balance at 1 January 2015	170	7 708	983	0	8 861
Depreciation for the year	82	8 381	786	0	9 249
Disposals	0	0	0	0	0
Impairment	0	-158	0	0	-158
Balance at 31 December 2015	**252**	**15 931**	**1 769**	**0**	**17 952**
Carrying amounts					
at 1 January 2014	114	30 103	3 910	3 215	37 342
at 31 December 2014	**154**	**26 945**	**3 080**	**16 167**	**46 346**
at 1 January 2015	154	26 945	3 080	16 167	46 346
at 31 December 2015	**139**	**40 297**	**2 294**	**4 616**	**47 346**

Impairment

Magseis has during 2015 recorded an impairment related to damaged equipment of USD 0.1 million compared to USD 1.1 million in 2014.

Capitalisation

During 2015 Magseis has capitalised USD 1.5 million (2014: USD 1.6 million) in cost relating to the development of the seismic equipment. In the fourth quarter of 2015, USD 0.7 million of current year's capitalised cost has been reclassified to intangibles.

Grants

In 2015 and 2014, the Group received a grant from SkatteFUNN relating to further development of MASS and a deep water project of USD 186 thousands and USD 166 thousands respectively. The grants were offset against capitalised cost related to these projects.

14. Other intangible assets

Intangibles are recognised in the Parent, thus, there are no differences between the Group and the Parent.

In thousands of USD	Group	Group
Year	***2015***	***2014***
Cost		
Balance at 1 January	2 513	2 321
Additions	2 075	225
Disposals	0	0
Adjustment currency conversion	0	-33
Balance at 31 December	**4 588**	**2 513**
Amortisation		
Balance at 1 January	574	116
Amortisation for the year	471	464
Disposals	0	0
Adjustment currency conversion	0	-6
Balance at 31 December	**1 045**	**574**
Carrying amounts		
at 1 January	1 939	2 205
at 31 December	**3 543**	**1 939**

Development costs

In 2015 and 2014 Magseis capitalised cost related to research and development project for second generation electronics. In addition, intangibles as at 31 December for both years comprise 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 weighted average useful lives of the sensor capsules.

15. Share capital and reserves

Share capital issued

Ordinary shares - Issued and fully paid		Number of shares	Share capital USD '000	Share premium reserve USD '000
At 1 January 2014		1 053 299	186	60 026
10 April 2014	Private placement of 254,274 shares at NOK 475 per share	254 274	42	20 120
28 May 2014	Share split - 20:1	26 151 460		
06 June 2014	USD 4.02 million loan converted for 1,011,101 shares at NOK 23.73 per share	1 011 101	9	4 542
	Capital raising costs	0	0	-933
At 31 December 2014		**27 162 561**	**237**	**83 755**
Adjusted 1 January 2015		27 162 561	237	83 774
8 June 2015	Private placement of 2,655,453 shares at NOK 22 per share	2 655 453	17	7 452
	Capital raising costs			-281
At 31 December 2015		**29 818 014**	**254**	**90 945**

No dividends were paid during the period ended 31 December 2015 (2014: USD 0).

20 LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2015		
Shareholder	**Holdings**	
WESTCON GROUP AS	5 328 103	17.87 %
ANFAR INVEST AS	3 819 684	12.81 %
GEO INNOVA AS	3 745 050	12.56 %
CLIPPER A/S	1 538 409	5.16 %
BARRUS CAPITAL AS	1 323 740	4.44 %
VPF NORDEA KAPITAL	1 200 787	4.03 %
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 %
VERDIPAPIRFONDET KLP AKSJENORGE	747 615	2.51 %
VPF NORDEA AVKASTNING	745 412	2.50 %
STOREBRAND VEKST	685 819	2.30 %
STOREBRAND NORGE I	617 628	2.07 %
EUROCLEAR BANK S.A./N.V. ('BA')	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 %
WESTMAR AS	320 400	1.07 %
INVESCO FUNDS	270 000	0.91 %
J.P. MORGAN LUXEMBOURG S.A.	263 700	0.88 %
Total 20 largest shareholders	**25 573 988**	**85.77 %**
Other shareholders	4 244 026	**14.23 %**
Total outstanding shareholders	**29 818 014**	**100.00 %**

16. Earnings per share

Group		
Year	*2015*	*2014*
Basic earnings / (loss) per share*	**-0.58**	**-0.21**
Diluted earnings / (loss) per share**	**-0.58**	**-0.21**
Reconciliation of earnings used in calculating earnings / (loss) per share		
In thousands of USD		
Basic earnings / (loss) per share		
Profit / (loss) for the year	-16 510	-5 379
Weighted average number of ordinary shares outstanding	28 639	25 033
Diluted earnings / (loss) per share		
Profit / (loss) for the year	-16 510	-5 379
Weighted average number of ordinary shares outstanding (diluted)	30 427	25 170

** The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.*

*** The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares*

Earnings per share are calculated by dividing the result for the year by a weighted average of the outstanding issued shares during the year. Weighted average number of outstanding shares is calculated by dividing the numbers of shares during the year after changes done in each quarter with corresponding numbers of days in a year. The Parent company conducted a share split of 1:20 in May 2014.

17. Share-based payments

Share based payment plan (equity-settled)

In 2012 the Group established a share option programme that entitles key management personnel, senior employees and some members of the board to purchase shares in the Company. In accordance with this programme options are exercisable at the market price of the share at the date of the grant and all options are equity settled.

In 2015, 267 000 share-options were granted to employees. The grants have the a strike price between NOK 22 and 25, and vesting criteria of which 20% become exercisable after one year, 30% become exercisable after two years and 50% become exercisable after three years.

2014

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
As of 1 January 2014	1 482 520		1.14
Option grant to key management on 31 March 2014	60 000	*50% vest on 31 March 2016 and 50% vest on 31 March 2017*	2.25
Option grant to key management on 1 May 2014	30 000	*20% vest on 1 May 2015, 30% vest on 1 May 2016 and 50% vest on 1 May 2017*	2.33
Option grant to associates on 15 May 2014	45 000	*20% vested on 15 May 2015, 30% vest on 15 May 2016 and 50% vest on 15 May 2017*	2.37
Option grant to key management on 1 June 2014	100 000	*20% vested on 1 June 2015, 30% vest on 1 June 2016 and 50% vest on 1 June 2017*	2.42
As of 31 December 2014	**1 717 520**		

2015

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of options
As of 1 January 2015	1 717 520		1.31
Option grant to key management on 20 February 2015	15 000	*20% vest on 20 February 2016, 30% vest on 20 February 2017 and 50% vest on 20 February 2018*	3.14
Option grant to key management on 5 March 2015	20 000	*20% vest on 5 March 2016, 30% vest on 5 March 2017 and 50% vest on 5 March 2018*	3.18
Option grant to associates on 18 September 2015	232 000	*20% vest on 18 September 2016, 30% vest on 18 September 2017 and 50% vest on 18 September 2018*	3.72
As of 31 December 2015	**1 984 520**		

Prices in USD	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Year	***2015***	***2015***	***2014***	***2014***
Outstanding at 1 January	2.35	1 717 520	2.71	1 482 520
Forfeited during the period	0	0	0	0
Exercised during the period	0	0	0	0
Granted during the period	2.54	267 000	3.27	235 000
Outstanding at 31 December		**1 984 520**		**1 717 520**
Exercisable at 31 December	2.26	926 720	2.55	409 940

The options outstanding at 31 December 2015 have an exercise price in the range of USD 1.10 to USD 2.70 and a weighted average contractual life of 1.62 years. The Group recognised a share-based payment expense of USD 0.6 million in the period ended 31 December 2015 (2014: USD 1.1 million) in relations to share options issued.

Inputs for measurement of grant date for fair values

The grant date for fair value of all share-based payments plan was calculated using the Black-Scholes-Merton option pricing model. Expected volatility is estimated by considering historic average share price volatility of comparable listed entities. The inputs used in the measurement of the fair values at grant date of the 2014 and 2015 share-based payments plans are as following:

2015			
Prices in USD			
Fair value of share options and assumptions	***20 February 2015***	***05 March 2015***	***18 September 2015***
Fair value at grant date (weighted average)	1.46	1.49	0.85
Share price at grant date	2.88	2.87	1.93
Exercise price	2.88	2.75	2.50
Expected volatility	75.00 %	75.00 %	75.00 %
Option life (years)	4.00	4.00	4.00
Expected dividends	0	0	0
Risk-free interest rate (weighted average)	0.77 %	0.96 %	0.82 %

2014				
Prices in USD				
Fair value of share options and assumptions	***31 March 2014***	***01 May 2014***	***15 May 2014***	***01 June 2014***
Fair value at grant date (weighted average)	1.70	1.64	1.64	1.73
Share price at grant date	3.20	3.20	3.20	3.36
Exercise price	3.20	3.20	3.20	3.36
Expected volatility	75.00 %	75.00 %	75.00 %	75.00 %
Option life (years)	4.00	4.00	4.00	4.00
Expected dividends	0	0	0	0
Risk-free interest rate (weighted average)	1.80 %	1.78 %	1.75 %	1.70 %

18. Leases

Operating leases

In 2013 the Group entered into a non-cancellable vessel lease with Westcon Group (related party). The lease term is 5.25 years with an option for a 2 year extension. At 31 December 2015 the remaining life of the lease is 3.0 years. For the first 3 months of the lease, the Group paid a discounted rate which is recognised as a reduction to the operating lease expense on a straight line basis over the lease term. The balance of this deferred lease discount is USD 0.9 million at 31 December 2015 (2014: USD 1.8 million). In November 2015, the Group entered into a time charter with Westcon Group for a source vessel. The minimum lease term is 77 days.

The Group has entered into two leases on commercial property. The leases are non-cancellable operating leases and have average remaining lives of 1.0 and 3.25 years. Future minimum lease payments under non-cancellable operating leases are as follows:

FUTURE MINIMUM LEASE PAYMENTS		
In thousands of USD	**31 December 2015**	**31 December 2014**
Less than one year	19 846	17 523
Between one and five years	34 803	52 469
More than five years	0	0
Total	**54 650**	**69 992**

OPERATING LEASE COST EXPENSED IN PROFIT AND LOSS		
In thousands of USD	**31 December 2015**	**31 December 2014**
Time charter leases	17 758	17 253
Office leases	485	497
Total	**18 243**	**17 750**

Finance lease

In 2013, the Group entered into a sale & leaseback agreement with Westcon Group (related party) regarding some of its seismic equipment. The lease term was 5 years and 2 months which reflects the leased assets economic life. The interest rate implicit in the lease (yearly effective interest rate) is 10.6%. The sale resulted in a gain of NOK 0.6m which is amortised on a straight-line basis over the lease term. At 31 December 2015 the remaining life of the sale & leaseback agreement is 2.0 years and 11 months.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

FUTURE MINIMUM LEASE PAYMENTS				
	31 December 2015		**31 December 2014**	
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	1 038	1 095	1 035
Between one and five years	2 097	1 702	3 195	2 466
More than five years	0	0	0	0
Total minimum lease payments	**3 195**	**2 740**	**4 290**	**3 501**
Less amounts representing finance charges	455	0	789	0
Present value of minimum lease payments	**2 740**	**2 740**	**3 501**	**3 501**

Refer to note 21 *Related parties* for further information about leases with related parties.

19. Other non-current financial liabilities

	Booked value	
In thousands of USD	**31 December 2015**	**31 December 2014**
Amortisation grace period time charter *	909	1 368
Senior unsecured loan facility **	455	0
Non-current finance arrangement	3 038	0
Total	**4 402**	**1 368**

** Refer to note 18 Leases for details.*
*** Refer to note 21 Related parties for details.*

Non-current finance arrangement

In September 2015 Magseis and Shell Global Solutions ("Shell") entered into a cooperation agreement related to their joint development program, where Shell funds parts of the development cost borne by Magseis. Due to the content of the arrangement, the funding is treated as a financial liability in the financial statements under other non-current financial liabilities and amounts to USD 3.0 million at 31 December 2015 (2014: USD 1.2 million). The principal includes accumulated interest. The liability assumes successful commercialisation of the developed product. If the development for any reason is cancelled or the product never commercialises, Magseis has no obligation to repay the liability.

During 2015 an interest expense of USD 0.2 million has been recognised in the profit and loss (2014: 0).

20. Capital commitments

Future minimum payments relating to equipment are as follows:

In thousands of USD	31 December 2015	31 December 2014
Contracted but not yet provided for and payable:		
Within one year	6 886	9 741
One year later and no later than five years	0	1 039
Later than five years	0	0
Total	**6 886**	**10 780**

Capital commitments relates to seismic equipment for upgrade of Artemis Athene and investments in long-term strategic equipment.

21. Related parties

Shares and options held by members of the Board and management, as at 31 December

Name	Position	Shares		Share options	
Period		*31 December 2015*	*31 December 2014*	*31 December 2015*	*31 December 2014*
A Farestveit	Chairman, Non-Executive	3 819 684	3 605 460	160 000	160 000
N Matre (Westcon Group)	Non-Executive Director	5 328 103	5 001 920	0	0
J B Gateman	Director and Senior Vice President	3 745 050	3 515 780	175 000	160 000
B R Bachmann (Shell)	Non-Executive Director	0	1 011 101	0	0
M Thjømøe (Thjømøekranen)	Non-Executive Director	2 500	0	0	0
I Gimse	Chief Executive Officer	908 825	904 280	265 000	250 000
M Ektvedt	Chief Financial Officer	0	0	281 580	266 580
B Jensen	Chief Operating Officer	0	0	105 000	100 000
Total		**13 804 162**	**14 038 541**	**986 580**	**936 580**

Share based option programs.

As part of the grants, Ivar Gimse, CEO, Mikkel Ektvedt, CFO, and Jan Gateman, VP Technology, were all granted 15,000 share-options each while Bjørn Jensen, COO, was granted 5,000. All grants to senior management have a strike price of NOK 22 for 2015.

No options exercised during 2015 or 2014.

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 are considered to be 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:

In thousands of USD	*Transactions*	*Note*	Transaction value		Balance outstanding	
Year			***31 December 2015***	***31 December 2014***	***31 December 2015***	***31 December 2014***
Name						
J B Gateman	Consultant costs	(I)	171	214	39	58
N Matre/Westcon Group	Leases	(II)	19 541	19 007	3 673	3 478
N Matre/Westcon Group	Other services	(III)	1 798	1 147	24	355
Total			**21 510**	**20 368**	**3 736**	**3 891**

(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 at market terms. As part of the TC agreement for Artemis Athene, Westcon Group also delivers Marine Management services. In 2015 this cost amounts to USD 0.5 million. As at 31 December 2015 the remaining time charter lease term is 3 years and the sale and leaseback is 2 years and 11 months.

(III) In addition to the leases Westcon Group also delivered yard services during 2015.

Senior unsecured loan

On 18 December 2015, shareholders and board members Anders Farestveit and Jan Gateman provided Magseis with a senior unsecured loan with a principal of NOK 4.0 million (approx. USD 450 thousands). The loan matures in 18 December 2020 and has a interest of 5% p.a. The loan will be repaid in semi-annual instalments with first instalment falling due in June 2017. In 2015, USD 1.0 thousand of interest expence is recognised in the profit and loss. In the event that Magseis raises new equity in excess of USD 10 million the loan shall be repaid.

Investments in and transactions with subsidiaries (Parent)

During 2015 and 2014 Magseis ASA has transacted with its subsidiaries. The terms and conditions of the transactions between Group companies were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions non-related entities on an arm's length basis. The table below sets out the transaction value and outstanding balance as at 31 December:

In thousands of USD	*Transactions*	*Note*	Transaction value		Balance outstanding	
Year			***31 December 2015***	***31 December 2014***	***31 December 2015***	***31 December 2014***
Name						
Magseis Operations AS	Purchased crew services / liability	(I)	259	247		
	Sold accounting services / receivable	(III)	-29	-24		
	Net liability		0	0	-28	7
Magseis Singapore Services Pte. Ltd.	Purchased administration services / liability	(II)	247	0		
	Sold TC and crew services / receivable	(II)	1 420	0		
	Sold accounting services	(III)	13	0		
	Net receivable		0	0	1 685	0
Total			**1 910**	**223**	**1 657**	**7**

(I) During 2015 and 2014 Magseis Operations AS has hired crew personnel to Magseis ASA and Magseis ASA has provided accounting services to Magseis Operations AS.

(II) Magseis Singapore Services Pte. Ltd. has during 2015 provided administration services to Magseis ASA. In the end of 2015, Magseis ASA has provided time charters to Magseis Singapore Services Pte. Ltd.

(III) Magseis ASA has provided accounting services to both Magseis Operations AS and Magseis Singapore Services Pte. Ltd. during 2015.

All intercompany transactions are based on the cost-plus method with a mark-up of 5%.

MANAGEMENT REMUNERATION					
In thousands of USD		Remuneration	Options	Pension	Total
2015					
Name	*Position*				
I. Gimse	Chief Executive Officer	185	11	10	206
M. Ektvedt	Chief Financial Officer	183	9	9	201
B. Jensen	Chief Operating Officer	160	6	9	175
J.B. Gateman	Senior Vice President	0	8	0	8
Total		**529**	**34**	**27**	**590**
2014					
I. Gimse	Chief Executive Officer	235	143	12	390
M. Ektvedt	Chief Financial Officer	222	118	11	351
B. Jensen	Chief Operating Officer	109	51	7	167
J.B Gateman	Senior Vice President	0	90	0	90
Total		**566**	**402**	**30**	**998**

All management receive their remuneration in NOK and the decrease in remuneration is mainly due to the depreciation of the NOK against USD.

Severance pay

The chief executive officer is entitled to a severance pay equivalent to three months' salary, commencing at the end of the notice period, when the resignation is at the request from the Company. Any other payment earned during this period will be fully deducted.

REMUNERATION BOARD OF DIRECTORS AND NOMINATION COMMITTEE			
In thousands of USD		2015	2014
Name	*Position*		
Board of director's			
A Farestveit	Chairman, Non-Executive	42	27
N Matre	Non-Executive Director	35	22
J B Gateman	Director and Senior Vice President	35	22
B R Bachmann	Non-Executive Director	35	22
M Thjømøe	Non-Executive Director	35	22
Nomination committee			
A Farestveit	Chairman, Non-Executive	2	2
J Bleie	Committee member	2	2
Audit committee			
M Thjømøe	Chairman, Non-Executive	4	0
A Farestveit	Committee member	2	0
Total		**193**	**119**

22. Investments in Subsidiaries

The Magseis Group consists of:

Company name	Country	Main Business
Magseis ASA (The Parent Company)	Norway	Geophysical services
Magseis Operations AS	Norway	Geophysical services
Magseis Technology AB	Sweden	Product development
Magseis Malaysia Sdn. Bhd.	Malaysia	Geophysical services
Magseis Singapore Services Pte. Ltd.	Singapore	Geophysical services
Magseis Do Brasil Ltda (under establishment)	Brazil	Geophysical services

PARENT COMPANY							
					In USD		
Company name	Country	Main Business	Ownership	Voting Power	Net book value	Equity	Net profit 2015
Magseis Operations AS	Norway	Geophysical services	100 %	100 %	5 241	5 241	7 588
Magseis Technology AB	Sweden	Product development	100 %	100 %	5 982	5 982	-233
Magseis Malaysia Sdn. Bhd.	Malaysia	Geophysical services	100 %	100 %	3 696	3 696	492 569
Magseis Singapore Services Pte. Ltd.	Singapore	Geophysical services	100 %	100 %	0.5	0.5	181 000
Magseis Do Brasil Ltda (under establishment)	Brazil	Geophysical services	100 %	100 %	5 000	5 000	0

23. Subsequent events

On 10 February 2016 Magseis announced that it has been awarded the largest project awarded to the company since inception, by BGP for the provision of OBS acquisition services related to Saudi Aramco's S-78 survey in the Red Sea. The survey duration is estimated at 9 months and with a potential extension of 12 months. The survey is expected to commence during Q3 2016, securing backlog into Q2 2017.

Further Magseis has entered into a pre-funding agreement of USD 8 million from BGP to assist the financing of required investments for the award.

Magseis has at the end of March 2016 successfully raised new equity capital of NOK 85 million and will conduct a subsequent repair offering of up to NOK 15 million during May 2016. The new issue is subject to approval at an extraordinary general meeting in April 2016.

Further, during March 2016 Magseis has received credit committee approval from The Norwegian Export Credit Guarantee Agency (GIEK) for an equipment purchase loan facility of up to USD 4 million from Export Credit Norway. Final term sheet and loan documentation are still to be negotiated but expected to be finalized by GIEK and Export Credit Norway within Q2 2016.

KPMG AS
P.O. Box 7000 Majorstuen
Sørkedalsveien 6
N-0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Annual Shareholders' Meeting of Magseis ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Magseis ASA, which comprise the financial statements of the parent company Magseis ASA and the consolidated financial statements of Magseis ASA and its subsidiaries. The parent company's and the consolidated financial statements comprise the statement of financial position as at 31 December 2015, and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Magseis ASA and of Magseis ASA and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 6 April 2016
KPMG AS

Lone Frogner

Lone Frogner
State Authorised Public Accountant