

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

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 31, 2003
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 (I.R.S. Employer Identification No.)
incorporation or organization)

8141 SH 75 SOUTH 77340
HUNTSVILLE, TEXAS (Zip Code)
(Address of principal executive offices)

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 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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the voting stock held by non-affiliates of the registrant: \$12,339,905 as of July 31, 2002.

As of April 29, 2003, there were outstanding 8,742,801 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 its 2003 Annual Meeting of Shareholders.

MITCHAM INDUSTRIES, INC.
ANNUAL REPORT ON FORM 10-K
TABLE OF CONTENTS
PART I Item 1.

Business.....	1	Item 2.	
Properties.....	10	Item 3. Legal	
Proceedings.....	10	Item 4. Submission of Matters to a Vote of Security	
Holders.....	10	PART II Item 5. Market for the	
Matters.....	10	Registrant's Common Equity and Related Stockholder	
Matters.....	10	Item 6.	
Data.....	11	Selected Financial	
Operations.....	11	Item 7.	
Risk.....	16	Management's Discussion and Analysis of Financial Condition and Results of	
Data.....	16	Operations.....	
Disclosure.....	16	Quantitative and Qualitative Disclosures About Market	
Compensation.....	16	Item 8. Financial Statements and Supplementary	
Matters.....	16	Item 9. Changes in and	
Transactions.....	17	Disagreements With Accountants on Accounting and Financial	
Procedures.....	17	Item 10. Directors and Executive Officers of the	
Signatures.....	17	Registrant.....	
	17	Item 11. Executive	
	17	Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder	
	17	Item 13.	
	18	Certain Relationships and Related	
	18	Item 14. Controls and	
	18	Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-	
	18	K.....	

PART I

ITEM 1. BUSINESS

Mitcham Industries, Inc. (the "Company"), a Texas corporation, was incorporated in 1987. Since our organization, we have primarily been engaged in the leasing and sales of seismic equipment to the seismic industry worldwide. We conduct our business in two reportable segments: Seismic Leasing and Sales ("Seismic") and Front-end Services. Our Seismic segment consists of the operations of Mitcham Industries, Inc. and our two wholly-owned subsidiaries, Mitcham Canada Ltd. and Seismic Asia Pacific Pty Ltd. Our front-end Services segment is comprised of the operations of our other wholly-owned subsidiary, Drilling Services, Inc. Segment data is presented in Note 16 to the Consolidated Financial Statements.

SEISMIC SEGMENT

The Seismic segment 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). We conduct our operations on a worldwide basis and are 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.

We own a variety of technologically advanced equipment acquired from the leading seismic manufacturers. Our lease pool includes many types of equipment used in seismic data acquisition, including all electronic 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 our equipment lease pool is provided by two manufacturers, the Sercel subsidiaries of Compagnie Generale de Geophysique (collectively, "Sercel") and Input/Output, Inc. ("I/O"). We believe that the majority of the advanced seismic data acquisition systems in use worldwide are either Sercel or I/O systems. At January 31, 2003, approximately 41% of our equipment lease pool, on a cost basis, consisted of seismic recording channel boxes, with the remainder consisting of geophones and other peripheral equipment.

On December 30, 2002, Mitcham Industries, Inc., purchased all of the issued and outstanding shares of capital stock of Seismic Asia Pacific Pty Ltd., (SAP). Headquartered in Brisbane Australia, SAP provides equipment, consumables, systems integration, engineering hardware and software maintenance support services to the seismic, hydrographic, oceanographic environment and defense industries throughout South East Asia and Australia.

We lease our 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, we enable our 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 and (iii) costs of seismic equipment. We believe these factors allow seismic contractors to use short-term seismic equipment leasing as a cost-effective alternative to purchasing additional equipment. Our 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. Our 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 our leases contain a purchase option. Additionally, we sell 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.

We have supply and exclusive lease referral agreements with several leading seismic equipment manufacturers, including Sercel and Pelton Company, Inc. ("Pelton"), which we believe provide us with certain competitive advantages. Under these agreements, we are the exclusive worldwide short-term leasing representative for certain products.

BUSINESS STRATEGY

Our business strategy is to meet the needs of users of seismic equipment through our leasing and front-end services. To accomplish this, we have identified the following major objectives:

- o Provide a technologically advanced seismic equipment lease pool. We intend to maintain the size and diversity of our equipment lease pool, including most recently, the addition of marine equipment. We believe 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.
- o Continue to expand international operations. Historically, our activities outside North and South America have consisted of equipment sales, with a limited amount of leasing activities. We believe there are opportunities to expand our international leasing activities as our customers' operations grow in international markets.
- o Develop and enhance alliances with major seismic equipment manufacturers. Our relationships with leading seismic equipment manufacturers allow us to expand our equipment lease pool on favorable terms. We believe such relationships improve our access to customers and provide a competitive advantage.
- o Pursue additional business development opportunities. We regularly evaluate opportunities to expand our 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) geographic survey equipment, drilling equipment for shot holes 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 generally require a larger amount of equipment than 2-D surveys. 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. Since 3-D seismic data increase drilling success rates and reduce costs, we believe that 3-D seismic surveys are now predominant. 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.

Industry advances include the use of high resolution 3-D, three-component geophones ("3D-3C"), 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.

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 2,000 channels and often use 5,000 or more channels. We believe that many seismic contractors will continue to meet changes in equipment needs by leasing incremental equipment to expand crew size as necessary, thereby reducing the substantial capital expenditures required to purchase such equipment.

BUSINESS AND OPERATIONS

SEISMIC EQUIPMENT LEASING. We typically purchase new and used seismic equipment for short-term (less than one year) lease to our customers, which primarily include seismic contractors. After the termination of the original equipment lease, we enter into additional short-term leases with other customers, leasing such equipment multiple times until the end of its useful life or its sale. Our 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. Our customers generally lease seismic equipment to meet shortages of recording channels and related equipment for specific surveys.

We currently have an equipment lease pool comprising a total of approximately 42,500 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 geographic survey and other equipment. All of our lease pool equipment is manufactured by leading seismic equipment manufacturers and is widely used in the seismic industry.

Our equipment leases generally have terms of three to nine months and are typically renewable on a month-to-month basis. We offer maintenance of our leased equipment during the lease term for malfunctions due to failure of material and parts and will provide replacement equipment as necessary. In addition, we provide field support services when requested by our customers.

Our 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 we have 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.

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to our operations in Canada, where a significant percentage of the seismic survey activity usually occurs in the winter season, from November 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, we attempt to manage our 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. Our equipment sales business serves a diverse base of industry, governmental, university and research customers. We typically buy used equipment for resale and new

equipment in response to specific customer orders. On occasion, we will also hold equipment of third parties and sell such equipment on consignment.

KEY SUPPLIER AGREEMENTS

THE SERCEL LEASE AGREEMENT

Our Exclusive Equipment Lease Agreement with Sercel, a major manufacturer of 3-D seismic data acquisition equipment, expired December 31, 2002. Effective April 9, 2003, we renewed our exclusive leasing arrangement with Sercel by entering into a new Equipment Lease Agreement (the "New Sercel Agreement").

Under the New Sercel Agreement, we are Sercel's exclusive third-party worldwide short-term (for leases of a duration of less than one year) leasing representative for land-based seismic equipment and its non-exclusive leasing representative with respect to certain marine seismic equipment. While there are no restrictions on Sercel's ability to undertake short-term or long-term leasing of either land-based or marine seismic equipment, Sercel will provide us with information regarding any potential leases or sales opportunities that Sercel does not undertake.

The agreement expires December 31, 2003, but is subject to termination by Sercel before that date upon (a) Sercel's reasonable belief that we have violated or intend to violate the Foreign Corrupt Practices Act of 1977, as amended, (b) our refusal or inability to certify that we are in compliance with laws applicable to its activities, or (c) our insolvency, voluntary or involuntary bankruptcy, assignment for the benefit of creditors or discontinuance as a going concern.

OTHER AGREEMENTS

We have an exclusive lease referral agreement (the "Pelton Agreement") with Pelton, a leading manufacturer and supplier of vibrator control electronics, which was acquired by I/O in January 2001. The terms of the Pelton Agreement are similar to those of the New Sercel Agreement, except that (a) Pelton may not engage in short-term leasing (leases for periods of less than a year) of the equipment covered, and (b) the Pelton Agreement may be terminated by either party upon three months prior written notice.

We had a Commercial Representative Agreement (the "Sercel Sales Agreement") with Georex, Inc., a wholly-owned subsidiary of Sercel, under which we were Sercel's designated sales representative in Canada for seismic data acquisition and other field equipment. The Sercel Sales Agreement was subject to termination by either party on 90 days' prior written notice. On October 28, 2002, we were notified that Sercel was terminating the Sercel Sales Agreement effective January 26, 2003. Total commissions earned under this agreement in the 2003, 2002 and 2001 fiscal years were \$1,311,000, with \$4,000 of that amount earned in fiscal 2003.

FRONT-END SERVICES SEGMENT

On January 28, 2002, we formed a wholly-owned subsidiary, Drilling Services, Inc. (DSI), to own and operate a fleet of seismic shot hole drills and to provide other services required by seismic data acquisition contractors. As of January 31, 2003, we own and operate 22 shot hole drilling units and ancillary transportation and geographic surveying equipment. Many of its customers are the same customers as that of our Seismic segment. Services offered by DSI include seismic survey program design, quality control, permit acquisition, geographical surveying and shot hole drilling. Taken together,

these services are commonly referred to as "front-end services" as they are required prior to the actual process of recording a seismic survey.

CUSTOMERS; SALES AND MARKETING

Our major lease customers are seismic data acquisition contractors and major and independent oil and gas companies. We typically have 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, 2003, we had lease customers with 70 active leases of various lengths. Customers of our used and new seismic equipment sales and service business include lease customers, foreign governments, universities, engineering firms and research organizations worldwide.

We participate in both domestic and international trade shows and expositions to inform the oil and gas industry of our 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 1,000 oil and gas industry participants. We believe this mailing generates significant seismic equipment lease and sales revenues. In addition, we advertise our alliances with Sercel and Pelton in several major geophysical trade journals. We also maintain a web site on which we list our seismic equipment for sale and lease.

We work with a network of representatives in several international markets, including Europe, Russia and other former Soviet Union countries. These agents generate equipment sales and, to a lesser extent, equipment leasing business for us and are compensated on a commission basis. We also expend resources in the areas of customer service, product support and the maintenance of customer relationships. We also have offices in Calgary, Alberta, Canada and Brisbane, Australia from which we lease and sell seismic equipment.

COMPETITION

While we are aware of several companies that engage in seismic equipment leasing, competition has historically been fragmented and our competitors have not had as extensive a seismic equipment lease pool as we do.

We compete for seismic equipment leases on the basis of (i) price and delivery, (ii) availability of both peripheral seismic equipment and complete data acquisition systems and (iii) length of lease term. We compete 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 us. We believe 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

We have several suppliers of seismic equipment for our lease pool. We have historically acquired the majority of our seismic lease pool equipment from Sercel and I/O, and believe that Sercel and I/O manufacture the majority 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, we purchase 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, 2003, the Seismic segment had 58 employees and the Front-end Services segment had 80 employees, none of whom is covered by a collective bargaining agreement. We consider our 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 us and our 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 our 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 our services and predicted improvement in energy industry and seismic service industry conditions. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we 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 our 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 DEMAND FOR LAND BASED SEISMIC DATA NOT ASSURED

Demand for our 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.

LOSS OF SIGNIFICANT CUSTOMERS WILL ADVERSELY AFFECT US

We typically lease and sell 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 our revenues may be derived from a limited number of customers. In the fiscal years ended January 31, 2001, 2002 and 2003, the single largest customer accounted for approximately 21%, 22% and 13%, respectively, of our total revenues. Because our customer base is relatively small, the loss of one or more customers for any reason would adversely affect our results of operations.

SIGNIFICANT DEFAULTS OF PAST-DUE CUSTOMER ACCOUNTS WOULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS

We had approximately \$4.3 million of customer accounts and notes receivable at January 31, 2003, of which \$.6 million is over ninety days past due. At January 31, 2003, we had an allowance of \$.8 million

to cover losses in our receivable balances. Significant payment defaults by our customers in excess of the allowance would have a material adverse effect on our financial position and results of operations.

INTERNATIONAL ECONOMIC AND POLITICAL INSTABILITY COULD ADVERSELY OUR RESULTS OF OPERATIONS

Our results of operations are dependent upon the current political and economic climate of several international countries in which our customers either operate or are located. International sources (including Canada) accounted for approximately 63% of our revenues in the fiscal year ended January 31, 2003. Since the majority of our lease and sales contracts with our customers are denominated in U.S. and Canadian dollars, there is little risk of loss from fluctuations in foreign currencies. However, our 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.

WE MUST CONTINUALLY OBTAIN ADDITIONAL LEASE CONTRACTS

Our seismic equipment leases typically have a term of three to nine months and provide gross revenues that recover only a portion of our capital investment. Our 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 we have been successful in obtaining additional lease contracts with other lessees after the termination of the original leases, there can be no assurance that we will continue to do so. Our failure to obtain additional leases or extensions beyond the initial lease term would have a material adverse effect on our operations and financial condition.

DEPENDENCE ON KEY PERSONNEL

Our success is dependent on, among other things, the services of certain key personnel, including specifically Billy F. Mitcham, Jr., our Chairman of the Board, President and Chief Executive Officer. Mr. Mitcham's employment agreement had 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 our business and from diverting any of our 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 us.

OUR SEISMIC LEASE POOL IS SUBJECT TO TECHNOLOGICAL OBSOLESCENCE

We have 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 our ability to profitably lease and sell our existing seismic equipment. Significant improvements in technology may also require us to recognize an asset impairment charge to our lease pool investment, and to correspondingly invest significant sums to upgrade or replace our existing lease pool with newer-technology equipment demanded by our customers.

WEATHER CONDITIONS CAUSE SEASONAL RESULTS

The first and fourth quarters of our fiscal year have historically accounted for a greater portion of

our revenues than do the second and third quarters of our fiscal year. This seasonality in revenues is primarily due to the increased seismic survey activity in Canada from November through March, which affects us due to our significant Canadian operations. This seasonal pattern may cause our 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.

COMPETITION

Competition in the leasing of seismic equipment is fragmented, and we are aware of several companies that engage in seismic equipment leasing. We believe that our competitors, in general, have neither as extensive a seismic equipment lease pool as we do, or 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.

We have 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 us. 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 our business operations.

VOLATILE STOCK PRICES AND NO PAYMENT OF DIVIDENDS

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

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

Certain provisions of our 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 our Board of Directors but that our 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 our 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 we have no shares of preferred stock outstanding and no present intention to issue any shares of our preferred stock, there can be no assurance that we will not do so in the future.

LIMITATION ON DIRECTORS' LIABILITY

Our 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

We own our corporate office and warehouse facilities in Huntsville, Texas. Our headquarters facility consists of 25,000 square feet of office and warehouse space on approximately six acres. We also lease approximately 31,000 square feet of office and warehouse space at our facility in Calgary, Alberta, Canada. Our U.S. subsidiary, DSI, leases approximately 26,550 square feet of office and warehouse space in Brookshire, Texas. SAP, our Australian subsidiary, leases approximately 14,400 square feet of office and warehouse space in Brisbane, Australia.

ITEM 3. LEGAL PROCEEDINGS

On or about April 23, 1998, several purported securities fraud class action lawsuits were filed against the Company, Billy F. Mitcham and Roberto Rios ("Defendants") in the U.S. District Court for the Southern District of Texas, Houston Division. On August 10, 2001, facing protracted and expensive litigation, Defendants executed a final settlement agreement with Plaintiffs for \$2.7 million, paid by us (\$1.1 million) and our insurance carrier (\$1.6 million). On December 10, 2001, the Court approved the settlement agreement, certified the class for settlement purposes only, and entered a Final Judgment and Order dismissing all the class action lawsuits with prejudice.

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

Our 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, 2002:		
First Quarter	\$7.25	\$4.88
Second Quarter	8.15	4.88
Third Quarter	5.25	3.00
Fourth Quarter	5.19	4.05
Fiscal Year Ended January 31, 2003:		
First Quarter	\$4.40	\$3.50
Second Quarter	4.10	1.76
Third Quarter	2.12	1.05
Fourth Quarter	1.75	1.05

As of April 29, 2003, there were approximately 500 stockholders of record of the common stock.

DIVIDEND POLICY

We have not paid any cash dividends on the common stock since our inception, and our Board of

16,192
10,682 Total
shareholders'
equity
64,752
60,275
53,988
42,603
33,658

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

OVERVIEW

Our revenues 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.

We lease and sell seismic data acquisition equipment primarily to seismic data acquisition companies and oil and gas companies conducting land and transition zone seismic surveys worldwide. We provide short-term leasing of seismic equipment to meet a customer's requirements and offer maintenance and support during the lease term. The majority of all leases at January 31, 2003 were for a term of one year or less. Seismic equipment held for lease is carried at cost, net of accumulated depreciation. Through our wholly-owned subsidiary, DSI, we provide front-end services to seismic data acquisition contractors. Such services typically include seismic survey program design, quality control, permit acquisition, geographical surveying and shot hole drilling.

For the years ended January 31, 2001, 2002 and 2003, revenues from foreign customers totaled \$19.1 million, \$21.7 million and \$12.0 million, respectively. The majority of our transactions with foreign customers are denominated in United States and Canadian dollars.

SEASONALITY

Historically, seismic equipment leasing has been susceptible to weather patterns in certain geographic regions. There is some seasonality to our expected lease revenues, especially from customers operating in Canada, where a significant percentage of seismic survey activity occurs in the winter months, from November 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 our Canadian customers has historically resulted in increased lease revenues in our first and fourth fiscal quarters.

RESULTS OF OPERATIONS

We created our Front-end Services segment in January 2002 upon the formation of DSI. As fiscal 2003 is the first year of operations for this segment, there are no comparable prior year results.

Consolidated revenues for fiscal 2003 were \$19.2 million, reflecting an \$8.0 million, or 30%, decline from fiscal 2002 revenues of \$27.2 million. During fiscal 2003, leasing revenues decreased primarily due to the business decline of three of our customers in fiscal 2002, partially offset by the inclusion of the results of our Front-end Services segment. Front-end Services revenues for fiscal 2003 were approximately \$5.0 million. Additionally, fiscal 2003 revenues include the results of our Australian subsidiary, SAP, which was purchased in December 2002. SAP's revenues for fiscal 2003 were approximately \$0.6 million. Foreign currency translation rates had the effect of decreasing fiscal 2003 revenues by approximately \$38,000 from fiscal 2002 levels.

Fiscal 2002 revenues were \$27.2 million, reflecting a \$6.6 million, or 32%, increase over fiscal 2001 revenues of \$20.6 million. During fiscal 2002, we executed several high-dollar lease contracts with a customer in South America that attributed to our increase in revenues for the year. Foreign currency translation rates had the effect of decreasing fiscal 2002 revenues by approximately \$449,000 from fiscal 2001 levels. Included in fiscal 2002 revenues is commission income of \$1.3 million, compared to only \$42,000 in fiscal 2001. This commission income was earned by Mitcham Canada pursuant to the Sercel Sales Agreement, was based on direct sales by Sercel to various customers and was recognized when Sercel paid the applicable commission to us.

Fiscal 2001 revenues were \$20.6 million, which represented a \$10.0 million, or 94% increase over fiscal 2000 revenues of \$10.6 million. During fiscal 2001, we experienced a greater demand for equipment leasing from our customers, primarily in response to the higher level of commodity prices. Foreign currency translation rates had the effect of decreasing fiscal 2001 revenues by approximately \$52,000 from fiscal 2000 levels.

Seismic equipment sales for fiscal 2003 were \$5.8 million as compared to \$5.9 million and \$6.5 million for fiscal 2002 and 2001, respectively. Cost of sales for the fiscal years ended January 31, 2003, 2002 and 2001 was \$4.6 million, \$5.0 million and \$5.2 million, respectively. Foreign currency translation rates had the effect of decreasing cost of goods sold for fiscal years 2003, 2002 and 2001 by \$4,000, \$73,000 and \$10,000, respectively. Gross margins on equipment sales were 22%, 16% and 21% for fiscal years 2003, 2002 and 2001, 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 2003, we recorded depreciation expense in the amount of \$15.2 million. This amount reflects a decrease of \$0.8 million, or 5%, from the fiscal 2002 amount. Foreign currency translation rates had the effect of decreasing depreciation expense for fiscal 2003 by \$58,000 from the fiscal 2002 amount. In fiscal 2002, we recorded depreciation expense in the amount of \$16.0 million, which reflected a \$2.9 million, or 22%, increase above the fiscal 2001 amount. Foreign currency translation rates had the effect of decreasing depreciation expense for fiscal 2002 by \$353,000 from the fiscal 2001 amount. Depreciation expense for fiscal 2001 was approximately \$13.1 million, representing an increase of \$3.3 million, or 33%, above the fiscal 2000 amount. Foreign currency translation rates had the effect of decreasing depreciation

expense for fiscal 2001 by \$32,000 from the fiscal 2000 amount.

The decrease in fiscal 2003 depreciation expense is largely due to the fact that certain equipment reached the end of its depreciable life during the year, coupled with the sales of assets with remaining depreciable life. The increase in depreciation expense during fiscal 2002 is primarily a result of our replacement of older, fully depreciated seismic equipment with new, state of the art technology. The fiscal 2001 increase in depreciation expense is a result of our adding \$27.7 million, on a cost basis, to the seismic equipment lease pool during the fiscal year.

For fiscal 2003, the Seismic segment's direct costs of seismic leasing totaled \$1.4 million, representing a decrease of \$.9 million from the fiscal 2002 amount of \$2.2 million. This decrease is attributable to the significant decrease in leasing activity during the fiscal year. Specifically, the decrease is mainly attributable to decreases in freight, equipment repairs and leased equipment expenses of \$134,000, \$474,000 and \$276,000, respectively. Front-end Services direct costs totaled \$5.8 million for fiscal 2003. As this segment is labor-intensive, the primary expenses are wage-related expenses. Additionally, Front-end Services direct costs also include explosives and related drilling materials as well as significant equipment repairs and maintenance expenses. For fiscal 2002, our direct costs of seismic leasing totaled approximately \$2.2 million, for an increase of \$450,000 over the fiscal 2001 amount. This increase is a result of the significant increase in equipment leasing activity during the year. The increase is attributable to increases in freight and equipment repairs of \$72,000 and \$478,000, respectively, partially offset by a decrease in leased equipment expenses of \$152,000. Fiscal 2001 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.

For the fiscal year ended January 31, 2003, our general and administrative expenses totaled \$5.6 million, or \$1.3 million above those of fiscal 2002. Approximately \$1.1 million of the increase is due to the inclusion of DSI and \$.1 million is due to the inclusion of SAP in fiscal 2003. The remaining increase is due to higher payroll related expenses and insurance, partially offset by a decrease in state franchise tax expense. For the fiscal year ended January 31, 2002, our general and administrative expenses totaled approximately \$4.4 million, or \$.2 million above those of fiscal 2001. This increase is primarily due to an increase in insurance, professional fees and debt acquisition costs, partially offset by a decrease in travel, rent and customer relation expenses. General and administrative expenses increased approximately \$0.3 million in fiscal 2001 as compared to fiscal 2000 expense of \$3.9 million. The fiscal 2001 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, we incurred personnel and related costs associated with international marketing efforts.

During fiscal 2003, we recorded a non-cash net benefit for doubtful accounts in the amount of \$1.9 million. Of this amount, approximately \$1.7 million represents recoveries of receivables written off in the prior fiscal year in the form of seismic equipment that we accepted as a settlement related to a former customer which ceased operations last year. The remaining \$.2 million benefit resulted from our collecting an outstanding note receivable that had been fully reserved in prior fiscal years due to the uncertainty of collection. Once the funds were collected, we reduced our allowance for doubtful accounts and recorded the net benefit. Our provision for doubtful accounts in fiscal 2002 was approximately \$5.1 million, for a substantial increase over the fiscal 2001 amount of \$225,000. As of January 31, 2002, we had reserved or written off approximately \$5.0 million in trade and note receivables related to three customers who

advised us they were ceasing operations and did not have the resources to pay their outstanding obligations to us. During fiscal 2001, our provision for doubtful accounts was \$225,000, reflecting a decrease of \$350,000 from fiscal 2000. The decrease in fiscal 2001 is attributable to our improvement in our receivables aging and our collecting approximately \$400,000 of receivables previously written off. During fiscal 2001, we wrote off approximately \$289,000 of receivables deemed uncollectible. At January 31, 2003 and 2002, we had past due trade accounts and note receivables in the approximate amount of \$.7 million and \$2.0 million, respectively. As of January 31, 2003 and 2002, our allowance for doubtful accounts and notes receivable amounted to \$.8 million and \$1.5 million, respectively.

For fiscal 2003, we recorded a net loss in the amount of \$10.1 million, as compared to the fiscal 2002 net loss of \$8.5 million. Contributing to the current year's net loss were the results of DSI, which was in its first year as a start-up business, partially offset by the approximate \$1.6 million income tax benefit recorded during the year. The primary factors behind the fiscal 2002 net loss were the bad debt provision and valuation allowance for our deferred tax assets, as discussed more fully in the notes to the financial statements. The net loss for fiscal 2001 was \$2.9 million, which included an income tax benefit of approximately \$1.5 million.

LIQUIDITY AND CAPITAL RESOURCES

As of January 31, 2003, we had net working capital of approximately \$3.3 million as compared to net working capital of \$.8 million at January 31, 2002. Historically, our 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 used in operating activities for the year ended January 31, 2003 was \$1.8 million, as compared to net cash provided by operating activities of \$12.3 million and \$13.3 million for the years ended January 31, 2002 and 2001, respectively. Net cash provided by financing activities for the year ended January 31, 2003 was \$1.1 million, compared to net cash used in financing activities for the year ended January 31, 2002 of \$2.0 million and net cash provided by financing of \$4.2 million for fiscal year 2001. During fiscal 2001 and 2002, we liquidated temporary investments in marketable securities of approximately \$6.7 million and \$7.1 million, respectively, to fund a portion of our capital expenditure program. The temporary investments were originally made with surplus cash generated in prior fiscal years which was invested in marketable securities until such time as the funds were needed. During fiscal 2002, we paid \$1.1 million to settle a securities class action lawsuit using funds generated from our operations. The balance of the settlement was paid by our insurance carrier, as more fully discussed in Note 12.

On October 28, 2002, we were notified that Sercel was terminating the Sercel Sales Agreement effective January 26, 2003. Total commissions earned under this agreement in the 2003, 2002 and 2001 fiscal years were \$1,311,000, only \$4,000 of which was earned in the 2003 fiscal year. Its cancellation is not expected to have significant effect on our results of operations and liquidity.

We committed to purchase \$1.125 million of land data acquisition equipment by December 31, 2003 and \$2.25 million of land data acquisition equipment by December 31, 2004. We expect that cash on hand and cash flows from operations will be sufficient to meet these commitments.

At January 31, 2003, we had trade accounts and notes receivable of \$.6 million that were more than 90 days past due, as compared to \$2.0 million at January 31, 2002. During fiscal 2003, we wrote off approximately \$.5 million of accounts and notes receivable that were more than 90 days past due. As of January 31, 2003, our allowance for doubtful accounts was approximately \$.8 million, which management believes is sufficient to cover any losses in our trade accounts receivable and notes receivable.

In certain instances when customers have been unable to repay their open accounts receivable balances, we have agreed to a structured repayment program using an interest bearing promissory note. In these cases, we provide a reserve for doubtful accounts against the balance. Due to the uncertainty of collection, we do not recognize the interest earned until the entire principal balance has been collected. In most cases where we have a chronic collection problem with a particular customer, future business is done on a prepayment basis or if additional credit is extended, revenues are not recognized until collected. Although the extension of repayment terms on open accounts receivables temporarily reduces our cash flow from operations, we believe that this practice is necessary in light of seismic industry conditions and that it has not adversely affected our ability to conduct routine business. Additionally, we occasionally offer extended payment terms on equipment sales transactions. These terms are generally less than one year in duration. Unless there is a question as to collectibility, the sales revenue and cost of goods sold is recognized at the inception of the transaction.

On November 10, 2000, we closed an \$8.5 million term loan with First Victoria National Bank. The loan amortized over 48 months and bore interest at the rate of prime plus one-half percent, adjusted daily. The first three monthly payments were interest only, with the remaining 45 monthly payments being interest and principal in the approximate amount of \$229,000. In February 2002, we renegotiated our term loan and borrowed an additional \$2.0 million. Beginning in March 2002, the 48 monthly payments of principal and interest are approximately \$197,000. The loan is collateralized by certain lease pool equipment. Additionally, during fiscal 2002 we borrowed \$75,000 under a separate loan agreement in connection with our acquisition of assets related to the formation of DSI. This term loan matured in December 2002, bore interest at the rate of prime minus one percent, and required quarterly repayments in the approximate amount of \$19,000.

Capital expenditures for the 2003 fiscal year totaled approximately \$4.9 million as compared to capital expenditures of \$18.0 million for fiscal 2002. The decline in our fiscal 2003 capital expenditures from prior years is a reflection of a continuing decline in seismic data acquisition activity. Unlike in prior years when the majority of equipment we purchased was based on anticipated demand for our services, the majority of our capital expenditures for the 2003 fiscal year was made to fulfill a specific lease contract or was purchased for ultimate resale to a specific customer.

During fiscal 2003, we repurchased 7,800 shares of our common stock for an aggregate cost of \$15,000, or an average cost of \$1.97 per share. At the present time, we believe that cash on hand and cash provided by future operations will be sufficient to fund our anticipated capital and liquidity needs over the next twelve months. However, should demand warrant, we may pursue additional borrowings to fund capital expenditures.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in determining the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates made by us in the accompanying consolidated financial statements relate to reserves for accounts receivable collectibility and useful lives of our lease pool assets and their valuation.

Critical accounting policies are those that are most important to the portrayal of a company's financial position and results of operation as well as require management's subjective judgment. Below is a brief discussion of our critical accounting policies.

Revenue Recognition

We recognize lease revenue ratably over the term of the lease and recognize sales revenue at the inception of the transaction unless there is a question as to its collectibility. Commission income is recognized once it has been paid to us. Interest income related to the financing of delinquent customer receivables is not recognized until the entire principal balance has been collected. The Front-end Services segment recognizes income at the time services are provided.

Allowance for Doubtful Accounts

Provisions to the allowance for doubtful accounts are made periodically as conditions warrant based on the expected collectibility of all such receivables. In certain instances when customers have been unable to repay their open accounts receivable balances, we have agreed to a structured repayment program using an interest bearing promissory note. In these cases, we provide a reserve for doubtful accounts against the balance.

Long-Lived Asset Impairment

We review our long-lived lease pool assets for impairment at each reporting date. If our assessment of the carrying amount of such assets exceeds the fair market value in accordance with the applicable accounting regulations, an impairment charge is recorded. No such charge has been recorded for the periods presented.

Income Taxes

We account for our taxes under the liability method, whereby we recognize, on a current and long-term basis, deferred tax assets and liabilities which represent differences between the financial and income tax reporting bases of our assets and liabilities. A valuation allowance is established when uncertainty exists as to the ultimate realization of net deferred tax assets. As of January 31, 2002 and 2003, we have recorded a net deferred tax asset of \$6.7 million and \$9.4 million, respectively. As we believe it is not assured that these net deferred tax assets will be realized, we have provided valuation allowances of \$6.7 million and \$9.4 million at January 31, 2002 and 2003, respectively.

We periodically reevaluate these estimates and assumptions as circumstances change. Such factors may significantly impact our results of operations from period to period.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We operate 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. We typically denominate the majority of our lease and sales contracts in U.S. and Canadian 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-25 hereof and incorporated herein by reference.

75,150 2000
Stock
Option Plan
920,520
\$3.59
79,480 ----

Total
1,366,870
\$4.40
248,910

Other Equity Compensation Arrangements

In June 2001, we entered into an agreement with Bear Ridge Capital, L.L.C. ("BRC"), under which we engaged BRC to assist us in arranging a private placement of up to \$25 million of our debt or equity

securities. Mr. Peter H. Blum, one of our directors, is the sole member of BRC. As consideration for the services BRC was to perform, we paid BRC a nonrefundable retainer of \$57,000, \$42,000 of which was creditable against compensation due to BRC on the consummation of a private placement transaction, and issued BRC warrants to purchase 20,000 shares of our common stock at an exercise price of \$5.00 per share. Upon the consummation of a private placement transaction, BRC was entitled to compensation equal to 2.5% of the gross proceeds of the transaction. As of January 31, 2003, due to the anti-dilution provisions contained in the warrants, BRC is entitled to purchase up to 22,624 shares of our common stock at an exercise price of \$4.42 per share.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions will be set forth in our proxy statement for the 2003 Annual Meeting of Shareholders.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Executive Vice President - Finance (the "Certifying Officers"), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Certifying Officers concluded that our disclosure controls and procedures are effective in timely alerting them to material information to be included in our periodic SEC filings.

(b) Changes in internal controls.

Since the date of the evaluation, there have been no significant changes to our internal controls or in other known factors that could significantly affect internal controls in the future, and there have been no corrective actions due to significant deficiencies or material weaknesses.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) LIST OF DOCUMENTS FILED

(1) Financial Statements

The financial statements filed as part of this Annual Report are listed in "Index to Consolidated Financial Statements" on page F-1.

(2) Financial Statement Schedules

This Annual Report includes the following financial statement schedule: Schedule II -- Valuation and Qualifying Accounts

(3) Exhibits -The exhibits required by Item 601 of Regulation S-K are listed in subparagraph (c) below.

(b) REPORTS ON FORM 8-K

During the quarter end January 31, 2003, we filed a Current Report on Form 8-K related to the purchase of Seismic Asia Pacific Pty Ltd.

(c) 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)
- 9 -- Voting Agreement, dated September 20, 1993, between the Company, Billy F. Mitcham, Jr. and certain shareholders (2) (Exhibit 9)
- *10.1 -- Employment Agreement, dated January 15, 1997, between the Company and Billy F. Mitcham, Jr. (3) (Exhibit 10.4)
- 10.2 -- Exclusive Lease Referral Agreement, dated May 14, 1996, between the Company and Pelton Company, Inc. (4) (Exhibit 10.1)
- 10.3 -- First Amendment to the Exclusive Lease Referral Agreement, dated January 1997, between the Company and Pelton (5) (Exhibit 10.17)
- 10.4 -- Second Amendment to the Exclusive Lease Referral Agreement between Mitcham Industries, Inc. and Pelton Company, Inc., dated November 4, 1997 (5) (Exhibit 10.3)
- 10.5 -- Exclusive Equipment Lease Agreement, effective December 16, 1999, between the Company and SERCEL, S.A. (7) (Exhibit 10.2)
- 10.6 -- Commercial Representation Agreement, effective September 20, 1996, between Mitcham Canada Ltd., an Alberta corporation, and Georex, Inc. (4)(Exhibit 10.3)
- 10.7 -- Amendment No. 1 to the Commercial Representation Agreement between Mitcham Canada, Ltd. and Georex, Inc., dated November 11, 1997 (5) (Exhibit 10.1)
- *10.8 -- Mitcham Industries, Inc. 1994 Stock Option Plan (2) (Exhibit 10.9)
- 10.9 -- Mitcham Industries, Inc. 1994 Non-Employee Director Stock Option Plan (2) (Exhibit 10.12)
- *10.10 -- Mitcham Industries, Inc. 1998 Stock Awards Plan (6) (Exhibit A)
- *10.11 -- Mitcham Industries, Inc. 2000 Stock Option Plan (8) (Exhibit A)
- 10.12 -- Warrant, dated July 18, 2001, issued to Bear Ridge Capital, L.L.C.
- 10.13 -- Share Sale Agreement between Mitcham Industries, Inc. and Nautronix, Inc., dated December 2002 (9)
- *10.14 -- Agreement between Mitcham Industries, Inc., with William J. Sheppard, dated April 4, 2003**
- *10.15 -- Consulting Agreement between Mitcham Industries, Inc. and William J. Sheppard, dated April 1, 2003, but effective February 1, 2003**
- *10.16 -- Consulting Agreement between Mitcham Industries, Inc. and William J. Sheppard, dated April 1, 2003, but effective January 1, 2004**
- 10.17 -- Equipment Lease Agreement between Mitcham Industries, Inc. and Sercel, Inc., effective April 9, 2003**
- 99.1 -- Certification of Billy F. Mitcham, Jr., CEO and President, under Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. 1350**
- 99.2 -- Certification of P. Blake Dupuis, Executive Vice President - Finance, under Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. 1350**
- 21 -- Subsidiaries of the Company

23 -- Consent of Hein + Associates LLP

* Management contract or compensatory plan or arrangement

** Filed herewith

- (1) Incorporated by reference to the indicated exhibit number of the Company's Registration Statement on Form S-8 (File No. 333-67208), filed with the SEC on September 9, 2001.
 - (2) Incorporated by reference to the indicated exhibit number of the Company's Registration Statement on Form SB-2, filed with the SEC on July 5, 1994.
 - (3) 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.
 - (4) 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.
 - (5) 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.
 - (6) Incorporated by reference to Exhibit A of the Company's proxy statement for the fiscal year ended January 31, 1998.
 - (7) Incorporated by reference to Exhibit 10 of the Company's Current Report on Form 8-K filed with the SEC on January 4, 2000.
 - (8) Incorporated by reference to Exhibit A of the Company's proxy statement for the fiscal year ended January 31, 2000.
 - (9) Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K, filed with the SEC on January 13, 2003.
- (d) NOT APPLICABLE

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, 2003.

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, 2003
/s/ P. BLAKE DUPUIS ----- P. Blake Dupuis (principal financial officer)	Executive Vice President - Finance, COO, Secretary, Treasurer and Director	May 1, 2003
/s/ CHRISTOPHER C. SIFFERT ----- Christopher C. Siffert (principal accounting officer)	Vice President and Corporate Controller	May 1, 2003
/s/ PETER H. BLUM ----- Peter H. Blum	Director	May 1, 2003

CERTIFICATION

I, Billy F. Mitcham, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Mitcham Industries, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Billy F. Mitcham, Jr.

Billy F. Mitcham, Jr.
Chief Executive Officer
May 1, 2003

CERTIFICATION

I, P. Blake Dupuis, certify that:

1. I have reviewed this annual report on Form 10-K of Mitcham Industries, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ P. Blake Dupuis

P. Blake Dupuis
Executive Vice President - Finance
May 1, 2003

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page

Independent Auditor's Report.....	F-2
Consolidated Balance Sheets as of January 31, 2002 and 2003.....	F-3
Consolidated Statements of Operations for the Years Ended January 31, 2001, 2002 and 2003.....	F-4
Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the Years Ended January 31, 2001, 2002 and 2003.....	F-5
Consolidated Statements of Cash Flows for the Years Ended January 31, 2001, 2002 and 2003.....	F-6
Notes to Consolidated Financial Statements.....	F-7

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 Subsidiaries as of January 31, 2002 and 2003, 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, 2003. 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 auditing standards generally accepted in the United States of America. 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 Subsidiaries as of January 31, 2002 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended January 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ HEIN + ASSOCIATES LLP
HEIN + ASSOCIATES LLP

Houston, Texas
April 4, 2003

MITCHAM INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEETS

JANUARY 31,

----- 2002

2003 -----

ASSETS -----

- Current

assets: Cash

and cash

equivalents

\$ 8,244,000

\$ 5,170,000

Accounts

receivable,

net of

allowance

for doubtful

accounts of

\$1,454,000

and \$770,000

at January

31, 2002 and

2003,

respectively

3,431,000

3,544,000

Notes

receivable

851,000

12,000

Prepaid

expenses and

other

current

assets

407,000

627,000 -----

Total

current

assets

12,933,000

9,353,000

Seismic

equipment

lease pool,

property and

equipment

90,381,000

87,126,000

Accumulated

depreciation

of seismic

equipment

lease pool,

property and

equipment

(44,814,000)

(52,183,000)

Notes

receivable

275,000 --

Other assets

20,000

44,000 -----

Total assets

\$ 58,795,000

\$ 44,340,000

=====

=====

LIABILITIES

AND

SHAREHOLDERS'

EQUITY -----

Current

liabilities:

Accounts

payable \$

8,659,000 \$

2,424,000

Current
 maturities -
 long-term
 debt
 2,515,000
 2,092,000
 Deferred
 revenue
 314,000
 216,000
 Wages
 payable
 265,000
 414,000
 Accrued
 expenses and
 other
 current
 liabilities
 360,000
 914,000 ----

 Total
 current
 liabilities
 12,113,000
 6,060,000
 Long-term
 debt
 4,079,000
 4,622,000 --

 Total
 liabilities
 16,192,000
 10,682,000
 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;
 9,657,801
 shares
 issued
 97,000
 97,000
 Additional
 paid-in
 capital
 61,814,000
 61,814,000
 Treasury
 stock, at
 cost
 (907,200 and
 915,000
 shares,
 respectively)
 (4,671,000)
 (4,686,000)
 Accumulated
 deficit
 (12,023,000)
 (22,122,000)
 Accumulated
 other
 comprehensive
 loss
 (2,614,000)
 (1,445,000)

 Total
 shareholders'
 equity
 42,603,000
 33,658,000 -

Total
liabilities
and
shareholders'
equity \$
58,795,000 \$
44,340,000
=====
=====

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

(3,922,000)
(5,503,000)
(11,462,000)
Other income
(expense):
Interest
income (net
of interest
expense of
approximately
\$82,000,
\$562,000 and
\$477,000,
respectively)
559,000
(231,000)
(291,000)
Other, net
(1,092,000)
2,000 7,000 -

Total other
income
(expense)
(533,000)
(229,000)
(284,000) ---

Loss before
income taxes
(4,455,000)
(5,732,000)
(11,746,000)
Provision
(benefit) for
income taxes
(1,509,000)
2,725,000
(1,647,000) -

Net loss \$
(2,946,000) \$
(8,457,000)
\$(10,099,000)
=====

Loss per
common share:
Basic \$
(0.32) \$
(0.95) \$
(1.15)
Diluted \$
(0.32) \$
(0.95) \$
(1.15) Shares
used in
computing
loss per

common share:
Basic
9,167,000
8,870,000
8,747,000
Dilutive
effect of
common stock
equivalents -

Diluted
9,167,000
8,870,000
8,747,000
=====

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, 2001, 2002 AND 2003

COMMON STOCK	
RETAINED ---	

ADDITIONAL	
EARNINGS	
PAID-IN	
TREASURY	
(ACCUMULATED	
SHARES	
AMOUNT	
CAPITAL	
STOCK	
DEFICIT) ---	

Balances,	
January 31,	
2000	
9,551,000 \$	
96,000 \$	
61,459,000 -	
- \$	
(620,000)	
Comprehensive	
loss: Net	
loss --- --	
--	
(2,946,000)	
Foreign	
currency	
translation	
--- -- --	
--	
Comprehensive	
loss	
Issuance of	
common stock	
upon	
exercise of	
warrants and	
options	
40,000 --	
142,000 -- -	
-	
Acquisition	
of treasury	
stock -- --	
--	
(3,195,000)	

Balances,	
January 31,	
2001	
9,591,000	
96,000	
61,601,000	
(3,195,000)	
(3,566,000)	
Comprehensive	
loss: Net	
loss -- -- -	
--	
(8,457,000)	
Foreign	
currency	
translation	
--- -- --	
--	
Comprehensive	
loss	
Issuance of	
common stock	
upon	
exercise of	
warrants and	

options
67,000 1,000
213,000 -- -

Acquisition
of treasury
stock -- --
--
(1,476,000)

Balances,
January 31,
2002
9,658,000
97,000
61,814,000
(4,671,000)
(12,023,000)
Comprehensive
loss: Net
loss -- -- -

(10,099,000)
Foreign
currency
translation
-- -- -- -

Comprehensive
loss
Acquisition
of treasury
stock -- --
-- (15,000)

Balances,
January 31,
2003
9,658,000 \$
97,000 \$
61,814,000 \$
(4,686,000)
\$(22,122,000)

=====
=====
=====
=====
=====
ACCUMULATED
OTHER
COMPREHENSIVE
INCOME
(LOSS) TOTAL

Balances,
January 31,
2000 \$
(660,000) \$
60,275,000
Comprehensive
loss: Net
loss --
(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 --
142,000
Acquisition
of treasury
stock --
(3,195,000)

```

-----
Balances,
January 31,
2001
(948,000)
53,988,000
Comprehensive
loss: Net
loss --
(8,457,000)
Foreign
currency
translation
(1,666,000)
(1,666,000)
-----
Comprehensive
loss
(10,123,000)
-----
Issuance of
common stock
upon
exercise of
warrants and
options --
214,000
Acquisition
of treasury
stock --
(1,476,000)
-----
Balances,
January 31,
2002
(2,614,000)
42,603,000
Comprehensive
loss: Net
loss --
(10,099,000)
Foreign
currency
translation
1,169,000
1,169,000 --
-----
Comprehensive
loss
(8,930,000)
-----
Acquisition
of treasury
stock --
(15,000) ---
-----
Balances,
January 31,
2003 $
(1,445,000)
$ 33,658,000
=====
=====

```

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

MITCHAM INDUSTRIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED
JANUARY 31,

2001 2002
2003 -----

----- Cash
flows from
operating
activities:
Net loss \$
(2,946,000)

\$
(8,457,000)
\$(10,099,000)

Adjustments
to reconcile
net loss to
net cash
provided by
(used in)
operating
activities:

Depreciation
13,123,000

16,015,000

15,190,000

Provision
(benefit)

for doubtful
accounts,
net of

chargeoffs
(63,000)

224,000
(2,398,000)

Deferred
income taxes
(4,000)

2,713,000 --

Changes in:

Trade
accounts
receivable

(1,838,000)

2,729,000

1,476,000

Federal
income
taxes,
current

2,008,000

787,000
(43,000)

Accounts
payable,
accrued

expenses and
other
current

liabilities
3,631,000

(2,139,000)

(5,725,000)

Other, net
(586,000)

397,000
(244,000) --

Net cash
provided by
(used in)

operating
activities
13,325,000

12,269,000

(1,843,000)

Cash flows
from

investing
activities:

Purchases of seismic equipment held for lease
 (27,482,000)
 (16,442,000)
 (4,867,000)
 Purchases of property and equipment
 (229,000)
 (1,579,000)
 (328,000)
 Sale of marketable securities
 6,726,000
 7,085,000 --
 Disposal of lease pool equipment
 4,142,000
 4,562,000
 3,859,000 --

Net cash used in investing activities
 (16,843,000)
 (6,374,000)
 (1,336,000)

Cash flows from financing activities:
 Proceeds from short-term borrowings
 1,856,000
 75,000 --
 Proceeds from long-term debt
 5,444,000
 1,200,000
 2,000,000
 Payments on short-term borrowings -
 -
 (1,981,000)
 (1,880,000)
 Purchase of common stock for treasury
 (3,195,000)
 (1,476,000)
 (15,000)
 Proceeds from issuance of common stock upon exercise of warrants and options
 142,000
 214,000 -- -

Net cash provided by (used in) financing activities
 4,247,000
 (1,968,000)
 105,000 ----

Net change in cash
 729,000
 3,927,000
 (3,074,000)
 Cash, beginning of

year
3,588,000
4,317,000
8,244,000 --

Cash, end of
year \$
4,317,000 \$
8,244,000 \$
5,170,000
=====
=====
=====

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. Through its wholly-owned U.S. subsidiary, Drilling Services, Inc. ("DSI"), the Company provides seismic survey program design, quality control, permit acquisition, geographical surveying and shot hole drilling, all commonly referred to as "front-end services". The Company, through its wholly-owned Australian subsidiary, Seismic Asia Pacific Pty Ltd. ("SAP"), provides seismic, oceanographic and hydrographic leasing and sales worldwide, primarily in Asia and Australia. 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, 2002 and 2003 are for one year or less. Lease revenue is recognized ratably over the term of the lease. The Company does not enter into leases with imbedded maintenance obligations. The standard lease contract provides that the lessee is responsible for maintenance and repairs to the equipment, excluding fair wear and tear. The Company provides technical advice to its customers without additional compensation as part of its customer service practices. Repairs or maintenance performed by the Company is charged to the lessee, generally on a time and materials basis.

Front-end Services Revenues - The Company recognizes revenues for its front-end services at the time services are performed.

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 method over the estimated useful lives of the equipment, which is five years for channel boxes and 2 - 10 years for other peripheral equipment.

SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of, set forth guidance as to when to recognize an impairment of long-lived assets and how to measure such impairment. The standard required certain assets to be reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. In October 2001, the FASB approved SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 replaced SFAS 121. SFAS 144 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The Company's assessment resulted in no recognition of impairment expense for the periods

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

presented.

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 separate federal returns for its foreign subsidiaries. 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. A valuation allowance is established when uncertainty exists as to the ultimate realization of net deferred tax assets. As of January 31, 2002 and 2003, the Company has recorded a net deferred tax asset of \$6.7 million and \$9.4 million, respectively. The Company believes it is not assured that these net deferred tax assets will be realized and has recorded valuation allowances of \$6.7 million and \$9.4 million at January 31, 2002 and 2003, respectively.

Cash and Cash Equivalents - 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 accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Estimates are used for, but not limited to: allowance for doubtful accounts, lease pool valuations, valuation allowance on deferred tax assets and depreciable lives of assets. Future events and their effects cannot be perceived with certainty. Accordingly, these accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results could differ from these estimates.

Foreign Currency Translation - All balance sheet accounts of the Canadian and Australian subsidiaries 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.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Earnings Per Share - For the fiscal years ended January 31, 2001, 2002 and 2003, the following common stock equivalents were excluded from the earnings per share calculations due to their anti-dilutive effect on EPS.

YEARS ENDED JANUARY 31, ----- ----- -----	2001	2002	2003

--- Stock options	42,769	105,600	35,218
Warrants	11,883	2,383	--

-- Total anti- dilutive securities	54,652	107,983	35,218

Reclassifications - Certain prior year amounts have been reclassified to conform with the current year presentation. Such reclassifications had no effect on the results of operations or comprehensive income.

2. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 141, Business Combinations ("SFAS 141") and No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for under the purchase method. For all business combinations for which the date of acquisition is after June 30, 2001, SFAS 141 also establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain, rather than deferred and amortized. SFAS 142 changes the accounting for goodwill and other intangible assets after an acquisition. The most significant changes made by SFAS 142 are: 1) goodwill and intangible assets with indefinite lives will no longer be amortized; 2) goodwill and intangible assets with indefinite lives must be tested for impairment at least annually; and 3) the amortization period for intangible assets with finite lives will no longer be limited to 40 years. SFAS 142 is effective for fiscal years beginning after December 15, 2001. The adoption had no effect on the Company's financial statements.

3. TERM BANK LOANS

On November 10, 2000, the Company closed an \$8.5 million term loan with First Victoria National Bank. The loan amortized over 48 months and bore interest at the rate of prime plus one-half percent, adjusted daily (4.75% at January 31, 2003). The first three monthly payments were interest only, with the remaining 45 monthly payments being interest and principal in the approximate amount of \$229,000. During the fiscal year ended January 31,

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. TERM BANK LOANS (continued)

2002, the Company had drawn the entire \$8.5 million under this loan agreement and as of January 31, 2002, had an outstanding balance of \$6.5 million. The loan is collateralized by certain lease pool equipment. In February 2002, the Company renegotiated its term loan with First Victoria National Bank with substantially identical terms of the original loan. The Company borrowed an additional \$2.0 million, representing the approximate amount of principal payments made under the original loan and had an outstanding balance of \$6.7 million as of January 31, 2003. The revised loan amortizes over 48 months, bears interest at the rate of prime plus one-half percent and requires 48 monthly payments of principal and interest in the approximate amount of \$197,000.

In connection with the formation of DSI, the Company closed a \$75,000 term loan in December 2001 with Regions Bank. This loan amortized over 12 months and bore interest at the rate of prime minus one percent, adjusted daily. The quarterly payments of principal and interest, beginning March 7, 2002, were approximately \$19,000. During fiscal 2003, the Company repaid all outstanding principal under this note.

Long-term debt repayments are scheduled to be \$2,092,000, \$2,193,000, \$2,300,000 and \$129,000 in fiscal 2004, 2005, 2006 and 2007, respectively.

4. SUPPLEMENTAL STATEMENTS OF CASH FLOWS INFORMATION

Supplemental disclosures of cash flow information for the years ended January 31, 2001, 2002 and 2003 are as follows:

YEARS ENDED	
JANUARY 31,	

- 2001 2002	
2003 -----	

Interest	
paid \$	
31,000 \$	
542,000 \$	
410,000	
Taxes paid	
(refunded),	
net	
(3,529,000)	
(942,000)	
(1,647,000)	
Seismic	
equipment	
acquired in	
exchange	
for	
cancellation	
of accounts	
receivable	
-- 312,000	
3,000	
Seismic	
equipment	
acquired as	
recovery of	
previously	
written off	
receivables	
-- --	
1,933,000	
Seismic	
equipment	
acquired in	
exchange	
for	
issuance of	
leasing	
credits	
500,000 --	
--	

5. NOTES RECEIVABLE

In certain instances when customers have been unable to repay their open accounts receivable balances, the Company has agreed to a structured repayment program using an

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. NOTES RECEIVABLE (continued)

interest bearing promissory note. In these cases, the Company provides a reserve for doubtful accounts against the balance. Due to the uncertainty of collection, the Company does not recognize the interest earned until the entire principal balance has been collected. In most cases where the Company has a chronic collection problem with a particular customer, future business is done on a prepayment basis or if additional credit is extended, revenues are not recognized until collected.

The Company occasionally offers extended payment terms on equipment sales transactions. These terms are generally less than one year in duration. Unless there is a question as to collectibility, the sales revenue and cost of goods sold is recognized at the inception of the transaction.

Notes receivable consisted of \$1,126,000 due from four customers and \$12,000 due from two customers as of January 31, 2002 and 2003, respectively. These notes bear interest ranging from 5% - 12% with repayment terms ranging from 12 - 48 months. During fiscal 2003, the Company established one new note receivable in the amount of \$30,000 related to the sale of seismic equipment. Also during fiscal 2003, the Company received final payments on two notes receivable that had been established in prior fiscal years. Additionally, during fiscal 2003 the Company wrote off one note receivable in the amount of \$282,000 related to the financing of trade receivables from prior fiscal years due to the customer's insolvency.

During fiscal 2002, the Company established one new note receivable in the amount of \$500,000 to finance trade receivables which has been repaid by the customer as of January 31, 2003. Also during fiscal 2002, the Company received final payments on three notes receivable that had been established in prior fiscal years. Additionally, during fiscal 2002 the Company wrote off two notes receivable in the aggregate amount of \$638,000, one of which related to sales of equipment and one of which related to the financing of trade receivables from prior fiscal years.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. CONCENTRATIONS

Credit Risk - As of January 31, 2002 and 2003, amounts due from customers which exceeded 10% of accounts receivable amounted to an aggregate of \$1.2 million from one customer and \$1.1 million from two 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.

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.

Supplier Concentration - The Company purchases the majority of its seismic equipment for its lease pool from a small number of suppliers, each being an industry leader for its product. The Company believes that two of its suppliers manufacture most of the land-based seismic systems and equipment in use. The Company has satisfactory relationships with its suppliers. However, should those relationships deteriorate, the Company may have difficulty in obtaining new technology demanded by its customers and maintaining the existing equipment in accordance with manufacturers' specifications.

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. SEISMIC EQUIPMENT LEASE POOL, PROPERTY AND EQUIPMENT

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

JANUARY 31,	

2002	2003
-----	-----
- Remote	
signal	
conditioners	
(channel	
boxes) \$	
34,153,000	
\$	
33,760,000	
Other	
peripheral	
equipment	
52,925,000	
48,937,000	

---	Seismic
equipment	
lease pool	
87,078,000	
82,697,000	

---	Land
25,000	
25,000	
Buildings	
and	
improvements	
561,000	
580,000	
Furniture	
and	
fixtures	
994,000	
1,292,000	
Drilling	
equipment	
1,314,000	
1,939,000	
Autos and	
trucks	
409,000	
593,000	---

Property	
and	
equipment	
3,303,000	
4,429,000	-

- Seismic	
equipment	
lease pool,	
property	
and	
equipment	
90,381,000	
87,126,000	
Less:	
accumulated	
depreciation	
(44,814,000)	
(52,183,000)	

---	\$
45,567,000	
\$	
34,943,000	
=====	
=====	

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 that 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 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, 2002 and 2003 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 \$513,000, \$329,000 and \$358,000 for the years ended January 31, 2001, 2002 and 2003, respectively.

for tax
purposes
78,000
65,000 AMT
credit
434,000
202,000 ---

Gross
deferred
tax assets
6,700,000
9,393,000
Valuation
allowance
(6,700,000)
(9,393,000)

Net assets
-- --

Deferred
tax
liabilities:
Tax
accounting
change from
cash basis
to accrual
basis -- --

Deferred
tax assets,
net \$ -- \$
--

=====
=====


```

-----
Canada
$10,484,000
$10,637,000
$
9,481,000
UK/Europe
4,154,000
3,084,000
408,000
Mexico
1,044,000
380,000
64,000
South
America
3,171,000
7,030,000
1,135,000
Asia
63,000
252,000
625,000
Other
174,000
351,000
281,000 --
-----
-----
--- Totals
$19,090,000
$21,734,000
$11,994,000
=====
=====
=====

```

Three customers represented approximately 21%, 13% and 10% of fiscal 2001 total revenues. Two customers represented approximately 22% and 11% of fiscal 2002 total revenues and one customer represented approximately 13% of fiscal 2003 total revenues. No other customer exceeded 10% of revenues for fiscal 2001, 2002 and 2003.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SHAREHOLDERS' EQUITY

The Company has 1,000,000 shares of preferred stock authorized, none of which are outstanding as of January 31, 2002 and 2003. 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 9,657,801 are issued as of January 31, 2002 and 2003, respectively.

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. 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 December 14, 1997 for a period of five years. During fiscal 2002, all of these warrants were 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. During fiscal 2002, 20,000 of these warrants were exercised. As of January 31, 2002, the exercise price of the remaining 5,000 1997 Warrants was \$3.56 per share, a result of the anti-dilution provisions of those warrants. The remaining 5,000 warrants expired in fiscal 2003.

In July 2001, in exchange for services, the Company issued warrants to an investment banking firm to purchase 20,000 shares of its common stock for \$5.00 per share, exercisable beginning July 18, 2002 for a period of five years thereafter. As of January 31, 2003, the exercise price of the warrants was \$4.42 per share, a result of the anti-dilution provisions of those warrants. Warrants are accounted for pursuant to variable accounting rules at each interim reporting date.

In February 2000, the Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock. On July 18, 2001, the Board of Directors increased the number of shares authorized to be repurchased to a total of up to 1,250,000 shares. The Company has repurchased 915,000 shares of its common stock at an average cost of \$5.12 per share as of January 31, 2003 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES

Sercel Lease Agreement - Effective April 9, 2003, the Company renewed its exclusive leasing arrangement with Sercel by entering into a new Equipment Lease Agreement (the "New Sercel Agreement"). The New Sercel Agreement replaces the parties' Exclusive Equipment Lease Agreement that was entered into in December 1999 and that expired December 31, 2002. Under the New Sercel Agreement, the Company is Sercel's exclusive third-party worldwide short-term (for leases of a duration of less than one year) leasing representative for land-based seismic equipment and its non-exclusive leasing representative with respect to certain marine seismic equipment. While there are no restrictions on Sercel's ability to undertake short-term or long-term leasing of either land-based or marine seismic equipment, Sercel will provide the Company with information regarding any potential leases or sales opportunities that Sercel does not undertake. The agreement expires December 31, 2003, subject to earlier termination by Sercel on the occurrence of certain events.

Purchase Commitment (unaudited) -The Company is committed to purchase \$1.125 million of land data acquisition equipment by December 31, 2003 and \$2.25 million of land data acquisition equipment by December 31, 2004.

Legal Proceedings - On or about April 23, 1998, several purported securities fraud class action lawsuits were filed against the Company, Billy F. Mitcham and Roberto Rios ("Defendants") in the U.S. District Court for the Southern District of Texas, Houston Division. On August 10, 2001, facing protracted and expensive litigation, Defendants executed a final settlement agreement with Plaintiffs for \$2.7 million, paid by the Company (\$1.1 million) and its insurance carrier (\$1.6 million). On December 10, 2001, the Court approved the settlement agreement, certified the class for settlement purposes only, and entered a Final Judgment and Order dismissing all the class action lawsuits with prejudice.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. COMMITMENTS AND CONTINGENCIES (continued)

reason enumerated above, the president will be entitled to payments equal to \$450,000, 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 1,000,000 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, 2003, options to purchase an aggregate of 295,100 shares have been granted and options to purchase 136,600 shares of common stock are issued and outstanding under the 1994 Stock Option Plan, 45,750 of which are exercisable at a price of \$5.00 per share, 21,000 of which are exercisable at \$3.29 per share, 20,500 of which are exercisable at \$5.75 per share, 34,350 of which are exercisable at \$22.00 per share and 15,000 of which

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCK OPTION PLANS (continued)

are exercisable at \$5.38 per share. As of January 31, 2003, options to purchase an aggregate of 276,650 shares have been granted and options to purchase 268,750 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 208,750 of which are exercisable at \$3.56 per share. As of January 31, 2003, options to purchase an aggregate of 920,520 shares of common stock are issued and outstanding under the 2000 Stock Option Plan, 238,500 of which are exercisable at a price of \$5.13 per share, 750 of which are exercisable at \$5.53 per share, 261,150 of which are exercisable at \$5.00 per share, 10,000 of which are exercisable at \$4.60 per share, 2,500 of which are exercisable at \$4.00 per share, 277,620 of which are exercisable at \$1.99 per share and 130,000 of which are exercisable at \$1.25 per share.

The Director Plan provides for the grant of up to 50,000 nonqualified 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, 2003, options to purchase an aggregate of 41,000 shares of common stock were 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, 2001, 2002 and 2003 was as follows:

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCK OPTION PLANS (continued)

Weighted Average Exercise Number of Price Shares Per Share ----- ----- -----
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
Exercised (6,100) 3.56
Granted 274,600 4.99
Expired (166,650)
5.90 ----- -----
Outstanding, January 31, 2002 962,200 \$5.52
Exercised - - - -
Granted 410,120 1.77
Expired (5,450)
4.64 ----- -----
Outstanding, January 31, 2003 1,366,870 \$4.40
=====
=====

As of January 31, 2003, options to acquire 743,414 shares of the Company's common stock were fully vested and exercisable at a weighted average exercise price of \$5.66 per share.

The remaining options, which have a weighted average exercise price of \$2.89 per share, will vest over the next three fiscal years. If not previously exercised, options outstanding at January 31, 2003 will expire as follows: 45,750 options expire on May 9, 2004; 1,000 options expire on March 16, 2005; 1,000 options expire on June 8, 2005; 21,000 options expire on December 4, 2005; 2,000 options expire on June 12, 2006; 20,500 options expire on August 14, 2006; 2,000 options expire on June 11, 2007; 34,350 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; 208,750 options expire on February 23, 2009; 10,000 options expire on July 23, 2009; 253,500 options expire on July 27, 2010; 750 options expire on August 15, 2010; 261,150 options expire on July 18, 2011; 10,000 options expire on October 23, 2011; 2,500 options expire on March 1, 2012; 277,620 options expire on August 15, 2012 and 130,000 options expire on December 30, 2012.

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

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCK OPTION PLANS (continued)

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 been decreased to the pro forma amounts indicated below:

YEARS ENDED	
JANUARY 31,	

2001	2002
2003	-----

----- Net	
loss As	
reported \$	
(2,946,000)	
\$	
(8,457,000)	
\$	
(10,099,000)	
Pro forma	
(3,431,000)	
(9,166,000)	
(10,499,000)	
Net loss	
per common	
share	
(basic) As	
reported \$	
(.32) \$	
(.95) \$	
(1.15) Pro	
forma (.37)	
(1.03)	
(1.20)	

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 65%, 69% and 63% for 2001, 2002 and 2003, respectively; no assumed dividend yield; and expected lives of 3-8 years.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

15. RECENT ACQUISITION

On December 30, 2002, Mitcham Industries, Inc., purchased all of the issued and outstanding shares of capital stock of Seismic Asia Pacific Pty Ltd., (SAP), for approximately \$764,000. Headquartered in Brisbane Australia, SAP provides equipment, consumables, systems integration, engineering hardware and software maintenance support services to the geophysical, hydrographic, oceanographic environment and defense industries throughout South East Asia and Australia.

16. SEGMENT DATA

The Seismic segment is engaged in the leasing and sales of seismic equipment to the international seismic industry as well as the leasing and sales of hydrographic and oceanographic seismic equipment. The Front-end Services segment provides such services as seismic survey program design, quality control, permit acquisition, geographical

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT DATA (continued)

surveying and shot hole drilling, commonly referred to as "front-end services". The Front-end Services segment operates exclusively in the United States.

Financial information relating to the Company's segments is as follows:

Front-end Seismic Services Total ----- ----- ----- (in thousands) 2001 Revenues \$ 20,597 \$ -- \$ 20,597 Direct costs 1,789 -- 1,789 Depreciation & amortization 13,123 -- 13,123 Operating loss (3,922) -- (3,922) Interest expense 82 -- 82 Identifiable assets 72,561 -- 72,561 Capital expenditures 27,711 -- 27,711 2002 Revenues \$ 27,183 \$ -- \$ 27,183 Direct costs 2,239 -- 2,239 Depreciation & amortization 16,015 -- 16,015 Operating loss (5,503) -- (5,503) Interest expense 562 -- 562 Identifiable assets 58,795 -- 58,795 Capital expenditures 18,021 -- 18,021 2003 Revenues \$ 14,182 \$ 4,972 \$ 19,154 Direct costs 1,369 5,775 7,144 Depreciation & amortization 14,682 508 15,190 Operating loss (9,054) (2,408) (11,462) Interest expense 467

10 477
Identifiable
assets
41,866
2,474
44,340
Capital
expenditures
4,867 328
5,195

MITCHAM INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. QUARTERLY FINANCIAL DATA (Unaudited)

(in thousands, except per share amounts)

Fiscal	
Year April	
30 July 31	
October 31	
January 31	

- - - - -	
- - - - -	
- - - - -	
----	Net
sales:	
2003 \$	
7,387 \$	
2,036 \$	
4,040 \$	
5,691	2002
7,073	
8,067	
7,670	
4,373	
Gross	
profit:	
2003 3,505	
447 1,290	
2,200	2002
5,665	
6,431	
5,377	
2,478	
Income	
(loss)	
before	
taxes:	
2003	
(1,766)	
(3,248)	
(3,801)	
(2,931)	
2002 493	
832 310	
7,367	
Income	
taxes	
(benefit):	
2003 288 -	
- (1,935)	
-- 2002 --	
499 421	
1,805	Net
income	
(loss):	
2003	
(2,054)	
(3,248)	
(1,866)	
(2,931)	
2002 493	
333 (111)	
(9,172)	
Basic	
earnings	
(loss) per	
common	
share:	
2003	
(0.23)	
(0.37)	
(0.21)	
(0.34)	
2002 0.06	
0.04	
(0.01)	
(1.05)	
Diluted	
earnings	
(loss) per	
common	
share:	
2003	
(0.23)	
(0.37)	
(0.21)	
(0.34)	
2002 0.05	
0.04	

(0.01)
(1.05)

F-23

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 auditing standards generally accepted in the United States of America, the consolidated financial statements of Mitcham Industries, Inc. and Subsidiaries included in this Form 10-K and have issued our report thereon dated April 4, 2003. 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 15(a) 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
April 4, 2003

EXHIBIT LIST

- 10.14 -- Agreement between Mitcham Industries, Inc., with William J. Sheppard, dated April 4, 2003
- 10.15 -- Consulting Agreement between Mitcham Industries, Inc. and William J. Sheppard, dated April 1, 2003, but effective February 1, 2003
- 10.16 -- Consulting Agreement between Mitcham Industries, Inc. and William J. Sheppard, dated April 1, 2003, but effective January 1, 2004
- 10.17 -- Equipment Lease Agreement between Mitcham Industries, Inc. and Sercel, Inc., effective April 9, 2003
- 99.1 -- Certification of Billy F. Mitcham, Jr., CEO and President, under Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. 1350
- 99.2 -- Certification of P. Blake Dupuis, Executive Vice President - Finance, under Section 906 of the Sarbanes-Oxley Act of 2002, U.S.C. 1350
- 21 -- Subsidiaries of the Company
- 23 -- Consent of Hein + Associates LLP

AGREEMENT

William J. Sheppard
3786 Spring Drive
Huntsville, Texas 77340

Dear Mr. Sheppard:

In connection with your separation from Mitcham Industries, Inc. (Company) as of the close of business on January 31, 2003, you and the Company have agreed to the terms and conditions as described herein and in the attachment to this Agreement.

In consideration of Company's agreement to provide the benefits, payments, accelerated vesting and extension of the exercise period of certain options and other items described herein and in the attachment to this letter, some of which are in addition to anything to which you are already entitled and the receipt and sufficiency of which are hereby acknowledged, you hereby knowingly and voluntarily release and forever discharge Company and its officers, directors, agents, servants, and employees, its successors, assigns, and insurers, and its parents, subsidiaries and affiliates, and any and all persons, firms, organizations, and corporations from any and all known or unknown damages, losses, causes of action, expenses, demands, liabilities, and claims on behalf of yourself, your heirs, executors, administrators, and assigns with respect to all matters relating to Company that arise in any part up to and including the date you sign this Agreement, and you hereby accept the cash payments, benefits, and other items described in full settlement of all such known or unknown damages, losses, causes of action, expenses, demands, liabilities, and claims you now have or may have with respect to such matters, (except you shall retain all rights to (i) coverage, if any, under director's and officer's fiduciary errors and omissions and other liability insurance policies that by their terms would apply to your acts and omissions while serving the Company, its subsidiaries and affiliates, and their respective officers, directors, agents, servants, employees, and their successors and assigns, and (ii) any indemnification arrangements with the Company (including pursuant to the Company's Bylaws) that apply to your service to the Company, its subsidiaries and affiliates).

This release includes, but is not limited to, claims arising under the Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Older Workers' Benefit Protection Act of 1990, as amended; the Civil Rights Act of 1986, as amended; the Civil Rights Act of 1991; the Rehabilitation Act of 1973, as amended; the Americans with Disabilities Act of 1990; the Worker Adjustment and Retraining Notification Act of 1988; the Pregnancy Discrimination Act of 1978; the Equal Pay Act; the Employee Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; the Fair Labor Standards Act; the Occupational Health and Safety Act; the Texas Commission on Human Rights Act; the Texas Labor Code; any claims for breach of contract, tort, including but not limited to fraudulent

inducement or misrepresentation, defamation, slander, wrongful termination or other retaliation claims in connection with workers' compensation claims or whistleblower status or any claim under any other state or federal statute or regulation, in equity or at common law.

Further, by accepting the payments described, you agree not to sue Company or the related persons and entities described above regarding any matter released by this Agreement. You affirm and agree that your employment relationship has ended and waive all rights in connection with such relationship except to vested benefits and the payments and benefits described in the attachment. You acknowledge that the Company has not promised you continued employment nor represented you will be rehired in the future. You expressly represent that no promise or agreement which is not expressed in this letter or in the attachment to this letter has been made to you and that you are relying on your own judgment in signing this Agreement and are not relying on any statement or representation of the Company, its affiliates or any of their agents. You acknowledge that you are signing with full knowledge and consent which was not procured through fraud, duress or mistake and that this Agreement has not had the effect of misleading or failing to inform you.

You acknowledge that providing you benefits under this Agreement and consulting payments by the Company are not an admission by the Company or its officers, directors, agents, servants, and employees, its successors, assigns, and insurers, and its parents, subsidiaries and affiliates, that they engaged in any wrongful or unlawful act or violated any federal or state law or regulation.

The purpose of the arrangements described in this letter and attachment is to arrive at a mutually agreeable and amicable basis upon which to separate your employment with the Company. You and Company agree to refrain from any criticisms or disparaging comments about each other or in any way relating to your employment with or separation from Company.

Additionally, you agree that you have returned or will return immediately all Company property. This includes all Company property that you possess, have knowledge of or access to, including, but not limited to computers, including laptops, and associated peripherals, vehicles, pagers, cell phones, digital cameras, video cameras, palm pilots (pda's), software, stationary, business cards and promotional client gifts.

In addition, you agree that you have returned or will return immediately, and will maintain in strictest confidence and not use in any way, any proprietary, confidential, or other nonpublic information or documents relating to the business and affairs of Company and its affiliates. For the purposes of this Agreement, "proprietary, confidential or other nonpublic information" shall mean any information concerning the Company or its affiliates, which you developed or learned through your employment and which is not generally known or available outside of the Company. Such information,

without limitation, includes information, written or otherwise, regarding the Company's earnings, expenses, material sources, equipment sources, customers, business plans, strategies, practices and procedures, prospective and executed contracts and other business arrangements. You acknowledge and agree that all records, papers, reports, computer programs, strategies, documents (including, without limitation, memoranda, notes, files and correspondence), opinions, evaluations, inventions, ideas, technical data, products, services, processes, procedures, and interpretations that are or have been produced by you or any employee, officer, director, agent, contractor, or representative of the Company whether provided in written or printed form, or orally, all comprise confidential and proprietary business information. You understand and agree that in the event of any breach of this provision by you, the Company may, in its discretion, discontinue any or all payments provided for in the Plan and recover any and all payments already made and the Company shall be entitled to apply to a court or competent jurisdiction for such relief by way of specific performance, restraining order, injunction or otherwise as may be appropriate to ensure compliance with this provision.

You further agree that all terms of this Agreement, including the terms and conditions contained in the attachment, shall be kept strictly confidential and that any disclosure to anyone for any purpose whatsoever (save and except disclosure to your spouse, financial advisors or institutions for financial statement purposes, attorney, or as required by law) by you or your agents, representatives, heirs, children, spouse, employees or spokespersons shall be a breach of this Agreement and the Company may elect either to cease performance hereunder or enforce this Agreement; however, in the event the Company believes a breach of confidentiality has occurred, you will be given notice and thirty days to respond.

For a period of twelve (12) months after your separation date, you shall not, directly or indirectly, or through others, induce or otherwise entice any employee of the Company to leave the Company, or to join another company, nor shall you participate or provide information in any attempt by any person or entity to hire any of the Company's employees.

Should you be contacted or served with legal process seeking to compel you to disclose any information about the Company or this Agreement, you agree to notify the Company immediately, in order that the Company may seek to resist such process if they so choose. If you are called upon to serve as a witness or consultant in or with respect to any potential litigation, litigation, or regulatory proceeding, you agree to cooperate with the Company to the full extent permitted by law, and the Company agrees that any such call shall be reasonable notice, shall not unnecessarily interfere with your later employment, and shall provide for payment for your reasonable expenses in such matters.

You shall have twenty-one days to decide whether to sign the Agreement and be bound by its terms. You shall have the right to revoke or cancel it within seven days after you have signed it. This cancellation or revocation can be accomplished by delivery of a

written notification to me. In the event that this Agreement is canceled or revoked, Company shall have no obligation to furnish the payments and benefits described in the attachment. YOU ACKNOWLEDGE THAT YOU HAVE BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS AGREEMENT AND HAVE HAD AN ADEQUATE OPPORTUNITY TO SEEK ADVICE OF YOUR OWN CHOOSING. You acknowledge that you have read this Agreement, have had an opportunity to ask questions and have it explained to you and that you understand that this Agreement will have the effect of knowingly and voluntarily waiving any action you might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, gender, national origin, or disability and any other claims arising prior to the date of this Agreement. No payment will be made to you under this Agreement earlier than the eighth day after you have signed the Agreement and delivered it to the Company.

Should any of the provisions set forth in this letter and attachment be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed such determination shall not affect the enforceability of other provisions of this letter and attachment. This letter and attachment sets forth the entire understanding and agreement between you and the Company concerning the subject matter of this letter and attachment and supersedes any prior or contemporaneous oral and/or written agreements or representations, if any, between you and the Company.

Very truly yours,

MITCHAM INDUSTRIES, INC.

By: /s/ Billy F. Mitcham, Jr.

Billy F. Mitcham, Jr., President and
Chief Executive Officer

AGREED TO AND ACCEPTED this 4th day of April, 2003.

/s/ William J. Sheppard

William J. Sheppard

ATTACHMENT TO AGREEMENT
BETWEEN WILLIAM J. SHEPPARD AND COMPANY

1. SEPARATION DATE

Your last day of employment was January 31, 2003. Your last day as an officer and director with the Company was January 22, 2003. Your separation date is January 31, 2003. This Agreement and this Attachment constitute, among other things, your resignation as an employee, officer and director of the Company.

2. WITHHOLDING AND SET OFFS

All payments and entitlements made and provided to you under this Agreement which by law, or contract, the Company is required or entitled to make withholding or set offs, shall be paid or credited to you subject to lawfully and contractually required withholding and set offs. All taxes and withholding as required by law, shall be deducted from moneys and options and other benefits and entitlements due you under the Agreement. It is agreed that the Company shall set off from all payments and entitlements owed to you pursuant to this Agreement, all employee receivables and company credit card debt owed by you.

3. FIRST CONSULTING AGREEMENT

You will receive a consulting benefit as an independent contractor for six months, at the rate of \$10,000.00 per month gross, payable on the first day of each month. The severance period began on February 1, 2003 and will end July 31, 2003. During that period of time, you shall make yourself available for consultation with the Company, upon reasonable notice, pursuant to the terms of the First Consultant Agreement.

4. SECOND CONSULTING AGREEMENT

You will receive a consulting benefit as an independent contractor for twelve months of \$5,000.00 per month, payable on the first day of each month. This Second Consulting Period will begin January 1, 2004 and will end December 31, 2004. During that period, you shall make yourself available for consultation with the Company, upon reasonable notice, pursuant to the terms of the Second Consultant Agreement.

5. MEDICAL AND DENTAL COVERAGE COBRA

The Company agrees to provide you and your current dependent child during your first consulting period medical and dental coverage generally available to all salaried company employees.

12/04/95
\$ 3.29
21,000
21,000
1998
02/23/99
\$ 3.56
19,000
19,000
2000
08/15/02
\$ 1.99
10,000
10,000

8. FUTURE CONSULTANCY PAYMENTS

Future payments under your consulting agreements with the Company will be mailed to the address noted on the payment or, if you are on automatic bank deposit, that service will continue while you receive such payments. The pay stub will be mailed to the address on the payment. You should notify Chris Siffert, at the Company, of any address change.

9. SET OFFS

You have been advanced \$48,382.96 by the Company, which will be set off against your Second Consulting Agreement.

10. COMPANY VEHICLE

Title to a company vehicle, a 1996 Lincoln Continental VIN 1LNLM97V5TY624238, will be transferred to you. Applicable taxes and charges will be set off against payments made to you pursuant to this Agreement.

FIRST CONSULTANT AGREEMENT

This Agreement, made and entered into as of the 1st day of April 2003, effective February 1, 2003, until July 31, 2003, by and between Mitcham Industries, Inc. (Company) and William J. Sheppard (Consultant).

WITNESSETH:

WHEREAS, Company has the need for the services of a consultant experienced in certain aspects of logistics of moving leased equipment in the foreign operations of the Company's business;

WHEREAS, Consultant has such experience and is willing to perform such services for Company in the areas of his competence;

Now, therefore, the parties agree as follows:

1. Consultant agrees to exert its best efforts on projects and tasks mutually agreed to by Consultant and Company. Consultant's performance thereof shall be to the satisfaction of Company's designated representative.
2. In consideration of such efforts, Company agrees to pay Consultant at the rates indicated in the work schedule set forth in the Attachment to the Agreement between William J. Sheppard and Company.
3. Consultant agrees that whatever knowledge and information is learned during the term hereof and incident to the efforts on behalf of Company is proprietary and confidential as to Company, and Consultant will not, without the written consent of Company, disclose any of said knowledge or information until such information may become public.
4. The parties understand and agree that Consultant is an independent contractor and not an agent or employee of Company nor is any agency relationship hereby created.
5. Consultant shall comply with all plant rules and regulations whenever an assignment requires his presence at a plant or other facility owned or operated by Company or one of its subsidiaries or affiliates, vendors or customers.
6. Consultant agrees to comply with Company's policy of drug/alcohol free work environment, and will submit to a drug test at any time requested by Company or one of its subsidiaries or affiliates. Consultant understands that failure to comply therewith will be cause for immediate termination of this Agreement and removal from any plant or other facility owned or operated by Company or one of its subsidiaries or affiliates.

7. Consultant agrees that he will not purport to bind the Company to any agreement or obligation.
8. COPYRIGHT. All materials, reports, or other documents produced in whole or in part under this Agreement shall be the property of Company and shall not be the subject of an application for copyright by or on behalf of Consultant without the prior written consent of Company.
9. INDEPENDENT CONTRACTOR. The Consultant understands and acknowledges that as an independent contractor, no employer - employee relationship is hereby created.
10. All notices required or permitted by the terms hereof shall be sent to the following address:

Consultant:	Company Representative:
William J. Sheppard	Mitcham Industries, Inc.
3786 Spring Drive	44000 Highway 75 South
Huntsville, Texas 77340	P.O. Box 1175
	Huntsville, Texas 77342-1175
11. TAXES and CONTRIBUTIONS. Consultant assumes full responsibility for and agrees to pay all contributions and taxes payable under federal and state social security laws, unemployment compensation laws and income tax laws as to all of his employees engaged in the performance of work hereunder, and to pay any and all valid sales or use taxes levied on supplies, materials, equipment, and services performed by Consultant hereunder. Consultant further agrees to indemnify Company from any tax, interest, or penalty which Company may be required by law to pay on account of its failure to withhold any amounts from payments made to Consultant or, on account of Consultant's or failure to comply with federal or state law or the rules and regulations of administrative officials or boards charged with the enforcement of the federal and state acts referred to above.
12. Consultant shall not assign this Agreement or subcontract any of the work hereunder without first obtaining Company's written consent.

13. This Agreement will be construed according to the law of the State of Texas except for the conflicts of law jurisprudence of the State of Texas.
14. Nothing contained herein shall preclude Consultant from accepting any other employment or consulting positions during the term of this Agreement, it being the parties intention that regardless of Consultant's other employment Consultant will be entitled to the compensation contemplated herein. Company agrees that it will accommodate Consultant's schedule for tasks assigned to Consultant under this agreement.

CONSULTANT

MITCHAM INDUSTRIES, INC.

/s/ William J. Sheppard

/s/ Billy F. Mitcham, Jr.

William J. Sheppard

Billy F. Mitcham, Jr., President
and CEO

Date: April 4, 2003

Date: April 1, 2003

SECOND CONSULTANT AGREEMENT

This Agreement, made and entered into as of the 1st day of April 2003, effective January 1, 2004, until December 31, 2004, by and between Mitcham Industries, Inc. (Company) and William J. Sheppard (Consultant).

WITNESSETH:

WHEREAS, Company has the need for the services of a consultant experienced in certain aspects of logistics of moving leased equipment in the foreign operations of the Company's business;

WHEREAS, Consultant has such experience and is willing to perform such services for Company in the areas of his competence;

Now, therefore, the parties agree as follows:

1. Consultant agrees to exert its best efforts on projects and tasks mutually agreed to by Consultant and Company. Consultant's performance thereof shall be to the satisfaction of Company's designated representative.
2. In consideration of such efforts, Company agrees to pay Consultant at the rates indicated in the work schedule set forth in the Attachment to the Agreement between William J. Sheppard and Company.
3. Consultant agrees that whatever knowledge and information is learned during the term hereof and incident to the efforts on behalf of Company is proprietary and confidential as to Company, and Consultant will not, without the written consent of Company, disclose any of said knowledge or information until such information may become public.
4. The parties understand and agree that Consultant is an independent contractor and not an agent or employee of Company nor is any agency relationship hereby created.
5. Consultant shall comply with all plant rules and regulations whenever an assignment requires his presence at a plant or other facility owned or operated by Company or one of its subsidiaries or affiliates, vendors or customers.
6. Consultant agrees to comply with Company's policy of drug/alcohol free work environment, and will submit to a drug test at any time requested by Company or one of its subsidiaries or affiliates. Consultant understands that failure to comply therewith will be cause for immediate termination of this Agreement and removal from any plant or other facility owned or operated by Company or one of its subsidiaries or affiliates.

7. Consultant agrees that he will not purport to bind the Company to any agreement or obligation.
8. COPYRIGHT. All materials, reports, or other documents produced in whole or in part under this Agreement shall be the property of Company and shall not be the subject of an application for copyright by or on behalf of Consultant without the prior written consent of Company.
9. INDEPENDENT CONTRACTOR. The Consultant understands and acknowledges that as an independent contractor, no employer - employee relationship is hereby created.
10. All notices required or permitted by the terms hereof shall be sent to the following address:

Consultant:	Company Representative:
William J. Sheppard	Mitcham Industries, Inc.
3786 Spring Road	44000 Highway 75 South
Huntsville, Texas 77340	P.O. Box 1175
	Huntsville, Texas 77342-1175
11. TAXES and CONTRIBUTIONS. Consultant assumes full responsibility for and agrees to pay all contributions and taxes payable under federal and state social security laws, unemployment compensation laws and income tax laws as to all of his employees engaged in the performance of work hereunder, and to pay any and all valid sales or use taxes levied on supplies, materials, equipment, and services performed by Consultant hereunder. Consultant further agrees to indemnify Company from any tax, interest, or penalty which Company may be required by law to pay on account of its failure to withhold any amounts from payments made to Consultant or, on account of Consultant's or failure to comply with federal or state law or the rules and regulations of administrative officials or boards charged with the enforcement of the federal and state acts referred to above.
12. Consultant shall not assign this Agreement or subcontract any of the work hereunder without first obtaining Company's written consent.

13. This Agreement will be construed according to the law of the State of Texas except for the conflicts of law jurisprudence of the State of Texas.
14. Nothing contained herein shall preclude Consultant from accepting any other employment or consulting positions during the term of this Agreement, it being the parties intention that regardless of Consultant's other employment Consultant will be entitled to the compensation contemplated herein. Company agrees that it will accommodate Consultant's schedule for tasks assigned to Consultant under this agreement.

CONSULTANT

MITCHAM INDUSTRIES, INC.

/s/ William J. Sheppard

/s/ Billy F. Mitcham, Jr.

William J. Sheppard

Billy F. Mitcham, Jr., President
and CEO

Date: April 4, 2003

Date: April 1, 2003

EQUIPMENT LEASE AGREEMENT

This Equipment Lease Agreement (the "Agreement") is entered into on this 9th day of April, 2003 (the "Effective Date") between MITCHAM Industries, Inc., a Texas corporation ("MITCHAM"), and Sercel Inc., a corporation organized under the laws of Oklahoma ("SERCEL"), which parties agree as follows:

1. Introduction

SERCEL and certain of its affiliates design, manufacture and market fully-configured seismic data acquisition systems (the "SERCEL Systems"), the components thereof and equipment related thereto, including station units that are sometimes called "channel boxes." At the present time, SERCEL and certain of its affiliates manufacture equipment as described on Schedule 2.a and Schedule 2.b (collectively the "Products"). MITCHAM provides full service leasing services to customers in the oil and gas industry, including the leasing of new and used channel boxes to customers who have SERCEL Systems. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged for all purposes. The Parties entered into a lease equipment agreement, which expired on December 31, 2002 and they are willing to continue their relationship for one additional year but based on the terms and conditions herein contained. MITCHAM and SERCEL agree to the terms set forth herein.

2. Exclusive Authorized Third Party Lessor

(a) MITCHAM hereby represents to SERCEL that MITCHAM has the necessary skills, experience, personnel, facilities and equipment to effectively perform its responsibilities as the exclusive leasing representative for SERCEL as described in the Agreement for the Products hereinafter specified. In reliance upon that representation, SERCEL hereby appoints MITCHAM as the exclusive representative for SERCEL to lease the Land Products, as further specified on Schedule 2.a throughout the world (the "Territory"). In addition thereto, SERCEL hereby appoints MITCHAM as a nonexclusive representative for SERCEL to lease the Marine/OBC Products, as further specified on Schedule 2.b throughout the world (the "Territory"). Notwithstanding the foregoing, MITCHAM's appointments as exclusive or nonexclusive leasing representative pursuant hereto shall not include financing leases or other leases of duration of greater than one year. During the term of this Agreement, MITCHAM will actively promote and solicit the leasing of the Products. During the term of this Agreement, SERCEL and/or any company of the SERCEL Group shall remain free to perform, directly or indirectly, with any third party any operating or financial lease of whatever duration with respect to either Land, Marine or OBC Product throughout the Territory. The Parties acknowledge that the purpose of this equipment lease agreement is the lease of Products by MITCHAM. This Agreement does not allow Mitcham to act as distributor, agent, commercial representative or reseller of brand-new Products.

(b) The Parties acknowledge that the discounts granted to Mitcham under the Volume Purchase Table executed between the Parties on the same date of this Agreement are granted by SERCEL in consideration of MITCHAM leasing the Products and that SERCEL's discount policy is different (i.e. not as favorable) from the discounts granted when the Products are purchased for resale.

(c) SERCEL agrees to provide MITCHAM with any information regarding a rental, lease or finance opportunity that SERCEL will not undertake for any reason whatsoever.

3. Purchase of Products from SERCEL

Subject to the other provisions of this Agreement, MITCHAM agrees that it will purchase from SERCEL, and SERCEL agrees that it will sell to MITCHAM, subject to fulfillment by Mitcham of its obligations under the Volume Purchase Agreement signed on the 9th day of April 2003, the Products necessary to meet MITCHAM's obligations under each Lease as provided herein. The terms and conditions of purchases by MITCHAM of the Products hereunder shall be governed by SERCEL's standard terms and conditions, a copy of which is attached hereto as Schedule 3(a); provided, however, that in the event of any conflict between the terms of such terms hereof, the terms of the Agreement shall prevail. SERCEL may update Schedule 3(a) from time to time after written notice to MITCHAM. SERCEL shall sell to MITCHAM such of the Products as MITCHAM shall order (an "Order") valued after giving effect to the discount(s) set forth on the VPA and subject to the conditions therein.

MITCHAM will not order from any third party any Products or replacement parts for SERCEL equipment that is not qualified by SERCEL. Such purchases from a third party will give SERCEL the right to early terminate this agreement for breach and in any case any warranty remaining on the equipment sold by SERCEL will be void for the remaining period.

MITCHAM expressly acknowledges that SERCEL does not manufacture anymore the SN 388 system and that although MITCHAM can lease its existing inventory of SN 388 systems, it will not order additional SN 388 systems. Furthermore, MITCHAM expressly acknowledges that SERCEL does not manufacture anymore the Mertz Vibrator product line, but SERCEL agrees to support the product through spare parts sales, and MITCHAM may continue to lease its existing inventory of Mertz Vibrators but it will not order any additional Mertz Vibrators.

4. Pricing

In no event shall either SERCEL or MITCHAM have any right to require that either of them charge any specific price or follow any pricing guidelines or establish or require any other

6.4 The standard SERCEL warranty is given expressly and in lieu of all other express or implied warranties, including a warranty of merchantability or fitness and in no event shall SERCEL be liable for consequential damages resulting from the use of any of the Products.

6.5 In no event shall MITCHAM have any authority whatsoever, express or implied, to make warranties other than those provided for herein without prior written permission from SERCEL.

7. Schedule Maintenance of Leased Equipment: Repairs

MITCHAM and SERCEL acknowledge that third party lessees of the Products from MITCHAM may return such Leased Products directly to SERCEL after the termination of such Leases. In such event, SERCEL shall perform its standard maintenance check of such Products and inform MITCHAM of any necessary repairs.

The maintenance checks and the repairs performed by SERCEL on the Products received from the lessees shall be invoiced by SERCEL to MITCHAM at the SERCEL standard cost. With respect to the repair undertaken by SERCEL, MITCHAM will be entitled to a five percent (5%) discount on the parts excluding workmanship, MITCHAM shall also pay the reasonable and ordinary freight and storage charges incurred by SERCEL with respect to such Products.

8. Right to Use Name

MITCHAM shall have the right during the Term of this Agreement to (i) identify itself as a lessor of the Products, (ii) use all SERCEL trademarks and tradenames related to the Products that MITCHAM Leases to third parties in advertisements and sales and promotional materials; provided, however, that MITCHAM shall obtain the prior written approval of SERCEL to any such advertisements and sales and promotional materials. No rights to manufacture are granted by this Agreement. All such SERCEL trademarks and tradenames related to the Products are and shall remain the sole and exclusive property of SERCEL, and MITCHAM shall have no rights therein other than as specifically set forth in this Agreement.

9. Relationship of the Parties

Neither MITCHAM nor SERCEL shall have (i) any liability for Leases or sales of any of the Products by the other, or (ii) any authority to control, act for or obligate the other in anyway, except as set forth herein. This agreement shall not be construed as creating an agency, partnership or joint venture between MITCHAM and SERCEL. Neither MITCHAM nor SERCEL (or any of their employees or representatives) shall be construed as an agent, consultant or employee of the other for any purpose. MITCHAM shall not have the authority to bind SERCEL in any respect, it being intended that MITCHAM shall act as an independent contractor and not as an agent, with the understanding that SERCEL shall not be responsible for any obligations and/or liabilities incurred by MITCHAM in connection with its business activities.

10. Term of Agreement

Unless sooner terminated in accordance with the provisions hereof, this Agreement shall be effective from the Effective Date through December 31, 2003 (the "Term"). This Agreement may only be renewed through written agreement of both Parties. Notwithstanding the above, the effectiveness of this Agreement is expressly subject to the coming into force of the Volume Purchase Agreement to be signed on the same date that this Agreement.

11. Indemnity

SERCEL and MITCHAM hereby agree to the following indemnification obligations:

- a. MITCHAM shall indemnify and hold harmless SERCEL, its directors, officers and employees (hereinafter the "SERCEL Indemnitees") against any and all liability, loss, damages, fines, penalties, costs and expenses (including, without limitation, court costs, and reasonable attorneys fees) incurred by any of the SERCEL Indemnitees as a result of any breach or violation by MITCHAM or others acting on its behalf of any obligation, covenant, representation or warranty of MITCHAM set forth in this Agreement.
- b. SERCEL shall indemnify and hold harmless MITCHAM, its directors, officers and employees (hereinafter the "MITCHAM Indemnitees") against any and all liability, loss, damages, fines, penalties, costs and expenses (including, without limitation, court costs and reasonable attorneys fees) incurred by any of the MITCHAM Indemnitees (i) as a result of any breach or violation by SERCEL or others (other than MITCHAM) acting on its behalf of any obligation, covenant, representation or warranty of SERCEL set forth in the Agreement as amended, (ii) for infringement or claim of infringement of any claimed patent rights relating to the SERCEL Products, or (iii) that arise out of or are based upon losses, claims, damages or liabilities suffered by any third parties (meaning any party other than MITCHAM, SERCEL, MITCHAM's Customer and their respective affiliates) resulting from the design, manufacture, and/or operation of any SERCEL Products, from the failure of any such SERCEL Products to satisfy any warranties (whether expressed or implied, if any), or from any defect in the SERCEL Products.
- c. It is expressly acknowledged by MITCHAM that all liabilities and indemnification in relation thereto between SERCEL and MITCHAM and MITCHAM's Customers will be exclusively governed by SERCEL's general conditions of sale as mentioned in Schedule 3(a) of the Agreement.
- d. Either party seeking indemnification hereunder shall notify the other party in writing of any legal action commenced against the SERCEL Indemnitees or the MITCHAM Indemnitees, as the case may be, as soon as practicable. The indemnity obligations of MITCHAM and SERCEL shall survive the expiration or termination of the Agreement.

- e. In no event will SERCEL be liable to MITCHAM, whether in contract or tort including negligence, under the Agreement as amended for special, incidental, indirect or consequential damages or any other losses or damages whatsoever resulting from loss of use, time, profits or business resulting from its performance, non performance or termination of the Agreement as amended.

12. General

- a. The addresses of MITCHAM and SERCEL for purposes of giving any notice or other communication under this Agreement are as set forth below. Any such notice or communication shall be in writing and signed by an officer or authorized representative of MITCHAM or SERCEL, as applicable. Any such notice or communication shall be deemed to have been given (i) immediately upon physical delivery to the addressee, and (ii) three days after such notice or communication has been addressed as set forth below, first-class postage prepaid, certified mail, return receipt requested.

MITCHAM: MITCHAM Industries, Inc.
P.O. Box 1175
Huntsville, Texas 77342-1175
Attn: Billy F. MITCHAM, Jr.

SERCEL: SERCEL Incorporated
17155 Park Row
Box 218909
Houston, Texas 77318
Attn: Mark Farine

Notice may be served in any other manner, including telex, telecopy, telegram, etc., but shall be deemed delivered and effective as of the time of actual delivery.

- b. MITCHAM and SERCEL represent and warrant to each other that the execution, delivery and performance of this Agreement have been authorized by all necessary corporate action, and that this Agreement is a valid and binding obligation of each of them, respectively. MITCHAM and SERCEL represent and warrant to each other that, to the best of their knowledge, neither the execution and delivery of, nor the performance of this Agreement will conflict with or result in a breach of any (i) law or of any regulation, order, writ, injunction, or decree of any court or government authority of any country or state in which this Agreement is to be performed, or (ii) any agreement to which they are a party.
- c. This Agreement represents the entire agreement between MITCHAM and SERCEL and supersedes any previous agreement or any prior oral or written negotiations with regard to the subject matter hereof, and may not be amended, or modified except by a written document signed by duly authorized officers of MITCHAM and SERCEL.
- d. This Agreement may not be assigned by either party without the prior written consent of the other party, except that SERCEL may assign this Agreement to (a) any affiliate of SERCEL, or (b) any party succeeding to ownership of substantially all of the assets of

SERCEL, upon notice to, but without the consent of MITCHAM. In addition, in the event Billy F. MITCHAM, Jr. is no longer employed by MITCHAM in a senior management capacity or is considered by SERCEL to be not sufficiently and actively involved in the performance of this Agreement, SERCEL shall have the option upon 60 days written notice to terminate this Agreement. This Agreement shall bind and be enforceable against the parties hereto and their respective successors and permitted assigns. Notwithstanding any authorized assignment, MITCHAM shall continue to be liable for all obligations of MITCHAM set forth in this Agreement.

13. Compliance with Laws

In all of its activities pursuant to this Agreement, MITCHAM and SERCEL shall comply with all laws, decrees, statutes, rules, regulations, codes and ordinances of any jurisdiction which may be applicable to such activities, including without limitation, laws imposing registration and disclosure requirements on MITCHAM; provided, however, insignificant violations of any of the foregoing that have no more than a de minimis effect on MITCHAM or SERCEL shall not be a violation of this Agreement. In leasing the Products hereunder, MITCHAM shall act at all times in a manner demonstrating a high level of integrity and ethical standards. Without limiting the scope of its general obligations set forth above this section, MITCHAM hereby represents and warrants to SERCEL in connection with its activities performed with regard to the Products in the past (if any), and hereby covenants and agrees with SERCEL in connection with its activities to be performed in connection with the Products in the future, that MITCHAM and any person or firm acting in association with or on behalf of MITCHAM:

- o has not offered, paid, given, promised to pay or give, or authorized the payment or gift of, and;
- o will not offer, pay, promise to pay or give, or authorize the payment or gift of, any money or thing of value to;
- o any "Foreign Official" as defined in the United States Foreign Corrupt Practices Act (Pub. L. No. 95-213, 94 Stat. 1494), together with all amendments to that Act which are effective during the term hereof (the "FCPA");
- o any political party or party official, or any candidate for political office; or
- o any other person for the purpose of;
- o influencing any act or decision of such Foreign Official, political party, party official, or candidate in his or its official capacity;
- o inducing such Foreign Official, political party, party official or candidate to do or omit to do an act in his violation of his or its official duty; or
- o inducing such Foreign Official, political party, party official or candidate to use his or its influence with a foreign government or an instrumentality of such government to affect or influence any act or decision of such government or instrumentality in order to assist SERCEL to obtain or retain business with any person or to direct business to any person.

Further, MITCHAM hereby represents and warrants to SERCEL that no person having a direct or indirect financial interest in MITCHAM as of the date hereof is: (i) a Foreign Official, (ii) an official of any political party, or (iii) a candidate for political office; provided, however, for purposes hereof, a person shall not be deemed to have a direct or indirect financial interest in MITCHAM as a result of owning less than (5%) of the outstanding shares of common stock of

MITCHAM. In connection with determining whether a person owns five percent (5%) or more of the stock, MITCHAM shall be permitted to rely upon filings made by its shareholders under the Securities Exchange Act of 1934, as amended, or filings made under other applicable federal securities laws. MITCHAM shall immediately notify SERCEL in the event that any person now or hereafter having such a financial interest in MITCHAM shall assume such a status.

From time to time as requested by SERCEL, MITCHAM shall, within five (5) days after request from SERCEL, certify to SERCEL in writing that the obligations, representations and warranties of MITCHAM set forth in this Section have not been violated. SERCEL shall not be permitted to request such certification more often than once each calendar quarter unless it has reason to believe a violation has occurred. MITCHAM shall cooperate fully with any investigation which may be conducted by representatives of SERCEL for the purpose of determining whether or not MITCHAM has violated any of those obligations, representations and warranties. In the event that amendments in the FCPA reasonably necessitate modifications to this Section 13, the Parties hereto agree to negotiate in good faith in connection therewith and enter into such modifications.

14. MITCHAM Undertakings

- a. To use its reasonable best efforts to actively promote and solicit the leasing of the Products.
- b. To participate in training programs which may be offered by SERCEL or by others relating to the Products.
- c. To obtain approval of SERCEL prior to the commencement of any advertising relating to the sale of the Products which advertising has not been previously approved by SERCEL.
- d. Not knowingly to lease the Products to companies or countries that are precluded by United States law from trading with the United State or its residents and, to make reasonable inquiry in connection therewith, including inserting provisions in the leases with their customers that are reasonably intended to keep MITCHAM'S customers from using the Products in the countries in which United States law prohibits the use of the Products.
- e. To make all reasonable effort to use the agents described on Schedule 14(e) and that have been designated by SERCEL in locations outside of the United States or Canada so as to minimize conflicts between agents, except MITCHAM shall not be obligated to use its reasonable efforts in India since MITCHAM currently has an agent in such country. However, if conflicts arise as a result of multiple agents, both Parties will make a reasonable attempt to use the same agent.
- f. To use all reasonable best efforts to continue to maintain an organization commensurate with the growth of Leasing of the Products.

- g. To return to SERCEL on termination of this Agreement any and all catalogs, samples, price lists, and any other data, information and/or supplies or materials furnished by SERCEL which are in the possession of MITCHAM or any of its employees, agents, representatives or bailees.
- h. Not to alter, hide nor secrete SERCEL'S name on any of the Products or on any sales promotion material furnished by SERCEL.

15. Purchase Order Acceptance

15.1 All sales of the Products are subject to SERCEL'S standard conditions of sale, however, SERCEL reserves the right to, at any time, change, alter or amend these conditions by giving prior written notice to MITCHAM.

15.2 MITCHAM shall confirm with SERCEL all relevant delivery information prior to submission of a purchase order for any of the Products.

15.3 SERCEL shall have the right to reject, in whole or in part, any Purchase Order from MITCHAM, to refuse in whole or part, to consent to any cancellation requested by MITCHAM, and to reject in whole or part, any and all returns of the Products or to refuse to grant refunds or allowances on such returns, based upon reasonable grounds. Any Purchase Order shall be binding on SERCEL only upon receipt by MITCHAM of a SERCEL'S formal acceptance or acknowledgement of order.

16. Confidential Information

MITCHAM agrees that it will maintain in strict confidence, and not disclose to any other person or firm except with the prior written permission of an authorized officer of SERCEL, any and all information received from SERCEL or prepared by MITCHAM for SERCEL regarding prices, customer lists, business plans, strategies, forecasts, studies, reports and any other information which may be considered confidential or proprietary by SERCEL and which is not publicly available. The confidentiality obligation of MITCHAM under this Section 16 shall survive the expiration or termination of this Agreement. In the event that MITCHAM receives a request to disclose all or any part of the confidential information under terms of a subpoena or order issued by a court or by a governmental body, MITCHAM agrees (i) to notify SERCEL immediately of the existence, terms; and circumstances surrounding such request, (ii) to consult with SERCEL on the advisability of taking legally available steps to resist or narrow such request, and (iii) if disclosure of such information is required to prevent MITCHAM from being held in contempt or subject to other penalty, to furnish only such portion of the information as, in the written opinion of counsel reasonably satisfactory to SERCEL, it is legally compelled to disclose and to exercise its best efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the disclosed information. The

provisions of this Section are mandatory, MITCHAM hereby acknowledges that the provisions of the Agreement may be specifically performed and enforced, and MITCHAM consents and agrees that it may be restrained, enjoined or otherwise prevented from divulging any such confidential information if at any time SERCEL reasonably fears that such event may occur.

17. Force Majeure

All transactions under this Agreement and all purchase orders accepted hereunder are subject to modification or cancellation in the event of strikes, labor disputes, lock-outs, accidents, fires, delays in manufacturing or in transportation or delivery of materials, floods, severe weather or other acts of God, embargoes, governmental actions, wars or any other cause beyond the reasonable control of the party concerned, whether similar to or different from the causes above enumerated; and including any special, indirect, incidental, or consequential damages arising from SERCEL'S delay in delivery or failure to deliver as a result of any such cause. In the event of a scarcity of any of the Products for whatever cause, SERCEL will make a reasonable effort to allocate its available supply on the basis of past orders or otherwise as it sees fit, regardless of the time of receipt or acceptance of orders or the quantity of orders on hand.

18. Security Interests

Until full payment of the purchase price for the Products, SERCEL hereby retains, and MITCHAM hereby grants to SERCEL, a purchase money security interest in all of the Products sold to MITCHAM on account. MITCHAM consents to actions by SERCEL that are appropriate to perfect SERCEL'S purchase money security interest and agrees to execute such financing statements as are reasonably requested by SERCEL in connection with the foregoing.

19. Termination

Thus Agreement may be terminated at any time:

- a. by the mutual agreement of the parties; or
- b. by either party upon giving a notice of termination to the other party in the event the other party fails to perform, observe or comply with any of the obligations or undertakings of such other party which are contained in this Agreement, and such failure has not been cured within fifteen (15) days after the terminating party has given a written notice specifying such failure to the other party.

Notwithstanding the above, SERCEL shall be entitled to immediately terminate this Agreement effective upon the giving of notice to MITCHAM in the event that: (i) SERCEL has reasonable

cause to believe that MITCHAM or others acting in association with or on the behalf of MITCHAM have committed, or intend to commit, a violation of the FCPA; (ii) MITCHAM refuses or is unable to make the certification described in Section 13; (iii) MITCHAM ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due or such fact is determined by judicial proceedings, files a voluntary petition in bankruptcy, is adjusted a bankrupt or an insolvent entity, files a petition seeking for itself any reorganization, rearrangement, composition,

readjustment, liquidation, dissolution, or similar arrangement under any present or future statute, law or regulation, or files an answer admitting the material allegations of a petition filed against it in any such proceedings, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of, all or any substantial part of its assets or properties, or if it or the holders of its common stock shall take any action contemplating its dissolution or liquidation. In such event, SERCEL shall have no further liability to MITCHAM under this Agreement. It is expressly acknowledged between the Parties that the modification, amendment or termination of this Agreement by SERCEL for whatever reason or the non renewal thereof will not entitle MITCHAM to claim for any damage, penalty or indemnity whatsoever.

20. Arbitration

All disputes involving this Agreement shall be finally resolved by an arbitrator appointed by, and operating under, the rules of the Judicial Arbitration and Mediation Services (J.A.M.S.). The choice of the individual arbitrator shall be upon mutual agreement of SERCEL and MITCHAM, and the parties agree to negotiate in good faith in connection with the selection of the individual arbitrator. The written decision of the arbitrator shall be final and binding upon all parties, and shall be convertible to a court judgment in the State of Texas. The arbitration shall take place in the State of Texas. The prevailing party as determined by the arbitrator shall be entitled to receive reasonable costs and reasonable attorney's fees from the non-prevailing party in addition to any other relief granted. No demand for arbitration shall be made after the date when institution of a legal or equitable proceeding based upon the claim or dispute would be barred by the applicable statute of limitations of the State of Texas. All demands for arbitration shall be made in accordance with Section 12 and shall be deemed made as of the sooner of actual receipt or the date the demand is placed in the United States Mail. Any party shall be entitled to file a lawsuit to specifically enforce the parties' agreement to arbitrate and for the purpose of obtaining injunctive relief to enforce this Agreement.

21. Applicable Law

This Agreement shall be governed by the laws of the United States of the State of Texas without giving effect to the conflict of laws rules.

22. Export Control Laws

All shipments made by SERCEL to MITCHAM or third parties shall at all times be subject to the export control laws and regulations of the United States of America, as such laws shall be amended from time to time. MITCHAM agrees that it shall not assist in the disposition of US origin SERCEL Products, by way of transshipment, re-export, diversion or otherwise, except as said laws and regulations may expressly permit.

23. Standard of Business Conduct

MITCHAM agrees not to pay any commissions, fees or grant any rebates to any employee or officer of any proposed customer or its affiliates or favor employees or officers of such proposed customer with gifts or entertainment of significant costs or value or enter into any business arrangements with employees or officers of any such proposed customer, other than as a representative of that proposed customer, without the proposed customer's prior written approval.

24. Waiver

The failure of a party to insist upon strict performance of any provision of this Agreement shall not constitute a waiver of, or estoppel against asserting, the right to require performance in the future. A waiver or estoppel in any one instance shall not constitute a waiver or estoppel with respect to a later breach.

25. Severability

If any of the terms and conditions of this Agreement are held by any court of competent jurisdiction to contravene, or to be invalid under, the laws of any political body having jurisdiction over the subject matter hereof, such contravention or invalidity shall not invalidate the entire Agreement. Instead, this Agreement shall be construed by reforming the particular offending provision or provisions held to be invalid so that it or they are valid and enforceable while remaining as faithful as possible to the original intent of the provision or provisions, the rights and obligations of the parties shall be construed and enforced accordingly, and this Agreement shall remain in full force and effect.

26. Construction

The headings in this Agreement are inserted for convenience and identification only and are not intended to describe, interpret, define, or limit the scope, extent, or intent of this Agreement or any other provision hereof. Whenever the context requires, the gender of all words used in this Agreement shall include masculine, feminine, and neuter, and the number of all words shall include the singular and the plural.

27. Counterpart Execution

This Agreement may be executed in any number of counterparts with the same effect as if all the parties had signed the same document. All counterparts shall be construed together and shall constitute one and the same instrument.

28. Cumulative Rights

The rights and remedies provided by this Agreement are cumulative, and the use of any right or remedy by any part shall not preclude or waive its right to use any or all other remedies. These rights and remedies are given in addition to any other rights a party may have by law, statute, in equity or otherwise.

29. Reliance

All factual recitals, covenants, agreements, representations and warranties made herein shall be deemed to have been relied on by the parties in entering into this Agreement.

30. No Third Party Beneficiary

Any agreement herein contained, express or implied, shall be only for the benefit of the undersigned parties and their permitted successors and assigns, and such agreements and assumption shall not inure to the benefit of the obliges of any other party, whomsoever, it being the intention of the undersigned that no one shall be deemed to be a third party beneficiary of this Agreement.

31. Drafting Party

This Agreement expresses the mutual intent of the parties to this Agreement. Accordingly, regardless of the preparing party, the rule of construction against the drafting party shall have no application to this Agreement.

32. Time is of the Essence

Time is of the essence with respect to all provisions of this Agreement.

33. Incorporation of Schedules

All schedules attached to this Agreement are incorporated into this Agreement as fully as if stated within the body of this Agreement.

34. Survival

Articles 2 (c), 11, 16, 19, 20, 21 and 34 of the Agreement and schedule 3.c herein shall survive expiration or termination of this Agreement for whatever reason.

IN WITNESS WHEREOF, this Agreement has been executed on behalf of the parties by their duly authorized representative as of the date first written above.

SERCEL Inc.

MITCHAM

By: /s/ George Wood

By: /s/ Billy F. Mitcham, Jr.

George WOOD, President

Billy F. MITCHAM, Jr. - President

SCHEDULE "2.A."
LIST OF LAND SYSTEMS
Subject to revision

1. SN388
2. 408UL
3. 408ULS
4. VE432
5. Nomad
6. 408UL DSU

The list of systems includes all sub-systems and sub-assemblies.

SCHEDULE "2.B."

LIST OF MARINE AND OBC SYSTEMS

Subject to revision

1. Aqualink
2. Seal (Solid and Fluid Streamers)
3. Deep Sea Link (DSL)

The list of systems includes all sub-systems and sub-assemblies.

SCHEDULE 3(a)

SERCEL, INC.
GENERAL TERMS AND CONDITIONS OF SALE

1. SCOPE OF APPLICATION. THE PRESENT TERMS AND CONDITIONS (THE "CONDITIONS") SHALL, TOGETHER WITH SELLER'S PROPOSAL (THE "PROPOSAL"), GOVERN ANY SALE AND DELIVERY OF GOODS, EQUIPMENT AND MATERIALS (COLLECTIVELY, THE "GOODS") MADE BY SELLER, UNLESS OTHER ADDITIONAL OR DIFFERENT CONDITIONS HAVE BEEN AGREED UPON IN WRITING BY SELLER. THEREFORE, THE CONDITIONS AND THE PROPOSAL SHALL BE DEEMED TO SUPERCEDE ANY OTHER DOCUMENTS AND FORMS RELATING TO BUYER'S ACQUISITION OF THE GOODS, INCLUDING BUYER'S TERMS AND CONDITIONS OF PURCHASE. BY ORDERING THE GOODS, BUYER SHALL BE AUTOMATICALLY DEEMED TO HAVE ELECTED TO ENTER INTO AND BE BOUND BY THESE CONDITIONS AND THE PROPOSAL. ANY MODIFICATION TO THESE CONDITIONS OR THE PROPOSAL SHALL NOT BE BINDING OR ENFORCEABLE UNLESS AGREED TO IN WRITING BY SELLER. IN CASE OF DISCREPANCIES BETWEEN THESE CONDITIONS AND THE PROPOSAL, THE PROPOSAL SHALL PREVAIL. WAIVER BY SELLER OF ANY DEFAULT HEREUNDER SHALL NOT BE DEEMED A WAIVER BY SELLER OF ANY OTHER OR SUBSEQUENT OR CONCURRENT DEFAULT WHICH MAY OCCUR. THE RIGHTS OF BUYER HEREUNDER SHALL NEITHER BE ASSIGNABLE NOR TRANSFERABLE, EXCEPT WITH THE WRITTEN CONSENT OF SELLER.

If these conditions are for costing, fabrication or other services, the designations "Buyer" and "Seller" are used herein for convenience of reference only and this contract is not a contract of sale.

2. PRICING. Unless otherwise specified, (a) prices quoted by Seller in the Proposal are offered for a period of thirty (30) days, and (b) all terms are F.O.B. Seller's facility in Houston, Texas, net thirty (30) days. A service charge of 1.5% per month (18%, annual percentage rate) will be added to all invoices that remain unpaid forty-five (45) days after the invoice date. Seller reserves the right to make corrections to the Proposal caused by typographical, clerical or engineering errors, or incomplete information from Buyer. The Proposal notwithstanding, all orders are subject to the approval of Seller's Credit Department. If Buyer or the paying entity shall fail to make any payments in accordance with the term of these Conditions or the Proposal, Seller may at its sole option, (i) cancel this order as to any undelivered items, or (ii) defer or withhold shipments or deliveries hereunder (or under any other contract with Buyer) until Seller's receipt of such payment and all interest due thereon.

3. ADDITIONAL COSTS. Unless otherwise stated herein or in the Proposal, the price does not include: any freight rate increases and/or added expenses resulting from compliance with Buyer's shipping instructions whether or not reflected in Buyer's order; the expenses of intra-city delivery to or from rail sidings; applicable manufacturer's sales, or value added or other taxes; import or export duties; the expense of special preparation of export including, without limitation, export packaging, consular invoices, export declarations, certificates of origin, insurance in transit or similar items; and inspection charges incident to inspection by other than Seller's employees or agents. Buyer will be invoiced for all such items when applicable. Import licenses, foreign exchange and customs approval required in connection with the purchase, delivery or payment of the Goods are the sole responsibility and expense of Buyer. Buyer shall at all times be deemed the exporter/importer of record.

4. DELIVERY. Deliveries shall be considered made when the Goods described herein, or any part thereof, are either loaded on inland carriers (evidenced by transportation receipt) or placed in storage, whichever shall be earlier in time. At such time, title to the Goods and risk of loss shall pass to Buyer. Seller shall not be responsible for delay in or failure of deliveries resulting from any cause beyond Seller's reasonable control, including, but without limitation: a force majeure condition; inability to secure fuel, raw material supplies or power at current prices or on account of shortage thereof; demands exceeding Seller's manufacturing or delivery capacity; or any treaty, compact, agreement, law, act, ordinance, order, rule or regulation issued or agreed to by an official or governmental agency of any tier or country affecting the conduct of Seller's business and with which Seller in its sole judgment deems it advisable to comply, whether or not it may have any duty to do so. Buyer agrees to inspect at Buyer's expense and risk all Goods immediately upon receipt, and to refuse acceptance thereof unless any loss or damage in transit is fully noted in the delivery documents. Seller assumes no responsibility for damage to or loss of Goods occurring during shipment or delivery, and Buyer agrees to make all claims for any such damage or loss directly with the carrier.

On direct shipments that do not include installation, Buyer will receive and install the Goods. It is Buyer's responsibility to inspect the Goods and to file freight claims. Seller will not be liable for any cost of repairs and/or replacement of damaged Goods resulting from freight damage.

5. INSTALLATION. In the event that the Proposal provides for Seller's installation of the Goods, such installation will be made in accordance with the terms of this paragraph 5. All installations shall be during normal working hours and Buyer will provide Seller at least twenty-four (24) hours notice of a change or cancellation in a scheduled installation. If causes outside of Seller's control, result in a postponement of such installation, the Goods will be stored until installation can be completed. The Goods, however, will be considered accepted by Buyer for purposes of invoicing and payment. In such event, Buyer shall have the right to withhold five percent (5%) of the invoice amount until the Goods are delivered. A warehousing fee of one percent (1%) of list price of the Goods per month or part thereof will be charged if the installation is not completed as a result of causes outside of Seller's control.

Seller's ability to erect or assemble the Goods is dependent upon

jurisdictional agreements between trade unions at the job site. If trade regulations require employing tradesmen to complete the installation, any additional cost will be paid by Buyer. Unless otherwise specified in the Proposal, installation prices are based on non-union labor.

Installation is to include Goods on this order only and does not include moving or handling of existing equipment, machines, etc. An additional charge for moving and/or transporting merchandise shall be invoiced by Seller and paid by Buyer if (1) staging/storage areas provided at the job site are inconveniently located or are located on another floor from where the work is to be done, (2) Goods must be transported up or down stairs, (3) the Goods must be moved due to the progress of other trades, or at Buyer's request, or (4) Seller is required to move or handle any existing equipment, machines, etc.

Buyer will provide a job site that is clean, clear, and free of debris prior to installation. Exceptional delivery and installation encumbrances will result in extra charges. Encumbrances may include inability to locate Buyer's contact, secure access to the delivery and/or installation site or access to the freight elevator. The job site shall also be free of the interference of all trades in the work areas.

Buyer, at Buyer's expense, will furnish any necessary electric current, light, heat, air conditioning, use of at least one dedicated elevator, and suitable unobstructed dock space and secured staging areas.

6. SOFTWARE LICENSE. To the extent that an operating system or software is incorporated into any of the Goods, such system or software is not sold but licensed to Buyer. Except as may be provided otherwise in the Proposal, such license is a personal, non-exclusive,

non-transferable and perpetual license to use the object code version of the operating system or software and all written documentation related thereto that is made available by Seller at its discretion to Buyer solely (i) in connection with Buyer's use of the Goods, and (ii) for Buyer's internal uses and purposes. Unless otherwise provided in the Proposal, the license of any such operating system or software pursuant to the terms of these Conditions shall not include any obligation on the part of Seller to provide Buyer with any updates of such operating system or software or any technical support with respect thereto.

7. CANCELLATIONS AND CHANGES. Cancellation or change in any order by Buyer shall not be effective without notice received., agreed to, and confirmed in writing by Seller. In the event Seller in its discretion approves Buyer's cancellation of an order, Buyer agrees to pay a reasonable cancellation charge to Seller. Seller's prior written consent must be obtained before returning any Goods in all cases.

8. WARRANTIES. Except with respect to certain Goods that may include a longer warranty period (which longer warranty period will be specifically described in the Proposal if such longer warranty period is applicable). Upon the Products' delivery, Seller warrants Goods of its own manufacture against defects in materials and workmanship under normal use. Any portion of the Goods not manufactured by Seller are warranted only to the extent of the original manufacturer's warranty. Notice of the alleged defect must be given to Seller in writing with all identifying details including serial number, type of equipment and date of purchase within thirty (30) days of the discovery of same during the warranty period. Seller's sole obligation on this warranty shall be, at its option, to repair or replace or refund the purchase price of any product of part thereof which proves to be defective as alleged. No allowances will be made for repairs or alterations affected without specific written authorization from Seller.

If requested by Seller, such product or part thereof must be promptly returned to the Seller or the manufacturer as designated by the Seller prior to any attempted repair, or sent to an authorized service center. All shipping expenses are to be prepaid by the Buyer. Seller accepts no responsibility for loss or damage in transit of goods, nor will any warranty claim be considered unless the returned goods are received intact and undamaged as a result of shipment. Repaired or replaced Goods returned to Buyer will be shipped F.O.B. Seller's facility in Houston, Texas.

Seller warrants repaired or replaced parts of its own manufacture against defects in materials and workmanship under normal use and service for ninety (90) days or for the remainder of the warranty on the product being repaired. This warranty applies to the repaired or replaced part and is not extended to the product or any other component of the product being repaired.

Under the terms of this warranty, Seller shall not be responsible nor liable for, and Buyer agrees to indemnify and hold Seller harmless from all liability and expense arising out of or attributable to: (a) any consequential, collateral or special losses or damages; (b) equipment conditions caused by fair wear and tear, abnormal conditions of use, accident, neglect, or misuse of said equipment; (c) labor charges, loss or damage resulting from the supplying of defective part(s) or improper repairs by unauthorized person(s); or (d) damage caused by abrasive materials, chemicals, scale deposits, corrosion, lightning, improper voltage or mishandling.

Seller reserves the right to substitute new equipment and/or improve the part(s) on any equipment judged defective without further liability. All repairs and/or services performed by Seller, not adjusted as covered by this warranty, will be charged in accordance with the current equipment and service prices.

Any integration of uncertified components, sub-assemblies or assemblies into Sercel products will render the product warranty null and void.

This warranty is VOID unless the Buyer provides protective storage, installs and maintains the equipment in accordance with manufacturer's instructions, and operates the equipment within the published specifications and/or operational model.

Credit will NOT be allowed nor shipment accepted on any part(s) or equipment returned unless Seller's prior approval in writing has been obtained by Buyer.

THIS WARRANTY IS THE SOLE WARRANTY OF SELLER AND ANY OTHER WARRANTIES EXPRESS, IMPLIED IN LAW OR IMPLIED IN FACT, INCLUDING ANY WARRANTIES OF MERCHANTABILITY AND FITNESS FOR USE, ARE HEREBY SPECIFICALLY EXCLUDED. BY ACCEPTANCE OF THE GOODS, BUYER WAIVES ALL WARRANTIES, GUARANTEES AND REPRESENTATIONS, EXPRESS AND IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY, MATERIALS, WORKMANSHIP, DESIGN AND SUITABILITY FOR A SPECIFIED OR INTENDED PURPOSE WHETHER ARISING BY OPERATION OF LAW, USAGE IN TRADE, PRIOR BUSINESS PRACTICE OR OTHERWISE.

No employee of Seller and no agent, dealer or distributor has any authority to change or enlarge the terms of this warranty to obligate the Seller to other than strictly the terms of this written warranty.

Seller shall not be liable for any special, indirect or consequential damages, whether for breach of contract, breach of warranty, tort or otherwise, which damages are expressly excluded. Additionally, Seller shall not be liable for any loss, damage or liability incurred by Buyer or by any subsequent user of the Goods, equipment, documentation or services furnished by Seller, arising out of the use of such Goods, equipment, documentation or services, whether due to

the negligence of Seller or otherwise. For purposes hereof, the term "consequential damages" shall be broadly construed, and shall include the definition set forth in the Texas Business and Commerce Code-Sales, including by way of example and without limitation damage or loss of other property or equipment, loss of profits or revenue, repair costs, damages caused by delay in delivery, and damage or injury to person or property for any reason, including damage or injury proximately resulting from any breach of any warranty. Seller's liability, including without limitation any liability for any defect or malfunction, shall be limited exclusively to the repair or replacement of the non-conforming Goods or equipment furnished by Seller, or refund of the cost of Goods provided, as may be applicable, which remedies shall constitute the Buyer's sole and exclusive remedy and are not cumulative of those provided in the Texas Business and Commerce Code-Sales. The remedies set forth herein are exclusive, and the liability of Seller with respect to any contract, performance or breach thereof, the manufacture, sale, delivery or installation, repair or use of the equipment or Goods provided under this contract, whether in contract, in tort, under any warranty or otherwise, shall not exceed the price of the equipment or goods on which such liability is based. Buyer acknowledges and agrees that the Goods furnished hereunder do not constitute consumer goods as that term is defined in the Texas Business and Commerce and Code-Sales.

9. BUYER'S INDEMNITY. BUYER AGREES TO INDEMNIFY, HOLD HARMLESS AND DEFEND SELLER AND SELLER'S DIVISIONS, SUBSIDIARIES, AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, FROM AND AGAINST ANY AND ALL LIABILITIES, CLAIMS (FOUNDED OR UNFOUNDED), LOSSES, DAMAGES, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, CONSEQUENTIAL DAMAGES, REASONABLE ATTORNEY'S FEES AND OTHER REASONABLE PROFESSIONAL'S FEES) FOR PERSONAL INJURIES TO PERSONS (INCLUDING DEATH) AND FOR LOSS OF, DAMAGE TO OR DESTRUCTION OF PROPERTY ARISING OUT OF OR IN CONNECTION WITH: (i) BUYER'S SPECIFICATION, DESIGN OR IMPROPER USE OF THE GOODS (II) BUYER'S OMISSION OR NEGLIGENCE; (III) BUYER'S PERFORMANCE OR EXERCISE OF BUYER'S RIGHTS, OBLIGATIONS OR DUTIES UNDER THESE CONDITIONS OR THE PROPOSAL;

(IV) BUYER'S INFRINGEMENT OF ANOTHER'S PROPERTY RIGHTS; AND (V) BUYER'S MISAPPLICATION OR MISUSE OF PROPRIETARY OR OTHER INFORMATION FURNISHED REGARDING THE GOODS SOLD BY SELLER, WHETHER OR NOT THE GOODS OR INFORMATION ORIGINATED WITH SELLER.

10. TECHNICAL ASSISTANCE AND ADVICE. Upon Buyer's request and to the extent not specifically provided for in the Proposal, Seller will endeavor to furnish such technical advice as Seller has available concerning the installation and use of the Goods by Buyer. It is expressly understood by the parties that any technical advice furnished by Seller concerning the installation and use of the Goods that is not provided for in the Proposal is given gratis, and Seller assumes no obligation nor shall Seller in any way be liable for the advice given or results obtained. All such advice is given by Seller and accepted by Buyer completely at Buyer's sole risk.

11. DISPUTE RESOLUTION. Any controversy, dispute or claim arising out of or relating to these Conditions or the Proposal, or interpretation application, implementation breach or enforcement which the parties are unable to resolve by mutual agreement, shall be settled by submission by either party of the controversy, dispute or claim to binding arbitration in Houston, Texas before a single arbitrator in accordance with the rules of the American Arbitration Association then in effect (or similar dispute resolution facilitator if the American Arbitration Association is then no longer in existence). In any such arbitration proceeding the parties agree to provide all discovery deemed necessary by the arbitrator. The decision and award made by the arbitrator shall be final, conclusive and non-appealable and binding on all parties hereto for all purposes, and judgment may be entered thereon in any court of competent jurisdiction. The parties agree that the decision of the arbitrator shall not include punitive damages and the arbitrator shall be so instructed. The costs of the arbitration proceeding shall be borne equally by Buyer and Seller.

12. LIMITATIONS; CHOICE OF LAW. Any action by Buyer under or for breach of these Conditions, the Proposal or the agreement relating thereto must be commenced within two (2) years after the cause of action has accrued and thereafter is waived. These terms and conditions shall be interpreted in accordance with, and the rights and obligations herein of Buyer and Seller shall be governed by the laws of the State of Texas.

13. COMPLIANCE WITH LAWS. In all of their respective activities pursuant to this contract, Buyer and Seller shall strictly comply with all laws, decrees, statutes, rules, regulations, codes and ordinances of any jurisdiction, including the United States Foreign Corrupt Practices Act (Pub. L. No. 95-213, 94 Stat. 1494) (the "FCPA Act"), together with all amendments to the FCPA Act which are effective during the term hereof, which may be applicable to such activities.

SCHEDULE 14 (e)

LIST OF AGENT OR DISTRIBUTORS

Country	Agent
Australia	Seismic Asia Pacific Pty Lt
Belarus	FXC
Bangladesh	N&N Corporation
Brazil	Business Development Consultancy
India	Pan India Ltd
Israel	Dorami
Japan	KBK
Pakistan	Shahzad International
Mexico	Nunez y Asociados SA e CV
Russia	FXC
Turkey	Damas Ticaret Sanayi AS
Turkmenistan	Centro Turkmen
Uzbekistan	Cenasco

Subsidiaries of Mitcham Industries, Inc.

The following entities are wholly-owned subsidiaries of Mitcham Industries, Inc.

1. Drilling Services, Inc., a Delaware corporation;
2. Mitcham Canada Ltd., an Alberta corporation; and
3. Seismic Asia Pacific Pty Ltd., an Australian corporation.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to incorporation by reference in the registration statements (No. 333-11097 and 333-67208) on Form S-8 of Mitcham Industries, Inc. of our report dated April 4, 2003, which report appears in the January 31, 2003 annual report on Form 10-K of Mitcham Industries, Inc.

Hein + Associates LLP
Certified Public Accountants
Houston, Texas
April 30, 2003

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Mitcham Industries, Inc. (the "Company") on Form 10-K for the period ending January 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Billy F. Mitcham, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Billy F. Mitcham, Jr.

Billy F. Mitcham, Jr.
Chief Executive Officer
May 1, 2003

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Mitcham Industries, Inc. (the "Company") on Form 10-K for the period ending January 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, P. Blake Dupuis, Executive Vice President - Finance of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ P. Blake Dupuis

P. Blake Dupuis
Executive Vice President - Finance
May 1, 2003