Q1 2015

Magseis ASA

First quarter

magseis

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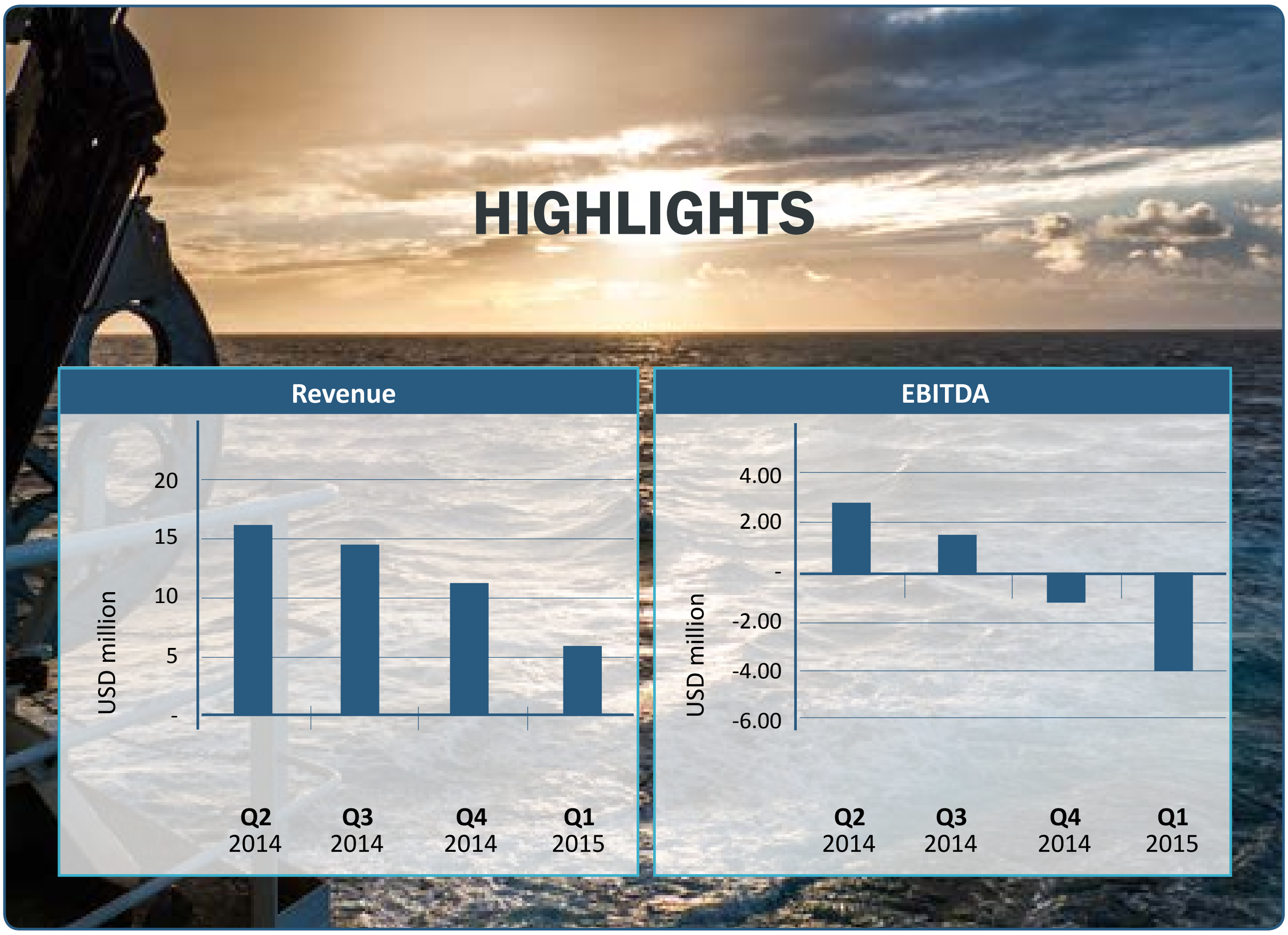


First quarter 2015

- Completed pilot for Saudi Aramco which qualifies Magseis to tender for a large survey in the Red Sea expected to commence in Q4 2015
- Completed upgrade on Athene while in dock for a 5-year classing. The vessel now operates 150 kilometres of cable which significantly increases operational efficiency
- Revenues of USD 5.7 million compared to USD 11.8 million during Q4 2014 due to significant time spent on steaming, poor weather and yard stay
- EBITDA for the quarter ended at USD -4.1 million compared to USD -1.3 million in Q4 2014.
- EBIT of USD -6.3 million compared to USD -3.4 million during Q4 2014.
- Net Income of USD -6.5 million compared to USD -3.9 million during Q4 2014.

CEO STATEMENTS

During the first quarter Magseis successfully completed the Barents Sea multi-client project as well as a pilot for Saudi Aramco in the Red Sea. Albeit small, these projects represents important investments in future work as they highlight the potential of ocean bottom seismic (OBS) and the Marine Autonomous Seismic System (MASS) in important regions.

The Barents Sea project builds on our experience on Snøhvit/Albatross where OBS, due to its ability to capture Shear-waves has delivered a significant improvement in imaging relative to what has been available to streamer. Originally planned as a larger campaign across four licences the multi-client project was reduced down to 2D work on the Gohta licence only due to poor weather and time-pressure. However, the ongoing processing of the data shows positive results and provide support for further work in a key exploration area of the Barents Sea.

I am particularly pleased that our Red Sea project was completed in a successful manner. The project was faced with significant time pressure due to the distances involved and subsequent yard stay. In addition it was the first time that our MASS system was deployed at water depths below 1 000 metres as well as on land. Our crew did a tremendous job and delivered unparalleled positioning accuracy and HSE performance and the initial processing of data looks very promising. We worked well together with our partner on the project, BGP International and are now qualified by Saudi Aramco to participate in upcoming tenders for work. This is especially important given the significant plans for OBS work that exist in the region.

During the last part of the quarter Athene returned to Westcon's yard in Florø to complete the upgrade to 4 500 sensors and the 5 year maritime classing. This was a well-orchestrated yard stay and Athene has now been upgraded to operate 150 kilometres of cable and our second generation sensor units which have a significantly improved battery life.

Our results for the quarter have been impacted by a significant amount of steaming, poor weather and the planned yard stay. As a result we have recorded a negative EBITDA of USD -4.1 million for the quarter. While clearly unsatisfactory these results must be viewed up against a very challenging industry environment and the significant potential for further work that the now completed pilots hold. As the first quarter draws to a close we have started on our project for Chevron North Sea which should prove an important reference as a very demanding 4D survey with an oil industry super major and where we operate a crew that is now among the largest in the OBS industry.

Ivar Gimse - **CEO Magseis**

KEY FINANCIALS

In thousands of USD

Profit and loss	Q1 2015	Q1 2014	2014
Revenues	5 726	13 853	56 606
Cost of sales	6 874	9 157	39 217
EBITDA	-4 125	2 040	5 077
EBIT	-6 285	202	-3 649
Net profit (loss)	-6 528	323	-5 379
Basic earnings per share	-0.24	0.02	-0.21
Financial position			
Total assets	70 777	59 070	82 021
Total liabilities	14 687	13 560	19 600
Total equity	56 090	45 510	62 421
Equity ratio	79.2%	77.0%	76.1%
Cash flow			
Total assets	-5 177	2 502	5 948

BOARD OF DIRECTORS REPORT

Operational comments

During January Magseis completed the Barents Sea multi-client project before starting the transit towards the Red Sea and warmer waters.

The transit that led us through the Suez canal prior to arriving into Saudi Arabian waters was uneventful and production started in the Red Sea with deployment of our MASS system on February 3rd. Several operational breakthroughs were achieved with successful operations in more than 1 000m of water as well as proving our MASS system's suitability for operation in transition zone areas as well as on dry land. The data acquisition and the subsequent return to the North Sea went according to plan and the vessel and crew arrived safely at the Westcon Group's yard in Florø on 11 March.

During the latter end of March, the vessel owner conducted a 5 year classing of Athene and we were able to use this time efficiently to also complete the planned capacity upgrade. With the upgrade completed the Athene can now operate up to 5 000-6 000 nodes (4 500 is the current inventory) and 150 km of cable or more.

FINANCIAL REVIEW

Revenues

The reduced scope of the Barents Sea multi-client project combined with steaming for the Red Sea and planned yard stay resulted in revenue of USD 5.7 million in the first quarter compared to USD 13.9 million in the first quarter of 2014 and USD 11.8 million in the fourth quarter of 2014.

Operational costs

Cost of sales in the quarter was reduced by USD 2.3 million from USD 9.2 million in the first quarter of 2014 to USD 6.9 in the first quarter of 2015 and USD 10.0 million in the fourth quarter of 2014. 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, and lower fuel and battery consumption resulting from the low production rate during the quarter. In addition, the cost of sales is reduced as a consequence of a net loss of USD 0.4 million recognised at year end 2014 relating to the multi-client project completed in January 2015.

Selling, general and administration expenses (SG&A) and other expenses in the first quarter amounted to USD 2.4 million compared to USD 2.4 million in the same period in 2014. SG&A and other expenses has since the first quarter in 2014 increased gradually along with the organisation, but a strengthened USD has cancelled out this cost. As an additional comparison, SG&A and other expenses were USD 2.5 million in the fourth quarter of 2014.

Research and development

Research and development expenses (R&D) for the first quarter were USD 0.5 million compared to USD 0.2 million in the first quarter of 2014 and USD 0.6 million in the fourth quarter of 2014. The increase in R&D expenses is due to a gradual increase in R&D activities since the beginning of 2014.

Depreciation and amortisation

Depreciation and amortisation were USD 2.1 million in the first quarter compared to USD 1.8 million in the first quarter of 2014 and USD 2.0 million in the fourth quarter of 2014. The capacity upgrade on Athene is the main reason for the increased depreciation and amortisation cost compared to the first quarter in 2014.

EBITDA and EBIT

The EBITDA was USD -4.1 million in the first quarter compared to USD 2.0 million the first quarter of 2014 and USD -1.3 million in the fourth quarter of 2014. The EBITDA was heavily impacted by the low revenue in the first quarter. EBIT was USD -6.3 million in the first quarter compared to USD 0.2 million in the same period in 2014 and USD -3.4 million in the fourth quarter in 2014. The decrease in EBIT of USD 2.8 million from the fourth quarter 2014 to the first quarter of 2015, relates to the same factors as the decrease in EBITDA.

Balance Sheet and Cash Flow

As at 31 March 2015 the Group's equity was USD 56.1 million including a currency translation reserve of USD -5.1 million which reflects the currency differences triggered by the change of presentation currency from NOK to USD in 2014. The equity as at 31 March 2014 amounted to USD 45.5 million of which USD -3.2 million relates to the currency translation reserve. The increase in equity is mainly due to the capital raise of USD 20.1 million completed in April 2014 and conversion of loan from Shell of USD 4.0 million conducted in the second quarter of 2014, offset by the net loss incurred in the last three quarters of 2014 and the first quarter of 2015.

Tangibles and intangible assets amounted to USD 49.7 million as at 31 March 2015 compared to USD 39.9 million at the same date in 2014 and USD 48.3 million as at 31 December 2014. The increase reflects investments made the last 12 months relating to increasing the capacity on the current vessel. The increase from 31 December 2014 to 31 March 2015 is mainly due to Magseis taking delivery of new seismic equipment and yard work related to the recent upgrade. The increase in this period is offset by a depreciation and amortisation of USD 2.1 million.

As at 31 March 2015, current assets amounted to USD 21.1 million compared to USD 19.2 million as at 31 March 2014. The increase was mainly due to net increase in cash and cash equivalents of 3.8 million, offset by a decrease of USD 2.8 million in other current assets.

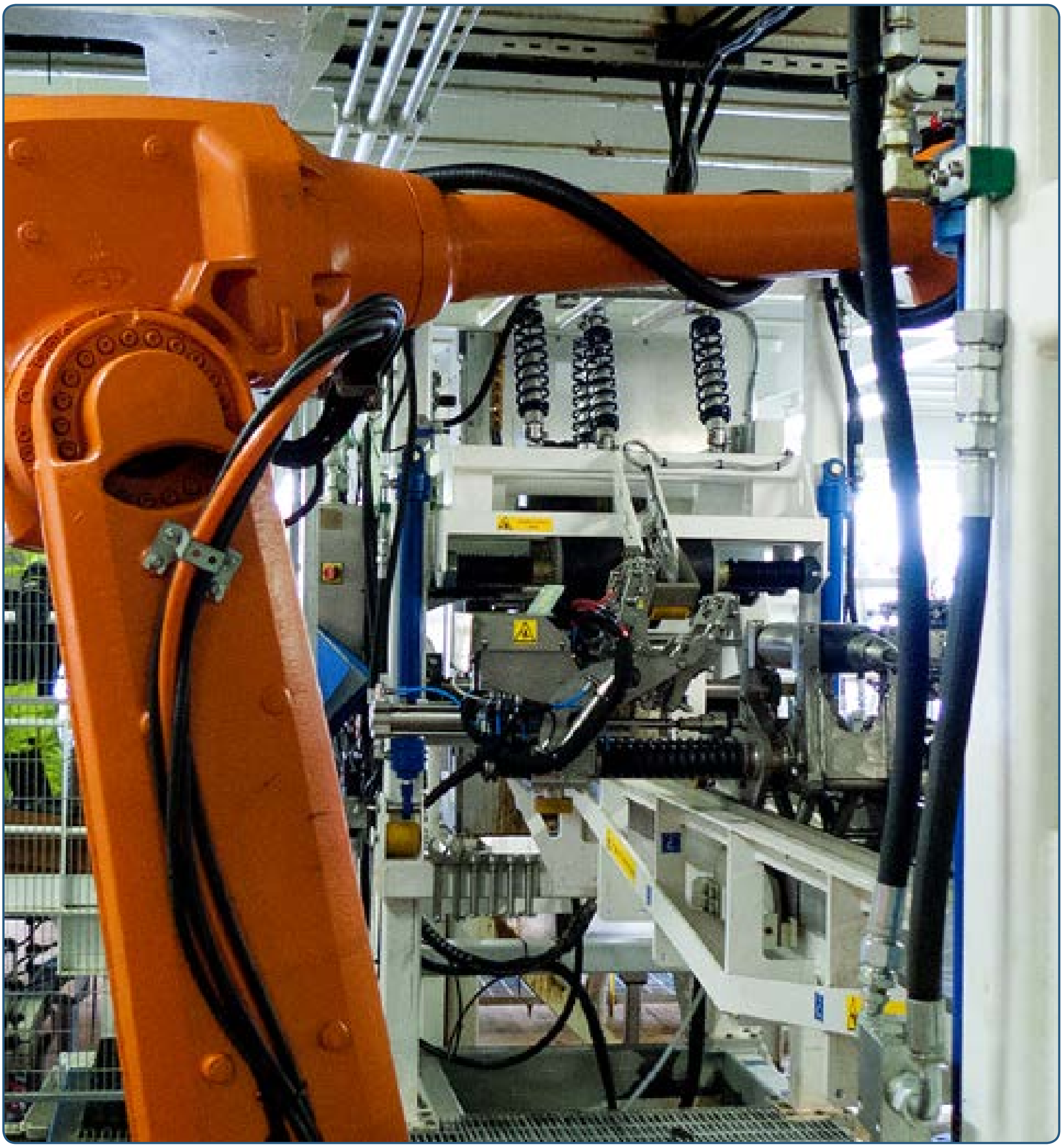
Non-current liabilities decreased to USD 3.8 as at 31 March 2015 from USD 5.1 million at the same date in 2014. The decrease is due to amortisation of the time charter for Athene and reduction in the finance lease obligation.

Current liabilities as at 31 March 2015 amounted to USD 10.9 million compared to USD 8.5 million as at 31 March 2014 and USD 15.5 million at 31 December 2014. The decrease since year end 2014 mainly reflects relatively high trade payables and accruals in 2014 related to receipt of new equipment in late 2014, which has been paid in 2015.

Cash flow from operating activities was USD -5.2 million in the first quarter of 2015 compared to USD 2.5 million in the same period of 2014 and is a result of the low utilisation during the quarter. The low Cash flow from investing activities amounted to USD -4.8 million in the first quarter of 2015 compared to USD -2.3 million in the same period of 2014 when the investment activity was at a significantly lower level. In 2015 cash flow from finance activities was USD -0.3 million in the first quarter of 2015 which is at par with the same period of 2014.

Employees

As at 31 March 2015 Magseis had a total of 73 full-time employees (31 March 2014: 62) including a seismic crew of 40 (31 March 2014: 38).



20 LARGEST SHAREHOLDERS AS AT 27 APRIL 2015		
Shareholder	**Holdings**	
WESTCON GROUP AS	5 001 920	18.41 %
GEO INNOVA AS	3 515 780	12.94 %
ANFAR INVEST AS	3 285 060	12.09 %
CLIPPER A/S	1 360 000	5.01 %
BARRUS CAPITAL AS	1 223 740	4.51 %
J.P. MORGAN CHASE BANK N.A. LONDON	1 011 101	3.72 %
GNEIS AS	904 280	3.33 %
OP-EUROPE EQUITY FUND	853 340	3.14 %
VARMA MUTUAL PENSION INSURANCE	700 000	2.58 %
VPF NORDEA KAPITAL	658 200	2.42 %
APM INVEST AS	640 800	2.36 %
STOREBRAND VEKST	602 241	2.22 %
KLP AKSJE NORGE VPF	552 250	2.03 %
STOREBRAND NORGE I	543 198	2.00 %
MP PENSJON PK	484 020	1.78 %
VPF NORDEA AVKASTNING	436 000	1.47 %
INVESCO PERP EUR SMALL COMP FD	400 000	1.35 %
KOMMUNAL LANDSPENSJONSKASSE	366 010	1.20 %
BARCLAYS BANK PLC	324 820	0.99 %
INVESCO FUNDS	270 000	0.98 %
Total 20 largest shareholders *	**23 132 760**	**84.16 %**
Other shareholders	4 029 801	**15.84 %**
Total outstanding shareholders *	**27 162 561**	**100.00 %**

Outlook

During the second quarter Magseis has started work on the Captain survey for Chevron North Sea. This is a demanding project with stringent requirements for positioning accuracy and sensor reliability. During the survey we will also introduce our second generation sensor units with significantly enhanced battery time as well as commercially deploy our long-life nodes as stand-alone units underneath platforms. With the completion of the upgrade of capacity on Artemis Athene from 3 000 to 4 500 sensors Magseis now operates one of the largest crews in the OBS industry with more than 150 kilometres of cable.

Industry conditions remain challenging but we are seeing signs of renewed tendering activity, in particular for the 2016 season. As focus from our clients shifts from exploration towards development spending we believe this should support a faster recovery for the OBS segment than the broader seismic market.

On May 7 Magseis announced that the Company had successfully conducted a private placement of 2 655 453 new shares. The gross proceeds from the transaction equate to approximately NOK 58 million (approx. USD 7.8 million) and will finance additional investments in equipment for a second crew and general corporate purposes. The completion of the private placement is conditional upon the approval by the Annual General Meeting of the Company to be held on or about 5 June 2015.

With the upgraded Athene as one of the OBS industry's most cost-efficient crews and the game changer that our second crew will be for OBS acquisition costs – Magseis is in a unique position. We believe that the current industry environment will enable us to secure favourable vessel terms to further support our growth strategy and continue to monitor market developments closely, so as to enable the shortest possible time to market for the next step in our development.

Statement on Financial Compliance

We confirm, to the best of our knowledge, that the condensed consolidated interim financial statements for the period 1 January to 31 March 2015 have been prepared in accordance with current applicable accounting standards and IAS 34 Interim Financial Reporting, and gives a true and fair view of the assets, liabilities, financial position and results of the group. We also confirm to the best of our knowledge that the condensed consolidated interim financial statements present a fairly view of the development and performance of the business during the period, and together with the 2014 Annual Report a description of the principal risks and uncertainties facing the Group.

Board of Directors of Magseis ASA,
Lysaker, 12 May 2015

Anders Farestveit, *Chairman*	Noralf Matre, *Non-executive Director*	Jan Gateman, *Director and Senior Vice President*
Bettina R. Bachmann, *Non-executive Director*	Mari Thjømøe, *Non-executive Director*	Ivar Gimse, *Chief Executive Officer*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of USD	*Note*	**Q1 2015** *(unaudited)*	**Q1 2014** *(unaudited)*	**Full Year 2014** *(audited)*
REVENUE AND OTHER INCOME				
Revenue	*4*	5 726	13 853	56 606
Total revenue and other income		**5 726**	**13 853**	**56 606**
OPERATING EXPENSES				
Cost of sales		6 874	9 157	39 217
Research and development expenses		530	220	1 591
Selling, general and administrative costs		1 768	1 988	7 767
Other expenses		679	448	2 954
Depreciation and amortisation	*5, 6*	2 125	1 838	7 607
Impairment	*5*	35	0	1 119
Total operating expenses		**12 011**	**13 651**	**60 255**
OPERATING PROFIT (LOSS)		**-6 285**	**202**	**-3 649**
FINANCIAL INCOME AND EXPENSES				
Finance income		291	322	3 784
Finance costs		-256	-201	-5 514
Net finance costs		**35**	**121**	**-1 730**
NET PROFIT (LOSS) BEFORE TAX		**-6 250**	**323**	**-5 379**
Income tax expense		278	0	0
NET PROFIT (LOSS)		**-6 528**	**323**	**-5 379**
Basic earnings (loss) per share (in NOK)		-0.24	0.02	-0.21
Diluted earnings (loss) per share (in NOK)		-0.24	0.02	-0.21
OTHER COMPREHENSIVE INCOME				
Currency exchange differences		0	724	-1 155
Total comprehensive income (loss) for the period, attributable to Owners of the Company		**-6 528**	**1 047**	**-6 534**

CONDENSED AND CONSOLIDATED BALANCE SHEET

In thousands of USD	*Note*	**31 March 2015** *(unaudited)*	**31 March 2014** *(unaudited)*	**31 Dec. 2014** *(audited)*
ASSETS				
Non-current assets				
Equipment	*5*	47 892	37 540	46 346
Intangible assets	*6*	1 824	2 348	1 939
Total non-current assets		**49 716**	**39 888**	**48 285**
Current assets				
Cash and cash equivalents		11 299	7 504	21 591
Trade receivables		5 519	5 355	7 621
Other current assets		4 243	6 323	4 524
Total current assets		**21 061**	**19 182**	**33 736**
TOTAL ASSETS		**70 777**	**59 070**	**82 021**
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	*7*	237	186	237
Share premium	*7*	83 774	60 026	83 755
Other equity		2 216	1 327	2 039
Retained earnings		-25 014	-12 785	-18 487
Currency translation reserve		-5 123	-3 244	-5 123
Total equity attributable to equity holders of the Company		**56 090**	**45 510**	**62 421**
TOTAL EQUITY		**56 090**	**45 510**	**62 421**
LIABILITIES				
Non-current liabilities				
Obligation under finance lease	*9*	2 537	3 320	2 739
Other non-current financial liabilities		1 252	1 737	1 369
Total non-current liabilities		**3 789**	**5 057**	**4 108**
Current liabilities				
Trade payables		4 812	2 760	8 050
Current tax payable		0	0	0
Current portion of obligations under finance lease	*9*	784	703	761
Other current liabilities		5 302	5 040	6 681
Total current liabilities		**10 898**	**8 503**	**15 492**
TOTAL LIABILITIES		**14 687**	**13 560**	**19 600**
TOTAL EQUITY AND LIABILITIES		**70 777**	**59 070**	**82 021**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of USD	Share capital	Share premium reserve	Share based payments reserve	Retained earnings	Currency trans-lation reserve	Total
Balance at 1 January 2014	**186**	**60 026**	**1 044**	**-13 108**	**-3 968**	**44 180**
Profit / (loss) for the period	0	0	0	323	0	323
Other comprehensive income	0	0	0	0	724	724
Total comprehensive income for the period	0	0	0	323	724	1 047
Share-based payments (options)	0	0	283	0	0	283
Balance at 31 March 2014	**186**	**60 026**	**1 327**	**-12 785**	**-3 244**	**45 510**
Balance at 1 January 2015	**237**	**83 774**	**2 039**	**-18 486**	**-5 123**	**62 441**
Profit / (loss) for the period	0	0	0	-6 528	0	-6 528
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the period	0	0	0	-6 528	0	-6 528
Share-based payments (options)	0	0	177	0	0	177
Balance at 31 March 2015	**237**	**83 774**	**2 216**	**-25 014**	**-5 123**	**56 090**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

In thousands of USD	*Note*	**YTD 2015** *(unaudited)*	**YTD 2014** *(unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax		-6 250	323
Adjustment for:			
Income tax paid		-278	0
Depreciation and amortisation	*5, 6*	2 125	1 838
Deferred lease discount amortisation		-117	-130
Impairment	*5*	35	0
Fair value adjustment conversion of loan		0	0
Share based payments expense		177	283
Interest expense		123	114
Interest income		-17	-48
Working capital adjustments:			
(Increase) / decrease in current assets		2 404	716
Increase / (decrease) in trade and other payables and accruals		-3 379	-594
		-975	122
Net cash from operating activities		**-5 177**	**2 502**
Cash flows from investing activities			
Interest received		17	48
Acquisition of equipment	*5, 6*	-4 829	-2 036
Payments for capitalised development and intangibles	*6*	0	-325
Net cash used in investing activities		**-4 812**	**-2 313**
Cash flows from financing activities			
Proceeds from sale and leaseback		0	0
Proceeds from loan		0	0
Payment of finance lease obligation		-180	-162
Proceeds from issue of share capital		0	0
Expenses related to issue of share capital		0	0
Interest paid		-123	-114
Net cash from financing activities		**-303**	**-276**
Net change in cash and cash equivalents		-10 292	-87
Cash and cash equivalents at 1 January		21 591	6 867
Net foreign exchange difference		0	724
Cash and cash equivalents at period end		**11 299**	**7 504**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

Magseis ASA is a public limited liability company listed on Oslo Axess and incorporated in Bærum, Norway. The address of the Company's registered office is Dicks vei 10b, 1366 Lysaker. These condensed consolidated interim financial statements comprise Magseis ASA (referred to as the "Company") and its subsidiaries (together referred to as "Magseis" or the "Group"). The Group is primarily involved in marine seismic operations and seismic-related activities.

2.1 Basis of preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The condensed consolidated interim financial statements does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2014.

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 12 May 2015.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value which are recorded through the profit and loss.

(c) Going concern

The condensed consolidated interim financial statements have been prepared on the going concern basis.

(d) Functional and presentation currency

Since 1 July 2014, the Group's functional and presentation currency has been United States Dollars (USD). All financial information is presented in USD and has been rounded to the nearest thousand unless otherwise stated. Comparative figures earlier presented in NOK has been translated by using quarterly average rates for the profit and loss, closing rates for assets and liabilities, and historical transaction rates for equity and other non-monetary items. The exchange differences arising from using different currency rates in comparative figures are presented as currency translation reserve in equity.

2.2 Basis for consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2015 . Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The accounting judgements, estimates and assumptions used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2014 annual financial statements.

2.4 Summary of significant accounting policies

The accounting principles used to prepare the condensed consolidated interim financial statements are the same as those used to prepare the 2014 annual financial statements. There are no new standards effective in 2015 that have had a significant impact to the Group's financial statements.

3. Operating segments

The Group is operating in one segment being geophysical surveys with respect to products and services. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

4. Revenue

In thousands of USD	2015	2014
Revenue and other income		
Revenue	5 291	13 853
Other income	435	0
Total revenue and other income	**5 726**	**13 853**

5. Equipment

EQUIPMENT					
In thousands of USD	Office machines	Seismic equipment	Seismic equip-ment under finance lease	Under construction	Total
Cost					
Balance at 1 January 2014	202	31 615	4 109	3 216	39 142
Asset completed and ready for intended use	0	0	0	0	0
Additions	36	130	0	1 162	1 328
Disposals	0	0	0	0	0
Adjustment currency conversion	4	512	67	73	656
Balance at 31 March 2014	**242**	**32 257**	**4 176**	**4 451**	**41 126**
Balance at 1 January 2015	324	34 653	4 063	16 167	55 207
Additions	34	1 149	0	2 408	3 591
Disposals	0	0	0	0	0
Impairment	0	-51	0	0	-51
Balance at 31 March 2015	**358**	**35 751**	**4 063**	**18 575**	**58 747**
Depreciation					
Balance at 1 January 2014	88	1 512	199	0	1 799
Depreciation for the year	18	1 510	199	0	1 726
Disposals	0	0	0	0	0
Adjustment currency conversion	2	52	6	0	60
Balance at 31 March 2014	**108**	**3 074**	**404**	**0**	**3 585**
Balance at 1 January 2015	170	7 708	983	0	8 861
Depreciation for the year	23	1 790	197	0	2 010
Disposals	0	0	0	0	0
Impairment	0	-16	0	0	-16
Balance at 31 March 2015	**193**	**9 482**	**1 180**	**0**	**10 855**
Carrying amounts					
at 1 January 2014	114	30 103	3 910	3 215	37 342
at 31 March 2014	**134**	**29 183**	**3 772**	**4 451**	**37 540**
at 1 January 2015	154	26 945	3 080	16 167	46 346
at 31 March 2015	**165**	**26 269**	**2 883**	**18 575**	**47 892**

Useful life of equipment

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

Capitalisation

In the first quarter of 2015 Magseis has capitalised USD 0.5 million (2014: USD 0) in cost relating to the development of the seismic equipment.

Impairment

Magseis has during the first quarter of 2015 recorded a minor impairment of USD 35 thousands (2014: USD 0).

6. Intangible assets

INTANGIBLES		
In thousands of USD	**2015**	**2014**
Cost		
Balance at 1 January	2 513	2 321
Additions	0	221
Disposals	0	0
Adjustment currency conversion	0	41
Balance at 31 March	**2 513**	**2 584**
Amortisation		
Balance at 1 January	574	116
Amortisation for the year	116	116
Disposals	0	0
Adjustment currency conversion	0	4
Balance at 31 March	**689**	**236**
Carrying amounts		
at 1 January	1 939	2 205
Balance at 31 March	**1 824**	**2 348**

Development costs

No capitalisation was conducted in 2015, but in the first quarter of 2014 USD 0.2 million was capitalised. In addition, intangibles as at 31 March 2015 comprise of prototypes and Magseis software for the first generation equipment which are amortised on a straight-line basis over 5.9 and 3 years respectively. The useful life of prototypes is based on the weighted average useful lives of the sensor capsules.

7. Share capital and reserves

The shares of Magseis are listed on Oslo Axess.

SHARE CAPITAL ISSUED	Number of shares	Share capital USD '000	Share premium reserve USD '000
Ordinary shares - Issued and fully paid			
At 1 January 2014	1 053 299	186	60 026
At 31 March 2014	**1 053 299**	**186**	**60 026**
Ordinary shares - Issued and fully paid			
At 1 January 2015	27 162 561	237	83 775
At 31 March 2015	**27 162 561**	**237**	**83 775**

The changes in share capital and share premium reserve in the period 31 March 2014 to 1 January 2015 is a result of a capital raise and a conversion of convertible loan completed in the spring of 2014. In the same period, Magseis ASA also conducted a share split with ratio 1:20.

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

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

8. Related parties

Name	Position	Shares		Share options	
Period		31 March 2015	31 March 2014	31 March 2015	31 March 2014
A Farestveit	*Chairman, Non-Executive*	3 605 460	3 424 460	160 000	160 000
N Matre (Westcon Group)	*Non-Executive Director*	5 001 920	4 033 500	0	0
J B Gateman	*Director and Senior Vice President*	3 515 780	3 494 740	160 000	160 000
B R Bachmann (Shell)	*Non-Executive Director*	1 011 101	0	0	0
M Thjømøe	*Non-Executive Director*	0	0	0	0
I Gimse	*Chief Executive Officer*	904 280	895 860	250 000	220 000
M Ektvedt	*Chief Financial Officer*	0	0	266 580	266 580
Bjørn Jensen	*Chief Operating Officer*	0	0	100 000	0
Total		**14 038 541**	**11 848 560**	**936 580**	**806 580**

During the first quarter of 2015, 35 000 share options with an average strike price of NOK 24.71 have been issued to employees. Magseis has recognised share-based expense of USD 0.2 million in 2015 (2014: USD 0.3 million).

Key management personnel and director transactions

A number of key management persons and board members, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons, board members and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances related to key management personal, board members and entities over which they have control or significant influence were as follows.

RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES:						
In thousands of USD			Transaction value		Balance outstanding	
Name	Transactions	Note	31 March 2015	31 March 2014	31 March 2015	31 March 2014
J B Gateman	Consultant costs	(I)	43	47	53	60
N Matre/Westcon Group	Leases	(II)	4 181	4 573	1 253	0
N Matre/Westcon Group	Other services	(III)	1 092	50	288	59
Total			**5 316**	**4 670**	**1 594**	**119**

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

(II) *Relates to a time charter (TC) and a sale and leaseback arrangement. As part of the TC agreement Westcon Group also delivers Marine Management services. For the first quarter in 2015 this cost amounts to USD 0.1 million. As at 31 March 2015 the remaining time charter lease terms is 3 years and 9 months and the sale and leaseback is 3 years and 8 months.*

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

9. Leases

Operating leases

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

FUTURE MINIMUM LEASE PAYMENTS OPERATING LEASES		
In thousands of USD	31 March 2015	31 March 2014
Less than one year	17 202	17 155
Between one and five years	47 235	64 437
More than five years	0	0
Total	**64 437**	**81 592**

Finance lease

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

FUTURE MINIMUM LEASE PAYMENTS FINANCE LEASES				
	31 March 2015		31 March 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	2 922	2 282	4 020	2 990
More than five years	0	0	0	0
Total minimum lease payments	**4 020**	**3 320**	**5 115**	**4 025**
Less amounts representing finance charges	700	0	1 090	0
Present value of minimum lease payments	**3 320**	**3 320**	**4 025**	**4 025**

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

10. Capital commitments

Future minimum commitments relating to equipment are as follows:

CAPITAL COMMITMENTS		
In thousands of USD	31 March 2015	31 March 2014
Contracted but not yet provided for and payable:		
Within one year	9 680	7 988
One year later and no later than five years	239	0
Later than five years	0	0
Total	**9 919**	**7 988**

11. Subsequent events

On May 7 Magseis announced that the Company had successfully conducted a private placement of 2 655 453 new shares. The gross proceeds from the transaction equate to approximately NOK 58 million (approx. USD 7.8 million) and will finance additional investments in equipment for a second crew and general corporate purposes. The completion of the private placement is conditional upon the approval by the Annual General Meeting of the Company to be held on or about 5 June 2015.

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