UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 000-25142

MITCHAM INDUSTRIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS	76-0210849
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
44000 HIGHWAY 75 SOUTH HUNTSVILLE, TEXAS	77340
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 936-291-2277

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

COMMON STOCK, $.01 PAR VALUE
(TITLE OF CLASS)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. [X]

Aggregate market value of the voting stock held by non-affiliates of the registrant: $45,849,546 as of April 27, 2001.

As of April 27, 2001, there were outstanding 8,890,415 shares of the registrant's common stock, par value $.01, which is the only class of common or voting stock of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III of this Form 10-K is incorporated by reference from the registrant's Proxy Statement for the 2001 Annual Meeting of Shareholders of the Company to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this report.

MITCHAM INDUSTRIES, INC.
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PART I

ITEM 1. BUSINESS

BACKGROUND

Mitcham Industries, Inc. leases and sells geophysical and other equipment used primarily by seismic data acquisition contractors to perform seismic data surveys on land and in transition zones (marsh and shallow water areas). The Company conducts its operations on a worldwide basis and is a leading independent seismic equipment lessor in North and South America. Over the last several years advances in seismic technology have increased drilling success rates, thereby reducing the overall costs of finding oil and gas. As a result, the Company and many seismic contractors have significantly expanded their seismic equipment fleets. From January 31, 1998 through January 31, 2001, the Company's equipment lease pool, at cost, increased from approximately $49.9 million to $89.7 million.

The Company owns a variety of technologically advanced equipment acquired from the leading seismic manufacturers. The Company's lease pool includes many types of equipment used in seismic data acquisition, including all components of land and transition zone seismic data acquisition systems, geophones and cables, earth vibrators, peripheral equipment, survey and other equipment. A substantial amount of the Company's equipment lease pool is provided by two manufacturers, the Sercel subsidiaries of Compagnie Generale de Geophysique (collectively, "Sercel") and Input/Output, Inc. ("I/O"). The Company believes that most of the advanced seismic data acquisition systems in use worldwide are either Sercel or I/O systems. In the last two years, the Company has significantly diversified its equipment lease pool to include a wider variety of seismic equipment. At January 31, 2001, approximately 38% of the Company's equipment lease pool, on a cost basis, consisted of seismic recording channel boxes, with the remainder consisting of peripheral and other equipment.

The Company leases its equipment on a short-term basis, generally for three to nine months, to seismic contractors who need additional capacity to complete a seismic survey. In doing so, the Company enables its customers to achieve operating and capital investment efficiencies. Demand for short-term seismic equipment leases is affected by many factors including: (i) the highly variable size and technological demands of individual seismic surveys, (ii) seasonal weather patterns and sporadic demand for seismic surveys in certain regions, (iii) rapidly changing technology and (iv) costs of seismic equipment. The Company believes these factors allow seismic contractors to use short-term seismic equipment leasing as a cost-effective alternative to purchasing additional equipment. The Company's equipment lease rates vary according to an item's expected useful life, utilization and initial cost.

A typical seismic crew uses a wide variety of equipment to perform seismic data acquisition surveys. The Company's customers may lease a small amount of equipment to expand an existing crew's capabilities or a complete seismic data acquisition system to equip an entire crew.

Certain of the Company's leases contain a purchase option, allowing the customer to apply a portion of the lease payments to the eventual purchase of the equipment. Additionally, the Company sells a broad range of used seismic equipment on a worldwide basis and, in certain markets, acts as a sales representative or distributor of new seismic equipment.

The Company has supply and exclusive lease referral agreements with several leading seismic equipment manufacturers, including Sercel and Pelton Company, Inc. ("Pelton"). The Company believes that these agreements provide it with certain competitive advantages. Under these agreements, the Company is the exclusive worldwide short-term leasing representative for certain products. An additional agreement exists with Sercel that allows the Company to act as sales representative or distributor for such manufacturer's products in selected markets. See "Key Supplier Agreements."

BUSINESS STRATEGY

The Company's business strategy is to meet the needs of users of seismic equipment through its leasing and support services. To accomplish this, the Company has identified the following major objectives:

- Provide a technologically advanced seismic equipment lease pool. The Company intends to maintain the size and diversity of its equipment lease pool. The Company believes that the availability of a large and diverse seismic equipment lease pool encourages seismic data acquisition contractors to lease, rather than purchase, such equipment, due to the capital and operating efficiencies provided by short-term leases.

- Expand international operations. Historically, the Company's activities outside North America have consisted of equipment sales, with a limited amount of leasing activities. The Company believes that there are opportunities to expand its international leasing activities as its customers' operations grow in international markets. The Company receives referrals from Sercel and other manufacturers on a worldwide basis. The Company believes that its alliances with manufacturers provide opportunities to further penetrate international markets, where such manufacturers are well recognized and have well-developed business relationships.

- Develop and enhance alliances with major seismic equipment manufacturers. The Company's relationships with leading seismic equipment manufacturers allow it to expand its equipment lease pool on favorable terms. The Company believes such relationships improve its access to customers and provide a competitive advantage. The Company has exclusive short-term lease agreements with certain manufacturers and is seeking to develop additional arrangements.

- Pursue additional business development opportunities. The Company regularly evaluates opportunities to expand its business activities within the oil service industry, particularly in the seismic sector.

SEISMIC TECHNOLOGY AND THE INDUSTRY

Seismic surveys are a principal source of information used by oil and gas companies to identify geological conditions that are favorable for the accumulation of oil and gas and to evaluate the potential for successful drilling, development and production of oil and gas. Seismic technology has been used by the oil and gas industry since the 1920's and has advanced significantly with improvements in computing and electronic technologies. In recent years, the oil and gas industry has significantly expanded its use of 3-D seismic data which provides a more comprehensive subsurface image and is believed to have contributed to improved drilling success rates, particularly in mature oil and gas basins such as those in North America. Additionally, 2-D seismic data continues to be used in many areas where 3-D data acquisition is cost prohibitive or logistical access is limited.

Oil and gas exploration companies utilize seismic data generated from the use of digital seismic systems and peripheral equipment in determining optimal locations for drilling oil and gas wells, in the development of oil and gas reserves and in reservoir management for the production of oil and gas. A complete digital seismic data acquisition system generally consists of (i) a central electronics unit that records and stores digital data ("CEU"), (ii) seismic recording channel boxes that contain from one to eight seismic channels ("channel boxes"), (iii) geophones, or seismic sensors, (iv) energy sources including dynamite, compressed air guns or earth vibrators that create the necessary acoustic wave to be recorded, (v) cables that transmit digital seismic data from the channel boxes to the CEU, (vi) survey equipment, drilling equipment for shot holes and other equipment and (vii) other peripheral, or accessory, equipment.

In seismic data acquisition, an acoustic wave is generated at or below the earth's surface through the discharge of compressed air, the detonation of small explosive charges or the use of vibrators. As the acoustic wave travels through the earth, it is reflected by the underlying rock layers and the reflected energy is captured by the geophones, which are sited at intervals along paths from the point of acoustical impulse. The resulting signals are then transmitted to the channel boxes, which convert the signals from analog to digital data and transmit this data via cable to the CEU. The CEU stores the seismic data on magnetic tape or disk for processing. The digital data is then input into a specialized seismic processing system that uses sophisticated computer software programs to enhance the recorded signal and produce an image of the subsurface strata. By interpreting seismic data, oil and gas exploration companies create detailed maps of exploration prospects and oil and gas reservoirs.

In the past, the 2-D seismic survey was the standard data acquisition technique used to map geologic formations over a broad area. 2-D seismic data can be visualized as a single vertical plane of subsurface information. Data gathered from a 3-D seismic survey is best visualized as a cube of information that can be sliced into numerous planes, providing different views of a geologic structure with much higher resolution than is available with traditional 2-D seismic survey techniques. 3-D seismic surveys require much larger data acquisition systems. By using a greater number of channels and flexible configuration, 3-D seismic data provides more extensive and detailed information regarding the subsurface geology than does 2-D data. As a result, 3-D data allows the geophysicists interpreting the data to more closely select the optimal location of a prospective drillsite or oil and gas reservoir.

In the exploration and development process, oil and gas companies establish requirements for seismic data acquisition programs based on their technical objectives. Because of the expense associated with drilling oil and gas wells, decisions whether or where to drill are critical to the overall process. Because 3-D seismic data increase drilling success rates and reduce costs, the Company believes that oil and gas companies are increasingly requiring 3-D seismic surveys in their activities. As a result of the increasing requirements for this higher resolution data, which in turn requires additional channels to collect and transmit the data, seismic data acquisition systems have been expanding in size during the past several years.

Recent industry advances include the use of high resolution 3-D, three-component geophones ("3C-3D"), which enhance the 3-D image, and time lapse ("4-D") seismic, where surveys are periodically reacquired to allow the monitoring of producing oil and gas field for optimal production and reserve recovery. These and other technical advances have contributed to increased drilling success rates and reduced oil and gas finding costs and consequently, have increased demand for seismic data acquisition equipment and services.

With the expanded use of seismic technology, particularly 3-D seismic, the size of data acquisition surveys has increased substantially in the past several years. Demand for higher resolution data, larger surveys and more rapid completion of such surveys is requiring seismic contractors to use data acquisition systems with a greater number of seismic recording channels. Additionally, in many areas, such as North America, the size of seismic surveys varies significantly, requiring frequent changes in the configuration of equipment and crews used for seismic surveys. As a result of these advances, seismic survey channel count has increased from smaller 2-D surveys, which typically averaged 120 channels, to larger 3-D surveys which today average approximately 1,500 channels and often use 3,000 or more channels. The Company believes that many seismic contractors will continue to meet changes in equipment needs by leasing incremental equipment to expand crew size as necessary to meet specific survey requirements, and thereby reduce the substantial capital expenditures necessary to purchase such equipment.

BUSINESS AND OPERATIONS

SEISMIC EQUIPMENT LEASING. The Company typically purchases new and used seismic equipment for short-term (less than one year) lease to its customers, which primarily include seismic contractors. After the termination of the original equipment lease, the Company enters into additional short-term leases with other customers, often leasing such equipment multiple times until the end of its useful life or its sale. The Company's equipment leasing services generally include the lease of the various components of seismic data acquisition systems and related equipment to meet a customer's job specifications. Such specifications frequently vary as to the number of required recording channels, geophones, energy sources (e.g., earth vibrators) and other equipment. The Company's customers generally lease seismic equipment to meet shortages of recording channels and related equipment for specific surveys.

The Company currently has an equipment lease pool comprising a total of approximately 46,800 seismic recording channels (each channel being capable of electronically converting seismic data from analog to digital format and transmitting the digital data), geophones and cables, earth vibrators, peripheral equipment and survey and other equipment. All of the Company's lease pool equipment is manufactured by leading seismic equipment manufacturers and is widely used in the seismic industry.

The Company's equipment leases generally have terms of three to nine months and are typically renewable on a month-to-month basis. The Company offers maintenance of its leased equipment during the lease term for malfunctions due to failure of material and parts and will provide replacement equipment as necessary. In addition, the Company provides telephone support services to answer its lease customers' questions.

The Company's equipment lease rates vary according to an item's expected useful life, utilization and initial cost. The lessee must also obtain and keep in force insurance for the replacement value of the equipment and a specified minimum amount of general liability and casualty insurance on the leased equipment during the term of the lease. Before equipment is delivered, the lessee must provide certification that the Company has been named an additional insured and loss payee on its policies. The lessee is responsible for all maintenance and repairs of leased equipment other than those arising from normal wear and tear. All taxes (other than U.S. federal income taxes) and assessments are the contractual obligation of the lessee. To the extent foreign taxes are not paid by the lessee, the relevant foreign taxing authority might seek to collect such taxes from the Company. To date, no such collection action has been taken against the Company.

A majority of the Company's leasing revenues has historically come from North American operations. Within North America, a significant portion of the Company's total revenues is attributable to Canadian operations. Management believes that the United States and Canada will continue to be the focal points of the Company's seismic equipment leasing operations for the foreseeable future, although the Company is pursuing an expanded presence in other international locations such as South and Central America and the Far East.

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to the Company's operations in Canada, where a significant percentage of the seismic survey activity usually occurs in the winter season, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other heavy equipment because of the unstable terrain. In the United States, most of the seismic survey work is not usually affected by weather. As a result of weather conditions, the Company attempts to manage its equipment lease pool to meet seasonal demands. Equipment leased in Canada during the winter months may be moved to the United States in the warmer months.

SEISMIC EQUIPMENT SALES. The Company's equipment sales business serves a diverse base of industry, governmental, university and research customers. The Company typically buys used equipment for resale and new equipment in response to specific customer orders. On occasion, the Company will also hold equipment of third parties and sell such equipment on consignment.

SEISMIC EQUIPMENT LEASE/PURCHASES. The Company's lease/purchase activities reflect the two components involved in lease/purchase option contracts. The lease revenue component represents the lease amounts paid under the lease/purchase contracts and the sales component represents the sales revenue and related cost associated with the customers' exercise of the purchase option.

SEISMIC EQUIPMENT COMMISSIONED SALES. Under the Sercel Sales Agreement discussed below, the Company receives sales commissions on all Sercel equipment and spare parts sold in Canada.

KEY SUPPLIER AGREEMENTS

THE SERCEL LEASE AGREEMENT

Effective December 16, 1999, the Company renewed its exclusive leasing arrangement with Sercel, a major manufacturer of 3-D seismic data acquisition equipment, by entering into a new Exclusive Equipment Lease Agreement (the "Sercel Lease Agreement").

Under the Agreement, the Company acts as Sercel's exclusive third-party worldwide short-term (for leases of a duration of less than one year) leasing representative and Sercel will refer to the Company all requests it receives to lease Sercel 3-D data acquisition equipment and other field equipment, through December 31, 2002. Except for the fact that Sercel may engage in short-term leasing directly to its customers and affiliates, Sercel may not recommend or suggest any competitor of the Company as a potential lessor of such data acquisition equipment. As of January 31, 2001, the Company has purchased 10,481 channels of Sercel 408UL equipment and is in compliance with the agreement.

The agreement is subject to termination by Sercel before December 21, 2002: (i) at any time upon (a) Sercel's reasonable belief that the Company has violated or intends to violate the Foreign Corrupt Practices Act of 1977, as amended, (b) the Company's refusal or inability to certify that it is in compliance with laws applicable to its activities, or (c) the Company's insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern, and (ii) upon 90 days' prior written notice if the Company no longer employs Billy F. Mitcham, Jr. in a senior management capacity.

THE SERCEL SALES AGREEMENT

Through Mitcham Canada Ltd., the Company's wholly-owned subsidiary, the Company entered into the Commercial Representation Agreement (the "Sercel Sales Agreement") with Georex, Inc.

("Georex"), a wholly-owned subsidiary of Sercel, under which the Company is Sercel's designated sales representative in Canada for its seismic data acquisition and other field equipment through September 19, 2000, subject to earlier termination by either party on 90 days' prior notice. The agreement has been extended for an additional one-year period. Under the agreement, the Company is entitled to receive a commission on all Sercel equipment and spare parts sold in Canada.

The Company is prohibited from selling certain seismic equipment that competes with Sercel equipment during the term of the agreement and for six months thereafter, except that the Company may sell individual components that compete with components of Sercel equipment, such as I/O channel boxes and Pelton vibrator control electronics, as well as any seismic equipment previously used in its lease fleet.

The Sercel Sales Agreement is subject to termination by Georex upon (i) Georex's reasonable belief that the Company has violated or intends to violate the Foreign Corrupt Practices Act of 1977, as amended, (ii) the Company's refusal or inability to certify that it is in compliance with laws applicable to its activities or (iii) the Company's insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern.

OTHER AGREEMENTS

In May 1996, the Company entered into an exclusive lease referral agreement (the "Pelton Agreement") with Pelton. The Company believes Pelton is the leading manufacturer and supplier of vibrator control electronics. The terms of the Pelton Agreement regarding exclusive lease referrals and favorable prices are substantially similar to those of the Sercel Lease Agreement. The Pelton Agreement is valid until terminated by either party upon three months prior written notice.

CUSTOMERS; SALES AND MARKETING

The Company's major lease customers are seismic data acquisition contractors and major and independent oil and gas companies. The Company typically has a small number of lease customers, the composition of which changes yearly as leases are negotiated and concluded and equipment needs vary. As of January 31, 2001, the Company had lease customers with 86 active leases of various lengths. Customers of the Company's used and new seismic equipment sales and service business include its lease customers, foreign governments, universities, engineering firms and research organizations worldwide.

The Company participates in both domestic and international trade shows and expositions to inform the oil and gas industry of its products and services. In addition to advertising in major geophysical trade journals, direct advertising in the form of a semi-annual listing of equipment offerings is mailed to over 3,000 oil and gas industry participants. The Company believes this mailing generates significant seismic equipment lease and sales revenues. In addition, the Company advertises its alliances with Sercel and Pelton in several major geophysical trade journals. The Company also maintains a web site on which it lists its seismic equipment for sale and lease.

The Company works with a network of representatives in several international markets, including Europe, the Far East, Russia and other former Soviet Union countries. These agents generate equipment sales and, to a lesser extent, equipment leasing business for the Company and are compensated on a commission basis. The Company also expends resources in the areas of customer service, product support and the maintenance of customer relationships. The Company also has an office in Calgary, Alberta, Canada from which it leases and sells seismic equipment.

COMPETITION

While the Company is aware of several companies that engage in seismic equipment leasing, competition has historically been fragmented and the Company's competitors have not had as extensive a seismic equipment lease pool as does the Company.

The Company competes for seismic equipment leases on the basis of (i) price and delivery, (ii) availability of both peripheral seismic equipment and complete data acquisition systems which may be configured to meet a customer's particular needs and (iii) length of lease term. The Company competes in the used equipment sales market with a broad base of seismic equipment owners, including major oil and gas exploration companies and seismic data acquisition contractors which use and eventually dispose of seismic equipment, many of which have substantially greater financial resources than the Company. The Company believes there is one competitor in the used seismic equipment sales business that generates comparable revenues from such sales, as well as numerous, smaller competitors who, in the aggregate, generate significant revenue from such sales.

SUPPLIERS

The Company has several suppliers of the seismic equipment for its lease pool. The Company has historically acquired the majority of its seismic lease pool equipment from Sercel and I/O and acquires the majority of its vibrator control electronics from Pelton. The Company believes that Sercel and I/O manufacture most of the land-based seismic systems and equipment in use. Other suppliers of peripheral seismic equipment include OYO Geospace Corporation (geophones, cables and seismic cameras), Steward Cable (cables) and Mark Products (geophones and cables). From time to time, the Company purchases new and used peripheral seismic equipment from various other manufacturers. Management believes that its current relationships with its suppliers are satisfactory.

EMPLOYEES

As of January 31, 2001, the Company employed 63 people, none of whom is covered by a collective bargaining agreement. The Company considers its employee relations to be satisfactory.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

Certain information contained in this Annual Report on Form 10-K (including statements contained in Part I, Item 1. "Business", Part I, Item 3. "Legal Proceedings" and in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations"), as well as other written and oral statements made or incorporated by reference from time to time by the Company and its representatives in other reports, filings with the Securities and Exchange Commission, press releases, conferences, or otherwise, may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. This information includes, without limitation, statements concerning the Company's future financial position and results of operations; planned capital expenditures; business strategy and other plans for future operations; the future mix of revenues and business; commitments and contingent liabilities; and future demand for the Company's services and predicted improvement in energy industry and seismic service industry conditions. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. When used in this report, the words "anticipate," "believe," "estimate," "expect," "may," and similar expressions, as they relate to the Company and its management, identify forward-looking statements. The actual results of future events described in such forward-looking statements could differ materially from the results described in the forward-looking statements due to the risks and uncertainties set forth below and elsewhere within this Annual Report on Form 10-K.

RECOVERY OF OIL AND GAS INDUSTRY AND RECENT INCREASED DEMAND FOR SERVICES COULD BE SHORT-LIVED

Demand for the Company's services depends on the level of spending by oil and gas companies for exploration, production and development activities, as well as on the number of crews conducting land and transition zone seismic data acquisition worldwide, and especially in North America. Due to the significant decrease in world oil prices in 1998, demand for the Company's services both in Canada and worldwide declined dramatically in the fourth quarter of fiscal 1999 and has remained at historically low levels throughout fiscal 2000, but began to improve during fiscal 2001. Any future fluctuations in the price of oil and gas in response to relatively minor changes in the supply and demand for oil and gas will continue to have a major effect on exploration, production and development activities and thus, on the demand for the Company's services.

LOSS OF SIGNIFICANT CUSTOMERS WILL ADVERSELY AFFECT THE COMPANY

The Company typically leases and sells significant amounts of seismic equipment to a relatively small number of customers, the composition of which changes from year to year as leases are initiated and concluded and as customers' equipment needs vary. Therefore, at any one time, a large portion of the Company's revenues may be derived from a limited number of customers. In the fiscal years ended January 31, 1999, 2000 and 2001, the single largest customer accounted for approximately 36%, 17% and 21%, respectively, of the Company's total revenues. Because the Company's customer base is relatively small, the loss of one or more customers for any reason could adversely affect the Company's results of operations.

SIGNIFICANT DEFAULTS OF PAST-DUE CUSTOMER ACCOUNTS WOULD ADVERSELY AFFECT THE COMPANY'S RESULTS OF OPERATIONS

The Company has approximately $7.8 million of customer accounts and notes receivable at January 31, 2001, of which $855,000 is over ninety days past-due. At January 31, 2001, the Company has an allowance of $1,230,000 to cover losses in its receivable balances. Significant payment defaults by its customers in excess of the allowance would have a material adverse effect on the Company's financial position and results of operations.

INTERNATIONAL ECONOMIC AND POLITICAL INSTABILITY COULD ADVERSELY AFFECT THE COMPANY'S RESULTS OF OPERATIONS

The Company's results of operations are dependent upon the current political and economic climate of several international countries in which its customers either operate or are located. International sources accounted for approximately 93% of the Company's revenues in the fiscal year ended January 31, 2001, and 17% of international revenues were attributable to lease and sales activities in South America. Since the majority of the Company's lease and sales contracts with its customers are denominated in U.S. dollars, there is little risk of loss from fluctuations in foreign currencies. However, the Company's internationally-sourced revenues are still subject to the risk of currency exchange controls (in which payment could not be made in U.S. dollars), taxation policies, and appropriation, as well as to political turmoil, civil disturbances, armed hostilities, and other hazards. While the Company's results of operations have not been adversely affected by those risks to date, there is no assurance its business and results of operations won't be adversely affected in the future.

DEPENDENCE ON ADDITIONAL LEASE CONTRACTS

The Company's seismic equipment leases typically have a term of three to nine months and provide gross revenues that recover only a portion of the Company's capital investment. The Company's ability to generate lease revenues and profits is dependent on obtaining additional lease contracts after the termination of an original lease. However, lessees are under no obligation to, and frequently do not, continue to lease seismic equipment after the expiration of a lease. Although the Company has been successful in obtaining additional lease contracts with other lessees after the termination of the original leases, there can be no assurance that it will continue to do so. The Company's failure to obtain additional or extended leases beyond the initial term would have a material adverse effect on its operations and financial condition.

DEPENDENCE ON KEY PERSONNEL

The Company's success is dependent on, among other things, the services of certain key personnel, including specifically Billy F. Mitcham, Jr., Chairman of the Board, President and Chief Executive Officer of the Company. Mr. Mitcham's employment agreement has an initial term through January 15, 2002, and is automatically extended on a year-to-year basis until terminated by either party giving 30 days notice prior to the end of the current term (subject to earlier termination on certain stated events). The agreement prohibits Mr. Mitcham from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor for two years after the termination of his employment. The loss of the services of Mr. Mitcham could have a material adverse effect on the Company. In particular, the Exclusive Equipment Lease Agreement with Sercel is terminable at such time as he is no longer employed by the Company in a senior management capacity.

TECHNOLOGICAL OBSOLESCENCE

The Company has a substantial capital investment in seismic data acquisition equipment. The development by manufacturers of seismic equipment of newer technology systems or component parts that have significant competitive advantages over seismic systems and component parts now in use could have an adverse effect on the Company's ability to profitably lease and sell its existing seismic equipment.

During the fiscal year ended January 31, 1999, the Company recorded a pretax asset impairment charge of $15.1 million. The non-cash asset impairment charge was recorded in accordance with SFAS No. 121, which requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The severity as well as the duration of the recent oil and gas industry downturn was such an event. The Company's review of its long-lived assets indicated that the carrying value of certain of the Company's seismic equipment lease pool assets was more than the estimated undiscounted future net cash flows. As such, under SFAS No. 121, the Company wrote down those assets to their estimated fair market value based on discounted cash flows using an effective rate of 8.0%. Undiscounted future net cash flows were calculated based on individual types of seismic equipment using projected future utilization and lease rates over the estimated remaining useful lives of the assets. The Company's seismic equipment assets have been historically depreciated over 3-10 years. The impairment was recorded based on certain estimates and projections as stipulated in SFAS No. 121. There can be no assurance that the Company will not record asset impairment charges under SFAS No. 121 in the future.

VULNERABILITY TO WEATHER CONDITIONS AND SEASONAL RESULTS

The first and fourth quarters of the Company's fiscal year have historically accounted for a greater portion of the Company's revenues than do the second and third quarters of its fiscal year. This seasonality in revenues is primarily due to the increased seismic survey activity in Canada from October through March, which affects the Company due to its significant Canadian operations. This seasonal pattern may cause the Company's results of operations to vary significantly from quarter to quarter. Accordingly, period-to-period comparisons are not necessarily meaningful and should not be relied on as indicative of future results.

DEPENDENCE ON KEY SUPPLIERS

The Company has and continues to rely on purchase agreements with Sercel and Pelton. To a lesser extent, the Company also relies on its suppliers for lease referrals. The termination of these agreements for any reason could materially adversely affect the Company's business. Any difficulty in obtaining seismic equipment from suppliers could have a material adverse effect on the Company's business, financial condition and results of operations.

COMPETITION

Competition in the leasing of seismic equipment is fragmented, and the Company is aware of several companies that engage in seismic equipment leasing. The Company believes that its competitors, in general, do not have as extensive a seismic equipment lease pool as does the Company. The Company also believes that its competitors do not have similar exclusive lease referral agreements with suppliers. Competition exists to a lesser extent from seismic data acquisition contractors that may lease equipment that is temporarily idle.

The Company has several competitors engaged in seismic equipment leasing and sales, including seismic equipment manufacturers, companies providing seismic surveys and oil and gas exploration companies that use seismic equipment, many of which have substantially greater financial resources than the Company. There are also several smaller competitors who, in the aggregate, generate significant revenue from the sale of seismic survey equipment. Pressures from existing or new competitors could adversely affect the Company's business operations.

VOLATILE STOCK PRICES AND NO PAYMENT OF DIVIDENDS

Due to current energy industry conditions, energy and energy service company stock prices, including the Company's stock price, have been extremely volatile. Such stock price volatility could adversely affect the Company's business operations by, among other things, impeding its ability to attract and retain qualified personnel and to obtain additional financing if such financing is ever needed. The Company has historically not paid dividends on its common stock and does not anticipate paying dividends in the foreseeable future.

POSSIBLE ADVERSE EFFECT OF ANTI-TAKEOVER PROVISIONS; POTENTIAL ISSUANCE OF PREFERRED STOCK

Certain provisions of the Company's Articles of Incorporation and the Texas Business Corporation Act may tend to delay, defer or prevent a potential unsolicited offer or takeover attempt that is not approved by the Board of Directors but that the Company's shareholders might consider to be in their best interest, including an attempt that might result in shareholders receiving a premium over the market price for their shares. Because the Board of Directors is authorized to issue preferred stock with such preferences and rights as it determines, it may afford the holders of any series of preferred stock preferences, rights or voting powers superior to those of the holders of common stock. Although the Company has no shares of preferred stock outstanding and no present intention to issue any shares of its preferred stock, there can be no assurance that the Company will not do so in the future.

LIMITATION ON DIRECTORS' LIABILITY

The Company's Articles of Incorporation provide, as permitted by governing Texas law, that a director of the Company shall not be personally liable to the Company or its shareholders for monetary damages for breach of fiduciary duty as a director, with certain exceptions. These provisions may discourage shareholders from bringing suit against a director for breach of fiduciary duty and may reduce the likelihood of derivative litigation brought by shareholders on behalf of the Company against a director.

ITEM 2. PROPERTIES

The Company owns its corporate office and warehouse facilities in Huntsville, Texas. Its headquarters facility consists of 25,000 square feet of office and warehouse space on approximately six acres. The Company also leases approximately 31,000 square feet of office and warehouse space at its new facility in Calgary, Alberta, Canada. Additionally, the Company still holds the lease on its old facility in Calgary of approximately 10,000 square feet, which has been subleased from the Company.

ITEM 3. LEGAL PROCEEDINGS

On or about April 23, 1998, several class action lawsuits were filed against the Company and its chief executive officer and then chief financial officer in the U.S. District Court for the Southern District of Texas, Houston Division. The first-filed complaint, styled Stanley Moskowitz ("Plaintiffs") v. Mitcham Industries, Inc., Billy F. Mitcham, Jr. and Roberto Rios ("Defendants"), alleged violations of Section 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 12(a)(2) of the Securities Act of 1933. On or about September 21, 1998, the complaints were consolidated into one action. On November 4, 1998, the Plaintiffs filed a consolidated amended complaint ("CAC"), which seeks class action status on behalf of those who purchased the Company's common stock from June 4, 1997 through March 26, 1998, and damages in an unspecified amount plus costs and attorney's fees. The CAC alleges that the Defendants made materially false and misleading statements and omissions in public filings and announcements concerning its business and its allowance for doubtful accounts. On or about January 15, 1999, the Defendants filed a motion to dismiss the CAC. On September 28, 1999, the Court granted in part and denied in part the Defendants' motion to dismiss, and granted Plaintiffs leave to amend on certain claims. On December 8, 1999, Plaintiffs filed their second consolidated amended complaint ("SCAC"). On December 14, 1999, Plaintiffs served discovery on Defendants. On January 28, 2000, Defendants filed a motion to dismiss the SCAC. On February 4, 2000, the Court agreed with Defendants that Plaintiffs' discovery was improper because, under the Reform Act, discovery is stayed until the Court sustains the sufficiency of the SCAC. On February 28, 2000, the Plaintiffs filed an opposition to Defendants' motions to dismiss, and on March 15, 2000, Defendants filed their reply. The Company awaits the Court's ruling. On April 17, 2001, Defendants agreed in principle with Plaintiffs to a $2,700,000 settlement agreement, to be paid by the Company and its insurance carrier, pending execution of a final settlement agreement and approval by the Court.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION FOR COMMON STOCK

The common stock is traded on the Nasdaq National Market under the symbol "MIND." The following table sets forth, for the periods indicated, the high and low sales prices as reported on the Nasdaq National Market.

	High	Low
Fiscal Year Ended January 31, 2000:		
First Quarter	5.00	3.06
Second Quarter	4.81	3.63
Third Quarter	6.75	3.69
Fourth Quarter	4.75	3.19
Fiscal Year Ended January 31, 2001:		
First Quarter	6.63	3.44
Second Quarter	6.13	4.31
Third Quarter	7.50	4.38
Fourth Quarter	6.00	3.31

As of April 27, 2001, there were approximately 500 shareholders of record of the common stock.

DIVIDEND POLICY

The Company has not paid any cash dividends on the common stock since its inception, and the Board of Directors does not contemplate the payment of cash dividends in the foreseeable future. It is the present policy of the Board of Directors to retain earnings, if any, for use in developing and expanding the Company's business. In the future, payment of dividends by the Company will also depend on the Company's financial condition, results of operations and such other factors as the Board of Directors may consider.

ITEM 6. SELECTED FINANCIAL DATA

(Amounts in thousands, except per share amounts)

	Years Ended January 31,				
	1997	1998	1999	2000	2001
Net sales and other revenues	$ 14,690	$ 42,027	$ 37,936	$ 10,644	$ 20,597
Income (loss) from continuing operations	2,702	6,392	(8,526)	(4,864)	(2,946)
Income (loss) from continuing operations per common share - diluted	0.60	0.83	(0.90)	(0.51)	(0.32)
Cash dividends declared per common share	--	--	--	--	--
Balance Sheet Data:					
Cash and marketable securities	301	32,507	19,860	17,399	11,402
Seismic equipment lease pool, property and equipment, cost basis	22,540	50,994	65,116	74,537	91,435
Total assets	24,293	91,562	67,174	67,705	72,561
Long-term obligations and redeemable preferred stock	3,319	2,294	--	--	5,444
Total liabilities	9,051	17,326	2,422	7,430	18,573
Total shareholders' equity	15,242	74,236	64,752	60,275	53,988

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW

The Company's sales are directly related to the level of worldwide oil and gas exploration activities and the profitability and cash flows of oil and gas companies and seismic contractors, which in turn are affected by expectations regarding the supply and demand for oil and natural gas, energy prices and finding and development costs. The Company believes that during the latter half of 1998, the exploration and production companies anticipated an extended period of low oil and gas prices and began to reduce their intended levels of expenditures for seismic data. Consolidation within the oil industry has also delayed seismic data acquisition projects. Declines in oil and natural gas prices, or expectations that the recent improvement in oil and natural gas prices will not hold, could cause the Company's customers to alter their spending plans and adversely affect the Company's results of operation and financial condition.

The Company leases and sells seismic data acquisition equipment primarily to seismic data acquisition companies and oil and gas companies conducting land and transition zone seismic surveys worldwide. The Company provides short-term leasing of seismic equipment to meet a customer's requirements and offers maintenance and support during the lease term. The majority of all leases at January 31, 2001 were for a term of one year or less. Seismic equipment held for lease is carried at cost, net of accumulated depreciation.

For the years ended January 31, 1999, 2000 and 2001, revenues from foreign customers totaled $20.7 million, $7.5 million and $19.1 million, respectively. The majority of the Company's transactions with foreign customers are denominated in United States dollars.

SEASONALITY

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to the Company's expected lease revenues, especially from customers operating in Canada, where a significant percentage of seismic survey activity occurs in the winter months, from October through March. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other equipment because of the unstable terrain. This seasonal leasing activity by the Company's Canadian customers has historically resulted in increased lease revenues in the Company's first and fourth fiscal quarters. However, due to the significant decrease in world oil prices in 1998, demand for the Company's services both in Canada and worldwide declined dramatically in the fourth quarter of fiscal 1999 and remained at historically low levels throughout fiscal 2000, but began to improve during fiscal 2001.

RESULTS OF OPERATIONS

Fiscal 2001 revenues were $20.6 million, a $10.0 million increase over fiscal 2000 revenues of $10.6 million. During fiscal 2001, the Company experienced a greater demand for short-term leasing from its customers, primarily in response to the higher level of commodity prices. Fiscal 2000 revenues were approximately $27 million below those of fiscal 1999, reflecting the significant downturn in the seismic sector that began during fiscal 1999. Short-term leasing revenues and leasing revenues under lease/purchase arrangements totaling $14.0 million for fiscal 2001 represented a substantial increase from fiscal 2000 leasing revenues of $6.8 million. Fiscal 2000 combined leasing revenues of $6.8 million represented a $15.6 million decrease from fiscal 1999 combined leasing revenues of $22.4 million. Seismic equipment sales for fiscal 2001 were $6.5 million as compared to $3.9 million and $15.6 million for fiscal 2000 and 1999, respectively. The fiscal 2001 increase in equipment sales of $2.6 million is largely attributable to increased demand for seismic equipment as a result of the higher commodity prices during the year. The decrease in sales revenues during fiscal 2000 compared to fiscal 1999 is a result of decreased capital expenditure budgets throughout the oil and gas industry coupled with a three-year trend of fewer customers exercising the purchase option of lease/purchase contracts.

Depreciation expense for fiscal 2001 was approximately $13.1 million, representing an increase of $3.3 million, or 33%, above the fiscal 2000 amount. The current year increase in depreciation expense is a result of the Company adding $16.8 million, on a cost basis, to the seismic equipment lease pool. Depreciation expense for fiscal 2000 was $9.8 million, representing a 21% decrease from fiscal 1999 expense of $12.4 million. The fiscal 2000 reduction in depreciation expense is largely attributable to the $15.1 million asset impairment charge recorded in fiscal 1999, partially offset by the $6.7 million increase, on a cost basis, in the Company's seismic equipment lease pool during fiscal 2000.

Current year direct costs were $1.8 million, an increase of approximately $400,000 from fiscal 2000 amounts, reflecting the significant increase in leasing activities during fiscal 2001. Direct costs typically increase with leasing revenues, as the two main components of direct costs are freight and equipment repairs. Direct costs for fiscal 2000 were $1.4 million, compared to $1.6 million for fiscal 1999, reflecting the decrease in leasing revenues during fiscal 2000.

For the fiscal year ended January 31, 2001, leasing and equipment sales under lease/purchase arrangements generated an aggregate gross margin of 95%, compared to 99% and 25% for fiscal 2000 and 1999, respectively. The gross margin achieved in fiscal 2001 and 2000 is not comparable to the margins achieved in fiscal 1999 because the Company recorded only one sale of equipment under lease/purchase arrangements during fiscal 2001 and no sales in fiscal 2000. In addition, the recorded gross margin in fiscal 1999 is misleadingly lower than historical levels because the Company sold primarily newer equipment when customers exercised purchase options on leased equipment that had only recently been purchased and added to the Company's equipment lease pool.

Gross margins on seismic equipment sales were 22%, 41% and 25% for fiscal years 2001, 2000 and 1999, respectively. Gross margins on equipment sales may vary significantly between periods due to the mix of newly added seismic equipment to the lease pool versus older, more depreciated seismic equipment being sold.

During fiscal 1999, the Company incurred a pre-tax, non-cash asset impairment charge of approximately $15.1 million related to the impairment of certain seismic equipment assets. This impairment charge is the result of the application of Statement of Financial Accounting Standards ("SFAS") No. 121, which requires that long-lived assets held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable through cash flows from future operations. The severity of the decline in seismic activity, and thus, the demand for the Company's equipment, was such an event. Based on the application of SFAS No. 121, the Company recognized a $15.1 million pretax charge during fiscal 1999 related to its seismic equipment lease pool. There was no such charge in fiscal 2000 or 2001.

General and administrative expenses increased approximately $0.3 million in fiscal 2001 as compared to fiscal 2000 expense of $3.9 million. The current year increase in general and administrative expenses is due to an increase in rent and storage fees associated with the new facility in Calgary, as well as an increase in insurance, customer relations, travel and compensation expenses partially offset by a decrease in professional fees and convention and advertising expenses. Additionally, during fiscal 2001, the Company incurred personnel and related costs associated with international marketing efforts. General and administrative expenses totaling $3.9 million for fiscal 2000 reflected a decrease of $1.1 million compared to fiscal 1999. During fiscal 2000, the Company realized general and administrative expense savings in professional fees, primarily legal and audit. The Company recorded lower compensation and payroll tax expense, partially offset by an increase in insurance expense. Additionally, due to the downturn in the seismic industry, the Company realized cost savings in its advertising, convention and travel expenses.

During fiscal 2001, the Company's provision for doubtful accounts was $225,000, reflecting a decrease of $350,000 from fiscal 2000. The decrease in fiscal 2001 is attributable to the Company's improvement in its receivables aging and the Company's collecting approximately $400,000 of receivables previously written off. During fiscal 2001, the Company wrote off approximately $289,000 of receivables deemed uncollectable. For fiscal 2000, the Company's provision for doubtful accounts expense decreased to $575,000 from $1.7 million in fiscal 1999. This decrease in fiscal 2000 is reflective of the improvement in the Company's aging and collection of receivables. At January 31, 2001 and 2000, the Company had past due trade accounts receivable in the amount of $855,000 and $629,000, respectively. During fiscal 2000, the Company wrote off approximately $1,757,000 of accounts and notes receivable that were more than 90 days past due. In addition, the Company canceled approximately $817,000 of receivables more than 90 days past due in exchange for certain seismic equipment. As of January 31, 2001 and 2000, the Company's allowance for doubtful accounts receivable amounted to $1,230,000 and $843,000, respectively.

For fiscal 2001, the Company recorded a net loss in the amount of $2.9 million, as compared to the fiscal 2000 net loss of $4.9 million. Net loss for fiscal 1999 was $8.5 million, which included the asset impairment charge and provision for doubtful accounts charge.

LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 2001, the Company had net working capital of approximately $8.8 million as compared to net working capital of $18.8 million at January 31, 2000. Historically, the Company's principal liquidity requirements and uses of cash have been for capital expenditures and working capital and principal sources of cash have been cash flows from operations and issuances of equity securities. Net cash provided by operating activities for the year ended January 31, 2001 was $13.3 million, as compared to $8.0 million and $11.6 million for the years ended January 31, 2000 and 1999, respectively. Net cash provided by financing activities for the years ended January 31, 2001, 2000 and 1999 was $4.2 million, $0 and $0.2 million, respectively.

At January 31, 2001, the Company had trade accounts receivable of $900,000 that were more than 90 days past due, as compared to $600,000 at January 31, 2000. During fiscal 2001, the Company wrote off approximately $289,000 of accounts and notes receivable that were more than 90 days past due, and collected $400,000 of previously written-off receivables. As of January 31, 2001, the Company's allowance for doubtful accounts was approximately $1.2 million, which management believes is sufficient to cover any losses in its trade accounts receivable and notes receivable.

On December 8, 1999, the Company's revolving line of credit expired. In light of the fact that the Company's working capital balances significantly exceeded its expected needs for future capital expenditures, the Company did not pursue negotiations to renew or extend the line of credit.

On November 10, 2000, the Company closed an $8.5 million term loan with First Victoria National Bank. The loan amortizes over 48 months and bears interest at the rate of prime plus one percent, adjusted daily. The first three monthly payments shall be interest only, with the remaining 45 monthly payments being interest and principal in the approximate amount of $229,000. As of January 31, 2001, the Company has drawn $7.3 million under this loan agreement. The loan is collateralized by the lease pool equipment purchased for the Company's fiscal 2001 winter capital expenditure program.

Capital expenditures for the 2001 fiscal year totaled approximately $27.7 million as compared to capital expenditures of $12.3 million for fiscal 2000. During fiscal 2001, the Company repurchased 616,300 shares of its common stock for an aggregate cost of $3.2 million, or an average cost of $5.18 per share. At the present time, management believes that cash on hand, cash provided by future operations and funds available under the Company's loan agreement will be sufficient to fund its anticipated capital and liquidity needs over the next twelve months. However, should demand warrant, the Company may pursue additional borrowings to fund capital expenditures.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates to the extent that transactions are not denominated in U.S. dollars. The Company typically denominates the majority of its lease and sales contracts in U.S. dollars to mitigate the exposure to fluctuations in foreign currencies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item appears at pages F-1 through F-24 hereof and incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding directors and executive officers of the Company will be set forth in the proxy statement for the 2001 Annual Meeting of Shareholders under the heading "Election of Directors," and is incorporated herein by reference. Information regarding compliance by the officers, directors and control persons of the Company with Section 16(a) of the Securities Exchange Act of 1934 will be set forth in the Company's proxy statement for the 2001 Annual Meeting of Shareholders under the heading "Other Matters-Compliance with Section 16(a) of the Exchange Act," and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive compensation will be set forth in the Company's proxy statement for the 2001 Annual Meeting of Shareholders under the heading "Executive Compensation," and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management will be set forth in the Company's proxy statement for the 2001 Annual Meeting of Shareholders under the heading "Principal Holders of Securities and Security Ownership of Management," and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions will be set forth in the Company's proxy statement for the 2001 Annual Meeting of Shareholders under the heading "Certain Transactions," and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) EXHIBITS

Exhibit Number		
3.1	--	Amended and Restated Articles of Incorporation of Mitcham Industries, Inc. (1) (Exhibit 3.1)
3.2	--	Amended and Restated Bylaws of Mitcham Industries, Inc. (1) (Exhibit 3.2)
4.1	--	Copy of Specimen stock certificate evidencing Common Stock of Mitcham Industries, Inc. (2) (Exhibit 4.1)
9	--	Voting Agreement, dated September 20, 1993, between the Company, Billy F. Mitcham, Jr. and certain shareholders (1) (Exhibit 9)
*10.1	--	Employment Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr. (4) (Exhibit 10.4)
10.2	--	Exclusive Lease Referral Agreement, dated May 14, 1996, between the Company and Pelton Company, Inc. (3) (Exhibit 10.1)
10.3	--	First Amendment to the Exclusive Lease Referral Agreement, dated January 1997, between the Company and Pelton (6) (Exhibit 10.17)
10.4	--	Second Amendment to the Exclusive Lease Referral Agreement between Mitcham Industries, Inc. and Pelton Company, Inc., dated November 24, 1997 (6) (Exhibit 10.3)
10.5	--	Exclusive Equipment Lease Agreement, effective December 16, 1999, between the Company and SERCEL, S.A. (8) (Exhibit 10.2)
10.6	--	Commercial Representation Agreement, effective September 20, 1996, between Mitcham Canada Ltd., an Alberta corporation, and Georex, Inc. (3) (Exhibit 10.3)
10.7	--	Amendment No. 1 to the Commercial Representation Agreement between Mitcham Canada, Ltd. and Georex, Inc., dated November 11, 1997 (6) (Exhibit 10.1)
10.8	--	Exclusive Lease Representative and Distributor Agreement between Mitcham Industries, Inc. and StrucTec Systems, Inc., dated October 30, 1997 (6) (Exhibit 10.2)
*10.9	--	Mitcham Industries, Inc. 1994 Stock Option Plan (2) (Exhibit 10.9)
10.10	--	Mitcham Industries, Inc. 1994 Non-Employee Director Stock Option Plan (2) (Exhibit 10.12)
10.11	--	Form of Mitcham Industries, Inc. customer lease agreement (1) (Exhibit 10.20)

Exhibit Number
- --------------

10.12	--	Mitcham Industries, Inc. 1998 Stock Awards Plan (7) (Exhibit A)
10.13	--	Mitcham Industries, Inc. 2000 Stock Option Plan (9)
21	--	Subsidiary of the Company (5) (Exhibit 11)
23	--	Consent of Hein + Associates LLP
27	--	Financial Data Schedule

* Management contract or compensatory plan or arrangement

(1) Incorporated by reference to the indicated exhibit number of the Company's Registration Statement on Form SB-2 (File No. 33-81164-D), filed with the SEC on July 5, 1994.

(2) Incorporated by reference to the indicated exhibit number of the Company's Amendment No. 2 to the Registration Statement on Form SB-2, filed with the SEC on November 9, 1994.

(3) Incorporated by reference to the indicated exhibit number of the Company's Registration Statement on Form S-3 (File No. 333-10555), filed with the SEC on October 30, 1996.

(4) Incorporated by reference to the indicated exhibit number of the Company's Registration Statement on Form S-1 (File No. 333-19997), filed with the SEC on January 17, 1997.

(5) Incorporated by reference to the indicated exhibit number of the Company's Amendment No. 1 to its Registration Statement on Form S-1, filed with the SEC on January 31, 1997.

(6) Incorporated by reference to the indicated exhibit number of the Company's Registration Statement on Form S-3 (File No. 333-40507), filed with the SEC on November 18, 1997.

(7) Incorporated by reference to Exhibit A of the Company's proxy statement for the fiscal year ended January 31, 1998.

(8) Incorporated by reference to Exhibit 10 of the Company's Current Report on Form 8-K filed with the SEC on January 4, 2000.

(9) Incorporated by reference to Exhibit A of the Company's proxy statement for the fiscal year ended January 31, 2000.

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, ON THE 1ST DAY OF MAY, 2001.

MITCHAM INDUSTRIES, INC.

By: /s/ BILLY F. MITCHAM, JR.

Billy F. Mitcham, Jr., Chairman of the Board, President and Chief Executive Officer (principal executive officer)

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

Signature	Title/Capacity	Date
/s/ BILLY F. MITCHAM, JR. Billy F. Mitcham, Jr.	Chairman of the Board, President and Chief Executive Officer	May 1, 2001
/s/ PAUL C. MITCHAM Paul C. Mitcham	Executive Vice President - Operations and Director	May 1, 2001
/s/ P. BLAKE DUPUIS P. Blake Dupuis (principal financial officer)	Executive Vice President - Finance, Secretary, Treasurer, and Director	May 1, 2001
/s/ WILLIAM J. SHEPPARD William J. Sheppard	Executive Vice President - International Operations and Director	May 1, 2001
/s/ CHRISTOPHER C. SIFFERT Christopher C. Siffert (principal accounting officer)	Vice President and Corporate Controller	May 1, 2001

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Mitcham Industries, Inc.
Huntsville, Texas

We have audited the accompanying consolidated balance sheets of Mitcham Industries, Inc. and Subsidiary as of January 31, 2000 and 2001, and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income and cash flows for each of the years in the three-year period ended January 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitcham Industries, Inc. and Subsidiary as of January 31, 2000 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 2001, in conformity with generally accepted accounting principles.

/s/ HEIN + ASSOCIATES LLP
HEIN + ASSOCIATES LLP

Houston, Texas
March 29, 2001

MITCHAM INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS

	JANUARY 31, 2000	JANUARY 31, 2001
ASSETS		
Current assets:		
Cash	$ 3,588,000	$ 4,317,000
Marketable securities, at market	13,811,000	7,085,000
Accounts receivable, net of allowance for doubtful accounts of $843,000 and $1,230,000 at January 31, 2000 and 2001, respectively	4,505,000	5,742,000
Notes receivable	1,183,000	1,470,000
Prepaid expenses and other current assets	175,000	458,000
Income taxes receivable	2,795,000	787,000
Deferred tax asset	220,000	2,067,000
Total current assets	26,277,000	21,926,000
Seismic equipment lease pool, property and equipment	74,537,000	91,435,000
Accumulated depreciation of seismic equipment lease pool, property and equipment	(36,697,000)	(42,380,000)
Notes receivable	1,100,000	610,000
Deferred tax asset	2,488,000	646,000
Other assets	--	324,000
Total assets	$ 67,705,000	$ 72,561,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,927,000	$ 8,259,000
Customer deposits	255,000	503,000
Accrued wages	233,000	236,000
Current maturities - long-term debt	--	1,856,000
Deferred revenue	809,000	947,000
Accrued lawsuit settlement liability	200,000	1,202,000
Accrued expenses and other current liabilities	6,000	126,000
Total current liabilities	7,430,000	13,129,000
Long-term debt	--	5,444,000
Total liabilities	7,430,000	18,573,000
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, $1.00 par value; 1,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $.01 par value; 20,000,000 shares authorized; 9,551,112 and 9,591,112 shares, respectively, issued	96,000	96,000
Additional paid-in capital	61,459,000	61,601,000
Treasury stock, at cost	--	(3,195,000)
Accumulated deficit	(620,000)	(3,566,000)
Accumulated other comprehensive loss	(660,000)	(948,000)
Total shareholders' equity	60,275,000	53,988,000
Total liabilities and shareholders' equity	$ 67,705,000	$ 72,561,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED JANUARY 31,		
	1999	2000	2001
Revenues:			
Short-term leasing	$ 17,626,000	$ 6,509,000	$ 12,358,000
Lease/purchase activities:			
Leasing revenues	4,758,000	242,000	1,651,000
Sales of equipment	10,634,000	--	69,000
Sales of seismic equipment	4,918,000	3,893,000	6,519,000
Total revenues	37,936,000	10,644,000	20,597,000
Costs and expenses:			
Direct costs	1,576,000	1,378,000	1,789,000
Cost of sales:			
Sales of seismic equipment under lease purchase agreements	11,578,000	--	92,000
Other sales of seismic equipment	3,689,000	2,286,000	5,091,000
General and administrative	4,944,000	3,891,000	4,199,000
Provision for doubtful accounts	1,705,000	575,000	225,000
Provision for asset impairment	15,082,000	--	--
Depreciation	12,356,000	9,847,000	13,123,000
Total costs and expenses	50,930,000	17,977,000	24,519,000
Operating loss	(12,994,000)	(7,333,000)	(3,922,000)
Other income (expense):			
Interest income (net of interest expense of approximately $38,000, $31,000 and $82,000, respectively)	1,002,000	675,000	559,000
Other, net	6,000	(5,000)	(1,092,000)
Total other income (expense)	1,008,000	670,000	(533,000)
Loss before income taxes	(11,986,000)	(6,663,000)	(4,455,000)
Benefit for income taxes	(3,460,000)	(1,799,000)	(1,509,000)
Net loss	$ (8,526,000)	$ (4,864,000)	$ (2,946,000)
Loss per common share:			
Basic	$ (0.90)	$ (0.51)	$ (0.32)
Diluted	$ (0.90)	$ (0.51)	$ (0.32)
Shares used in computing loss per common share:			
Basic	9,502,000	9,550,000	9,167,000
Dilutive effect of common stock equivalents	--	--	--
Diluted	9,502,000	9,550,000	9,167,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
YEARS ENDED JANUARY 31, 1999, 2000 AND 2001

	COMMON STOCK						
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	RETAINED EARNINGS (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balances, January 31, 1998	9,426,000	$94,000	$ 61,275,000	$ --	$ 12,770,000	$ 97,000	$ 74,236,000
Comprehensive loss:							
Net loss	--	--	--	--	(8,526,000)	--	(8,526,000)
Foreign currency translation	--	--	--	--	--	(1,143,000)	(1,143,000)
Comprehensive loss							(9,669,000)
Issuance of common stock upon exercise of warrants and options	120,000	1,000	184,000	--	--	--	185,000
Balances, January 31, 1999	9,546,000	95,000	61,459,000	--	4,244,000	(1,046,000)	64,752,000
Comprehensive loss:							
Net loss	--	--	--	--	(4,864,000)	--	(4,864,000)
Foreign currency translation	--	--	--	--	--	386,000	386,000
Comprehensive loss							(4,478,000)
Issuance of common stock upon exercise of warrants and options	5,000	1,000	--	--	--	--	1,000
Balances, January 31, 2000	9,551,000	96,000	61,459,000	--	(620,000)	(660,000)	60,275,000
Comprehensive loss:							
Net loss	--	--	--	--	(2,946,000)	--	(2,946,000)
Foreign currency translation	--	--	--	--	--	(288,000)	(288,000)
Comprehensive loss							(3,234,000)
Issuance of common stock upon exercise of warrants and options	40,000	--	142,000	--	--	--	142,000
Acquisition of treasury stock	--	--	--	(3,195,000)	--	--	(3,195,000)
Balances, January 31, 2001	9,591,000	$96,000	$ 61,601,000	$ (3,195,000)	$ (3,566,000)	$ (948,000)	$ 53,988,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED JANUARY 31, 1999	2000	2001
Cash flows from operating activities:			
Net loss	$ (8,526,000)	$ (4,864,000)	$ (2,946,000)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	12,356,000	9,847,000	13,123,000
Provision for doubtful accounts, net of chargeoffs	601,000	(782,000)	(63,000)
Provision for asset impairment	15,182,000	--	--
Deferred income taxes	(6,850,000)	1,803,000	(4,000)
Changes in:			
Trade accounts receivable	6,033,000	228,000	(1,838,000)
Federal income taxes, current	1,028,000	(3,613,000)	2,008,000
Accounts payable, accrued expenses and other current liabilities	(8,382,000)	5,418,000	3,631,000
Other, net	166,000	(87,000)	(586,000)
Net cash provided by operating activities	11,608,000	7,950,000	13,325,000
Cash flows from investing activities:			
Purchases of seismic equipment held for lease	(33,716,000)	(12,115,000)	(27,482,000)
Purchases of property and equipment	(401,000)	(207,000)	(229,000)
Sale (purchase) of marketable securities	2,674,000	3,524,000	6,726,000
Disposal of lease pool equipment	14,677,000	1,911,000	4,142,000
Net cash used in investing activities	(16,766,000)	(6,887,000)	(16,843,000)
Cash flows from financing activities:			
Proceeds from short-term borrowings	--	--	1,856,000
Proceeds from long-term debt	--	--	5,444,000
Purchase of common stock for treasury	--	--	(3,195,000)
Proceeds from issuance of common stock upon exercise of warrants and options	185,000	--	142,000
Net cash provided by financing activities	185,000	--	4,247,000
Net increase (decrease) in cash	(4,973,000)	1,063,000	729,000
Cash, beginning of year	7,498,000	2,525,000	3,588,000
Cash, end of year	$ 2,525,000	$ 3,588,000	$ 4,317,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization -- Mitcham Industries, Inc. (the "Company") is a Texas corporation formed on January 29, 1987. The Company and its wholly-owned Canadian subsidiary provide full-service equipment leasing, sales and services to the seismic industry worldwide, primarily in North and South America.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary. All intercompany transactions and balances have been eliminated in consolidation.

Description of Leasing Arrangements -- The Company leases various types of seismic equipment to seismic data acquisition companies. The majority of leases at January 31, 2000 and 2001 are for one year or less. Lease revenue is recognized ratably over the term of the lease.

Lease/Purchase Activities -- The Company periodically leases equipment to customers, allowing them the option to purchase the equipment at a pre-determined price any time during the lease term. The Company allows its customers to credit a portion of the monthly lease payments to the purchase price. Monthly lease revenue is recognized over the term of the lease until the election to purchase is exercised, at which time the Company records the sale. Lease revenue is deferred to the extent that the estimated net book value, at the end of the lease term, exceeds the adjusted purchase price.

Marketable Securities -- Marketable securities to be held to maturity are stated at amortized cost. Marketable securities classified as available-for-sale are stated at market value, with unrealized gains and losses reported as a separate component of shareholders' equity, net of deferred income taxes. If a decline in market value is determined to be other than temporary, any such loss is charged to earnings. Trading securities are stated at fair value, with unrealized gains and losses recognized in earnings. The Company records the purchases and sales of marketable securities and records realized gains and losses on the trade date. Realized gains or losses on the sale of securities are recognized on the specific identification method.

As of January 31, 2000 and 2001, all investments consisted of certificates of deposit or government securities. Also, as of January 31, 2000 and 2001, the securities were classified as available-for-sale, and market value was approximately equal to the original cost.

Seismic Equipment Lease Pool -- Seismic equipment held for lease consists primarily of remote signal conditioners (channel boxes) and peripheral equipment and is carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

method over the estimated useful lives of the equipment, which historically was seven years for channel boxes and 3-10 years for other peripheral equipment. In conjunction with the impairment analysis discussed in Note 15, the Company reevaluated depreciable lives and beginning in fiscal 2000, the Company depreciated newly acquired channel boxes over a five-year life and certain other peripheral equipment over 2-10 years (as discussed in Note 15).

Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of, sets forth guidance as to when to recognize an impairment of long-lived assets and how to measure such impairment. The standard requires certain assets be reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. Based on the application of SFAS No. 121, the Company recognized a $15.1 million pretax charge during fiscal 1999 related to its seismic equipment lease pool (see Note 15 for additional information).

Property and Equipment -- Property and equipment is carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives of equipment range from three to seven years. Buildings are depreciated over 40 years and property improvements over 10 years.

Income Taxes -- The Company files a separate federal return for its subsidiary in Canada. The Company accounts for its taxes under the liability method, whereby the Company recognizes, on a current and long-term basis, deferred tax assets and liabilities which represent differences between the financial and income tax reporting bases of its assets and liabilities.

Cash Equivalents -- For purposes of presenting cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Use of Estimates -- The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As discussed in Note 15, in fiscal 1999 an impairment loss was recognized in accordance with SFAS No. 121. It is possible that additional provisions for impairment losses could be recognized in the future.

Industry Concentration -- The Company's revenues are derived from seismic equipment leased and sold to companies providing seismic acquisition services. The seismic industry has rapidly expanded its 3-D seismic acquisition capabilities over the past few years as this technology has gained broad market acceptance from oil and gas exploration companies. With this expansion, many of the seismic acquisition companies in North America, while experiencing rapid growth in 3-D seismic acquisition revenues, have not experienced corresponding increases in profitability and have become increasingly leveraged. Should the financial performance of the companies in this industry not improve, the Company could be exposed to additional credit risk and be subjected to declining demand for its leasing services.

Foreign Currency Translation -- All balance sheet accounts of the Canadian subsidiary have been translated at the current exchange rate as of the end of the accounting period. Income statement items have been translated at average currency exchange rates. The resulting translation adjustment is recorded as a separate component of comprehensive income within shareholders' equity.

Reclassifications -- Certain 2000 balances have been reclassified to conform with 2001 presentation. Such reclassifications had no effect on net income or comprehensive income.

2. REVOLVING CREDIT FACILITY

On December 8, 1999 the Company's revolving line of credit expired. In light of the fact that the Company's working capital balances significantly exceed its expected needs for future capital expenditures, the Company did not pursue negotiations to renew or extend the line of credit.

3. TERM BANK LOAN

On November 10, 2000, the Company closed an $8.5 million term loan with First Victoria National Bank. The loan will amortize over 48 months and bears interest at the rate of prime plus one percent, adjusted daily (10.0% at January 31, 2001). The first three monthly payments shall be interest only, with the remaining 45 monthly payments being interest and principal in the approximate amount of $229,000. As of January 31, 2001, the Company

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. TERM BANK LOAN (continued)

has drawn $7.3 million under this loan agreement. The loan is collateralized by the lease pool equipment purchased for the Company's fiscal 2001 winter capital expenditure program. Long-term debt repayments are scheduled to be $1,856,000, $2,215,000, $2,435,000 and $794,000 in fiscal 2002, 2003, 2004 and 2005, respectively.

4. SUPPLEMENTAL STATEMENTS OF CASH FLOWS INFORMATION

Supplemental disclosures of cash flow information for the years ended January 31, 1999, 2000 and 2001 are as follows:

	YEARS ENDED JANUARY 31,		
	1999	2000	2001
Interest paid	$ 38,000	$ 31,000	$ 31,000
Taxes paid (refunded), net	2,297,000	3,000	(3,529,000)
Seismic equipment acquired in exchange for cancellation of accounts receivable	--	781,000	--
Seismic equipment acquired in exchange for issuance of leasing credits	--	1,250,000	500,000

5. NOTES RECEIVABLE

Notes receivable consisted of $2,283,000 due from four customers and $2,080,000 due from seven customers as of January 31, 2000 and 2001, respectively. These notes bear interest ranging from 9.5%-12%. During fiscal 2001, the Company established four notes receivable totaling $901,000 related to sales of seismic equipment and one note receivable to finance trade receivables in the amount of $527,000. Additionally, one of the new notes established during fiscal 2001 has been repaid by the customer as of year-end. During fiscal 2000, the Company wrote off $316,000 of notes receivable and canceled $489,000 of notes receivable in exchange for seismic equipment. In addition, during fiscal 2000 the Company established two notes receivable totaling $400,000 related to sales of seismic equipment. The Company does not recognize interest income related to notes that were established to finance trade receivables. Interest will be recognized once all principal balances have been repaid.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. CONCENTRATIONS OF CREDIT RISK

As of January 31, 2000 and 2001, amounts due from customers which exceeded 10% of accounts receivable amounted to an aggregate of $2.4 million from two customers and $3.5 million from three customers, respectively.

The Company maintains deposits with banks which exceed the Federal Deposit Insurance Corporation ("FDIC") insured limit and has a money market account included in its cash balances which is not FDIC insured. Management believes the risk of loss in connection with these accounts is minimal.

7. SEISMIC EQUIPMENT LEASE POOL, PROPERTY AND EQUIPMENT

Seismic equipment lease pool, property and equipment consisted of the following as of:

	JANUARY 31,	
	2000	2001
Remote signal conditioners (channel boxes)	$ 33,284,000	$ 34,405,000
Other peripheral equipment	39,584,000	55,245,000
Seismic equipment lease pool	72,868,000	89,650,000
Land	25,000	25,000
Buildings and improvements	517,000	587,000
Furniture and fixtures	922,000	919,000
Autos and trucks	205,000	254,000
Property and equipment	1,669,000	1,785,000
Seismic equipment lease pool, property and equipment	74,537,000	91,435,000
Less: accumulated depreciation	(36,697,000)	(42,380,000)
	$ 37,840,000	$ 49,055,000

8. LEASES

The Company leases and subleases seismic equipment to customers under operating leases with non-cancelable terms of one year or less. These leases are generally renewable on a month-to-month basis. All taxes (other than U.S. federal income taxes) and assessments are the contractual responsibility of the lessee. To the extent the foreign taxes are not paid by the lessee, the relevant foreign taxing authorities might seek to collect such taxes from the Company. Under the terms of its lease agreements, any amounts paid by the Company to

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES (continued)

such foreign taxing authorities may be billed and collected from the lessee. If the Company is unable to collect the foreign taxes it paid on behalf of its lessees, the Company may have foreign tax credits in the amounts paid which could be applied against its U.S. income tax liability subject to certain limitations. The Company is not aware of any foreign tax obligations as of January 31, 2000 and 2001 that have not already been reflected on the accompanying consolidated financial statements.

The Company leases seismic equipment from others under month-to-month operating leases. Lease expense incurred by the Company in connection with such leases amounted to $460,000, $155,000 and $513,000 for the years ended January 31, 1999, 2000 and 2001, respectively.

9. INCOME TAXES

The components of income tax expense (benefit) were as follows:

	YEARS ENDED JANUARY 31,		
	1999	2000	2001
Current:			
Federal	$ 3,102,000	$(3,604,000)	$(1,505,000)
Foreign	288,000	2,000	--
State	--	--	--
	3,390,000	(3,602,000)	(1,505,000)
Deferred	(6,850,000)	1,803,000	(4,000)
	$(3,460,000)	$(1,799,000)	$(1,509,000)

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAXES (continued)

The components of the Company's deferred tax asset consisted of the following as of:

	JANUARY 31, 2000	JANUARY 31, 2001
Deferred tax assets:		
Allowance for doubtful accounts	$ 289,000	$ 418,000
Canadian net operating loss carryforward	1,471,000	2,000,000
Imputed interest carryforward	374,000	--
Inventory valuation allowance	333,000	366,000
Depreciation	2,310,000	1,064,000
Accruals not yet deductible for tax purposes	--	426,000
AMT credit	802,000	434,000
Other	36,000	5,000
Gross deferred tax assets	5,615,000	4,713,000
Valuation allowance	(2,505,000)	(2,000,000)
Net assets	3,110,000	2,713,000
Deferred tax liabilities:		
Tax accounting change from cash basis to accrual basis	(402,000)	--
Deferred tax asset, net	$ 2,708,000	$ 2,713,000

The following is a reconciliation of expected to actual income tax expense (benefit):

	YEARS ENDED JANUARY 31, 1999	2000	2001
Federal income tax expense (benefit) at 34%	$(4,075,000)	$(2,265,000)	$(1,515,000)
State and foreign taxes	--	--	--
Non-taxable interest income	--	(227,000)	(160,000)
Deferred benefit not currently recognized	1,483,000	1,022,000	324,000
Nondeductible expenses	16,000	16,000	22,000
Prior year over accrual	(600,000)	(639,000)	(57,000)
Other	(284,000)	294,000	(123,000)
	$(3,460,000)	$(1,799,000)	$(1,509,000)

The Company had Canadian net operating loss carryforwards of approximately $4,500,000 as of January 31, 2001. The Canadian net operating losses expire in various years through 2007.

The Company recorded a valuation allowance of $2,505,000 as of January 31, 2000 and $2,000,000 as of January 31, 2001.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. SALES AND MAJOR CUSTOMERS

A summary of the Company's revenues from foreign customers by geographic region is as follows:

	YEARS ENDED JANUARY 31,		
	1999	2000	2001
Canada	$ 7,138,000	$ 4,538,000	$10,484,000
UK/Europe	3,673,000	2,144,000	4,154,000
Mexico	2,121,000	8,000	1,044,000
South America	6,819,000	678,000	3,171,000
Asia	915,000	107,000	63,000
Other	--	36,000	174,000
Totals	$20,666,000	$ 7,511,000	$19,090,000

One customer represented approximately 36% of fiscal 1999 total revenues and three customers represented approximately 17%, 12% and 10% of fiscal 2000 total revenues. Three customers represented approximately 21%, 13% and 10% of fiscal 2001 total revenues. No other customer exceeded 10% of revenues for fiscal 1999, 2000 and 2001.

11. SHAREHOLDERS' EQUITY

The Company has 1,000,000 shares of preferred stock authorized, none of which are outstanding as of January 31, 2000 and 2001. The preferred stock may be issued in multiple series with various terms, as authorized by the Company's Board of Directors. The Company has 20,000,000 shares of common stock authorized, of which 9,551,112 and 9,591,112 are issued as of January 31, 2000 and 2001, respectively.

In July 1995, the Company issued warrants to acquire 35,000 shares of its common stock to a public relations firm engaged by the Company. The warrants are exercisable at $3.50 per share for a period of five years from their issuance, and 15,000 remain unexercised at January 31, 2000. During fiscal 2001, the 15,000 unexercised warrants expired.

In August 1996, in exchange for services, the Company issued warrants to its legal counsel to purchase 50,000 shares of its common stock for $6.43 per share (the "August 1996 Warrants"), exercisable beginning August 1997 for a period of four years thereafter. Of this amount, warrants to acquire 40,000 shares were unexercised at January 31, 2000. During fiscal 2001, all of these warrants were exercised. In December 1996, in exchange for services, the Company issued warrants to its legal counsel to purchase 50,000 shares of its common stock at $9.28 per share (the "December 1996 Warrants"), exercisable beginning

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SHAREHOLDERS' EQUITY (continued)

December 14, 1997 for a period of five years. As of January 31, 2000 and 2001, none of the December 1996 Warrants have been exercised. In October 1997, in exchange for services rendered in connection with the Company's secondary offering, the Company issued warrants to its legal counsel to purchase 25,000 shares of its common stock for $28.12 per share (the "1997 Warrants"), exercisable beginning October 28, 1998 for a period of five years thereafter; all 25,000 remain unexercised at January 31, 2000 and 2001. As of January 31, 2001, the exercise prices of the December 1996 Warrants and the 1997 Warrants were $3.56 per share, a result of the anti-dilution provisions of those warrants.

In February 2000, the Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock. The Company has repurchased 616,300 shares of its common stock at an average cost of $5.18 per share as of January 31, 2001 and has classified these shares as treasury stock in the accompanying financial statements. The Company expects it will continue to purchase its shares from time to time in the open market or in privately negotiated purchase transactions as market and financial conditions warrant.

12. COMMITMENTS AND CONTINGENCIES

Sercel Lease Agreement -- Effective December 16, 1999, the Company renewed its exclusive leasing arrangement with Sercel by entering into a new Exclusive Equipment Lease Agreement (the "Sercel Lease Agreement"). The Sercel Lease Agreement replaces the parties' former Exclusive Equipment Lease Agreement (the "Former Agreement") that was entered into in September 1996, under which the Company had completely fulfilled its purchase obligations. With the exception of a different minimum purchase requirement for the Company, the Sercel Lease Agreement is substantially similar to the Former Agreement. As of January 31, 2001, the Company has purchased 10,481 channels of Sercel 408UL equipment. Under the agreement, the Company acts as Sercel's exclusive third-party worldwide short-term leasing representative and Sercel will refer to the Company all requests it receives to lease Sercel 3-D data acquisition equipment and other field equipment, through December 31, 2002.

Legal Proceedings -- On or about April 23, 1998, several class action lawsuits were filed against the Company and its chief executive officer and then chief financial officer in the U.S. District Court for the Southern District of Texas, Houston Division. The first-filed complaint, styled Stanley Moskowitz ("Plaintiffs") v. Mitcham Industries, Inc., Billy F. Mitcham, Jr. and Roberto Rios ("Defendants"), alleged violations of Section 10(b), Rule 10b-5 and 20(a) of the Securities Exchange Act of 1934 and Sections 11 and 12(a)(2) of the

12. COMMITMENTS AND CONTINGENCIES (continued)

Securities Act of 1933. On or about September 21, 1998, the complaints were consolidated into one action. On November 4, 1998, the Plaintiffs filed a consolidated amended complaint ("CAC"), which seeks class action status on behalf of those who purchased the Company's common stock from June 4, 1997 through March 26, 1998, and damages in an unspecified amount plus costs and attorney's fees. The CAC alleges that the Defendants made materially false and misleading statements and omissions in public filings and announcements concerning its business and its allowance for doubtful accounts. On or about January 15, 1999, the Defendants filed a motion to dismiss the CAC. On September 28, 1999, the Court granted in part and denied in part the Defendants' motion to dismiss, and granted Plaintiffs leave to amend on certain claims. On December 8, 1999, Plaintiffs filed their second consolidated amended complaint ("SCAC"). On December 14, 1999, Plaintiffs served discovery on Defendants. On January 28, 2000, Defendants filed a motion to dismiss the SCAC. On February 4, 2000, the Court agreed with Defendants that Plaintiffs' discovery was improper because, under the Reform Act, discovery is stayed until the Court sustains the sufficiency of the SCAC. On February 28, 2000, the Plaintiffs filed an opposition to Defendants' motions to dismiss, and on March 15, 2000, Defendants filed their reply. The Company awaits the Court's ruling. On April 17, 2001, Defendants agreed in principle with Plaintiffs to a $2,700,000 settlement agreement, to be paid by the Company and its insurance carrier, pending execution of a final settlement agreement and approval by the Court. (See Note 17 for discussion regarding settlement agreement.)

The Company is also involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Employment Agreement -- Effective January 15, 1997, the Company entered into an employment agreement with the Company's president for a term of five years, beginning January 15, 1997, which term is automatically extended for successive one-year periods unless either party gives written notice of termination at least 30 days prior to the end of the current term. The agreement provides for an annual salary of $150,000, subject to increase by the Board of Directors. It may be terminated prior to the end of the initial term or any extension thereof if the president dies; if it is determined that the president has become disabled; if the Board of Directors determines that the president has breached the employment agreement in any material respect, has appropriated a material business opportunity of the Company or has engaged in fraud or dishonesty with respect to the Company's business that is punishable by imprisonment. If the president's employment is terminated by the Company prior to the end of the initial five-year term other than for a reason enumerated above, the president will be entitled to payments equal to $450,000,

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES (continued)

payable ratably over the 24 months following such termination. For a period of two years after the termination of the agreement, the president is prohibited from engaging in any business activities that are competitive with the Company's business and from diverting any of the Company's customers to a competitor.

13. STOCK OPTION PLANS

The Company's stock option plans consist of the 1994 Stock Option Plan, the 1998 Stock Awards Plan, the 2000 Stock Option Plan and the 1994 Non-Employee Director Plan (the "Director Plan"). Under the 1994 Stock Option Plan, incentive stock options and unqualified stock options to purchase a maximum of 350,000 shares of common stock may be issued to officers, employee directors, key employees and consultants of the Company.

Under the 1998 Stock Awards Plan, up to 350,000 shares of common stock may be issued in the form of stock options, stock appreciation rights, restricted stock awards, performance awards and phantom stock awards to the Company's employees.

Under the 2000 Stock Option Plan, up to 500,000 shares of common stock may be issued in the form of incentive stock options and unqualified stock options to the Company's employees, consultants and non-employee directors.

With respect to incentive stock options issued under the 1994 Stock Option Plan, the 1998 Stock Awards Plan and the 2000 Stock Option Plan, no option may be granted more than 10 years after the effective date of the stock option plan or exercised more than 10 years after the date of grant (five years if the optionee owns more than 10% of the common stock of the Company at the date of grant). The vesting period for options will be determined by the Compensation Committee, except that no option may be exercised sooner than six months from the date of grant. Additionally, with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the common stock at the date of grant (110% if the optionee owns more than 10% of the common stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee is in the service of the Company.

As of January 31, 2001, options to purchase an aggregate of 349,700 shares have been granted and options to purchase 191,700 shares of common stock are issued and outstanding under the 1994 Stock Option Plan, 67,250 of which are exercisable at a price of $5.00 per share, 30,000 of which are exercisable at $3.29 per share, 30,000 of which are exercisable

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCK OPTION PLANS (continued)

at $5.75 per share, 49,450 of which are exercisable at $22.00 per share and 15,000 of which are exercisable at $5.38 per share. As of January 31, 2001, options to purchase an aggregate of 347,900 shares of common stock are issued and outstanding under the 1998 Stock Awards Plan, 60,000 of which are exercisable at a price of $7.38 per share and 287,900 of which are exercisable at $3.56 per share. As of January 31, 2001, options to purchase an aggregate of 279,750 shares of common stock are issued and outstanding under the 2000 Stock Option Plan, 279,000 of which are exercisable at a price of $5.13 per share and 750 of which are exercisable at $5.53 per share.

The Director Plan provides for the grant of up to 50,000 unqualified stock options. Options granted under the Director Plan must have an exercise price at least equal to the fair market value of the Company's common stock on the date of grant. Pursuant to the Director Plan, options to purchase 5,000 shares of common stock are granted to each non-employee director upon his election to the Board and every year thereafter so long as he is re-elected to the Board of Directors. Options granted under the Director Plan are fully vested one year after their grant and expire 10 years after the date of the grant. As of January 31, 2001, options to purchase an aggregate of 41,000 shares of common stock are issued and outstanding under the Director Plan, 1,000 of which are exercisable at $2.88 per share, 1,000 of which are exercisable at $3.13 per share, 10,000 of which are exercisable at $4.06 per share, 15,000 of which are exercisable at $5.13 per share, 2,000 of which are exercisable at $7.38 per share, 10,000 of which are exercisable at $11.00 per share and 2,000 of which are exercisable at $11.13 per share.

Activity in the 1994 Stock Option Plan, 1998 Stock Awards Plan, 2000 Stock Option Plan and Director Plan for the years ended January 31, 1999, 2000 and 2001 was as follows:

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCK OPTION PLANS (continued)

	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding, January 31, 1998	271,880	$ 8.91
Exercised	(41,000)	4.31
Granted	85,000	7.45
Expired	(15,300)	22.00
Outstanding, January 31, 1999	300,580	$ 8.46
Exercised	--	--
Granted	300,000	3.58
Expired	(31,380)	4.93
Outstanding, January 31, 2000	569,200	$ 6.08
Exercised	--	--
Granted	304,350	5.13
Expired	(13,200)	5.53
Outstanding, January 31, 2001	860,350	$ 5.75

As of January 31, 2001, options to acquire 353,667 shares of the Company's common stock were fully vested and exercisable at a weighted average exercise price of $7.37 per share.

The remaining options, which have a weighted average exercise price of $4.62 per share, will vest over the next three fiscal years. If not previously exercised, options outstanding at January 31, 2001 will expire as follows: 67,250 options expire on May 9, 2004; 1,000 options expire on March 16, 2005; 2,000 options expire on June 8, 2005; 30,000 options expire on December 4, 2005; 3,000 options expire on June 12, 2006; 30,000 options expire on August 14, 2006; 3,000 options expire on June 11, 2007; 49,450 options expire on October 3, 2007; 10,000 options expire on July 9, 2008; 15,000 options expire on August 31, 2008; 60,000 options expire on September 29, 2008; 287,900 options expire on February 23, 2009; 10,000 options expire on July 23, 2009; 294,000 options expire on July 27, 2010 and 750 options expire on August 15, 2010.

The Company applies APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its stock option plans since options have been granted at fair value. Had compensation expense for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans, consistent with the method of SFAS No. 123, the Company's net loss and loss per common share would have

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCK OPTION PLANS (continued)

been decreased to the pro forma amounts indicated below:

	YEARS ENDED JANUARY 31,		
	1999	2000	2001
Net loss			
As reported	$ (8,526,000)	$ (4,864,000)	$ (2,946,000)
Pro forma	(9,177,000)	(5,238,000)	(3,431,000)
Net loss per common share (basic)			
As reported	$ (.90)	$ (.51)	$ (.32)
Pro forma	(.97)	(.55)	(.37)

The fair value of each option grant was estimated on the date of grant using the Black- Scholes option pricing model with the following assumptions: risk free rates of 4.5% to 7%; volatility of 66%, 62% and 65% for 1999, 2000 and 2001, respectively; no assumed dividend yield; and expected lives of 3-5 years.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade receivables, marketable securities, notes receivable and payables. The Company believes the carrying value of these financial instruments approximates their estimated fair value due to the short maturity of these instruments.

15. PROVISION FOR ASSET IMPAIRMENT

During the fiscal year ended January 31, 1999, the Company recorded a pretax asset impairment charge of $15.1 million. The non-cash asset impairment charge was recorded in accordance with SFAS No. 121, which requires that long-lived assets and certain identifiable intangibles held and used by the Company be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The severity as well as the duration of the recent oil and gas industry downturn was such an event. The Company's review of its long-lived assets indicated that the carrying value of certain of the Company's seismic equipment lease pool assets was more than the estimated undiscounted future net cash flows. As such, under SFAS No. 121, the Company wrote down those assets to their estimated fair market value based on discounted cash flows using an effective rate of 8.0%. Undiscounted future net cash flows were calculated based on individual types of seismic equipment using projected future utilization and lease rates over the estimated remaining useful lives of the assets.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. PROVISION FOR ASSET IMPAIRMENT (continued)

The Company's seismic equipment assets have been historically depreciated over 3-10 years. The impairment was recorded based on certain estimates and projections as stipulated in SFAS No. 121. There was no such charge in fiscal 2000 or 2001.

16. QUARTERLY FINANCIAL DATA (Unaudited)

(in thousands, except per share amounts)

	Fiscal Year	April 30	July 31	October 31	January 31
Net sales:	2001	$ 4,108	$ 4,197	$ 3,753	$ 8,539
	2000	1,645	625	2,434	5,940
Gross profit:	2001	2,753	2,971	2,555	5,346
	2000	1,341	417	1,616	3,606
Income (loss) before taxes:	2001	(1,120)	(950)	(1,654)	(731)
	2000	(1,822)	(2,695)	(1,485)	(661)
Income taxes (benefit):(1)	2001	(327)	--	--	(1,182)
	2000	(580)	(603)	(415)	(201)
Net income (loss):	2001	(793)	(950)	(1,654)	451
	2000	(1,242)	(2,092)	(1,070)	(460)
Basic earnings (loss) per common share:	2001	(0.08)	(0.10)	(0.18)	0.05
	2000	(0.13)	(0.22)	(0.11)	(0.05)
Diluted earnings (loss) per common share:	2001	(0.08)	(0.10)	(0.18)	0.05
	2000	(0.13)	(0.22)	(0.11)	(0.05)

(1) During the fourth quarter of fiscal 2001, the Company triggered alternative minimum tax credits and experienced better than expected operating results allowing the Company to recover previously paid taxes.

17. SUBSEQUENT EVENT

Lawsuit Settlement --

On April 17, 2001, the Company announced that it had reached an agreement in principle with plaintiffs to settle the shareholder class action suits pending against the Company and certain of its officers and directors in the United States District Court for the Southern District of Texas. The principal terms of the agreement call for the establishment of a settlement fund consisting of $2.7 million to be paid by the Company and its insurance

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. SUBSEQUENT EVENT (continued)

carrier. The agreement is subject to execution of definitive settlement documents and Court approval. As such, the Company took a $1.1 million charge (pre-tax) in its January 31, 2001 financial statements related to lawsuit settlement, which is included in other expenses.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Shareholders
Mitcham Industries, Inc.
Huntsville, Texas

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Mitcham Industries, Inc. and Subsidiary included in this Form 10-K and have issued our report thereon dated March 29, 2001. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedule listed in Item 16(b) herein (Schedule II - Valuation and Qualifying Accounts) is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. The financial statement schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects with the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ HEIN + ASSOCIATES LLP
HEIN + ASSOCIATES LLP

Houston, Texas
March 29, 2001

SCHEDULE II

MITCHAM INDUSTRIES, INC.

VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C(1)	COL. D	COL. E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS -- DESCRIBE	BALANCE AT END OF PERIOD
January 31, 1999 Allowance for doubtful accounts	$1,024,000	$1,705,000	$1,104,000(A)	$1,625,000
January 31, 2000 Allowance for doubtful accounts	$1,625,000	$ 575,000	$1,357,000(A)	$ 843,000
January 31, 2001 Allowance for doubtful accounts	$ 843,000	$ 225,000	$ (162,000)(A)	$1,230,000

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(A) Represents recoveries and uncollectible accounts written off.

Note: Column C(2) has been omitted, as all answers would be "none."

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
23	Consent of Independent Certified Public Accountants

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to incorporation by reference in the registration statement (No. 333-11097) on Form S-8 of Mitcham Industries, Inc. of our report dated March 29, 2001, which report appears in the January 31, 2001 annual report on Form 10-K of Mitcham Industries, Inc.

/s/ HEIN + ASSOCIATES LLP
HEIN + ASSOCIATES LLP
Certified Public Accountants
Houston, Texas
May 1, 2001