



UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended January 31, 2010

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission file number: 000-25142

**Mitcham Industries, Inc.**

(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction of  
incorporation or organization)  
8141 SH 75 South  
P.O. Box 1175  
Huntsville, Texas  
(Address of principal executive offices)

76-0210849  
(I.R.S. Employer  
Identification No.)  
77342  
(Zip Code)

936-291-2277

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock — \$0.01 par value per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 31, 2009, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$41,350,613 based on the closing sale price as reported on the National Association of Securities Dealers Automated Quotation System National Market System.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 5, 2010
Common Stock, \$0.01 par value per share	9,812,294 shares

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive proxy statement of Mitcham Industries, Inc. for the 2010 Annual Meeting of Shareholders, which will be filed within 120 days of January 31, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

MITCHAM INDUSTRIES, INC.  
ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

<a href="#">Cautionary Statement about Forward-looking Statements.</a>		1
	<b><a href="#">PART I</a></b>	
<a href="#">Item 1.</a>	<a href="#">Business</a>	2
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	10
<a href="#">Item 1B.</a>	<a href="#">Unresolved Staff Comments</a>	18
<a href="#">Item 2.</a>	<a href="#">Properties</a>	18
<a href="#">Item 3.</a>	<a href="#">Legal Proceedings</a>	18
<a href="#">Item 4.</a>	<a href="#">(Removed and Reserved)</a>	18
	<b><a href="#">PART II</a></b>	
<a href="#">Item 5.</a>	<a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	19
<a href="#">Item 6.</a>	<a href="#">Selected Financial Data</a>	21
<a href="#">Item 7.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	21
<a href="#">Item 7A.</a>	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	36
<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	37
<a href="#">Item 9.</a>	<a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	37
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	37
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	37
	<b><a href="#">PART III</a></b>	
<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	38
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	38
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	38
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	38
<a href="#">Item 14.</a>	<a href="#">Principal Accounting Fees and Services</a>	38
	<b><a href="#">PART IV</a></b>	
<a href="#">Item 15.</a>	<a href="#">Exhibits, Financial Statement Schedules</a>	38
	<a href="#">Signatures</a>	43
<a href="#">EX-10.20</a>		
<a href="#">EX-23.1</a>		
<a href="#">EX-31.1</a>		
<a href="#">EX-31.2</a>		
<a href="#">EX-32.1</a>		
<a href="#">EX-32.2</a>		

#### CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K (this “Form-10-K”) may be deemed to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and Section 27A of the Securities Act of 1933, as amended (the “Securities Act”). This information includes, without limitation, statements concerning:

- our future financial position and results of operations;
- international and economic instability;
- planned capital expenditures;
- our business strategy and other plans for future operations;
- the future mix of revenues and business;
- our relationships with suppliers;
- our ability to retain customers;
- our liquidity and access to capital;
- the effects of seasonality on our business;
- future demand for our services; and
- general conditions in the energy industry and seismic service industry.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can not assure you that these expectations will prove to be correct. When used in this Form 10-K, the words “anticipate,” “believe,” “estimate,” “expect,” “may” and similar expressions, as they relate to our company and management, are intended to identify forward-looking statements. The actual results of future events described in these forward-looking statements could differ materially from the results described in the forward-looking statements due to risks and uncertainties, including those set forth in Item 1A — “Risk Factors” and elsewhere within this Form 10-K and in our reports and registration statement filed with the Securities and Exchange Commission (“SEC”) from time to time. We caution readers to not place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any of these forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

---

PART I

Item 1. **Business**

Mitcham Industries, Inc. (“MII”), a Texas corporation, was incorporated in 1987. We are engaged directly and through our wholly owned subsidiaries in the leasing of seismic equipment to the oil and gas industry throughout the world. We are also engaged in the sale of new and used seismic equipment and in the design, manufacture and sale of marine seismic equipment. Our operating subsidiaries are Mitcham Canada Ltd (“MCL”), Seismic Asia Pacific Pty Ltd. (“SAP”), Mitcham Seismic Eurasia LLC (“MSE”), Seemap (UK) Ltd (“Seemap UK”) and Seemap Pte. Ltd (“Seemap Singapore”). Seemap UK and Seemap Singapore are collectively referred to as “Seemap.” During fiscal 2010, we established branch operations of MII in Colombia and in Peru.

In March 2010, MCL acquired Absolute Equipment Solutions, Inc. (“AES”), a company located in Calgary, Alberta. AES produces, leases and sells “heli-pickers” and related equipment. This equipment is utilized by seismic contractors and helicopter operators to more efficiently and safely deploy and retrieve seismic equipment in the field. See Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for information about the acquisition of AES.

We operate our business in two segments, equipment leasing (“Equipment Leasing”) and equipment manufacturing. The equipment manufacturing segment is conducted by our Seemap subsidiaries and, therefore, is referred to in this Form 10-K as our “Seemap” segment. For additional information about our business segments, including related financial information, see Note 14 to our consolidated financial statements and Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K.

We lease and sell geophysical and other equipment used primarily by seismic data acquisition contractors to perform seismic data acquisition surveys on land, in transition zones (marsh and shallow water areas) and marine areas. We conduct our operations on a worldwide basis and believe that we are the world’s largest independent lessor of seismic equipment. We believe that our competitors, in general, have neither as extensive a seismic equipment lease pool as we do, nor similar exclusive lease referral agreements with seismic equipment suppliers.

Prior to the Fall of 2008, we had experienced an extended period of growth in our business, as had most businesses involved in providing seismic related goods and services. This growth was, we believe, driven primarily by worldwide oil and gas exploration activity, which was in turn driven by the demand for oil and gas and historically high prices for oil and natural gas. With the global economic and financial crisis that arose in the Fall of 2008, we saw demand for our products decline, especially within certain markets such as North America and the Commonwealth of Independent States (“CIS”), which consists of 11 former Soviet Republics. The onslaught of the global recession and the resulting decline in demand for oil and gas, coupled with a relatively high supply of those commodities, resulted in a dramatic decline in the price for oil and natural gas. This, we believe, resulted in a dramatic slow-down in oil and gas exploration activity and, therefore, a decline in demand for seismic related goods and services. In recent months, there have been indications of renewed oil and gas exploration activity, although we believe the extent of this improvement remains uncertain. The price for oil has recovered, although not to the levels seen in 2008. Natural gas prices, while recently higher than the lows seen during 2009, remain significantly depressed from 2008 levels. While the oil and gas industry has been, and we expect will be, subject to significant cyclicity, we believe that our business will benefit from a long-term demand for oil and gas.

Our equipment is utilized in a variety of geographic regions throughout the world, which are described in Item 1 — “Business — Customers, Sales, Backlog and Marketing.” We lease seismic equipment worldwide, and, on occasion, sell new or used seismic equipment through MII in Huntsville, Texas and its branch operations in Colombia and Peru, and through MCL in Calgary, Alberta. MSE, from its location in Ufa, Bashkortostan, Russia, leases seismic equipment primarily in the Russian Federation and the CIS. SAP, from its location in Brisbane, Australia, leases seismic equipment in Australia and other locations within the Pacific Rim and also sells new seismic, oceanographic and hydrographic equipment throughout the Pacific Rim. Seemap UK, located in Somerset, United Kingdom and Seemap Singapore, located in Singapore, design, manufacture and sell marine seismic equipment throughout the world.

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 various electronic components of land, transition zone and marine seismic data acquisition systems, geophones and cables, earth vibrators, peripheral equipment, survey and other equipment. The majority of our seismic equipment lease pool is provided by two manufacturers, the Sercel subsidiaries of Compagnie Generale de Geophysique-Veritas ("Sercel" and "CGV," respectively) and ION Geophysical Corporation ("ION"). We believe that the majority of the advanced seismic data acquisition systems in use worldwide are either Sercel or ION systems. At January 31, 2010, approximately 54% of our equipment lease pool, on a cost basis, consisted of seismic recording channels and related equipment, with the remainder consisting of geophones, compressors, energy source controllers and other peripheral equipment.

For the past several years, we have had a series of supply and exclusive lease referral agreements with Sercel, which we believe have provided us with certain competitive advantages, primarily due to preferential pricing and expedited delivery arrangements under the agreements. Under these agreements, we have been the exclusive worldwide short-term leasing representative for certain products. In September 2009, we renewed our agreement with Sercel.

We lease our equipment on a short-term basis, generally for two to six months, to seismic contractors who need additional capacity to complete a seismic survey. Certain equipment that is used in vertical seismic profiling or "downhole" operations is generally leased to oil field service companies and generally for shorter periods of one to two weeks. Short-term leasing agreements enable our customers to achieve operating and capital investment efficiencies. 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. Demand for short-term seismic equipment leases is affected by many factors, including: (i) the highly variable size and technological demands of individual seismic surveys, (ii) seasonal weather patterns and sporadic demand for seismic surveys in certain regions, (iii) the term of the lease and (iv) the cost 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, acquisition cost and the term of the lease.

SAP sells equipment, consumables, systems integration, engineering hardware and software maintenance support services to the seismic, hydrographic, oceanographic, environmental and defense industries throughout Southeast Asia and Australia. MII and MCL also sell a broad range of used seismic equipment on a worldwide basis. Seemap designs, manufactures and sells a broad range of proprietary products for the seismic, hydrographic and offshore industries. Seemap's primary products include the GunLink seismic source acquisition and control systems, which provide operators of marine seismic surveys more precise control of energy sources, and the BuoyLink RGPS tracking system, which is used to provide precise positioning of seismic sources and streamers.

#### **Business Strategy**

Our business strategy is to meet the needs of the seismic industry by leasing a wide range of equipment and to provide technologically advanced solutions for marine seismic applications. To accomplish this, we have identified the following major objectives:

- *Provide a technologically advanced seismic equipment lease pool.* We intend to maintain the size and diversity of our equipment lease pool. We believe that the availability of a large and diverse seismic equipment lease pool encourages seismic data acquisition contractors and oil field service providers to lease, rather than purchase, such equipment, due to the capital and operating efficiencies provided by short-term leases.
- *Continue to expand international operations.* We intend to continue to expand our international leasing activities in new geographic areas, including the CIS, South America, Europe, the Middle East and North Africa. Growth within the CIS has been abated by the global economic and financial crisis; however, we believe this to be a temporary situation and that this area presents long-term growth opportunities. We believe there are significant opportunities to continue to expand our international leasing and sales activities. We believe that we can conduct business in wide-ranging geographic areas from our existing facilities.

However, for legal, tax or operational reasons, we may decide in the future to establish facilities in additional locations. We generally expect to establish any such facilities through a “green field” approach, but we may consider making selective acquisitions from time to time.

- *Maintain alliances with major seismic equipment manufacturers.* Our relationships with leading seismic equipment manufacturers, particularly Sercel, allow us to expand our equipment lease pool through favorable pricing and delivery terms. We believe these relationships provide a competitive advantage.
- *Pursue additional business development opportunities.* We regularly evaluate opportunities to expand our business activities within the oil service industry, particularly in the seismic sector. These opportunities could include the introduction of new products or services or the acquisition of existing businesses.

#### **Seismic Technology and the Oil Service 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. Beginning in the early 1990’s, the oil and gas industry significantly expanded its use of 3-D seismic data. 3-D seismic data 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, 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, (vii) drilling equipment used in the seismic survey and (viii) other peripheral, or accessory, equipment.

In certain applications, specialized seismic recording devices are deployed vertically within a well bore. Multiple recording channels, or “levels” are generally deployed within a given well and are referred to as “downhole” or “VSP” (vertical seismic profiling) tools. These applications are used to provide additional data points in a traditional seismic survey, to monitor and analyze reservoir properties, to monitor and analyze fluid treatment operations, as well as a variety of other uses.

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 large mechanical vibrators. As the acoustic wave travels through the earth, it is partially reflected by the underlying rock layers and the reflected energy is captured by sensors, such as geophones, which are situated 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, disk or other recording media 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.

Historically, a 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 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 drill site or define an 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 regarding whether or where to drill are critical to the overall process. Since 3-D seismic data increases drilling success rates and reduces 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 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 of the sub-surface, and time lapse ("4-D") seismic techniques, where surveys are periodically reacquired to allow the monitoring of producing oil and gas fields 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 surveys, 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 now requires seismic contractors to use data acquisition systems with a greater number of seismic recording channels. Additionally, 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 changes, the number of seismic survey channels has increased from smaller 2-D surveys, which typically averaged 120 channels, to larger 3-D surveys, which today average more than 5,000 channels and sometimes use as many as 100,000 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.

Seismic surveys utilizing 2-D, 3-D or 4-D techniques require essentially the same equipment. The manner in which the equipment is deployed and the resulting data analyzed differs, however. Accordingly, our equipment can generally be utilized in 2-D, 3-D and 4-D seismic surveys. Since 3-D and 4-D seismic surveys generally utilize significantly more equipment than 2-D seismic surveys, the potential to lease our seismic equipment has increased from earlier periods.

#### **Business and Operations**

*Equipment Leasing.* We own a comprehensive lease pool of seismic equipment for short-term leasing to our customers, who are primarily seismic data acquisition contractors and oil field service providers (in the case of downhole equipment). We lease this 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. These 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 supplement their own inventory of recording channels and related equipment.

Our land equipment lease pool includes a total of over 110,000 seismic recording land channels (each channel capable of electronically converting seismic data from analog to digital format and transmitting the digital data), geophones and cables, and other peripheral equipment. Our lease pool of marine seismic equipment includes more than 19 kilometers of streamers (recording channels that are towed behind a vessel), air compressors, air guns, streamer positioning equipment, energy source controllers and other equipment. Our lease pool of downhole equipment includes approximately 215 levels of downhole seismic tools. Our lease pool equipment is manufactured by leading seismic equipment manufacturers and is widely used in the seismic industry. Our marine lease pool includes energy source controllers and RGPS tracking systems that are manufactured by our Seemap segment.

Our equipment leases generally have terms of two to six months, one to two weeks in the case of downhole equipment, and are typically renewable following the initial rental period. Our equipment lease rates vary according



to an item's expected useful life, utilization, initial cost and the term of the lease. We provide 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 technical support services when requested by our customers. The customer is responsible for the cost of repairing equipment damages other than normal wear and tear and replacing destroyed or lost equipment under the terms of our standard lease agreements. The customer is also normally responsible for the costs of shipping the equipment from and to one of our facilities and is responsible for all taxes, other than income taxes, related to the lease of the equipment. The customer is required to obtain and maintain insurance for the replacement value of the equipment and a specified minimum amount of general liability insurance. While it is our general practice to lease our seismic equipment on a monthly basis, in certain circumstances we lease equipment on a day rate usage basis.

Seismic equipment leasing is susceptible to weather patterns in certain geographic regions. In Canada and Russia, a significant percentage of the seismic survey activity occurs in the winter months, from December through March or April. 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 other areas of the world, such as Southeast Asia and the Pacific Rim, periods of heavy rain, known as monsoons, can impair seismic operations. We are able, in many cases, to transfer our equipment from one region to another in order to deal with seasonal demand and to increase our equipment utilization. For additional information about the impact of seasonality and weather, see Item 1A — "Risk Factors".

Upon completion of a lease, the equipment must generally be returned to one of our facilities for inspection, testing and, if necessary, repair. While the customer is normally responsible for the costs of shipping and repairs, during this time the equipment is not available for lease to another customer. Therefore, managing this process and the utilization of the equipment is an important aspect of our operations. Given the short term of most of our leases, we believe that the highest achievable annual utilization for most of our equipment is approximately 65%. However, many factors can affect this utilization, including the term of our leases, the shipping time required to return equipment to one of our facilities, the time required to inspect, test and repair equipment after return from a lease and the demand for the equipment.

Historically, the majority of the inspection, testing and repair have been done in our Huntsville, Texas or Calgary, Alberta facilities. In recent years, however, we have added inspection and testing capabilities to our facilities in Ufa, Bashkortostan, Russia and Singapore. With the establishment of our branch operations in Colombia and Peru, we added inspection, test and repair capabilities in those countries. We believe that by expanding these capabilities we have been able to more effectively utilize our equipment and reduce costs associated with these operations, although it is not possible to quantify the effect of any such improvement. The incremental cost for these additional facilities was not material.

*Lease Pool Equipment Sales.* On occasion, we sell used equipment from our lease pool, normally in response to specific customer demand or to declining demand for rental of specific equipment. Used equipment sold from our lease pool can have a wide range of gross margins depending upon the amount of depreciation that has been recorded on the item. When used equipment is sold from our lease pool, the net book value plus any cost associated with the sale is recorded to cost of goods sold. Sales of our lease pool equipment typically occur as opportunities arise and do not have a significant seasonal aspect. Sales of lease pool equipment amounted to approximately \$3.3 million, \$3.0 million and \$3.5 million in each of the three fiscal years ended January 31, 2010, 2009 and 2008, respectively. We typically do not seek to sell our lease pool equipment. However, we will evaluate any opportunities for the sale of equipment from our lease pool, and based upon our evaluation, may sell additional equipment. Such sales of lease pool equipment could be material.

*Other Equipment Sales.* The "Other equipment sales" included in our Equipment Leasing segment fall into two broad categories:

- *Sales of new seismic equipment.* On occasion, we will sell new seismic equipment in response to a specific demand from a customer. These sales are made in cooperation with our suppliers of lease pool equipment.
- *Sales of hydrographic and oceanographic equipment.* SAP sells equipment, consumables, systems integration, engineering hardware and software maintenance support services to the seismic, hydrographic,

oceanographic, environmental and defense industries throughout Southeast Asia and Australia. SAP is a manufacturer's representative for an array of equipment lines.

**Seamap Equipment Sales.** Seamap designs, manufactures and sells a broad range of proprietary products for the seismic, hydrographic and offshore industries. Seamap's primary products include (i) the GunLink seismic source acquisition and control systems, which are designed to provide operators of marine seismic surveys more precise control of energy sources, and (ii) the BuoyLink RGPS tracking system used to provide precise positioning of seismic sources and streamers. Seamap's design operations are located in the United Kingdom and in Singapore and its manufacturing facilities are located in Singapore.

#### **Key Supplier Agreements**

##### ***The Sercel Lease Agreement***

In September 2009, we entered into a new exclusive equipment lease agreement with Sercel (the "Exclusive Equipment Lease Agreement"), which replaced an agreement that expired in December 2008. Under the new agreement, we are, with some exceptions, the exclusive worldwide authorized lessor for Sercel's DSU3 428XL three component digital sensors and the exclusive authorized lessor for Sercel's downhole seismic tools in North and South America through December 2011.

Under the agreement, we agreed not to offer financing leases or leases with terms greater than one year related to the Exclusive Products (as defined in the agreement) without Sercel's prior consent. Sercel agreed to refer any inquires for short-term rentals of the Exclusive Products for use within the Exclusive Territory (as defined in the agreement) to us and to not recommend any competitor of ours as a source of such rentals. Sercel and we agreed to cooperate in the promotion and marketing of the Exclusive Products.

The agreement provides that Sercel grant us specified pricing for the purchase of the Exclusive Products and certain other products. In return, we agreed to purchase a total of 9,000 stations, or 27,000 channels, of DSU3 428XL three component digital sensors and 300 levels of downhole tools by December 31, 2011. As of January 31, 2010 we had purchased 2,000 stations of DSU3 428XL and approximately 175 levels of downhole tools pursuant to this agreement. See Part II — Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information regarding our plans to meet these purchase obligations.

##### ***Other Agreements***

SAP has a number of manufacturer's representation agreements for major product lines, including: acoustic positioning systems, data acquisition systems, geophones, hydrophones, connectors, cables, test equipment, GPS systems, heave compensators and attitude sensors, hydrographic data acquisition systems, magnetometers, tide gauges and current meters, radio positioning equipment, side-scan sonar and sub-bottom profiling systems, underwater communications and location devices, echo sounders and transducers.

Certain software utilized by Seamap's GunLink products was developed by Tanglesolve Instrumentation, Ltd. ("Tanglesolve") under a cooperation agreement with Seamap. Under this agreement, Tanglesolve received a royalty payment from the sale of each GunLink product. In December 2007, Seamap acquired all of the capital stock of Tanglesolve. At the time, Tanglesolve's only material assets were the cooperation agreement and the intellectual property related to the GunLink software. In connection with this transaction, Seamap entered into a new cooperation agreement with the former shareholders of Tanglesolve whereby they provide certain on-going support services. In December 2009, the cooperation agreement was extended through December 2011 by mutual consent, as provided for in the agreement.

#### **Customers, Sales, Backlog and Marketing**

Our lease customers generally are seismic data acquisition contractors. 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, 2010, we had approximately 32 lease customers with 58 active leases of various lengths, but typically for less than a year.

We do not maintain a backlog of orders relating to our Equipment Leasing segment. As of January 31, 2010, our Seemap segment had a backlog of orders amounting to approximately \$9.3 million, compared to \$11.2 million as of January 31, 2009. We expect all of these orders to be fulfilled during our fiscal year ending January 31, 2011.

We participate in both domestic and international trade shows and expositions to inform the industry of our products and services and we advertise in major geophysical trade journals.

A summary of our revenues from customers by geographic region is as follows (in thousands):

	Years Ended January 31,		
	2010	2009	2008
United States	\$ 15,184	\$ 14,850	\$ 13,826
UK / Europe	14,358	20,502	27,892
Canada	3,608	6,498	6,820
South America	4,545	3,313	4,153
Asia/South Pacific	12,447	10,778	9,431
Eurasia(1)	1,637	6,156	10,180
Other(2)	3,393	4,715	4,119
Total Non-United States	39,988	51,962	62,595
Total	\$ 55,172	\$ 66,812	\$ 76,421

(1) Comprised of Eastern Europe, the Russian Federation and the CIS

(2) Includes Africa and the Middle East

The net book value of our long-lived assets in our various geographic locations is as follows (in thousands):

Location of Property and Equipment	As of January 31,		
	2010	2009	2008
United States	\$ 40,448	\$ 45,942	\$ 19,602
Canada	7,056	13,857	27,108
Australia	4,360	1,626	1,861
Russia	3,906	1,920	3,399
South America	10,052	—	—
Singapore	433	543	634
United Kingdom	227	363	575
Total Non-United States	26,034	18,309	33,577
Total	\$ 66,482	\$ 64,251	\$ 53,179

For information regarding the risks associated with our foreign operations, see Item 1A-“Risk Factors.”

For fiscal 2010, three customers (The Polarcus Group of Companies, CGV and Global Geophysical Services) represented approximately 14%, 11% and 10%, respectively, of our consolidated revenues. In fiscal 2009 and 2008, one customer, CGV, accounted for approximately 23% and 21%, respectively of our consolidated revenues. The loss of any of these customers could have a material adverse effect on our results of operations. No other customer accounted for 10% or more of our revenues during these periods.

#### Competition

Our major competitors are the major seismic equipment manufacturers who sell equipment on financed terms and seismic contractors who might have excess equipment available for lease from time to time. We face lesser competition from several companies that engage in seismic equipment leasing, but competition has historically been fragmented and our competitors have not had as extensive a seismic equipment lease pool nor as wide

geographic presence as we do. We compete for seismic equipment leases on the basis of (i) price and delivery, (ii) variety and availability of both peripheral seismic equipment and complete data acquisition systems and (iii) length of lease term. We believe that our infrastructure and broad geographic presence also provide a major competitive advantage by contributing to our operational efficiencies.

We compete in the used equipment sales market with a broad range of seismic equipment owners, including seismic data acquisition contractors, who use and eventually dispose of seismic equipment, many of whom have substantially greater financial resources than our own.

#### **Suppliers**

We have several suppliers of seismic equipment for our lease pool. We acquire the majority of our seismic lease pool equipment from, Sercel. However, we also acquire lease pool equipment from a number of other suppliers including ION, Bauer Compressors, Inc. and OYO Geospace Corporation. Management believes that our current relationships with our suppliers are satisfactory. For the years ended January 31, 2010, 2009 and 2008, approximately 32%, 42% and 33%, respectively of our revenues were generated from the rental of products we acquired from Sercel. For additional information regarding the risk associated with our suppliers, see Item 1A- "Risk Factors."

#### **Employees**

As of January 31, 2010, we employed 116 people full-time, none of whom are represented by a union or covered by a collective bargaining agreement. We consider our employee relations to be satisfactory.

#### **Intellectual Property**

The products designed, manufactured and sold by our Seemap segment utilize significant intellectual property that we have developed or have licensed from others. Our internally developed intellectual property consists of product designs and trade secrets. We currently have no patents covering any of this intellectual property.

In connection with the acquisition of AES in March 2010 we acquired intellectual property relating to the design and manufacture of heli-pickers. This intellectual property includes United States, Canadian, Australian and United Kingdom patents.

For additional information regarding the risks associated with our intellectual property, see Item 1A-"Risk Factors."

#### **Environmental Regulation**

We are subject to stringent governmental laws and regulations pertaining to protection of the environment and the manner in which chemicals and materials used in our manufacturing processes are handled and wastes generated from such operations are disposed. We have established proactive environmental policies for the management of these chemicals and materials as well as the handling and recycling or disposal of wastes resulting from our operations. Compliance with these laws and regulations may require the acquisition of permits for regulated activities, capital expenditures to limit or prevent emissions and discharges, and special precautions for disposal of certain wastes. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties and the issuance of injunctive relief. Spills or releases of chemicals, materials and wastes at our facilities or at offsite locations where they are transported for recycling or disposal could subject us to environmental liability, which may be strict, joint and several, for the costs of cleaning up chemicals, materials and wastes released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by such spills or releases. As a result of such actions, we could be required to remove previously disposed wastes, remediate environmental contamination, and undertake measures to prevent future contamination. The trend in environmental regulation has been to place more restrictions and limitations on activities that may affect the environment and thus any changes in environmental laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements could have a material adverse effect on our operations and financial

position. For instance, the adoption of laws or implementing regulations with regard to climate change that have the effect of lowering the demand for carbon-based fuels or with regard to hydraulic fracturing that have the effect of decreasing the performance of exploratory activities by energy companies could have a material adverse effect on our business. While we believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on us, we cannot give any assurance that this trend will continue in the future. For additional information regarding the risk associated with environmental matters, see Item 1A — “Risk Factors.”

#### **Website Access to Our Periodic SEC Reports**

Our internet address is <http://www.mitchamindustries.com>. We file and furnish Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, with the SEC, which are available free of charge through our website as soon as reasonably practicable after the report is filed with or furnished to the SEC. Materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding our company that we file and furnish electronically with the SEC.

We may from time to time provide important disclosures to investors by posting them in the investor relations section of our website, as allowed by SEC rules. Information on our website is not incorporated by reference into this Form 10-K and you should not consider information on our website as part of this Form 10-K.

#### **Item 1A. Risk Factors**

The risks described below could materially and adversely affect our business, financial condition and results of operations and the actual outcome of matters as to which forward-looking statements are made in this Form 10-K. The risk factors described below are not the only risks we face. Our business, financial condition and results of operations may also be affected by additional factors that are not currently known to us or that we currently consider immaterial or that are not specific to us, such as general economic conditions.

You should refer to the explanation of the qualifications and limitations on forward-looking statements included under “Cautionary Statements About Forward-Looking Statements” of this Form 10-K. All forward-looking statements made by us are qualified by the risk factors described below.

***If the current, weak economic conditions continue for an extended period of time or commodity prices become depressed or decline, our results of operations could be adversely affected.***

Historically, the demand for our products and services has been sensitive to the level of exploration spending by oil and gas companies. Commencing in late 2008, prices for oil and natural gas declined significantly and did not recover until relatively recently. During the period of depressed commodity prices, many oil and gas exploration and production companies significantly reduced their levels of capital spending, including amounts dedicated to the leasing or purchasing our seismic equipment. A return of depressed commodity prices, or a decline in existing commodity prices, could adversely affect demand for the services and equipment we provide, and therefore adversely affect our revenue and profitability. Further, perceptions of a long-term decrease in commodity prices by oil and gas companies could similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our products and services, which could have a material adverse effect on our revenue and profitability. Additionally, these factors may adversely impact our statement of financial position if they are determined to cause an impairment of our goodwill or other intangible assets or of our other long-lived assets.

***Demand for seismic data is 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, transition zone and marine seismic data acquisition worldwide. The levels of such spending are influenced by:

- oil and gas prices and industry expectations of future price levels;
- the cost of exploring for, producing and delivering oil and gas;
- the availability of current geophysical data;
- the ability of oil and gas companies to generate funds or otherwise obtain capital for exploration operations;
- the granting of leases or exploration concessions and the expiration of such rights;
- domestic and foreign tax policies;
- merger and divestiture activity among oil and gas producers;
- the discovery rate of new oil and gas reserves; and
- local and international political and economic conditions.

The cyclical nature of the oil and gas industry can have a significant effect on our revenues and profitability. Historically, oil and natural gas prices, as well as the level of exploration and developmental activity, have fluctuated significantly. These fluctuations have in the past, and may in the future, adversely affect our business. We are unable to predict future oil and natural gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will likely depress development activity, adversely affecting the demand for our products and services and our financial condition and results of operations.

***Our revenues are subject to fluctuations that are beyond our control, which could materially adversely affect our results of operations in a given financial period.***

Projects awarded to and scheduled by our customers can be delayed or cancelled due to factors that are outside of their control, which can affect the demand for our products and services. These factors include budgetary or other financial issues of the oil and gas exploration companies, adverse weather conditions, difficulties in obtaining permits or other regulatory issues, the availability of other equipment required for a particular project, political unrest or security concerns in certain foreign locations, as well as a variety of other factors.

***A limited number of customers account for a significant portion of our revenues, and the loss of one of these customers could harm our results of operations.***

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, 2010, 2009 and 2008, our single largest customer accounted for approximately 14%, 23% and 21%, respectively, of our consolidated revenues. Our five largest customers accounted for approximately 50% of our consolidated revenues in the fiscal year ended January 31, 2010. There has recently been considerable consolidation among certain of our customers and this trend may continue. This consolidation could result in the loss of our customers and could result in a decrease in the demand for our equipment.

***The financial soundness of our customers could materially affect our business and operating results.***

As a result of the disruptions in the financial markets and other macro-economic challenges that continue to affect the economy of the United States and other parts of the world, our customers may experience cash flow concerns. As a result, if customers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, customers may not be able to pay, or may delay payment of, accounts

receivable owed to us. Any inability of current and/or potential customers to pay us for services may adversely affect our financial condition and results of operations.

As of January 31, 2010, we had approximately \$22.0 million of customer accounts and contracts receivable, of which approximately \$2.9 million was over 90 days past due. For the years ended January 31, 2010 and 2009, we had charges of \$1.4 million and \$2.9 million, respectively, to our provision for doubtful accounts. 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.

***We derive significant revenues from foreign sales, which pose additional risks to our operations.***

Many of our foreign operations are conducted in currencies other than U.S. dollars. Those currencies include the Canadian dollar, the Australian dollar, the Singapore dollar, the Russian ruble and the British pound sterling. These internationally-sourced revenues are subject to the risk of taxation policies, expropriation, political turmoil, civil disturbances, armed hostilities, and other geopolitical hazards as well as foreign currency exchange controls (in which payment could not be made in U.S. dollars) and fluctuations. For example, for accounting purposes, balance sheet accounts of our operating subsidiaries are translated at the current exchange rate as of the end of the accounting period. Statement of operations items are translated at average currency exchange rates. The resulting translation adjustment is recorded as a separate component of comprehensive income within shareholders' equity. This translation adjustment has in the past been, and may in the future be, material because of the significant amount of assets held by our international subsidiaries and the fluctuations in the foreign exchange rates.

***We may not be able to obtain funding or obtain funding on acceptable terms because of the deterioration of the credit and capital markets, which may hinder or prevent us from meeting our future capital needs.***

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. The debt and equity capital markets have been exceedingly distressed. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding in the capital markets. In particular, the cost of raising money in the debt and equity capital markets has increased substantially while the availability of funds from those markets generally has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to our current debt and reduced and, in some cases, ceased to provide any new funding.

Due to these factors, we cannot be certain that funding will be available if needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to grow our existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our financial condition and results of operations.

***Our operations and financial condition will be materially adversely affected if we are unable to continually obtain additional lease contracts.***

Our seismic equipment leases typically have a term of two to six months and provide gross revenues that recover only a portion of our capital investment on the initial lease. Our ability to generate lease revenues and profits is dependent on obtaining additional lease contracts after the termination of an original lease. However, lease customers 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 customers after the termination of the original leases, we cannot assure you 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.

***Our failure to attract and retain key personnel could adversely affect our operations.***

Our success is dependent on, among other things, the services of certain key personnel, including specifically Billy F. Mitcham, Jr., our President and Chief Executive Officer. The loss of the services of Mr. Mitcham or other personnel could have a material adverse effect on our operations.

***Our long-lived assets may be subject to impairment due to the current financial crisis.***

We periodically review our long-lived assets, including goodwill, other intangible assets and our lease pool of equipment, for impairment. If we expect significant sustained decreases in oil and natural gas prices in the future, we may be required to write down the value of these assets if the future cash flows anticipated to be generated from the related assets falls below net book value. Declines in oil and natural gas prices, if sustained, could result in future impairments. If we are forced to write down the value of our long-lived assets, these noncash asset impairments could negatively affect our results of operations in the period in which they are recorded. See the discussion included in Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Long-Lived Assets.”

***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, which could affect our ability to compete as well as have a material adverse effect on our financial condition.

***Seasonal conditions cause fluctuations in our operating results.***

The first and fourth quarters of our fiscal year have historically accounted for a greater portion of our lease revenues than do our second and third quarters. This seasonality in leasing revenues is primarily due to the increased seismic survey activity in Canada and Russia from January through March or April. 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.

***We face competition in our seismic equipment leasing activities.***

We have several competitors engaged in seismic equipment leasing and sales, including seismic equipment manufacturers and data acquisition contractors that use seismic equipment, many of which have substantially greater financial resources than our own. There are also several smaller competitors that, in the aggregate, generate significant revenues from the sale of seismic survey equipment. Pressures from existing or new competitors could adversely affect our business operations.

***We rely on a small number of suppliers and disruption in vendor supplies could adversely affect our results of operations.***

We purchase the majority of our seismic equipment for our lease pool from a small number of suppliers. Should our relationships with our suppliers deteriorate, we may have difficulty in obtaining new technology required by our customers and maintaining our existing equipment in accordance with manufacturers’ specifications. In addition, we may, from time to time, experience supply or quality control problems with suppliers, and these problems could significantly affect our ability to meet our lease commitments. Reliance on certain suppliers, as well as industry supply conditions, generally involve several risks, including the possibility of a shortage or a lack of availability of key products and increases in product costs and reduced control over delivery schedules; any of these events could adversely affect our future results of operations.



***Equipment in our lease pool may be subject to the intellectual property claims of others that could adversely affect our ability to generate revenue from the lease of the equipment.***

Certain of the equipment in our lease pool is proprietary to us. The equipment we acquired with the acquisition of AES (See Item 1 — “Business”) includes heli-pickers and associated equipment that is manufactured by AES and is subject to various patents (See Item 1 — “Business — Intellectual Property”). We also have some equipment in our lease pool that is manufactured by our Seemap segment, which is subject to intellectual property rights and protection as discussed below. We may be subject to infringement claims and other intellectual property disputes as competition in the marketplace continues to intensify. In the future, we may be subject to litigation and may be required to defend against claimed infringements of the rights of others or to determine the scope and validity of the proprietary rights of others. Any such litigation could be costly and divert management’s attention from operations. In addition, adverse determinations in such litigation could, among other things:

- result in the loss of our proprietary rights to use the technology;
- subject us to significant liabilities;
- require us to seek licenses from third parties; and
- prevent us from leasing or selling our products that incorporate the technology.

Additionally, the equipment that we acquire from other suppliers may be subject to the intellectual property infringement claims from third parties. We generally are indemnified by our suppliers against any claims that may be brought against us by third parties related to equipment they sold to us. However, such claims could affect our ability to acquire additional such products or to lease them in the future. The loss of this future revenue could adversely affect our business and would not generally be covered by the indemnities from our suppliers.

***The operations of Seemap are subject to special risks that could have a material adverse effect on our operations.***

The design and manufacturing operations of our Seemap segment are subject to risks not associated with our equipment leasing business. These risks include the following:

*Risks Associated with Intellectual Property.* We rely on a combination of copyright, trademark and trade secret laws, and restrictions on disclosure to protect our intellectual property. We also enter into confidentiality or license agreements with our employees, consultants and corporate partners and control access to and distribution of our design information, documentation and other proprietary information. These intellectual property protection measures may not be sufficient to prevent wrongful misappropriation of our technology. In addition, these measures will not prevent competitors from independently developing technologies that are substantially equivalent or superior to our technology. The laws of many foreign countries may not protect intellectual property rights to the same extent as the laws of the United States. Failure to protect proprietary information could result in, among other things, loss of competitive advantage, loss of customer orders and decreased revenues. Monitoring the unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. If competitors are able to use our technology, our ability to compete effectively could be impaired.

We may be subject to infringement claims and other intellectual property disputes as competition in the marketplace continues to intensify. In the future, we may be subject to litigation and may be required to defend against claimed infringements of the rights of others or to determine the scope and validity of the proprietary rights of others. Any such litigation could be costly and divert management’s attention from operations. In addition, adverse determinations in such litigation could, among other things:

- result in the loss of our proprietary rights to use the technology;
- subject us to significant liabilities;
- require us to seek licenses from third parties;
- require us to redesign the products that use the technology; and

- prevent us from manufacturing or selling our products that incorporate the technology.

If we are forced to take any of the foregoing actions, our business may be seriously harmed. Any litigation to protect our intellectual property or to defend ourselves against the claims of others could result in substantial costs and diversion of resources and may not ultimately be successful.

*Risks Related to Product Performance.* The production of new products with high technology content involves occasional problems while the technology and manufacturing methods mature. If significant reliability or quality problems develop, including those due to faulty components, a number of negative effects on our business could result, including:

- costs associated with reworking the manufacturing processes;
- high service and warranty expenses;
- high inventory obsolescence expense;
- high levels of product returns;
- delays in collecting accounts receivable;
- reduced orders from existing customers; and
- declining interest from potential customers.

Although we maintain accruals for product warranties, actual costs could exceed these amounts. From time to time, there may be interruptions or delays in the activation of products at a customer's site. These interruptions or delays may result from product performance problems or from aspects of the installation and activation activities, some of which are outside our control. If we experience significant interruptions or delays that cannot be promptly resolved, confidence in our products could be undermined, which could have a material adverse effect on our operations.

*Risks Related to Raw Materials.* We depend on a limited number of suppliers for components of our products, as well as for equipment used to design and test our products. Certain components used in our products may be available from a sole source or limited number of vendors. If these suppliers were to limit or reduce the sale of such components to us, or if these suppliers were to experience financial difficulties or other problems that prevented them from supplying us with the necessary components, these events could have a material adverse effect on our business, financial condition and results of operations. These sole source and other suppliers are each subject to quality and performance issues, materials shortages, excess demand, reduction in capacity and other factors that may disrupt the flow of goods to us; thereby adversely affecting our business and customer relationships. Some of the sole source and limited source vendors are companies who, from time to time, may allocate parts to equipment manufacturers due to market demand for components and equipment. We have no guaranteed supply arrangements with our suppliers and there can be no assurance that our suppliers will continue to meet our requirements. Many of our competitors are much larger and may be able to obtain priority allocations from these shared vendors, thereby limiting or making our sources of supply unreliable for these components. If our supply arrangements are interrupted, we cannot assure you that we would be able to find another supplier on a timely or satisfactory basis. Any delay in component availability for any of our products could result in delays in deployment of these products and in our ability to recognize revenues.

If we are unable to obtain a sufficient supply of components from alternative sources, reduced supplies and higher prices of components will significantly limit our ability to meet scheduled product deliveries to customers. A delay in receiving certain components or the inability to receive certain components could harm our customer relationships and our results of operations.

Failures of components affect the reliability and performance of our products, can reduce customer confidence in our products, and may adversely affect our financial performance. From time to time, we may experience delays in receipt of components and may receive components that do not perform according to their specifications. Any future difficulty in obtaining sufficient and timely delivery of components could result in delays or reductions in product shipments that could harm our business. In addition, a consolidation among suppliers of these components

or adverse developments in their businesses that affect their ability to meet our supply demands could adversely impact the availability of components that we depend on. Delayed deliveries from these sources could adversely affect our business.

*We are subject to a variety of environmental laws and regulations that could increase our costs of compliance and impose significant liabilities.*

We are subject to stringent governmental laws and regulations relating to protection of the environment and the handling of chemicals and materials used in our manufacturing processes as well as the recycling and disposal of wastes generated by those processes. These laws and regulations may impose joint and several strict liability and failure to comply with such laws and regulations could result in the assessment of administrative, civil and criminal penalties, imposition of remedial obligations, and issuance of orders enjoining some or all of our operations. These laws and regulations could require us to acquire permits to conduct regulated activities install and maintain costly equipment and pollution control technologies, or to incur other significant environmental-related expenses. Public interest in the protection of the environment has increased dramatically in recent years. We anticipate that the trend of more expansive and stricter environmental laws and regulations will continue, the occurrence of which may require us to increase our capital expenditures or could result in increased operating expenses.

*Climate change laws and regulations restricting emissions of "greenhouse gases" could result in reduced demand for oil and natural gas, thereby adversely affecting our business, while the physical effects of climate change could disrupt our manufacturing of seismic equipment and cause us to incur significant costs in preparing for or responding to those effects.*

On December 15, 2009, the EPA published its findings that emissions of carbon dioxide, methane and other "greenhouse gases" present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These findings allow the EPA to adopt and implement regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. Accordingly, the EPA had proposed regulations that would require a reduction in emissions of greenhouse gases from motor vehicles and could trigger permit review for greenhouse gas emissions from certain stationary sources. In addition, on October 30, 2009, the EPA published a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States beginning in 2011 for emissions occurring in 2010. Only very recently, on March 23, 2010, the EPA announced a proposed rulemaking that would expand its final rule on reporting of greenhouse gas emissions to include owners and operators of onshore oil and natural gas production. If the proposed rule is finalized in its current form, monitoring of those newly covered sources would commence on January 1, 2011. Also, on June 26, 2009, the U.S. House of Representatives passed the "American Clean Energy and Security Act of 2009," or "ACESA," which would establish an economy-wide cap-and-trade program to reduce U.S. emissions of greenhouse gases including carbon dioxide and methane that may contribute to warming of the Earth's atmosphere and other climatic changes. Under this legislation, the EPA would issue a capped and steadily declining number of tradable emissions allowances to certain major sources of greenhouse gas emissions so that such sources could continue to emit greenhouse gases into the atmosphere. These allowances would be expected to escalate significantly in cost over time. The net effect of ACESA will be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products and natural gas. The U.S. Senate has begun work on its own legislation for restricting domestic greenhouse gas emissions and President Obama has indicated his support of legislation to reduce greenhouse gas emissions through an emission allowance system. The adoption and implementation of any laws and regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, oil and gas exploration and production activities could have an adverse effect on the demand for our seismic equipment and associated services. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events; if any such effects were to occur, they could adversely affect or delay our manufacturing of seismic equipment and cause us to incur significant costs in preparing for or responding to those effects.

***Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in additional operating restrictions or delays and adversely affect our business.***

The federal Congress is currently considering two companion bills in the United States, known as the “Fracturing Responsibility and Awareness of Chemicals Act,” or FRAC Act, that would repeal an exemption in the federal Safe Drinking Water Act for the underground injection of hydraulic fracturing fluids near drinking water sources. Hydraulic fracturing is an important and commonly used process for the completion of natural gas, and to a lesser extent, oil wells in formations with low permeabilities, such as shale formations. If enacted, the FRAC Act could result in additional regulatory burdens such as permitting, construction, financial assurance, monitoring, recordkeeping, and plugging and abandonment requirements. The FRAC Act also proposes requiring the disclosure of chemical constituents used in the fracturing process to state or federal regulatory authorities, who would then make such information publicly available. The availability of this information could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, various state and local governments are considering increased regulatory oversight of hydraulic fracturing through additional permit requirements, operational restrictions, and temporary or permanent bans on hydraulic fracturing in certain environmentally sensitive areas such as watersheds. The adoption of the FRAC Act or any other federal or state laws or regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete natural gas wells in certain formations and adversely affect the demand for our seismic equipment and associated services. Moreover, the EPA announced only recently, on March 18, 2010, that it has allocated \$1.9 million in 2010 and has requested funding in fiscal year 2011 for conducting a comprehensive research study on the potential adverse impacts that hydraulic fracturing may have on water quality and public health. Consequently, even if these bills are not adopted, the performance of the hydraulic fracturing study by the EPA could spur further action at a later date towards federal legislation and regulation of hydraulic fracturing activities.

***Our stock price is subject to volatility.***

Energy and energy service company stock prices, including our stock price, have been extremely volatile from time to time. 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.

***We have significant operations outside of the United States that expose us to certain additional risks.***

We operate in a number of foreign locations and have subsidiaries or branches in foreign countries, including Russia, Peru and Colombia. Our equipment is also often temporarily located in other foreign locations while under rent by our customers. These operations expose us to political and economic risks and uncertainties. Should current circumstances change, we could encounter difficulties in operating in some countries and may not be able to retrieve our equipment that is located within these countries. This could result in a material adverse effect on our financial positions and results of operations.

***Because we have no plans to pay any dividends for the foreseeable future, investors must look solely to stock appreciation for a return on their investment in us.***

We have not paid cash dividends on our common stock since our incorporation and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain any future earnings to support our operations and growth. Any payment of cash dividends in the future will be dependent on the amount of funds legally available, our financial condition, capital requirements and other factors that our Board of directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

*Provisions in our articles of incorporation and Texas law could discourage a takeover attempt, which may reduce or eliminate the likelihood of a change of control transaction and, therefore, the ability of our shareholders to sell their shares for a premium.*

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 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.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We occupy the following principal facilities that we believe are adequately utilized for our current operations:

Location	Type of Facility	Size (In Square Feet)	Owned or Leased	Segment Using Property
Huntsville, Texas	Office and warehouse	25,000 (on six acres)	Owned	Equipment Leasing and Seamap
Calgary, Alberta, Canada	Office and warehouse	33,500	Leased	Equipment Leasing
Salisbury, Australia	Office and warehouse	4,400	Leased	Equipment Leasing
Singapore	Office and warehouse	20,000	Leased	Equipment Leasing and Seamap
Shepton Mallet, United Kingdom	Office and warehouse	12,300	Leased	Seamap
Ufa, Bashkortostan, Russia	Office and warehouse	6,000	Leased	Equipment Leasing
Bogota, Colombia	Warehouse	3,600	Leased	Equipment Leasing

**Item 3. Legal Proceedings**

From time to time, we are a party to legal proceedings arising in the ordinary course of business. We are not currently a party to any legal proceedings that we believe could have a material adverse effect on our results of operations or financial condition.

**Item 4. (Removed and Reserved)**

## PART II

**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Market Information for Common Stock**

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

	<u>High</u>	<u>Low</u>
Fiscal Year Ended January 31, 2009:		
First Quarter	\$ 19.60	\$ 16.19
Second Quarter	21.83	14.60
Third Quarter	15.01	4.75
Fourth Quarter	5.40	3.20
Fiscal Year Ended January 31, 2010:		
First Quarter	\$ 4.64	\$ 2.42
Second Quarter	6.42	4.40
Third Quarter	7.98	4.38
Fourth Quarter	7.99	6.92

As of April 5, 2010, there were approximately 6,000 beneficial holders of our common stock.

**Dividend Policy**

We have not paid any cash dividends on the common stock since our inception, and our Board of Directors does not contemplate the payment of cash dividends in the foreseeable future. It is the present policy of our Board of Directors to retain earnings, if any, for use in developing and expanding our business. In the future, our payment of dividends will also depend on the amount of funds available, our financial condition, capital requirements and such other factors as our Board of Directors may consider.

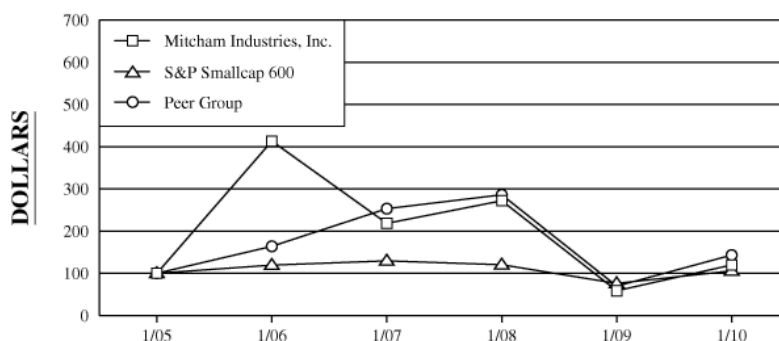
As of January 31, 2010, we had deposits in foreign banks equal to approximately \$6.0 million. These funds may generally be transferred to our accounts in the United States without restriction. However, the transfer of these funds may result in withholding taxes payable to foreign taxing authorities. Any such withholding taxes generally may be credited against our federal income tax obligations in the United States. Additionally, the transfer of funds from our foreign subsidiaries to the United States may result in currently taxable income in the United States. These factors could limit our ability to pay cash dividends in the future.

**Performance Graph**

*This performance graph shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference in any of our filings under the Securities Act.*

The following graph compares our common stock’s cumulative total shareholder return for the period beginning January 31, 2005 through January 31, 2010, to the cumulative total shareholder return on (i) the S&P’s Smallcap 600 stock index and (ii) an index of peer companies we selected. The cumulative total return assumes that the value of an investment in our common stock and each index was \$100 on January 31, 2005, and that all dividends were reinvested.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Mitcham Industries, Inc. The S&P Smallcap 600 Index  
And A Peer Group



\* \$100 invested on 1/31/05 in stock or index, including reinvestment of dividends.  
Fiscal year ending January 31.

Copyright © 2010 S&P, a division of The McGraw-Hill Companies, Inc. All rights reserved.

	1/31/05	1/31/06	1/31/07	1/31/08	1/31/09	1/31/10
Mitcham Industries, Inc.	100.00	413.27	218.28	271.84	58.58	119.74
S&P Smallcap 600	100.00	119.40	129.44	120.27	76.09	105.74
Peer Group	100.00	163.94	253.10	286.00	69.65	143.17

The Peer Company Index consists of: Compagnie Generale de Geophysique-Veritas (NYSE: CGV), Dawson Geophysical Company (NASDAQ: DWSN), Ion Geophysical Corp. (NYSE: IO) and Omni Energy Services Corp. (NASDAQ: OMNI).

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Neither we nor any affiliated purchaser purchased any of our equity securities during the fourth quarter of the fiscal year ended January 31, 2010.

**Item 6. Selected Financial Data**

The selected consolidated financial information contained below is derived from our Consolidated Financial Statements and should be read in conjunction with Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements including the footnotes thereto. Our historical results may not be indicative of the operating results to be expected in future periods.

	Years Ended January 31,				
	2010	2009	2008	2007	2006
	(Amounts in thousands, except per share amounts)				
<b>Statement of Income Data:</b>					
Total revenues	\$ 55,172	\$ 66,812	\$ 76,421	\$ 48,910	\$ 34,589
Operating income	871	11,478	16,445	6,555	7,452
Income from continuing operations	520	9,065	11,439	9,285	10,855
Income from continuing operations per common share — basic	0.05	0.93	1.18	0.97	1.19
Income from continuing operations per common share — diluted	0.05	0.89	1.11	0.93	1.10
<b>Balance Sheet Data:</b>					
Cash and short-term investments (including restricted cash)	6,735	6,032	13,884	12,582	18,988
Seismic equipment lease pool and property and equipment, net	66,482	64,251	53,179	35,432	19,924
Total assets	115,397	104,227	103,901	83,302	57,620
Long-term debt	15,735	5,950	—	1,500	3,000
Total liabilities	30,442	27,104	28,133	23,796	10,169
Total shareholders’ equity	84,955	77,123	75,768	59,506	47,451

See Item 7- “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of matters affecting the comparability of the above information.

**Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations****Overview**

We operate in two segments, Equipment Leasing and Seamap. Our equipment leasing operations are conducted from our Huntsville, Texas headquarters and from our locations in Calgary, Canada; Brisbane, Australia; Lima, Peru; Bogota, Colombia; and Ufa, Russia. This includes the operations of our MCL, SAP and MSE subsidiaries and our branches in Peru and Colombia. These branches were established late in fiscal 2010 and did not contribute material revenues in the year ended January 31, 2010. Seamap operates from its locations near Bristol, United Kingdom and in Singapore.

Management believes that the performance of our Equipment Leasing segment is indicated by revenues from equipment leasing and by the level of our investment in lease pool equipment. Management further believes that the performance of our Seamap segment is indicated by revenues from equipment sales and by gross profit from those sales. Management monitors EBITDA and Adjusted EBITDA, both as defined in the following table, as key indicators of our overall performance.



The following table presents certain operating information by operating segment:

	Years Ended January 31,		
	2010	2009	2008
	(In thousands)		
<b>Revenues:</b>			
Equipment Leasing	\$ 34,605	\$ 49,903	\$ 51,701
Seamap	20,993	17,346	25,383
Less inter-segment sales	(426)	(437)	(663)
Total revenues	<u>55,172</u>	<u>66,812</u>	<u>76,421</u>
<b>Cost of sales:</b>			
Equipment Leasing	27,010	25,128	23,830
Seamap	10,482	9,319	17,381
Less inter-segment costs	(445)	(279)	(596)
Total direct costs	<u>37,047</u>	<u>34,168</u>	<u>40,615</u>
<b>Gross profit</b>			
Equipment Leasing	7,595	24,775	27,871
Seamap	10,511	8,027	8,002
Less Inter-segment amounts	19	(158)	(67)
Total gross profit	<u>18,125</u>	<u>32,644</u>	<u>35,806</u>
<b>Operating expenses:</b>			
General and administrative	14,977	17,497	17,425
Provision for doubtful accounts	1,378	2,897	460
Gain on insurance settlement	—	(580)	—
Depreciation and amortization	899	1,352	1,476
Total operating expenses	<u>17,254</u>	<u>21,166</u>	<u>19,361</u>
<b>Operating income</b>	<u>\$ 871</u>	<u>\$ 11,478</u>	<u>\$ 16,445</u>
<b>EBITDA(1)</b>	<u>\$ 19,794</u>	<u>\$ 28,336</u>	<u>\$ 28,327</u>
<b>Adjusted EBITDA(1)</b>	<u>\$ 21,195</u>	<u>\$ 30,521</u>	<u>\$ 30,580</u>
<b>Reconciliation of Net Income to EBITDA and Adjusted EBITDA</b>			
Net income	\$ 520	\$ 9,065	\$ 11,439
Interest expense (income), net	415	(350)	(479)
Depreciation, amortization and impairment	18,740	16,531	11,879
Provision for income taxes	119	3,090	5,488
EBITDA(1)	<u>19,794</u>	<u>28,336</u>	<u>28,327</u>
Stock-based compensation	1,401	2,185	2,253
Adjusted EBITDA(1)	<u>\$ 21,195</u>	<u>\$ 30,521</u>	<u>\$ 30,580</u>

- (1) EBITDA is defined as net income before (a) interest income and interest expense, (b) provision for (or benefit from) income taxes and (c) depreciation, amortization and impairment. Adjusted EBITDA excludes stock-based compensation. We consider EBITDA and Adjusted EBITDA to be important indicators for the performance of our business, but not measures of performance calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We have included these non-GAAP financial measures because management utilizes this information for assessing our performance and as indicators of our ability to make capital expenditures, service debt and finance working capital requirements.

The covenants of our revolving credit agreement require us to maintain a minimum level of EBITDA. Management believes that EBITDA and Adjusted EBITDA are measurements that are commonly used by analysts and some investors in evaluating the performance of companies such as us. In particular, we believe that it is useful to our analysts and investors to understand this relationship because it excludes transactions not related to our core cash operating activities. We believe that excluding these transactions allows investors to meaningfully trend and analyze the performance of our core cash operations. EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP and should not be considered in isolation or as alternatives to cash flow from operating activities or as alternatives to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. In evaluating our performance as measured by EBITDA, management recognizes and considers the limitations of this measurement. EBITDA and Adjusted EBITDA do not reflect our obligations for the payment of income taxes, interest expense or other obligations such as capital expenditures. Accordingly, EBITDA and Adjusted EBITDA are only two of the measurements that management utilizes. Other companies in our industry may calculate EBITDA or Adjusted EBITDA differently than we do and EBITDA and Adjusted EBITDA may not be comparable with similarly titled measures reported by other companies.

In our Equipment Leasing segment, we lease seismic data acquisition equipment primarily to seismic data acquisition companies conducting land, transition zone and marine seismic surveys worldwide. We provide short-term leasing of seismic equipment to meet a customer's requirements. The majority of all active leases at January 31, 2010 were for a term of less than one year. Seismic equipment held for lease is carried at cost, net of accumulated depreciation. We acquire some marine lease pool equipment from our Seemap segment. These amounts are carried in our lease pool at the cost to our Seemap segment, less accumulated depreciation. From time to time, we sell lease pool equipment to our customers. These sales are usually transacted when we have equipment for which we do not have near term needs in our leasing business. We also occasionally sell new seismic equipment that we acquire from other manufacturers. In addition to leasing seismic equipment, SAP sells equipment, consumables, systems integration, engineering hardware and software maintenance support services to the seismic, hydrographic, oceanographic, environmental and defense industries throughout Southeast Asia and Australia.

Our Seemap segment designs, manufactures and sells a variety of products used primarily in marine seismic applications. Seemap's primary products include the (i) GunLink seismic source acquisition and control systems, which provide marine operators more precise control of exploration tools, and (ii) the BuoyLink RGPS tracking system used to provide precise positioning of seismic sources and streamers (marine recording channels that are towed behind a vessel).

Seismic equipment leasing is susceptible to weather patterns in certain geographic regions. In Canada and Russia, a significant percentage of the seismic survey activity normally occurs in the winter months, from December through March or April. 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 other areas of the world, such as Southeast Asia and the Pacific Rim, periods of heavy rain, known as monsoons, can impair seismic operations. We are able, in many cases, to transfer our equipment from one region to another in order to deal with seasonal demand and to increase our equipment utilization.

#### **Business Outlook**

Prior to the turmoil in global financial markets, which arose during 2008, the oil and gas exploration industry enjoyed generally sustained growth for a period of more than four years, fueled primarily by historically high commodity prices for oil and natural gas. We, along with much of the seismic industry, benefited from this growth. These higher prices resulted in increased activity within the oil and gas industry and, in turn, resulted in an increased demand for seismic services. Beginning in approximately October 2008, there was a dramatic decline in oil and gas prices which resulted in a significant reduction in oil and gas exploration activity. Accordingly, beginning in the fourth quarter of fiscal 2009, we began to see a decline in demand for our products and services. This decline was the most dramatic in North America, Russia and the CIS. In North America, we believe the decline resulted from the decrease in oil and natural gas prices and from difficulties in the credit markets which limited the amount of capital available to independent oil and gas exploration companies. In Russia and the CIS, we think the decline in global oil prices and the devaluation of the ruble had a dramatic negative effect on the economics of oil and gas exploration.

and production operations. Furthermore, the global financial crisis had a material adverse effect on the liquidity available to these companies in Russia and the CIS. During this period, there were some areas where oil and gas exploration activities continued. We believe that this continued activity was largely driven by the super major oil and gas companies and by national oil companies.

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. Land seismic data acquisition activity levels are measured in terms of the number of active recording crews, known as the "crew count," and the number of recording channels deployed by those crews, known as "channel count." Because an accurate and reliable census of active crews does not exist, it is not possible to make definitive statements regarding the absolute levels of seismic data acquisition activity. Furthermore, a significant number of seismic data acquisition contractors are either private or state-owned enterprises and information about their activities is not available in the public domain.

In recent months there has been a recovery in global crude oil prices and, to a much lesser extent, North American natural gas prices. As a result of this, there are indications of an increase in oil and gas exploration activity in some areas, such as Russia, the CIS, Southeast Asia and South America. However, activity in North America has not recovered to the same degree.

Accordingly, the current outlook for our business is uncertain. However, the geographic breadth of our operations and our expansive lease pool of equipment, as well as our generally stable financial position and our \$25.0 million credit line position us, we believe, to address any downturn in the seismic industry for the foreseeable future.

The market for products sold by Seamap and the demand for the leasing of marine seismic equipment is dependent upon activity within the offshore, or marine, seismic industry, including the re-fitting of existing seismic vessels and the equipping of new vessels. The ability of our customers to build or re-fit vessels is dependant in part on their ability to obtain appropriate financing. Our Seamap business in fiscal 2010 benefited from orders we received in late fiscal 2009 for our GunLink and BuoyLink products. Although there was a decline in marine seismic activity during fiscal 2010, there have been recent indications of a rebound in such activity. In addition, certain existing and potential customers have continued to express interest in our GunLink and BuoyLink products. Some of this interest involves the upgrade of exiting GunLink and BuoyLink products to newer versions or systems with greater functionality.

During fiscal 2009 and 2008, we responded to the increased demand for our services and products by adding new equipment to our lease pool and by introducing new products from our Seamap segment. During fiscal 2009 and 2008, we added approximately \$34.9 million and \$26.0 million, respectively, of equipment to our lease pool. During fiscal 2010, we added approximately \$19.6 million of new lease pool equipment, despite the decline in demand for equipment during this period. Although we did experience an overall decline in demand, there was an increase in demand for certain types of equipment, such as downhole seismic tools and three-component digital sensors. We responded to this demand by acquiring more of this equipment, as well as other equipment for which we had specific demand or anticipated demand in the near future. We may acquire additional downhole, three-component digital sensors and other equipment in fiscal 2011; however, we do not expect our expenditures for lease pool equipment to reach the same level as in fiscal 2010.

In the past few years we have expanded our lease pool by acquiring different types of equipment or equipment that can be used in different types of seismic applications. For example, we added marine seismic equipment to our lease pool and have purchased downhole seismic equipment that can be utilized in a wide array of applications, some of which are not related to oil and gas exploration. These applications include 3-D surface seismic surveys, well and reservoir monitoring, analysis of fluid treatments of oil and gas wells and underground storage monitoring. In the future we may seek to further expand the breadth of our lease pool, which could increase the amount we expend on the acquisition of lease pool equipment.

We also have expanded the geographic breadth of our operations by acquiring or establishing operating facilities in new locations. Most recently, in fiscal 2010, we established branch operations in Peru and in Colombia.

We may seek to expand our operations in to additional locations in the future either through establishing “green field” operations or by acquiring existing operations. However, we do not currently have any specific plans to establish any such operations.

A significant portion of our revenues are generated from foreign sources. For the years ended January 31, 2010, 2009 and 2008, revenues from international customers totaled approximately \$40.0 million, \$52.0 million and \$62.6 million, respectively. These amounts represent 72%, 78% and 82% of consolidated revenues in those fiscal years, respectively. The decrease in the proportion of our revenues from foreign sources in fiscal 2010 was the result of a specific contract in the United States during that period and is not, we believe, indicative of a trend. The majority of our transactions with foreign customers are denominated in United States, Australian, Canadian and Singapore dollars, Russian rubles and British pounds sterling. We have not entered, nor do we intend to enter, into derivative financial instruments for hedging or speculative purposes.

Our revenues and results of operations have not been materially impacted by inflation or changing prices in the past three fiscal years, except as described above.

#### **Results of Operations**

For the fiscal year ended January 31, 2010, we recorded operating income of approximately \$871,000, compared to approximately \$11.5 million for the fiscal year ended January 31, 2009 and approximately \$16.4 million for the fiscal year ended January 31, 2008. The significant decline in fiscal 2010 was primarily the result of reduced equipment leasing revenues, reduced equipment sales within our leasing segment and higher lease pool depreciation charges. These declines were offset by improved sales and gross profits from our Seemap segment and by lower general and administrative expense. The decline in operating income in fiscal 2009 was due primarily to significantly higher depreciation charges and, to a lesser extent, lower sales of new and used seismic equipment.

Our Equipment Leasing segment recorded decreased gross profit in the year ended January 31, 2010 of approximately \$7.6 million, as compared to approximately \$24.8 million and \$27.9 million for the years ended January 31, 2009 and 2008, respectively. Decreased leasing and equipment sales revenues, combined with higher direct costs and lease pool depreciation contributed to this decline. Despite an increase in rental revenues, gross profit in fiscal 2009 declined due to the higher depreciation charges that resulted from the significant amounts of lease pool equipment we added in fiscal 2009 and 2008.

Our Seemap segment recorded gross profits of \$10.5 million, \$8.0 million and \$8.0 million in the years ended January 31, 2010, 2009 and 2008, respectively. Seemap revenues increased in fiscal 2010 despite the overall downturn in the seismic industry due in part to production of orders received in fiscal 2009 for GunLink and BuoyLink products and on-going support activities from our installed base of these products. We were able to improve gross profit margins in this period through production and procurement efficiencies associated with the large orders received in fiscal 2009. Although sales of Seemap products declined from fiscal 2008 to fiscal 2009, gross profit remained essentially the same. The improvement in gross profit margins in this period resulted from production efficiencies and the elimination of certain royalty payments as more fully described below.

**Revenues and Cost of Sales**

**Equipment Leasing**

Revenues and cost of sales from our Equipment Leasing segment is comprised of the following:

	Year Ended January 31,		
	2010	2009 (In thousands)	2008
<b>Revenues:</b>			
Equipment leasing	\$ 27,702	\$ 37,747	\$ 34,364
Lease pool equipment sales	3,321	2,985	3,488
New seismic equipment sales	334	3,832	9,350
SAP equipment sales	3,248	5,339	4,499
	<u>34,605</u>	<u>49,903</u>	<u>51,701</u>
<b>Cost of sales:</b>			
Lease pool depreciation	17,712	15,031	10,403
Direct costs — equipment leasing	3,760	2,041	1,846
Cost of lease pool equipment sales	2,566	1,487	1,019
Cost of new seismic equipment sales	146	2,637	7,376
Cost of SAP equipment sales	2,826	3,932	3,186
	<u>27,010</u>	<u>25,128</u>	<u>23,830</u>
<b>Gross profit</b>	<u>\$ 7,595</u>	<u>\$ 24,775</u>	<u>\$ 27,871</u>
<b>Gross profit margin</b>	22%	50%	54%

Beginning in the fourth quarter of fiscal 2009, we began to experience a decline in demand for our leasing services. The demand for equipment in Canada and Russia that normally occurs with the onset of winter was lower than in prior years and was significantly less than had been anticipated earlier in the year. This decline was due to significant reductions in oil and gas exploration activity as discussed above. The reduced activity in North America and the CIS, as well as other parts of the world, continued throughout fiscal 2010 resulting in a 27% decline in equipment leasing revenues in fiscal 2010 compared to fiscal 2009. During fiscal 2010, there were areas of improving demand such as South America and the Pacific Rim and late in 2010 demand began to increase in Russia and for marine equipment. These improvements did not, however, offset the overall decline in demand. During fiscal 2010, we generated approximately \$5.4 million in equipment leasing revenues from one project in the United States. This was an unusually large contract and there can be no assurance that we will obtain similar contracts in the future.

In fiscal 2009, our equipment leasing revenues increased approximately \$3.4 million, or 10%, over fiscal 2008. This increase was due to continued strong demand for seismic equipment through the first part of fiscal 2009 and expansion of our lease pool. In fiscal 2009, we acquired approximately \$34.9 million of new lease pool equipment due to expected demand from customers. Likewise, in fiscal 2008, we added approximately \$26.0 million of new lease pool equipment. In fiscal 2010, we added approximately \$19.6 million of new equipment to our lease pool, despite the decline in demand for rental equipment. We added this equipment in response to demand for specific types of equipment, including downhole seismic tools and three-component digital sensors. We believe that the demand for this equipment, as well as for the balance of our lease pool of equipment, will increase as world-wide oil and gas exploration activity recovers. There can be, however, no assurance as to the timing or extent of the recovery, if any.

From time to time, we sell equipment from our lease pool based on specific customer demand or in order to redeploy our capital in other lease pool assets. These transactions tend to occur as opportunities arise and accordingly are difficult to predict. The gross profit and related gross profit margin from the sales of lease pool equipment amounted to approximately \$755,000 (23%) in fiscal 2010, \$1.5 million (50%) in fiscal 2009, and \$2.5 million (71%) in fiscal 2008. Often, the equipment that is sold from our lease pool has been held by us, and

therefore depreciated, for some period of time. Accordingly, the equipment sold may have a relatively low net book value at the time of the sale, resulting in a relatively high gross profit from the transaction. The amount of the gross profit on a particular transaction varies greatly based primarily upon the age of the equipment.

Occasionally, we sell new seismic equipment that we acquire from other manufacturers. Often, these arrangements are structured with a significant down payment, with the balance financed over a period of time at a market rate of interest. The gross profit and related gross profit margin from the sales of new seismic equipment amounted to approximately \$188,000 (56%) in fiscal 2010, \$1.2 million (31%) in fiscal 2009 and \$2.0 million (21%) in fiscal 2008. With the down turn in oil and gas exploration activity, we have seen a significant decline in demand for the purchase of new and used land seismic equipment. We expect this trend to continue.

SAP regularly sells new hydrographic and oceanographic equipment to customers in Australia and throughout the Pacific Rim. The gross profit and related gross profit margin from the sale of new seismic, hydrographic and oceanographic equipment by SAP amounted to approximately \$422,000 (13%) in fiscal 2010, \$1.4 million (26%), in fiscal 2009, and \$1.3 million (29%) in fiscal 2008. Included in SAP equipment sales for the year ended January 31, 2010 and 2009 is approximately \$1.0 million and \$2.2 million, respectively, related to an approximately \$3.5 million contract with the Australian government. This contract is accounted for using the percentage of completion method and resulted in a gross loss of approximately \$94,000 in fiscal 2010 and a gross profit of approximately \$221,000 in fiscal 2009. During fiscal 2010, we incurred approximately \$200,000 in unexpected costs related to the fulfillment of this contract and have submitted claims to the government for reimbursement of these expenses. However, until the claims are approved we have not recognized any benefit from the claims in the calculation of profit from the project. There is approximately \$300,000 of additional revenues, and gross profit of approximately \$40,000 to be recognized upon completion of the contract, which has been pending since the second quarter of fiscal 2010. All activities under the contract have been completed except for the acceptance by the government of final contract documentation. The sale of hydrographic and oceanographic equipment in fiscal 2010 declined, we believe, due to the budgetary concerns of various governmental agencies in light of the global financial crisis. These concerns caused projects and purchases to be cancelled or postponed. We believe that many of these purchases have merely been delayed and will occur in the future; however, there can be no assurance of this.

Depreciation expense related to lease pool equipment for fiscal 2010 amounted to approximately \$17.7 million, as compared to approximately \$15.0 million in fiscal 2009 and approximately \$10.4 million in fiscal 2008. The increase in depreciation expense in each of the periods resulted from the additions to our lease pool of equipment that we have made in recent periods. At January 31, 2010, lease pool assets with an acquisition cost of approximately \$48.9 million were fully depreciated, yet remained in service. This compares to \$38.6 million at January 31, 2009 and approximately \$46.7 million at January 31, 2008. These assets, though fully depreciated, are expected to continue to generate revenues through leasing activity.

Our business generally parallels trends in the oil and gas industry. Increased demand for our equipment results in higher revenues and generally has no impact on depreciation in the short term as our equipment is depreciated from the first month it is placed in service until it is fully depreciated. Depreciation expense is recorded monthly whether or not the equipment is actually generating revenues on a lease contract. During periods of high demand, such as we experienced prior to the fourth quarter of fiscal 2009, our ability to lease older equipment, (including fully depreciated equipment) is enhanced; whereas in periods of low demand such as we experienced in fiscal 2010, the opposite is true. As a result, revenues and depreciation expense will not necessarily directly correlate. Over the long-term, depreciation expense is impacted by increases in equipment purchases to meet demand for our leased equipment. We have been able to purchase equipment at discounts through volume purchase arrangements. A lower purchase price results in lower depreciation expense than in previous periods. Although some of the equipment in our lease pool has reached the end of its depreciable life the equipment continues to be in service and continues to generate revenues. Because the depreciable life of our equipment in our industry is determined more by technical obsolescence than by usage or wear and tear, some of our equipment, although fully depreciated, is still capable of functioning appropriately.

We recorded direct costs related to seismic leasing for fiscal 2010 in the amount of approximately \$3.8 million as compared to approximately \$2.0 million in fiscal 2009 and approximately \$1.8 million in fiscal 2008. Direct costs typically fluctuate with leasing revenues, as the three main components of direct costs are freight, repairs and

sublease expense. In fiscal 2010, costs increased despite the decline in leasing revenues due to the cost of importing equipment into Russia, Peru and Colombia and due to costs associated with sub-leasing certain equipment. Costs in fiscal 2008 decreased in spite of higher leasing revenues, primarily due to greater reimbursement of costs from our customers and lower costs to lease certain equipment from others.

## Seamap

Revenues and cost of sales for our Seamap segment are as follows:

	Year Ended January 31,		
	2010	2009 (In thousands)	2008
Equipment sales	\$ 20,993	\$ 17,346	\$ 25,383
Cost of equipment sales	10,482	9,319	17,381
Gross profit	\$ 10,511	\$ 8,027	\$ 8,002
Gross profit margin	50%	46%	32%

Demand for Seamap's products is generally dependent upon offshore oil and gas exploration activity. A large portion of Seamap's sales consist of large discrete orders the timing of which is dictated by our customers. This timing generally relates to the availability of a vessel in port so that our equipment can be installed. Accordingly, there can be significant variation in sales from one period to another that does not necessarily indicate a fundamental change in demand for these products. Despite the overall decline in oil and gas exploration activity discussed above, we did not experience a decline in the demand for Seamap's products in fiscal 2010. As of January 31, 2010, Seamap had a backlog of approximately \$9.3 million, as compared to approximately \$11.2 million as of January 31, 2009 and \$4.1 million as of January 31, 2008. The backlog as of January 31, 2009 consisted primarily of orders from the Polarcus Group of Companies ("Polarcus") to provide GunLink 4000 and BuoyLink systems for six new build vessels. In the second quarter of fiscal 2010, Polarcus cancelled the orders related to two of the vessels. The balance of the orders was completed and delivered during fiscal 2010. In addition to the revenues related to the Polarcus orders, we generated revenues from the sale of various other equipment and from on-going support and repair activities related to our installed base of GunLink and BuoyLink products. Revenues in fiscal 2008 were unusually large due to the sale of approximately \$4.0 of ancillary equipment in connection with GunLink sales that we normally do not provide to customers.

Our gross profit margin from the sale of Seamap equipment has increased in each of the last three fiscal years due to a number of factors. Beginning in fiscal 2008 and concluding in fiscal 2009, we moved all production activities from the United Kingdom to Singapore. Labor and material costs are generally lower in Singapore, thereby improving our gross profit margins. As the GunLink and BuoyLink product lines have matured, we have been able to introduce design and production efficiencies that allow us to reduce cost through the use of less expensive components and materials. When we receive larger orders, such as those from Polarcus, we are able to take advantage of volume purchases and better plan production activities which contribute to improved gross margins. Effective December 2007, we eliminated certain royalty costs that we had been required to pay upon the sale of the GunLink products.

Prior to December 2007, in connection with the sale of each GunLink system, we were required to pay a royalty to a party who had developed certain software utilized by those products. In December 2007, we purchased the intellectual property related to that software and, accordingly, are no longer required to pay the royalty. Had we owned this intellectual property during fiscal 2008 we estimate that our gross profit for those periods would have been improved by approximately \$1.7 million.

### Operating Expenses

General and administrative expenses for fiscal 2010 amounted to approximately \$15.0 million, compared to approximately \$17.5 million and \$17.4 million in fiscal 2009 and 2008, respectively. In fiscal 2010, general and administrative expenses declined due to lower stock-based compensation, incentive compensation, travel and legal expenses. General and administrative expenses were essentially flat between fiscal 2009 and 2008 despite lower

incentive compensation costs in fiscal 2009. This decline was offset by higher travel costs and higher legal and accounting costs. In fiscal 2010, we recorded stock-based compensation expense of approximately \$1.4 million, as compared to approximately \$2.2 million in fiscal 2009 and \$2.3 million in fiscal 2008. Under ASC 718, the fair value of stock-based awards, such as stock options and restricted stock, is estimated at the time of the grant. This estimated value is then amortized over the expected vesting period of the award as compensation expense.

During fiscal 2010, 2009 and 2008, we recorded a provision for doubtful accounts in the amount of approximately \$1.4 million, \$2.9 million, and \$460,000, respectively. Given the recent economic downturn and global financial crisis, we believe that certain of our customers may have difficulty accessing the liquidity necessary to meet their obligations to us. Accordingly, we have made a provision for those accounts that management believes may not be collectable. Included in the provision for doubtful accounts is approximately \$600,000 in fiscal 2010 and \$900,000 in fiscal 2009 related to a contract receivable. The customer has defaulted on this obligation and we are in the process of foreclosing on the equipment and other assets that were pledged as collateral. We have reduced the carrying value of this contract receivable to an amount equal to the fair market value of the equipment, based on an independent appraisal, less the estimated costs to retrieve the equipment. We intend to add this equipment to our lease pool. At January 31, 2010 and 2009, we had trade accounts and note receivables over 90 days past due of approximately \$6.8 million and \$5.5 million, respectively. In our industry, and in our experience, it is not unusual for accounts to become delinquent from time to time and this is not necessarily indicative of an account becoming uncollectable. As of January 31, 2010 and 2009, our allowance for doubtful accounts receivable amounted to approximately \$2.4 million and \$2.3 million, respectively.

In September 2008, certain of our lease pool equipment was destroyed by Hurricane Ike while it was at a third-party repair facility. In December 2008, we received a payment of approximately \$1.7 million from our insurance carrier in settlement of the damage claim arising from this destruction. The amount received exceeded the net book value of the equipment destroyed, resulting in a gain of \$580,000.

Depreciation and amortization, other than lease pool depreciation, relates primarily to the depreciation of furniture, fixtures and office equipment and the amortization of intangible assets arising from the acquisition of Seamap.

#### ***Other Income and Expense***

Interest income reflects amounts earned on invested funds and finance charges related to seismic equipment sold under financing arrangements. Interest expense primarily reflects interest costs arising from borrowings under our revolving line of credit. Interest expense increased in fiscal 2010 due to borrowings under our line revolving line of credit used to finance purchases of lease pool equipment in late fiscal 2009 and during fiscal 2010.

Other income for the year ended January 31, 2010 and 2009 includes approximately \$183,000 and \$250,000, respectively, related to net foreign exchange gains. These gains resulted primarily from transactions of our foreign subsidiaries denominated in U.S. dollars.

#### ***Provision for Income Taxes***

Our provision for income taxes in fiscal 2010 amounted to approximately \$119,000. This amount included a current tax benefit of \$31,000, a deferred tax benefit of \$120,000, a provision of \$532,000 related to the potential impact of uncertain tax benefits and the reduction of estimated penalties and interest of \$262,000 related to the potential impact of uncertain tax positions. The current tax provision is made up of a benefit of approximately \$1.2 million in United States taxes and approximately \$1.2 million payable to foreign jurisdictions, primarily the United Kingdom, Singapore and Russia. In accordance with the provisions ASC 740, we have estimated the amount of penalties and interest that might accrue during the period should certain uncertain tax positions be resolved not in our favor. This amount is recorded as income tax expense. See Note 11 to our consolidated financial statements.

Certain of our Canadian tax returns have been audited by the Canadian Revenue Agency ("CRA"). See Note 11 to our Consolidated Financial Statements. In connection with these audits, the CRA and provincial taxing authorities have assessed additional taxes, penalties and interest of approximately \$7.4 million. The matters giving rise to these assessments relate, we believe, primarily to issues as to whether deductions are properly taken in



Canada, or should be taken in the United States. Therefore, we have made application to the CRA and to the Internal Revenue Service (“IRS”) for competent authority assistance in order to avoid potential double taxation as provided for under the tax treaty between the United States and Canada. Accordingly, we expect these issues to be resolved pursuant to the competent authority process between the CRA and IRS. We have, however, filed protective protests with the CRA and with the Province of Alberta in case our request for competent authority assistance is denied. The issues involved in these assessments are included in our analysis of uncertain tax positions. In connection with the protests, we were required to make a payment totaling approximately \$2.6 million against these potential obligations. Should we prevail in our request for assistance or in our appeals, all, or a portion, of this payment will be refunded. We are unable to estimate how long it will take to resolve these matters.

Our provision for income taxes in fiscal 2009 amounted to approximately \$3.1 million. This amount included current taxes of \$2.6 million, deferred taxes of \$1.2 million, a benefit of \$1.1 million related to the recognition of certain tax benefits and estimated penalties and interest of \$400,000 related to the potential impact of uncertain tax positions. The current tax provision is made up of approximately \$900,000 in United States taxes and approximately \$1.7 million payable to foreign jurisdictions, primarily Australia, Singapore and Russia. Income taxes currently payable in the United States were reduced by approximately \$121,000 due to deductions arising from the exercise of non-qualified stock options. This amount did not reduce our current tax provision but is credited directly to paid-in capital in accordance with the provisions of ASC 718. The \$1.1 million tax benefit was recognized upon the resolution of specific uncertain tax positions. This uncertainty was resolved upon the expiration of the period in which certain of our U.S. tax returns could be examined by the IRS. In accordance with the provisions ASC 740 we have estimated the amount of penalties and interest that might accrue during the period should certain uncertain tax positions be resolved not in our favor. This amount is recorded as income tax expense. (See Note 11 — to our consolidated financial statements).

In fiscal 2008, our provision for income taxes amounted to approximately \$5.5 million. This amount included current taxes of \$4.0 million, deferred taxes of \$1.1 million and estimated penalties and interest of \$400,000 related to the potential impact of uncertain tax positions. The current tax provision is made up of approximately \$2.9 million in United States taxes and approximately \$1.1 million payable to foreign jurisdictions, primarily Australia, Singapore and Russia. Income taxes currently payable in the United States were reduced by approximately \$1.9 million due to deductions arising from the exercise of non-qualified stock options. This amount did not reduce our current tax provision but is credited directly to paid-in capital in accordance with the provisions of ASC 718. In accordance with the provisions of ASC 740 we have estimated the amount of penalties and interest that might accrue during the period should certain uncertain tax positions be resolved not in our favor. This amount is recorded as income tax expense. (See Note 11 to our consolidated financial statements).

#### **Liquidity and Capital Resources**

Our principal source of liquidity and capital over the past three fiscal years has been cash flows provided by operating activities. The principal factor that has affected our cash flows is in the level of oil and gas exploration and development activities as discussed above.

As of January 31, 2010, we had working capital of approximately \$23.2 million and cash and cash equivalents of approximately \$6.7 million, including restricted cash of approximately \$605,000, as compared to working capital of approximately \$11.2 million and cash and temporary investments of approximately \$6.0 million at January 31, 2009. Our working capital increased from January 31, 2009 to January 31, 2010 primarily due to working capital generated by operations and from the use of proceeds from our revolving credit facility to reduce accounts payable. The accounts payable arose primarily from the purchase of lease pool equipment.

Cash flows provided by operating activities amounted to approximately \$14.1 million in fiscal 2010 as compared to approximately \$17.6 million in fiscal 2009 and \$31.0 million in fiscal 2008. In fiscal 2010, the primary sources of cash provided by operating activities were net income of \$520,000 and non-cash charges, including depreciation and amortization totaling approximately \$18.7 million, provision for doubtful accounts of approximately \$1.4 million and stock-based compensation of approximately \$1.4 million. The net change in other current assets and liabilities decreased net cash provided by operating activities for fiscal 2010 by approximately \$7.3 million. The most significant items contributing to this decrease in net cash provided by operating activities

were an increase in trade accounts and contracts receivable of approximately \$5.0 million, the payment of approximately \$2.6 million related to the pending tax audit in Canada and a decrease in costs and contract billings in excess of revenue of approximately \$1.7 million. The change in accounts payable and accrued liabilities related primarily to the effect of lease pool equipment purchases.

In fiscal 2010, 2009 and 2008, we acquired approximately \$19.6 million, \$34.9 million and \$26.0 million, respectively, of new lease pool equipment; however, the cash expenditures for these purchases did not all occur within those respective periods. As of January 31, 2010, our accounts payable included approximately \$4.9 million related to lease pool purchases. As of January 31, 2009, the amount in accounts payable related to lease pool purchases was approximately \$12.0 million, while the comparable amount as of January 31, 2008 was approximately \$8.6 million. Accordingly, our Consolidated Statements of Cash Flows for the years ended January 31, 2010, 2009 and 2008 indicated purchases of equipment held for lease of approximately \$26.7 million, \$31.5 million and \$30.0 million, respectively. During fiscal 2009, the equipment added to our lease pool included additional stations of three-component digital sensors, submersible recording channels, additional conventional recording channels and downhole seismic tools. Due to the recent decline in leasing activity, we expect lease pool additions in fiscal 2011 to be less than in fiscal 2010.

Cash flows from investing activities for each of the three fiscal years, 2010, 2009 and 2008 reflect proceeds of approximately \$3.3 million, \$3.0 million and \$3.5 million, respectively, from the sale of used lease pool equipment. We generally do not seek to sell our lease pool equipment; however, from time to time we will do so in response to particular customer demand. In determining whether or not to sell lease pool equipment, we weigh expected future leasing revenues from that equipment versus the potential proceeds that may be received upon the sale of the equipment.

In fiscal 2009, we received an insurance settlement of approximately \$1.7 million arising from the destruction of equipment during Hurricane Ike. In fiscal 2008, we paid the former shareholders of Seamap \$1.0 million in settlement of the final earn-out payment due in connection with the acquisition of Seamap in fiscal 2006. Also, in fiscal 2008, we paid approximately \$2.8 million to purchase an entity that owned the intellectual property related to software utilized on one of Seamap's primary products, GunLink. In addition to the intellectual property, this entity held an account receivable from Seamap in the amount of approximately \$2.1 million arising from royalties from the use of that intellectual property. Accordingly, our expenditure related to the acquisition of Seamap and related activities amounted to approximately \$3.8 million in fiscal 2008.

Included within financing activities are net borrowings under our revolving line of credit of approximately \$9.4 million in fiscal 2010 and \$6.0 million in fiscal 2009. The proceeds from these borrowings are used primarily to temporarily finance purchases of new lease pool equipment. Financing activities in fiscal 2009 and 2008 also include the issuance of common stock upon the exercise of stock options. These transactions resulted in cash infusions of \$140,000 and \$356,000 in fiscal 2009 and 2008, respectively. In fiscal 2009, SAP purchased approximately \$1.4 million in short-term investments, consisting of time deposits with an Australian bank. These deposits were then pledged as collateral for performance bonds issued in connection with SAP's contract with the Australian government. Approximately \$744,000 of these investments were redeemed in fiscal 2010 as the collateral was released. These obligations are expected to be fulfilled and the remaining collateral released during fiscal 2011. Due to the financing nature of this transaction, the purchase of the temporary investments is reflected within cash flows from financing activities.

In connection with the temporary importation of our lease pool equipment into some countries we are required to post import bonds with the customs authorities of that country. These bonds are normally provided by local insurance or surety companies. In some cases the surety requires that we post collateral to secure our obligations under the bonds. As of April 5, 2010, we have provided stand-by letters of credit totaling approximately \$2.0 million as security for customs bonds.

In September 2008, we entered into a new \$25.0 million revolving credit agreement with First Victoria National Bank (the "Bank"), which replaced our existing \$12.5 million facility with the Bank. Amounts available for borrowing are determined by a borrowing base. The borrowing base is computed based upon eligible accounts receivable and eligible lease pool assets. Based upon the latest calculation of the borrowing base we believe that the entire \$25.0 million of the facility is available to us. The agreement was amended in March 2010 to make its

maturity April 30, 2011. However, at any time prior to that maturity, we can convert any or all outstanding balances into a series of 48-month notes. Amounts converted into these notes are due in 48 equal monthly installments. The credit agreement is secured by essentially all of our domestic assets. Interest is payable monthly at the prime rate. The credit agreement also provides that we may not incur or maintain indebtedness in excess of \$1.0 million without the prior written consent of the Bank, except for borrowings related to the credit agreement. As of April 5, 2010, we had approximately \$18.6 million outstanding under this agreement and \$2.0 million of the facility had been reserved to support outstanding letters of credit. Accordingly, approximately \$4.4 million was available under the facility as of that date. The credit agreement contains certain financial covenants that require us, among other things, to maintain a maximum debt to shareholders' equity ratio, maintain a minimum ratio of current assets to current liabilities ratio and produce quarterly earnings before interest, taxes, depreciation and amortization ("EBITDA") of not less than a specified amount. We are in compliance with all of these covenants as more fully described as follows:

Description of Financial Covenant	Required Amount	Actual as of January 31, 2010 or for Period then Ended
Ratio of debt to shareholder's equity	Not more than 0.7:1.0	0.19:1.0
Ratio of current assets to current liabilities	Not less than 1.25:1.0	3.03:1.0
Quarterly EBITDA	Not less than \$2.0 million	\$5.5 million

On March 1, 2010, we acquired AES for a total purchase price of approximately \$3.8 million. The consideration consisted of approximately \$2.1 million of cash at closing, approximately \$1.4 million in promissory notes and approximately \$300,000 in deferred cash payments. The promissory notes bear interest at 6% annually, payable semi-annually. The principal amount of the notes is repayable in two equal installments on March 1, 2011 and 2012. The deferred cash payments will be made upon the expiration of certain indemnity periods. We may offset amounts due pursuant to the promissory notes or the deferred cash payments against indemnity claims due from the sellers. In addition, the sellers may be entitled to additional cash payments of up to approximately \$750,000 should AES attain certain levels of revenues during the 24-month period following the closing.

Pursuant to our exclusive equipment lease agreement with Sercel (See Part I — Item 1 — "Business") we have agreed to purchase certain amounts of equipment through December 31, 2011. As of January 31, 2010 we had purchased or placed non-cancellable orders for a portion of that equipment, which amounts are reflected in the table of contractual obligations below. In order to fulfill the required purchases under the agreement we will be required to place orders for approximately \$13.0 million of additional equipment through December 31, 2011. Should we fail to meet these obligations, Sercel will have the right to terminate the agreement, including our exclusive referral arrangement.

The following table sets forth estimates of future payments of our consolidated contractual obligations as of January 31, 2010 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt	\$ 15,735	\$ —	\$ 15,735	\$ —	\$ —
Operating leases	2,754	634	1,500	587	33
Purchase obligations	3,984	3,984	—	—	—
Total	<u>\$ 22,473</u>	<u>\$ 4,618</u>	<u>\$ 17,235</u>	<u>\$ 587</u>	<u>\$ 33</u>

At January 31, 2010, we had unrecognized tax benefits of approximately \$4.6 million related to uncertain tax positions, including approximately \$3.3 million of non-current income taxes payable. We are not able to reasonably estimate when, if ever, these obligations will be paid.

We believe that our liquidity needs will be met from cash on hand, cash provided by operating activities and from proceeds of our existing working capital facility.

As of January 31, 2010, we had deposits in foreign banks equal to approximately \$6.0 million. These funds may generally be transferred to our accounts in the United States without restriction. However, the transfer of these funds may result in withholding taxes payable to foreign taxing authorities. Any such transfer taxes generally may be credited against our federal income tax obligations in the United States. Additionally, the transfer of funds from our foreign subsidiaries to the United States may result in currently taxable income in the United States.

#### **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 the allowances for uncollectible accounts receivable and inventory obsolescence; the useful lives of our lease pool assets and amortizable intangible assets and the impairment assessments of our lease pool and various intangible assets. Other areas where we have made significant estimates include the valuation of stock options, the assessment of the need for a valuation allowance related to deferred tax assets and the assessment of uncertain tax positions.

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

##### ***Revenue Recognition***

- *Leases* — We recognize lease revenue ratably over the term of the lease unless there is a question as to whether it is collectible. We do not enter into leases with embedded maintenance obligations. Under our standard lease, the customer is responsible for maintenance and repairs to the equipment, excluding normal wear and tear. We provide technical advice to our customers as part of our customer service practices. In most situations, our customers pay shipping and handling costs directly to the shipping agents.
- *Equipment Sales* — We recognize revenue and cost of goods sold from equipment sales upon agreement of terms and when delivery has occurred, unless there is a question as to its collectability. We occasionally offer extended payment terms on equipment sales transactions. These terms are generally one to two years in duration.
- *Long-term project revenue* — From time to time, SAP enters into contracts whereby it assembles and sales certain marine equipment, primarily to governmental entities. Performance under these contracts generally occurs over a period of several months. Revenue and costs related to these contracts are accounted for under the percentage of completion method.

##### ***Allowance for Doubtful Accounts***

We make provisions to the allowance for doubtful accounts based on a detailed review of outstanding receivable balances. Factors considered include the age of the receivable, the payment history of the customer, the general financial condition of the customer and any financial or operational leverage we may have in a particular situation. We typically do not charge fees on past due accounts, although we reserve the right to do so in most of our contractual arrangements with our customers. As of January 31, 2010, the average age of our accounts receivable was approximately 82 days.

##### ***Long-Lived Assets***

We carry our lease pool of equipment and other property and equipment at cost, net of accumulated depreciation, and compute depreciation on the straight-line method over the estimated useful lives of the property and equipment, which range from two to 10 years. Cables are depreciated over two years, geophones over three years, channel boxes over five to seven years and earth vibrators and other heavy equipment are depreciated over a 10-year period. Buildings are depreciated over 30 years, property improvements are amortized over 10 years and

leasehold improvements are amortized over the shorter of useful life and the life of the lease. Intangible assets are amortized from three to 15 years.

The estimated useful lives for rental equipment are based on our experience as to the economic useful life of our products. We review and consider industry trends in determining the appropriate useful life for our lease pool equipment, including technological obsolescence, market demand and actual historical useful service life of our lease pool equipment. Additionally, to the extent information is available publicly, we compare our depreciation policies to those of other companies in our industry for reasonableness. When we purchase new equipment for our lease pool, we begin to depreciate it upon its first use and depreciation continues each month until the equipment is fully depreciated, whether or not the equipment is actually in use during that entire time period.

Our policy regarding the removal of assets that are fully depreciated from our books is the following: if an asset is fully depreciated and is still expected to generate revenue, then the asset will remain on our books. However, if a fully depreciated asset is not expected to have any revenue generating capacity, then it is removed from our books.

In accordance with ASC 360-10, *Impairment or Disposal of Long-Lived Assets*, we perform a review of our lease pool assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. We typically review all major categories of assets (not each individual asset) in our consolidated lease pool with remaining net book value to ascertain whether or not we believe that a particular asset group will generate sufficient cash flow over their remaining life to recover the remaining carrying value of those assets. Assets that we believe will not generate cash flow sufficient to cover the remaining net book value are subject to impairment. We make our assessments based on customer demand, current market trends and market value of our equipment to determine if it will be able to recover its remaining net book value from future leasing or sales.

#### **Goodwill and Other Intangible Assets**

We carry our amortizable intangible assets at cost, net of accumulated amortization. Amortization is computed on a straight-line method over the estimated life of the asset. Currently, proprietary rights are amortized over a 12.5 to 15-year period, while covenants-not-to-compete are amortized over a three-year period. The basis for the proprietary right lives are generally based upon the results of valuation reports commissioned from third parties. Covenants-not-to-compete are amortized over the term of the contract. Goodwill is not subject to systematic amortization, but rather is tested for impairment annually.

Under ASC 350, *Intangibles-Goodwill and Other*, we perform an impairment test on goodwill and other intangibles on an annual basis and at any time circumstances indicate that an impairment may have occurred. Impairment testing compares the carrying amount of the goodwill and other intangible assets with their fair value. When the carrying value of the goodwill and other intangible assets exceeds its fair value, an impairment charge is recorded.

All of our goodwill and other intangible assets relate to our Seemap segment, accordingly, we estimate fair value based upon estimated discounted cash flows of that segment. In performing the analysis of discounted cash flows, we projected cash flow from the Seemap segment for the next four fiscal years. To determine the value of cash flows beyond the fourth year, we applied a terminal value which is expressed as a multiple of the fourth year's cash flow. These cash flow streams are then discounted using our estimated cost of capital. The key variables utilized in this analysis are (i) the level of projected cash flows, including the growth rate for the cash flows, (ii) the terminal value applied to the estimated cash flows and (iii) our cost of capital. The sensitivity of the estimated fair value to changes in these assumptions is indicated in the following table:

<b>Variable</b>	<b>Decrease in Fair Value</b>	
10% decrease in projected annual cash flow	\$	2.7 million
33% decrease in terminal value applied to the estimated fourth year cash flow	\$	2.9 million
100 basis point increase in cost of capital	\$	710,000

These changes in assumptions, individually and in the aggregate, would not have altered our conclusion that there was no impairment of our goodwill and other intangible assets as of January 31, 2010.

### **Income Taxes**

Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. We have assessed, using all available positive and negative evidence, the likelihood that the deferred tax assets will be recovered from future taxable income.

Under ASC 740, *Income Taxes* ("ASC 740"), an enterprise must use judgment in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. The more negative evidence that exists (i) the more positive evidence is necessary and (ii) the more difficult it is to support a conclusion that a valuation allowance is not needed for some portion, or all, of the deferred tax asset. Among the more significant types of evidence that we consider are:

- taxable income projections in future years;
- whether the carry forward period is so brief that it would limit realization of tax benefits;
- future sales and operating cost projections that will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures; and
- our earnings history exclusive of the loss that created the future deductible amount coupled with evidence indicating that the loss is an aberration rather than a continuing condition.

In determining the valuation allowance, we consider the following positive indicators:

- the current level of worldwide oil and gas exploration activities resulting from historically high prices for oil and natural gas;
- increasing world demand for oil;
- our recent history of profitable operations in various jurisdictions;
- our anticipated positive income in various jurisdictions; and
- our existing customer relationships.

We also considered the following negative indicators:

- the risk of the world oil supply increasing, thereby depressing the price of oil and natural gas;
- the risk of decreased global demand for oil; and
- the potential for increased competition in the seismic equipment leasing and sales business.

Based on our evaluation of the evidence, as of January 31, 2010 and 2009 we did not provide a valuation allowance against our deferred tax assets.

The evaluation of a tax position in accordance with ASC 740 is a two-step process. In the first step, we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. In the second step, a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (1) an increase in a liability for income taxes payable or (2) a reduction of an income tax refund receivable or a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2). The evaluation of tax positions and the measurement of the related benefit require significant judgment on the part of management.

We adopted provisions of the authoritative guidance included in ACS 740 effective February 1, 2007. As a result of the adoption we recorded a reduction in our deferred tax assets in the amount of approximately

\$3.4 million, recognized a liability for unrecognized tax benefits of approximately \$1.2 million and decreased the February 1, 2007 balance in retained earnings by approximately \$4.6 million. (See Note 11 to our consolidated financial statements.)

#### **Stock-Based Compensation**

Effective February 1, 2006, we adopted the provisions of authoritative guidance included in ASC 718 *Compensation-Stock Compensation* ("ASC 718"), using the modified prospective transition method. Under this method, stock-based compensation expense recognized for share-based awards includes (i) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of, February 1, 2006, based on the grant date fair value estimated in accordance with authoritative guidance in effect prior to February of 2006, and (ii) compensation expense for all stock-based compensation awards granted subsequent to February 1, 2006, based on the grant date fair value estimated in accordance with the provisions of authoritative guidance included in ASC 718.

Determining the grant date fair value under both ASC 718 and prior authoritative guidance requires management to make estimates regarding the variables used in the calculation of the grant date fair value. Those variables are the future volatility of our common stock price, the length of time an optionee will hold their options until exercising them (the "expected term"), and the number of options or shares that will be forfeited before they are exercised (the "forfeiture rate"). We utilize various mathematical models in calculating the variables. Share-based compensation expense could be different if we used different models to calculate the variables.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

##### **Market Risk**

We are exposed to market risk, which is the potential loss arising from adverse changes in market prices and rates. We have not entered, nor do we intend to enter, into derivative financial instruments for hedging or speculative purposes.

##### **Foreign Currency Risk**

We operate in a number of foreign locations, which gives rise to risk from changes in foreign exchange rates. To the extent possible, we attempt to denominate our transactions in foreign locations in U.S. dollars. For those cases in which transactions are not denominated in U.S. dollars, we are exposed to risk from changes in exchange rates to the extent that non-U.S. dollar revenues exceed non-U.S. dollar expenses related to those operations. Our non-U.S. dollar transactions are denominated primarily in British pounds sterling, Russian rubles, Canadian dollars, Australian dollars and Singapore dollars. As a result of these transactions, we generally hold cash balances that are denominated in these foreign currencies. At January 31, 2010, our consolidated cash and cash equivalents included foreign currency denominated amounts equivalent to approximately \$3.2 million in U.S. dollars. A 10% increase in the U.S. dollar as compared to each of these currencies would result in a loss of approximately \$320,000 in the U.S. dollar value of these deposits, while a 10% decrease would result in an equal amount of gain. We do not currently hold or issue foreign exchange contracts or other derivative instruments to hedge these exposures.

Some of our foreign operations are conducted through wholly owned foreign subsidiaries that have functional currencies other than the U.S. dollar. We currently have subsidiaries whose functional currencies are the Canadian dollar, British pound sterling, Russian ruble, Australian dollar and the Singapore dollar. Assets and liabilities from these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date. The resulting translation gains or losses are reflected as Accumulated Other Comprehensive Income in the Shareholders' Equity section of our Consolidated Balance Sheets. Approximately 66% of our net assets were impacted by changes in foreign currencies in relation to the U.S. dollar. During the year ended January 31, 2010, the U.S. dollar generally decreased in value versus the above currencies. As a result of this decline, we have recognized an increase of approximately \$6.0 million in Accumulated Other Comprehensive Income, primarily related to changes in the relative exchange rate of the U.S. dollar against the Canadian dollar, British pound sterling and the Australian dollar.

**Interest Rate Risk**

As of January 31, 2010 there was approximately \$15.4 million outstanding under our revolving credit agreement. This agreement contains a floating interest rate based on the prime rate which was 3.5% as of January 31, 2010. Assuming the outstanding balance remains unchanged, a change of 100 basis points in the prime rate would result in an increase in annual interest expense of approximately \$154,000. We have not entered into interest rate hedging arrangements in the past, and have no plans to do so. Do to fluctuating balances in the amount outstanding under this debt agreement we do not believe such arrangements to be cost effective.

**Item 8. Financial Statements and Supplementary Data**

The information required by this item appears beginning on page F-1 and is incorporated herein by reference.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There have been no changes in or disagreements on any matters of accounting principles or financial statement disclosure between us and our independent registered public accountants.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officer and principal financial officer have concluded that our current disclosure controls and procedures were effective as of January 31, 2010 at the reasonable assurance level.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Rule 13a-15(c) under the Exchange Act, our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of January 31, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on this assessment, our management, including our principal executive officer and principal financial officer, concluded that, as of January 31, 2010, our internal control over financial reporting is effective based on those criteria.

**Changes in Internal Control over Financial Reporting**

There was no change in our system of internal control over financial reporting during our fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.



**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Pursuant to General Instruction G to Form 10-K, we incorporate by reference into this item the information to be disclosed in our definitive proxy statement for our 2010 Annual Meeting of Shareholders.

We have adopted a Code of Business Conduct and Ethics, which covers a wide range of business practices and procedures. The Code of Business Conduct and Ethics represents the code of ethics applicable to our principal executive officer, principal financial officer, and principal accounting officer or controller and persons performing similar functions ("senior financial officers"). A copy of the Code of Business Conduct and Ethics is available on our website, <http://www.mitchamindustries.com>, and a copy will be mailed without charge, upon written request, to Mitcham Industries, Inc., P.O. Box 1175, Huntsville, Texas, 77342-1175, Attention: Robert P. Capps. We intend to disclose any amendments to or waivers of the Code of Business Conduct and Ethics on behalf of our senior financial officers on our website, at <http://www.mitchamindustries.com> promptly following the date of the amendment or waiver.

**Item 11. Executive Compensation**

Pursuant to General Instruction G to Form 10-K, we incorporate by reference into this item the information to be disclosed in our definitive proxy statement for our 2010 Annual Meeting of Shareholders.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Pursuant to General Instruction G to Form 10-K, we incorporate by reference into this item the information to be disclosed in our definitive proxy statement for our 2010 Annual Meeting of Shareholders.

**Item 13. Certain Relationships and Related Transactions and Director Independence**

Pursuant to General Instruction G to Form 10-K, we incorporate by reference into this item the information to be disclosed in our definitive proxy statement for our 2010 Annual Meeting of Shareholders.

**Item 14. Principal Accounting Fees and Services**

Pursuant to General Instruction G to Form 10-K, we incorporate by reference into this item the information to be disclosed in our definitive proxy statement for our 2010 Annual Meeting of Shareholders.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

**(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*

Schedule II — Valuation and Qualifying Accounts.

*(3) Exhibits*

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

**(b) Exhibits**

The exhibits marked with the cross symbol (†) are filed (or furnished in the case of Exhibits 32.1 and 32.2) with this Form 10-K. The exhibits marked with the asterisk symbol (\*) are management contracts or compensatory plans or arrangements filed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.1	Amended and Restated Articles of Incorporation of Mitcham Industries, Inc.	Incorporated by reference to Mitcham Industries, Inc.'s Registration Statement on Form S-8, filed with the SEC on August 9, 2001.	333-67208	3.1
3.2	Second Amended and Restated Bylaws of Mitcham Industries, Inc.	Incorporated by reference to Mitcham Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2004, filed with the SEC on May 28, 2004.	000-25142	3.2
4.1	Loan Agreement, dated September 24, 2008, between Mitcham Industries, Inc. and First Victoria National Bank	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 25, 2008.	000-25142	10.1
4.2	First Amendment to Loan Agreement, dated March 24, 2010, between Mitcham Industries, Inc. and First Victoria National Bank	Incorporated by reference to Mitcham Industries, Inc. Current Report on Form 8-K, filed with the SEC on March 26, 2010	00-25142	10.1
10.1*	Employment Agreement, dated January 15, 1997, between Mitcham Industries, Inc. and Billy F. Mitcham, Jr.	Incorporated by reference to Mitcham Industries, Inc.'s Registration Statement on Form S-1, filed with the SEC on January 17, 1997.	333-19997	10.4
10.2*	Mitcham Industries, Inc. 1994 Stock Option Plan	Incorporated by reference to Mitcham Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2007, filed with the SEC on April 16, 2007.	000-25142	10.3
10.3*	Mitcham Industries, Inc. 1994 Non-Employee Director Stock Option Plan	Incorporated by reference to Mitcham Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2007, filed with the SEC on April 16, 2007.	000-21542	10.4
10.4*	Mitcham Industries, Inc. 1998 Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s proxy statement for the fiscal year ended January 31, 1998, filed with the SEC on June 1, 1998.	000-25142	Exhibit A
10.5*	Amended and Restated 1998 Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.3

[Table of Contents](#)

<b>Exhibit Number</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>SEC File or Registration Number</b>	<b>Exhibit Reference</b>
10.6*	Mitcham Industries, Inc. 2000 Stock Option Plan	Incorporated by reference to Exhibit A of Mitcham Industries, Inc.'s proxy statement for the fiscal year ended January 31, 2000, filed with the SEC on May 26, 2000.	000-25142	Exhibit A
10.7*	Mitcham Industries, Inc. Amended and Restated Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on July 27, 2009.	000-25142	10.1
10.8*	Form of Nonqualified Stock Option Agreement under the Mitcham Industries, Inc. Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Report on Form 10-Q for the quarter ended October 31, 2006, filed with the SEC on September 12, 2006.	000-25142	10.3
10.9*	Form of Restricted Stock Agreement under the Mitcham Industries, Inc. Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Report on Form 10-Q for the quarter ended October 31, 2006, filed with the SEC on September 12, 2006.	000-25142	10.4
10.10*	Form of Incentive Stock Option Agreement under the Mitcham Industries, Inc. Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Report on Form 10-Q for the quarter ended October 31, 2006, filed with the SEC on September 12, 2006.	000-25142	10.5
10.11*	Form of Restricted Stock Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.1
10.12*	Form of Nonqualified Stock Option Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.2
10.13*	Form of Incentive Stock Option Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.4
10.14*	Form of Phantom Stock Award Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.5
10.15*	Form of Stock Appreciation Rights Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.6
10.16*	Form of Incentive Stock Option Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.7

[Table of Contents](#)

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
10.17*	Form of Nonqualified Stock Option Agreement	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on September 8, 2004.	000-25142	10.8
10.18*	Summary of Non-Employee Director Compensation	Incorporated by reference to Mitcham Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2007, filed with the SEC on April 16, 2007.	000-21542	10.19
10.19	Exclusive Lease Agreement, dated September 4, 2009, between Sercel, Inc. and Mitcham Industries, Inc.	Incorporated by reference to Mitcham Industries, Inc.'s Quarterly Report on Form 10-Q, filed with the SEC on September 9, 2009.	000-25142	10.2
10.20†	Stock Purchase Agreement by and among Mitcham Canada Ltd, as Buyer, and Brett Cameron, Teresa Marshall, Steve and Ann Matthews, as Sellers, dated as of February 19, 2010			
10.21	Amendment to Mitcham Industries, Inc. 2000 Stock Option Plan	Incorporated by reference to Mitcham Industries, Inc.'s proxy statement for the fiscal year ended January 31, 2007, filed with the SEC on April 16, 2007.	000-21542	10.25
10.22	Form of Performance Award for the Mitcham Industries, Inc. Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K filed on October 24, 2007.	000-21542	10.1
10.23	Form of Phantom Share Agreement for the Mitcham Industries, Inc. Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K filed on October 24, 2007.	000-21542	10.2
21.1	Subsidiaries of Mitcham Industries, Inc.	Incorporated by reference to Mitcham Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2006, filed with the SEC on May 10, 2006.	000-25142	21
23.1†	Consent of Hein & Associates LLP			
31.1†	Certification of Billy F. Mitcham, Jr., Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended			
31.2†	Certification of Robert P. Capps, Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended			

[Table of Contents](#)

<b>Exhibit Number</b>	<b>Document Description</b>	<b>Report or Registration Statement</b>	<b>SEC File or Registration Number</b>	<b>Exhibit Reference</b>
32.1†	Certification of Billy F. Mitcham, Jr., Chief Executive Officer, under Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350			
32.2†	Certification of Robert P. Capps, Chief Financial Officer, under Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350			

**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 9th day of April 2010.

MITCHAM INDUSTRIES, INC.

By: /s/ Billy F. Mitcham, Jr.  
Billy F. Mitcham, Jr.,  
*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 following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title/Capacity</u>	<u>Date</u>
<u>/s/ BILLY F. MITCHAM, JR.</u> Billy F. Mitcham, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	April 9, 2010
<u>/s/ ROBERT P. CAPPS</u> Robert P. Capps	Executive Vice President — Finance, Chief Financial Officer and Director (Principal Financial Officer and Principal Accounting Officer)	April 9, 2010
<u>/s/ PETER H. BLUM</u> Peter H. Blum	Non-Executive Chairman of the Board	April 9, 2010
<u>/s/ ROBERT J. ALBERS</u> Robert J. Albers	Director	April 9, 2010
<u>/s/ JOHN F. SCHWALBE</u> John F. Schwalbe	Director	April 9, 2010
<u>/s/ RANDAL DEAN LEWIS</u> Randal Dean Lewis	Director	April 9, 2010

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets as of January 31, 2010 and 2009</a>	F-3
<a href="#">Consolidated Statements of Income for the Years Ended January 31, 2010, 2009 and 2008</a>	F-4
<a href="#">Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for the Years Ended January 31, 2010, 2009 and 2008</a>	F-5
<a href="#">Consolidated Statements of Cash Flows for the Years Ended January 31, 2010, 2009 and 2008</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Mitcham Industries, Inc. and subsidiaries (the "Company") as of January 31, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended January 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mitcham Industries, Inc. and subsidiaries at January 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to examine management's assertion about the effectiveness of Mitcham Industries, Inc.'s internal control over financial reporting as of January 31, 2010 included in Item 9A of Part II in the Company's Annual Report on Form 10-K for the year ended January 31, 2010 and, accordingly, we do not express an opinion thereon.

Hein & Associates LLP

Houston, Texas  
April 9, 2010



**MITCHAM INDUSTRIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	January 31,	
	2010	2009
(In thousands, except per share data)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,130	\$ 5,063
Restricted cash	605	969
Accounts receivable, net of allowance for doubtful accounts of \$2,420 and \$2,300 at January 31, 2010 and 2009, respectively	15,444	12,415
Current portion of contracts receivable	2,073	836
Inventories, net	5,199	3,772
Cost and estimated profit in excess of billings on uncompleted contract	398	1,787
Income taxes receivable	1,438	1,000
Deferred tax asset	1,400	1,682
Prepaid expenses and other current assets	1,986	1,535
Total current assets	34,673	29,059
Seismic equipment lease pool and property and equipment, net	66,482	64,251
Intangible assets, net	2,678	2,744
Goodwill	4,320	4,320
Prepaid foreign income tax	2,574	—
Deferred tax asset	88	—
Long-term portion of contracts receivable, net of valuation allowance of \$1,487 and \$897 at January 31, 2010 and 2009, respectively	4,533	3,806
Other assets	49	47
Total assets	<u>\$ 115,397</u>	<u>\$ 104,227</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,489	\$ 13,561
Foreign income taxes payable	1,345	—
Deferred revenue	854	424
Accrued expenses and other current liabilities	2,761	3,877
Total current liabilities	11,449	17,862
Non-current income taxes payable	3,258	3,260
Deferred tax liability	—	32
Long-term debt	15,735	5,950
Total liabilities	30,442	27,104
Commitments and contingencies (Note 12 and 16)		
Shareholders' equity:		
Preferred stock, \$1.00 par value; 1,000 shares authorized; none issued and outstanding	—	—
Common stock \$.01 par value; 20,000 shares authorized; 10,737 and 10,725 shares issued at January 31, 2010 and January 31, 2009, respectively	107	107
Additional paid-in capital	75,746	74,396
Treasury stock, at cost (925 and 922 shares at January 31, 2010 and 2009, respectively)	(4,843)	(4,826)
Retained earnings	10,247	9,727
Accumulated other comprehensive income (loss)	3,698	(2,281)
Total shareholders' equity	84,955	77,123
Total liabilities and shareholders' equity	<u>\$ 115,397</u>	<u>\$ 104,227</u>

The accompanying notes are an integral part of these consolidated financial statements.

MITCHAM INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended January 31,		
	2010	2009	2008
(In thousands, except per share data)			
<b>Revenues:</b>			
Equipment leasing	\$ 27,702	\$ 37,747	\$ 34,364
Lease pool equipment sales	3,321	2,985	3,488
Seamap equipment sales	20,567	16,909	24,720
Other equipment sales	3,582	9,171	13,849
Total revenues	<u>55,172</u>	<u>66,812</u>	<u>76,421</u>
<b>Cost of sales:</b>			
Direct costs — equipment leasing	3,760	2,041	1,846
Direct costs — lease pool depreciation	17,712	15,031	10,403
Cost of lease pool equipment sales	2,566	1,487	1,019
Cost of Seamap and other equipment sales	13,009	15,609	27,347
Total cost of sales	<u>37,047</u>	<u>34,168</u>	<u>40,615</u>
Gross profit	<u>18,125</u>	<u>32,644</u>	<u>35,806</u>
<b>Operating expenses:</b>			
General and administrative	14,977	17,497	17,425
Provision for doubtful accounts	1,378	2,897	460
Gain from insurance settlement	—	(580)	—
Depreciation and amortization	899	1,352	1,476
Total operating expenses	<u>17,254</u>	<u>21,166</u>	<u>19,361</u>
Operating income	871	11,478	16,445
<b>Other income (expense):</b>			
Interest income	214	631	687
Interest expense	(629)	(281)	(208)
Other, net	183	327	3
Total other income (expense)	<u>(232)</u>	<u>677</u>	<u>482</u>
Income before income taxes	639	12,155	16,927
Provision for income taxes	119	3,090	5,488
Net income	<u>\$ 520</u>	<u>\$ 9,065</u>	<u>\$ 11,439</u>
<b>Net income per common share:</b>			
Basic	<u>\$ 0.05</u>	<u>\$ 0.93</u>	<u>\$ 1.18</u>
Diluted	<u>\$ 0.05</u>	<u>\$ 0.89</u>	<u>\$ 1.11</u>
<b>Shares used in computing income per common share:</b>			
Basic	<u>9,799</u>	<u>9,768</u>	<u>9,698</u>
Diluted	<u>9,963</u>	<u>10,205</u>	<u>10,282</u>

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, 2008, 2009 and 2010						
	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained (Deficit) Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
	(In thousands)						
<b>Balances, January 31, 2007</b>	<b>10,601</b>	<b>\$ 106</b>	<b>\$ 67,385</b>	<b>\$ (4,781)</b>	<b>\$ (6,142)</b>	<b>\$ 2,938</b>	<b>\$ 59,506</b>
Adjustment to retained earnings to unrecognize tax benefits attributable to uncertain tax positions	—	—	—	—	(4,635)	—	(4,635)
Comprehensive income, net of tax:							
Net income	—	—	—	—	11,439	—	11,439
Foreign currency translation	—	—	—	—	—	4,937	4,937
Comprehensive income							16,376
Issuance of common stock upon exercise of options	65	1	281	—	—	—	282
Issuance of common stock upon exercise of warrants	23	—	98	—	—	—	98
Restricted stock issued	19	—	274	—	—	—	274
Shares surrendered for payment of taxes upon vesting of restricted stock	—	—	—	(24)	—	—	(24)
Tax benefit from exercise of stock options and vesting of restricted stock	—	—	1,912	—	—	—	1,912
Stock-based compensation	—	—	1,979	—	—	—	1,979
<b>Balances, January 31, 2008</b>	<b>10,708</b>	<b>107</b>	<b>71,929</b>	<b>(4,805)</b>	<b>662</b>	<b>7,875</b>	<b>75,768</b>
Comprehensive income, net of tax:							
Net income	—	—	—	—	9,065	—	9,065
Foreign currency translation	—	—	—	—	—	(10,156)	(10,156)
Comprehensive income							(1,091)
Issuance of common stock upon exercise of options	19	—	161	—	—	—	161
Restricted stock cancelled	(2)	—	—	—	—	—	—
Shares surrendered for payment of taxes upon vesting of restricted stock	—	—	—	(21)	—	—	(21)
Tax benefit from exercise of stock options and vesting of restricted stock	—	—	121	—	—	—	121
Stock-based compensation	—	—	2,185	—	—	—	2,185
<b>Balances, January 31, 2009</b>	<b>10,725</b>	<b>107</b>	<b>74,396</b>	<b>(4,826)</b>	<b>9,727</b>	<b>(2,281)</b>	<b>77,123</b>
Comprehensive income, net of tax:							
Net income	—	—	—	—	520	—	520
Foreign currency translation	—	—	—	—	—	5,979	5,979
Comprehensive income							6,499
Restricted stock issued	12	—	250	—	—	—	250
Shares surrendered for payment of taxes upon vesting of restricted stock	—	—	—	(17)	—	—	(17)
Stock-based compensation in excess of tax benefit	—	—	(346)	—	—	—	(346)
Tax benefit from exercise of stock options and vesting of restricted stock	—	—	45	—	—	—	45
Stock-based compensation	—	—	1,401	—	—	—	1,401
<b>Balances, January 31, 2010</b>	<b>10,737</b>	<b>\$ 107</b>	<b>\$ 75,746</b>	<b>\$ (4,843)</b>	<b>\$ 10,247</b>	<b>\$ 3,698</b>	<b>\$ 84,955</b>

The accompanying notes are an integral part of these consolidated financial statements.

**MITCHAM INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended January 31,		
	2010	2009 (In thousands)	2008
<b>Cash flows from operating activities:</b>			
Net income	\$ 520	\$ 9,065	\$ 11,439
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,740	16,531	11,879
Stock-based compensation	1,401	2,185	2,253
Provision for doubtful accounts	1,378	2,897	460
Provision for inventory obsolescence	(48)	357	348
Gross profit from sale of lease pool equipment	(755)	(1,498)	(2,469)
Gain on insurance settlement	—	(580)	—
Excess tax benefit from exercise of non-qualified stock options	(45)	(121)	(1,912)
Provision for deferred income taxes	(120)	1,197	1,103
Non-current income taxes payable	270	(684)	406
Changes in:			
Trade accounts and contracts receivable	(4,995)	(1,310)	(4,454)
Inventories	(754)	1,282	847
Income taxes payable and receivable	715	(2,289)	2,924
Contract revenues in excess of billings	1,704	(1,787)	—
Prepaid foreign income tax	(2,620)	—	—
Accounts payable, accrued expenses and other current liabilities	(836)	(7,289)	7,627
Prepays and other, net	(470)	(338)	553
Net cash provided by operating activities	<u>14,085</u>	<u>17,618</u>	<u>31,004</u>
<b>Cash flows from investing activities:</b>			
Sales from used lease pool equipment	3,321	2,985	3,488
Acquisition of subsidiaries	—	—	(3,784)
Proceeds from insurance settlement	—	1,680	—
Purchases of seismic equipment held for lease	(26,684)	(31,535)	(29,967)
Purchases of property and equipment	(502)	(876)	(886)
Net cash used in investing activities	<u>(23,865)</u>	<u>(27,746)</u>	<u>(31,149)</u>
<b>Cash flows from financing activities:</b>			
Net proceeds from revolving line of credit	9,400	5,950	—
Proceeds from equipment notes	414	—	—
Payments on borrowings	—	(1,500)	(1,500)
Redemption (purchase) of short-term investment	744	(1,413)	—
Proceeds from issuance of common stock upon exercise of options and warrants, net of shares surrendered during exercises	(17)	140	356
Excess tax benefit from exercise of non-qualified stock options	45	121	1,912
Net cash provided by financing activities	<u>10,586</u>	<u>3,298</u>	<u>768</u>
Effect of changes in foreign exchange rates on cash and cash equivalents	<u>261</u>	<u>(1,991)</u>	<u>679</u>
Net increase (decrease) in cash and cash equivalents	1,067	(8,821)	1,302
Cash and cash equivalents, beginning of year	5,063	13,884	12,582
Cash and cash equivalents, end of year	<u>\$ 6,130</u>	<u>\$ 5,063</u>	<u>\$ 13,884</u>

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., a Texas corporation (the “Company”), was incorporated in 1987. The Company, through its wholly owned Canadian subsidiary, Mitcham Canada, Ltd. (“MCL”), its wholly owned Russian subsidiary, Mitcham Seismic Eurasia LLC (“MSE”) and its branch operations in Colombia and Peru, provides full-service equipment leasing, sales and service to the seismic industry worldwide. 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 Southeast Asia and Australia. The Company, through its wholly owned subsidiary, Seemap International Holdings Pte. Ltd. (“Seemap”), designs, manufactures and sells a broad range of proprietary products for the seismic, hydrographic and offshore industries with product sales and support facilities based in Huntsville, Texas, Singapore and the United Kingdom. All intercompany transactions and balances have been eliminated in consolidation.

*Revenue Recognition of Leasing Arrangements* — The Company leases various types of seismic equipment to seismic data acquisition companies. The majority of leases at January 31, 2010 and 2009 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 embedded maintenance obligations. The standard lease provides that the lessee is responsible for maintenance and repairs to the equipment, excluding normal 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.

*Revenue Recognition of Equipment Sales* — Revenues and cost of goods sold from the sale of equipment is recognized upon acceptance of terms and when delivery has occurred, unless there is a question as to its collectability. In cases where the equipment sold is manufactured by others, the Company reports revenues at gross because the Company (a) is the obligor in the sales arrangement; (b) has full latitude in pricing the product for sale; (c) has general inventory risk should there be a problem with the equipment being sold to the customer or if the customer does not complete payment for the items purchased; (d) has discretion in supplier selection if the equipment ordered is not unique to one manufacturer; and (e) assumes credit risk for the equipment sold to its customers.

*Revenue Recognition of Long-term Projects* — From time to time, SAP enters into contracts whereby it assembles and sells certain marine equipment, primarily to governmental entities. Performance under these contracts generally occurs over a period of several months. Revenue and costs related to these contracts are accounted for under the percentage of completion method, based on estimated physical completion.

*Contracts receivable* — In connection with the sale of seismic equipment, the Company will from time to time accept a contract receivable as partial consideration. These contracts bear interest at a market rate and generally have terms of less than two years and are collateralized by a security interest in the equipment sold. Interest income on contracts receivable is recognized when accrued, unless there is a question as to collectability in which case it is recognized when received.

*Allowance for doubtful accounts* — Trade receivables are uncollateralized customer obligations due under normal trade terms. The carrying amount of trade receivables and contracts receivable is reduced by a valuation allowance that reflects management’s estimate of the amounts that will not be collected, based on age of the receivable, payment history of the customer, general financial condition of the customer and any financial or operational leverage the Company may have in a particular situation. Amounts are written-off when collection is deemed unlikely. Past due amounts are determined based on contractual terms.

*Cash and Cash Equivalents* — The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

*Short-term Investments* — The Company considers all highly liquid investments with an original maturity greater than three months, but less than twelve months, to be short-term investments.

**Mitcham Industries, Inc.**

**Notes to Consolidated Financial Statements — (Continued)**

*Inventories* — Inventories are stated at the lower of average cost (which approximates first-in, first-out) or market. An allowance for obsolescence is maintained to cover any materials or parts that may become obsolete. Inventories are periodically monitored to ensure that the reserve for obsolescence covers any obsolete items.

*Seismic Equipment Lease Pool* — Seismic equipment held for lease consists primarily of recording channels 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 are five to seven years for channel boxes and two to ten years for other peripheral equipment. As this equipment is subject to technological obsolescence and wear and tear, no salvage value is assigned to it. The Company continues to lease seismic equipment after it has been fully depreciated if it remains in acceptable condition and meets acceptable technical standards. This fully depreciated equipment remains in fixed assets on its books. The cost and accumulated depreciation of fully depreciated assets that are not expected to generate future revenues are removed from the Company's books.

*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 30 years and property improvements are amortized over 10 years. Leasehold improvements are amortized over the shorter of useful life or the life of the respective leases. No salvage value is assigned to property and equipment.

*Intangible Assets* — Intangible assets are carried at cost, net of accumulated amortization. Amortization is computed on a straight-line method over the estimated life of the asset. Covenants-not-to-compete are amortized over a three-year period. Proprietary rights are amortized over a 12.5 to 15-year period.

*Impairment* — The Company applies ASC 360-10, *Impairment or Disposal of Long-Lived Assets* ("ASC 360-10"), to its long-lived assets, including its amortizable intangible assets. ASC 360-10 requires that long-lived assets be measured at the lower of carrying amount or fair value less cost to sell. The Company, under guidance of ASC 350, *Intangibles-Goodwill and Other*, performs an impairment test on goodwill on an annual basis. No impairment charges related to long-lived assets or goodwill were recorded during fiscal 2010, 2009 or 2008.

*Product Warranties* — Seemap provides its customers warranty against defects in materials and workmanship generally for a period of three months after delivery of the product. The Company maintains an accrual for potential warranty costs based on historical warranty claims. For the year ended January 31, 2010 warranty expense amounted to approximately \$281,000. Such claims were not material during the years ended January 31, 2009 and 2008.

*Income Taxes* — The Company accounts for income 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. Deferred tax assets and liabilities are determined based on temporary differences between income and expenses reported for financial reporting and tax reporting. The Company has assessed, using all available positive and negative evidence, the likelihood that the deferred tax assets will be recovered from future taxable income.

Under ASC 740 *Income Taxes* ("ASC 740"), an enterprise must use judgment in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. The more negative evidence that exists (a) the more positive evidence is necessary and (b) the more difficult it is to support a conclusion that a valuation allowance is not needed for some portion of, or all of, the deferred tax asset. Among the more significant types of evidence considered are:

- taxable income projections in future years;
- whether the carry forward period is so brief that it would limit realization of tax benefits;

Mitcham Industries, Inc.

Notes to Consolidated Financial Statements — (Continued)

- future sales and operating cost projections that will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures; and
- earnings history exclusive of the loss that created the future deductible amount coupled with evidence indicating that the loss is an aberration rather than a continuing condition.

Effective February 1, 2007, the Company adopted certain provisions of ASC 740 requiring that the financial statement effects of a tax position taken or expected to be taken in a tax return to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The cumulative effect of applying these provisions was \$4,635,000 and was recorded as an adjustment to the February 1, 2007 balance of retained earnings. See Note 11 for further discussion.

*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, depreciable lives of fixed assets and intangible assets, impairment of fixed assets and intangible assets and the valuation of stock options. 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.

Substantial judgment is necessary in the determination of the appropriate levels for the Company's allowance for doubtful accounts because of the extended payment terms the Company often offers to its customers and the limited financial wherewithal of many of these customers. As a result, the Company's allowance for doubtful accounts could change in the future, and such change could be material to the financial statements taken as a whole. The Company must also make substantial judgments regarding the valuation allowance on deferred tax assets. The Company is required to record a valuation allowance to reduce its net deferred tax assets to the amount that the Company believes is more likely than not to be realized. In assessing the need for a valuation allowance, the Company has considered all positive and negative evidence, including scheduled reversals of deferred tax liabilities, prudent and feasible tax planning strategies, projected future taxable income and recent financial performance.

*Fair Value of Financial Instruments* — The Company's financial instruments consist of trade receivables, contracts receivable and accounts payable. Due to the short maturities of these financial instruments, the Company believes that their fair value approximates their carrying amounts.

*Foreign Currency Translation* — All balance sheet accounts of the Canadian, Australian, Singaporean, United Kingdom and Russian subsidiaries have been translated at the current exchange rate as of the end of the accounting period. Statement of operations 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.

*Stock-Based Compensation* — Effective February 1, 2006, the Company adopted the provisions of authoritative guidance included in ASC 718 *Compensation-Stock Compensation* ("ASC 718") using the modified prospective transition method. Under this method, stock-based compensation expense recognized for share-based awards during the fiscal year ended January 31, 2010, 2009 and 2008 includes (a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of, February 1, 2006, based on the grant date fair value estimated in accordance with authoritative guidance in effect prior to February of 2006, and (b) compensation expense for all stock-based compensation awards granted subsequent to February 1, 2006, based on the grant date fair value estimated in accordance with the provisions of authoritative guidance included in ASC 718.

Mitcham Industries, Inc.

Notes to Consolidated Financial Statements — (Continued)

*Earnings Per Share* — Net income per basic common share is computed using the weighted average number of common shares outstanding during the period. Net income per diluted common share is computed using the weighted average number of common shares and potential common shares outstanding during the period. Potential common shares result from the assumed exercise of outstanding common stock options having a dilutive effect using the treasury stock method, from unvested shares of restricted stock using the treasury stock method and from outstanding common stock warrants. For the fiscal years ended January 31, 2010, 2009 and 2008, the following table sets forth the number of dilutive shares that may be issued pursuant to options, restricted stock and warrants outstanding used in the per share calculations.

	Years Ended January 31,		
	2010	2009 (In thousands)	2008
Stock options	155	414	554
Restricted stock	6	14	23
Phantom stock	3	9	—
Warrants	—	—	7
Total dilutive shares	<u>164</u>	<u>437</u>	<u>584</u>

Anti-dilutive weighted shares of potential common stock of 1,019,000, 615,000 and 222,000 for the fiscal years ended January 31, 2010, 2009 and 2008, respectively, have been excluded from the effect of dilutive shares.

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

**2. New Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”). GAAP will no longer be issued in the form of an “accounting standard,” but rather as an update to the applicable “topic” or “subtopic” within the codification. As such, accounting guidance will be classified as either “authoritative” or “nonauthoritative” based on its inclusion or exclusion from the codification. The codification will be the single source of authoritative United States accounting and reporting standards, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. The codification of GAAP is effective for interim or annual periods ending after September 15, 2009. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated in the ASC through *Accounting Standards Updates* (“ASU”).

ASC 805 *Business Combinations* (“ASC 805”) includes authoritative guidance requiring assets and liabilities recorded in a business combination to be recorded at fair value and is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application was not permitted before that date. This guidance replaces the cost-allocation process used to record business combinations under prior guidance. In addition, ASC 805 requires separate recognition of acquisition costs and of contractual contingencies at fair value as of the acquisition date. Further, the guidance requires capitalization of research and development assets and requires fair value recognition of contingent consideration as of the acquisition date. This guidance will change the accounting treatment for any business combination undertaken by the Company after February 1, 2009.

In the second quarter of 2009, the Company adopted guidance included in ASC 855 *Subsequent Events* (“ASC 855”), which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. ASC 855 provides guidance on the period after the balance sheet date during which management of a reporting entity should evaluate events or



**Mitcham Industries, Inc.**

**Notes to Consolidated Financial Statements — (Continued)**

transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The application of ASC 855 had no impact on the Company's consolidated financial statements.

**3. Restricted Cash**

In connection with certain contracts, SAP has pledged approximately \$605,000 in short-term time deposits as of January 31, 2010 to secure performance obligations under those contracts. The amount of security will be released as the contract obligations are performed over the remaining term of the contact, which is estimated to be three to six months. As the investment in the short-term time deposits relates to a financing activity, the securing of contract obligations, this transaction is reflected as a financing activity in the accompanying consolidated statements of cash flows.

**4. Supplemental Statements of Cash Flows Information**

Supplemental disclosures of cash flows information for the years ended January 31, 2010, 2009 and 2008 are as follows (in thousands):

	Years Ended January 31,		
	2010	2009	2008
Interest paid	\$ 627	\$ 306	\$ 233
Income taxes paid, net	3,209	4,574	968
Seismic equipment purchases included in accounts payable at year-end	4,879	11,964	8,566
Stock issued for accrued compensation	250	—	—

**5. Inventories**

Inventories, stated at the lower of average cost (which approximates first-in, first-out) or market, consisted of the following (in thousands):

	As of January 31,	
	2010	2009
Raw materials	\$ 2,695	\$ 2,309
Finished goods	2,171	1,593
Work in progress	1,016	834
Cost of inventories	5,882	4,736
Less allowance for obsolescence	(683)	(964)
Net inventories	<u>\$ 5,199</u>	<u>\$ 3,772</u>

**6. Contracts Receivable**

Contracts receivable consisted of \$6,606,000, due from five customers as of January 31, 2010 and \$4,642,000 due from three customers as of January 31, 2009. Long-term contracts receivable, at January 31, 2010 and 2009 includes approximately \$3,217,000 and \$3,806,000, respectively, related to a contract receivable from a customer that has defaulted on this contract. The Company is in the process of repossessing the equipment that was pledged as collateral for the obligation. The carrying value of this account has been reduced to the fair market value of the equipment, less the estimated cost to procure the equipment. The Company expects to place the equipment recovered in its lease pool of equipment and accordingly has classified this amount as a non-current asset. The

**Mitcham Industries, Inc.**

**Notes to Consolidated Financial Statements — (Continued)**

balance of contracts receivable at January 31, 2010 and 2009 consists of contracts bearing interest at an average of approximately 12% and with remaining repayment terms from 4 to 29 months. These contracts are collateralized by the equipment sold and are considered collectable, thus no allowances have been established for them.

**7. Seismic Equipment Lease Pool and Property and Equipment**

Seismic equipment lease pool and property and equipment consisted of the following (in thousands):

	As of January 31,	
	2010	2009
Recording channels	\$ 81,507	\$ 74,630
Other peripheral equipment	70,414	52,437
Cost of seismic equipment lease pool	<u>151,921</u>	<u>127,067</u>
Land and buildings	366	366
Furniture and fixtures	6,305	5,380
Autos and trucks	526	469
Cost of property and equipment	<u>7,197</u>	<u>6,215</u>
Cost of seismic equipment lease pool and property and equipment	159,118	133,282
Less accumulated depreciation	<u>(92,636)</u>	<u>(69,031)</u>
Net book value of seismic equipment lease pool and property and equipment	<u>\$ 66,482</u>	<u>\$ 64,251</u>

	As of January 31,	
	2010	2009
Location of seismic equipment lease pool and property and equipment (in thousands):		
United States	\$ 40,448	\$ 45,942
South America	10,052	—
Canada	7,056	13,857
Australia	4,360	1,626
Russia	3,906	1,920
Singapore	433	543
United Kingdom	227	363
Net book value of seismic equipment lease pool and property and equipment	<u>\$ 66,482</u>	<u>\$ 64,251</u>

Mitcham Industries, Inc.

Notes to Consolidated Financial Statements — (Continued)

8. Goodwill and Other Intangible Assets

	Weighted Average Remaining Life at 1/31/10	As of January 31,					
		2010			2009		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(In thousands)							
Goodwill		\$ 4,320		\$ 4,320			
Proprietary rights	10.4	\$ 3,516	\$ (838)	\$ 2,678	\$ 3,313	\$ (569)	\$ 2,744
Covenants not-to-compete	—	1,000	(1,000)	—	1,000	(1,000)	—
Amortizable intangible assets		\$ 4,516	\$ (1,838)	\$ 2,678	\$ 4,313	\$ (1,569)	\$ 2,744

In December 2007, the Company acquired all intellectual proprietary rights related to the source controller software utilized in the Seamap GunLink product line from Tanglesolve Instrumentation Ltd. (Tanglesolve) for £1,400,000 (approximately \$2,784,000). This software had been developed by Tanglesolve under a cooperation agreement with Seamap. The acquired proprietary rights were assigned a life of 12.5 years, which equates to the remaining life of the GunLink design, as the software is an integral part of the design.

Amortizable intangible assets are amortized over their estimated useful lives of three to 15 years using the straight-line method. Aggregate amortization expense was \$253,000, \$410,000 and \$471,000 for the years ended January 31, 2010, 2009 and 2008, respectively. As of January 31, 2010, future estimated amortization expense related to amortizable intangible assets is estimated to be (in thousands):

For fiscal years ending January 31,:	
2011	\$ 253
2012	253
2013	253
2014	253
2015	253
Thereafter	1,413
Total	\$ 2,678

As of January 31, 2010, the Company had goodwill of \$4,320,000. No impairment has been recorded against the goodwill account.

9. Long-Term Debt and Notes Payable

Long-term debt and notes payable consist of the following (in thousands):

	As of January 31,	
	2010	2009
Revolving line of credit	\$ 15,350	\$ 5,950
SAP equipment notes	478	—
	15,828	5,950
Less current portion	(93)	—
Long-term debt	\$ 15,735	\$ 5,950

On September 24, 2008, the Company entered into a new credit agreement with First Victoria Bank (the "Bank") which replaced the Company's existing \$12,500,000 agreement with the Bank. The new credit agreement

**Mitcham Industries, Inc.**

**Notes to Consolidated Financial Statements — (Continued)**

provides for borrowings of up to \$25,000,000 on a revolving basis through September 24, 2010. In March 2010, the agreement was amended to extend the maturity date to April 30, 2011. The Company may, at its option, convert any or all balances outstanding under the revolving credit facility into a series of term notes with monthly amortization over 48 months. Amounts available for borrowing are determined by a borrowing base. The borrowing base is computed based upon certain outstanding accounts receivable, certain portions of the Company's lease pool and any lease pool assets that are to be purchased with proceeds from the facility. The revolving credit facility and any term loan are collateralized by essentially all of the Company's domestic assets. Interest is payable monthly at prime, which was 3.25% at January 31, 2010. Up to \$5,000,000 of the revolving facility may be utilized to secure letters of credit. The credit agreement contains certain financial covenants that require, among other things, for the Company to maintain a debt to shareholders' equity ratio of no more than 0.7 to 1.0, maintain a current assets to current liabilities ratio of not less than 1.25 to 1.0; have quarterly earnings before interest, taxes, depreciation and amortization ("EBITDA") of not less than \$2,000,000; all with which the Company complied. The credit agreement also provides that the Company may not incur or maintain indebtedness in excess of \$1,000,000 without the prior written consent of the Bank, except for borrowings related to the credit agreement.

During the year ended January 31, 2010, SAP entered into two notes payable to finance the purchase of certain equipment. The notes, which are secured by the equipment purchased, bear interest at 7.4% and 7.9% and are due through July 2014 and February 2011, respectively.

In connection with the Seemap acquisition in July 2005, the Company issued \$3,000,000 in promissory notes payable to the former shareholders of Seemap. A partial principal payment of \$637,000 was made in February 2008 and the remaining principal payment of \$863,000 was made in July 2008.

**10. Shareholders' Equity**

The Company has 1,000,000 shares of preferred stock authorized, none of which were outstanding as of January 31, 2010 and 2009. 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 10,737,000 and 10,725,000 are issued as of January 31, 2010 and 2009, respectively.

During the years ended January 31, 2010, 2009 and 2008, approximately 2,000, 1,000 and 2,000 shares, respectively, were surrendered in exchange for payment of taxes due upon the vesting of restricted shares. The shares had an average fair value of \$7.40, \$13.75 and \$16.36, respectively.

**Mitcham Industries, Inc.**  
**Notes to Consolidated Financial Statements — (Continued)**

**11. Income Taxes**

	Years Ended January 31,		
	2010	2009 (In thousands)	2008
Income (loss) before income taxes is attributable to the following jurisdictions:			
Domestic	\$ (3,342)	\$ 3,574	\$ 6,297
Foreign	3,981	8,581	10,630
Total	<u>\$ 639</u>	<u>\$ 12,155</u>	<u>\$ 16,927</u>
The components of income tax expense (benefit) were as follows:			
Current:			
Domestic	\$ (821)	\$ (70)	\$ 3,181
Foreign	1,060	1,963	1,204
	239	1,893	4,385
Deferred:			
Domestic	74	469	(898)
Foreign	(194)	728	2,001
	(120)	1,197	1,103
Income tax expense	<u>\$ 119</u>	<u>\$ 3,090</u>	<u>\$ 5,488</u>

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

	Years Ended January 31,		
	2010	2009 (In thousands)	2008
Federal income tax expense at 34%	\$ 217	\$ 4,133	\$ 5,755
Decrease in foreign effective tax rate	69	213	26
Foreign exchange gain	—	—	76
Permanent differences	(14)	245	42
Foreign effective tax rate differential	(565)	(785)	(567)
Recognition of tax benefits upon resolution of uncertain tax positions	—	(1,083)	—
Potential tax, penalties and interest resulting from uncertain tax positions	270	399	406
Undistributed earnings of foreign affiliates	174	—	—
Other	(32)	(32)	(250)
	<u>\$ 119</u>	<u>\$ 3,090</u>	<u>\$ 5,488</u>

**Mitcham Industries, Inc.**  
**Notes to Consolidated Financial Statements — (Continued)**

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

	As of January 31,	
	2010	2009
	(In thousands)	
<b>Deferred tax assets:</b>		
Net operating losses	\$ 1,407	\$ 1,076
Tax credit carry forwards	2,521	2,371
Stock option book expense	2,235	2,018
Allowance for doubtful accounts	1,214	985
Allowance for inventory obsolescence	210	199
Accruals not yet deductible for tax purposes	347	471
Other	325	27
<b>Gross deferred tax assets</b>	<b>8,259</b>	<b>7,147</b>
Valuation allowance	—	—
<b>Deferred tax assets</b>	<b>8,259</b>	<b>7,147</b>
<b>Deferred tax liabilities:</b>		
Undistributed earnings of controlled foreign corporations not permanently reinvested	(2,944)	(2,587)
Fixed assets	(1,708)	(1,241)
Non-deductible intangible assets	(379)	(374)
Other	(371)	(198)
<b>Deferred tax liabilities</b>	<b>(5,402)</b>	<b>(4,400)</b>
Effect of uncertain tax positions	(1,369)	(1,097)
<b>Total deferred tax assets, net</b>	<b>\$ 1,488</b>	<b>\$ 1,650</b>

During the year ended January 31, 2010, certain stock based compensation agreements were settled or expired such that the book expense related to these agreements exceeded the tax deduction received by the Company. Accordingly, the deferred tax asset related to these items was reduced by approximately \$346,000, which reduced additional paid-in capital.

As of January 31, 2010, the Company had a domestic net operating loss of approximately \$3,670,000 which it intends to carry back to the year ended January 31, 2008, resulting in an income tax receivable of \$1,248,000.

The Company had Canadian net operating loss carry forwards of approximately \$4,909,000 (Canadian \$5,228,000) as of January 31, 2010. The Canadian net operating losses will begin to expire in 2011.

The Company had Australian foreign tax withholding credit carry forwards of approximately \$40,000 (Australian \$46,000) as of January 31, 2010. The Australian foreign tax withholding credits will begin to expire in 2011. The Company also recorded a deferred tax asset for potential foreign tax credits associated with undistributed earnings of controlled foreign corporations not permanently reinvested of approximately \$2,104,000.

The Company's Canadian income tax returns for the years ended January 31, 2004, 2005 and 2006 have been examined by Canadian tax authorities. Assessments for those years and for the effect of certain matters in subsequent years totaling approximately \$7,400,000 have been issued. The issues involved relate primarily to the deductibility of depreciation charges and whether those deductions should be taken in Canada or in the United States. Accordingly, the Company has filed requests for competent authority assistance with the Canadian Revenue Agency ("CRA") and with the IRS seeking to avoid potential double taxation. In addition, the Company has filed a

**Mitcham Industries, Inc.**

**Notes to Consolidated Financial Statements — (Continued)**

protest with the CRA and the Province of Alberta. In connection with this protest the Company was required to make a prepayment of approximately \$2,600,000 against the assessment.

As of January 31, 2010 and 2009, the Company had unrecognized tax benefits amounting to approximately \$4,627,000 and \$4,357,000, respectively, attributable to uncertain tax positions. The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. The unrecognized tax benefits attributable to uncertain tax positions include accrued interest and penalties of \$1,300,000 and \$1,562,000 as of January 31, 2010 and January 31, 2009, respectively. Included in income tax expense for the year ended January 31, 2010 is a benefit of \$262,000 from the reduction in the estimated penalties and interest attributable to uncertain tax positions. Included in income tax expense for the year ended January 31, 2009 is a benefit of \$1,083,000 resulting from the resolution of uncertain tax positions and expense of \$399,000 related to potential penalties and interest. Income tax expense for the year ended January 31, 2008 includes \$406,000 attributable to uncertain tax positions, including \$390,000 of potential penalties and interest.

The Company does not believe that it is reasonably possible that any material amounts of uncertain tax positions will be resolved within the next twelve months.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding potential penalties and interest, is as follows:

	Years Ended January 31,		
	2010	2009	2008
	(In thousands)		
Unrecognized tax benefits as beginning of period	\$ (2,795)	\$ (3,878)	\$ (3,862)
Increases as a result of tax positions taken in prior years	(532)	—	(16)
Increases as a result of tax positions taken in current year	—	—	—
Settlements	—	—	—
Lapse of statute of limitations	—	1,083	—
Unrecognized tax benefits as of end of period	\$ (3,327)	\$ (2,795)	\$ (3,878)

Recognition of the unrecognized tax benefits of \$3,327,000 would have an effect on the effective tax rate.

The Company files U.S. federal income tax returns as well as separate returns for its foreign subsidiaries within their local jurisdictions. The Company's tax returns may be subject to examination by the Internal Revenue Service ("IRS") for fiscal years ended January 31, 2007 through 2009. Additionally, any net operating losses that were generated in prior years and utilized in these years may also be subject to examination by the IRS. The Company's tax returns may also be subject to examination by state and local revenue authorities for fiscal years ended January 31, 2005 through 2009.

**12. Commitments and Contingencies**

*Purchase Obligations* — At January 31, 2010, the Company had approximately \$3,984,000 in purchase orders outstanding. The purchase orders were issued in the normal course of business, and are expected to be fulfilled within 180 days of January 31, 2010.

**13. Stock Option Plans**

Effective February 1, 2006, the Company adopted the provisions of authoritative guidance included in ASC 718 using the modified prospective transition method. Under this method, stock-based compensation expense recognized for share-based awards includes (a) compensation expense for all stock-based compensation awards granted prior to, but not yet vested as of, February 1, 2006, based on the grant date fair value estimated in accordance with the authoritative guidance in effect prior to February 1, 2006, and (b) compensation expense for all stock-based

**Mitcham Industries, Inc.****Notes to Consolidated Financial Statements — (Continued)**

compensation awards granted subsequent to February 1, 2006, based on the grant date fair value estimated in accordance with the provisions of ASC 718.

At January 31, 2010, the Company had stock-based compensation plans as described in more detail below. The total compensation expense related to stock-based awards granted under these plans during the years ended January 31, 2010, 2009 and 2008, was approximately \$1,401,000, \$2,185,000 and \$2,253,000, respectively. The Company recognizes stock-based compensation costs net of a forfeiture rate for only those shares expected to vest over the requisite service period of the award. The Company estimated the forfeiture rate based on its historical experience regarding employee terminations and forfeitures.

The fair value of each option award is estimated as of the date of grant using a Black-Scholes-Merton option pricing formula. Expected volatility is based on historical volatility of the Company's stock over a preceding period commensurate with the expected term of the option. The expected term is based upon historical exercise patterns. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield was not considered in the option pricing formula since the Company does not pay dividends and has no plans to do so in the future. The weighted average grant-date fair value of options granted during the years ended January 31, 2010, 2009 and 2008 was \$4.80, \$16.41 and \$9.79, respectively. The assumptions for the periods indicated are noted in the following table.

**Weighted average Black-Scholes-Merton fair value assumptions**

	Years Ended January 31,		
	2010	2009	2008
Risk free interest rate	2.21 - 2.36%	3.19%	2.9 - 4.9%
Expected life	2.9 - 5.5 yrs	3.4 - 5.4 yrs	3.4 - 5.9 yrs
Expected volatility	60 - 61%	50%	53 - 58%
Expected dividend yield	0.0%	0.0%	0.0%

ASC 718 requires that cash flows resulting from tax benefits attributable to tax deductions in excess of the compensation expense recognized for those options (excess tax benefits) be classified as financing in-flows and operating out-flows. The Company had excess tax benefits of approximately \$45,000, \$121,000 and \$1,912,000 during the years ended January 31, 2010, 2009 and 2008, respectively.

The Company has share-based awards outstanding under five different plans: the 1994 Stock Option Plan ("1994 Plan"), the 1998 Amended and Restated Stock Awards Plan ("1998 Plan"), the 2000 Stock Option Plan ("2000 Plan"), the Mitcham Industries, Inc. Stock Awards Plan ("2006 Plan") and the 1994 Non-Employee Director Plan ("Director Plan"), (collectively, the "Plans"). Stock options granted and outstanding under each of the plans generally vest evenly over three years (except for the Director Plan, under which options generally vest after one year) and have a 10-year contractual term. The exercise price of a stock option generally is equal to the fair market value of the Company's common stock on the option grant date. All Plans except for the 2006 Plan have been closed for future grants. All shares available but not granted under the 1998 Plan and the 2000 Plan as of the date of the approval of the 2006 Plan were transferred to the 2006 Plan. As of January 31, 2010, there were approximately 445,000 shares available for grant under the 2006 Plan. The 2006 Plan provides for awards of nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units and phantom stock. New shares are issued for restricted stock and upon the exercise of options.



Mitcham Industries, Inc.

Notes to Consolidated Financial Statements — (Continued)

Stock Based Compensation Activity

The following table presents a summary of the Company's stock option activity for the year ended January 31, 2010:

	Number of Shares (In Thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Thousands)
<b>Outstanding, January 31, 2009</b>	1,489	\$ 10.26		
Granted	270	4.80		
Exercised	—	—		
Forfeited	(162)	18.88		
Expired	(71)	3.56		
<b>Outstanding, January 31, 2010</b>	<u>1,526</u>	\$ 8.69	5.89	\$ 2,494
<b>Exercisable at January 31, 2010</b>	<u>1,112</u>	\$ 8.63	4.73	\$ 1,804
<b>Vested and expected to vest at January 31, 2010</b>	<u>1,511</u>	\$ 8.73	5.84	\$ 2,455

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the fourth quarter of fiscal 2010 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on January 31, 2010. This amount changes based upon the fair market value of the Company's common stock. Total intrinsic value of options exercised for the years ended January 31, 2009 and 2008 was \$163,000 and \$1,064,000, respectively. The fair value of options that vested during the years ended January 31, 2010, 2009 and 2008 was approximately \$1,981,000, \$1,631,000 and \$1,017,000, respectively. For the year ended January 31, 2010, approximately 228,000 options vested.

As of January 31, 2010, there was approximately \$826,000 of total unrecognized compensation expense related to unvested stock options granted under the Company's share-based compensation plans. That expense is expected to be recognized over a weighted average period of 1.2 years.

During the year ended January 31, 2010 no cash was received from the exercise of options.

Restricted stock and phantom awards as of January 31, 2010 and changes during the year ended January 31, 2010 were as follows:

	Year Ended January 31, 2010	
	Number of Shares (In Thousands)	Weighted Average Grant Date Fair Value
Unvested, beginning of period	33	\$ 17.47
Granted	—	—
Vested	(33)	17.47
Canceled	—	—
Unvested, end of period	<u>—</u>	<u>—</u>

As of January 31, 2010, there was no unrecognized stock-based compensation expense related to unvested restricted stock awards.

Mitcham Industries, Inc.

Notes to Consolidated Financial Statements — (Continued)

14. Segment Reporting

The following information is disclosed as required by ASC 280, *Segment Reporting*.

The Equipment Leasing segment offers for lease or sale, new and “experienced” seismic equipment to the oil and gas industry, seismic contractors, environmental agencies, government agencies and universities. The Equipment Leasing segment is headquartered in Huntsville, Texas, with sales and services offices in Calgary, Canada; Brisbane, Australia; Ufa, Bashkortostan, Russia.

On July 12, 2005, the Company acquired 100% of the outstanding common stock of Seamap. Seamap is engaged in the design, manufacture and sale of state-of-the-art seismic and offshore telemetry systems. Manufacturing, support and sales facilities are maintained in the UK and Singapore with a sales office in Huntsville, Texas.

Financial information by business segment is set forth below net of any allocations (in thousands):

	As of January 31, 2010			As of January 31, 2009			As of January 31, 2008		
	Equipment Leasing	Seamap	Consolidated	Equipment Leasing	Seamap	Consolidated	Equipment Leasing	Seamap	Consolidated
Fixed assets, net	\$ 66,214	\$ 661	\$ 66,482	\$ 63,888	\$ 905	\$ 64,251	\$ 52,560	\$ 1,209	\$ 53,179
Intangible assets, net	—	2,678	2,678	—	2,744	2,744	—	3,692	3,692
Goodwill	—	4,320	4,320	—	4,320	4,320	—	4,358	4,358

	For the Years Ended January 31, 2010			For the Years Ended January 31, 2009			For the Years Ended January 31, 2008		
	Equipment Leasing	Seamap	Consolidated	Equipment Leasing	Seamap	Consolidated	Equipment Leasing	Seamap	Consolidated
Revenues	\$ 34,605	\$ 20,993	\$ 55,172	\$ 49,903	\$ 17,346	\$ 66,812	\$ 51,701	\$ 25,383	\$ 76,421
Interest income (expense), net	(418)	3	(415)	325	25	350	720	(235)	479
Income (loss) before taxes	(4,293)	5,832	639	9,452	226	12,155	15,422	1,562	16,927
Capital expenditures	27,130	56	27,186	31,818	593	32,411	31,013	407	30,853
Depreciation and amortization expense	18,013	727	18,740	15,402	1,129	16,531	10,948	1,075	11,879

Approximately \$426,000, \$437,000 and \$663,000 related to sales from Seamap to the Equipment Leasing segment is eliminated in the consolidated revenues for the fiscal years 2010, 2009 and 2008, respectively. Consolidated income before taxes reflect the elimination of profit (loss) from intercompany sales of \$(19,000), \$158,000 and \$57,000 for the fiscal years 2010, 2009 and 2008, respectively. Capital expenditures and fixed assets are reduced by approximately \$37,000, \$117,000 and \$567,000 for the fiscal years 2010, 2009 and 2008, respectively, which represents the difference between the sales price and the cost to manufacture the equipment.

**Mitcham Industries, Inc.**  
**Notes to Consolidated Financial Statements — (Continued)**

**15. Quarterly Financial Data (Unaudited)**

	Fiscal Year	Quarters Ended:			
		April 30	July 31	October 31	January 31
Net revenues:	2010	\$ 10,605	\$ 12,677	\$ 14,530	\$ 17,360
	2009	\$ 18,534	\$ 17,495	\$ 14,548	\$ 16,235
Gross profit:	2010	3,772	3,332	6,165	4,856
	2009	11,628	7,114	7,260	6,642
Income before income taxes:	2010	46	(1,438)	1,414	617
	2009	6,513	2,546	2,721	375
Incomes taxes (benefit):	2010	126	(428)	388	33
	2009	2,235	921	(20)	(46)
Net income (loss):	2010	(80)	(1,010)	1,026	584
	2009	4,278	1,625	2,741	421
Income per common share — basic:	2010	\$ (0.01)	\$ (0.10)	\$ 0.10	\$ 0.06
	2009	\$ 0.44	\$ 0.17	\$ 0.28	\$ 0.04
Income per common share — diluted:	2010	\$ (0.01)	\$ (0.10)	\$ 0.10	\$ 0.06
	2009	\$ 0.41	\$ 0.16	\$ 0.27	\$ 0.04

**16. Leases**

The Company leases 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 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, 2010 and 2009 that are not reflected in the accompanying consolidated financial statements.

The Company leases seismic equipment, as well as other equipment from others under operating leases. Lease expense incurred by the Company in connection with such leases amounted to approximately \$714,000, \$462,000 and \$749,000 for the years ended January 31, 2010, 2009 and 2008, respectively.

The Company leases its office and warehouse facilities in Canada, Australia, Singapore, United Kingdom and Russia under operating leases. Office rental expense for the years ended January 31, 2010, 2009 and 2008 was approximately \$862,000, \$762,000 and \$731,000, respectively.

Aggregate minimum lease payments for non-cancelable operating leases are as follows (in thousands):

For fiscal years ending:

2011	\$ 634
2012	\$ 882
2013	\$ 618
2014	\$ 452
2015	\$ 134
Thereafter	\$ 34

**Mitcham Industries, Inc.**

**Notes to Consolidated Financial Statements — (Continued)**

**17. Concentrations**

*Credit Risk* — As of January 31, 2010 and 2009, amounts due from customers that exceeded 10% of consolidated accounts receivable amounted to an aggregate of approximately \$5,091,000 from two customers and \$2,186,000 from one customer, respectively.

The Company maintains deposits and certificates of deposit with banks which exceed the Federal Deposit Insurance Corporation (“FDIC”) insured limit and money market accounts which are not FDIC insured. In addition, deposits aggregating approximately \$6,000,000 at January 31, 2010 are held in foreign banks. 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 is dependant in large part on the expected future prices of oil and natural gas. Prior to the fourth quarter of fiscal 2009, the industry enjoyed a period of growth due to increases in the prices for oil and natural gas and the extended outlook for such pricing. Since that time there has been a decline in the price of oil and natural gas and a resulting decline of activity within the oil and gas industry. Should such conditions continue, the Company could be subject to significantly greater credit risk and declining demand for its products and 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 requested by its customers and maintaining the existing equipment in accordance with manufacturers’ specifications.

**18. Subsequent Events**

The Company has evaluated subsequent events through the date the accompanying financial statements were issued. Except as noted below there are no subsequent events that require disclosure.

On March 1, 2010, MCL acquired all of the capital stock of Absolute Equipment Solutions, Inc. (“AES”) for a total purchase price of Cdn\$4,000,000 (approximately U.S. \$3,800,000). AES manufactures, sells and leases “heli-pickers” and associated equipment that is utilized in the deployment and retrieval of seismic equipment by helicopters. The Company made this acquisition in order to expand the type of equipment available to its customers and to expand its markets. The consideration consisted of cash paid at closing in the amount of Cdn\$2,200,000 (approximately U.S. \$2,090,000), promissory notes in the amount of Cdn\$1,500,000 (approximately U.S. \$1,425,000) and deferred cash payments in the amount of Cdn\$300,000. The promissory notes bear interest at 6% annually, payable semi-annually. The principal amount of the notes is repayable in two equal installments on March 1, 2011 and 2012. The deferred cash payments will be made upon the expiration of certain indemnity periods. MCL may offset amounts due pursuant to the promissory notes or the deferred cash payment against indemnity claims due from the sellers. In addition, the sellers may be entitled to additional cash payments of up to Cdn\$750,000 should AES attain certain levels of revenues during the 24-months following the acquisition, as specified in the agreement. The agreement also provides for a post closing working capital adjustment to the extent that working capital as of the closing date is less than, or greater than Cdn\$150,000.

As of April 9, 2010, the Company is in the process of finalizing the valuations necessary to complete the accounting for this transaction. Therefore, the Company has not completed the accounting for this transaction pursuant to ASC 805. Disclosures of the following information are not practicable because they require the determination of the fair value of the assets acquired, liabilities assumed and agreed upon contingent consideration:

- Amount of contingent consideration to be recognized,
- Amount to be recognized related to contingencies,

**Mitcham Industries, Inc.****Notes to Consolidated Financial Statements — (Continued)**

- Amount of gain, if any, to be recognized,
- Amount to be recognized for each major class of asset acquired and liability assumed,
- Amount of goodwill, if any, to be recognized, and
- Supplemental pro forma financial information.

It is anticipated that any goodwill recognized will not be deductible for tax purposes in Canada.

**19. Sales and Major Customers**

A summary of the Company's revenues from customers by geographic region, outside the U.S., is as follows (in thousands):

	Years Ended January 31,		
	2010	2009	2008
Canada	\$ 3,608	\$ 6,498	\$ 6,820
UK/Europe	14,358	20,502	27,892
South America	4,545	3,313	4,153
Asia/South Pacific	12,447	10,778	9,431
Eurasia	1,637	6,156	10,180
Other	3,393	4,715	4,119
Total	<u>\$ 39,988</u>	<u>\$ 51,962</u>	<u>\$ 62,595</u>

During the year ended January 31, 2010, three each customers exceeded 10% of total revenues. During each of the years ended January 31, 2009 and 2008, one customer exceeded 10% total revenues.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Our audits of the consolidated financial statements referred to in our report dated April 9, 2010 (included elsewhere in this Annual Report on Form 10-K) also included the financial statement schedule (Schedule II-Valuation and Qualifying Accounts) of Mitcham Industries, Inc. (the "Company") listed in Part V, Item 15(a) of this Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits of the consolidated financial statements.

In our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Hein & Associates LLP

Houston, Texas  
April 9, 2010

SCHEDULE II  
MITCHAM INDUSTRIES, INC.

VALUATION AND QUALIFYING ACCOUNTS

Col. A Description	Col. B Balance at Beginning of Period	Col. C(1) Charged to Costs and Expenses	Col. C(2) Charged to Other Accounts (In thousands)	Col. D Deductions Describe	Col. E Balance at End of Period
<b>Allowance for doubtful accounts</b>					
January 31, 2010	\$ 2,300	786	50(a)	(716)(b)	\$ 2,420
January 31, 2009	\$ 1,512	1,976	(43)(a)	(1,145)(b)	\$ 2,300
January 31, 2008	\$ 1,212	460	5(a)	(165)(b)	\$ 1,512
<b>Allowance for obsolete equipment and inventory</b>					
January 31, 2010	\$ 1,204	372	133(a)	(786)(c)	\$ 923
January 31, 2009	\$ 1,044	360	(186)(a)	(14)(c)	\$ 1,204
January 31, 2008	\$ 553	448	59(a)	(16)(c)	\$ 1,044

- (a) Represents translation differences.
- (b) Represents recoveries and uncollectible accounts written off.
- (c) Represents sale or scrap of inventory and obsolete equipment.

**STOCK PURCHASE AGREEMENT**

by and among

**MITCHAM CANADA LTD.,**

As Buyer,

and

**Brett Cameron, Teresa Marshall,**

**Steve and Ann Matthews,**

As Sellers

Dated as of February 19, 2010

---



TABLE OF CONTENTS

Page

ARTICLE I  
PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Shares	1
1.2 Purchase Price	2
1.3 Working Capital Adjustment	2
1.4 Earn-Out Payments	3

ARTICLE II  
DELIVERIES ON THE CLOSING DATE

2.1 Closing	3
2.2 Deliveries by Cameron	3
2.3 Deliveries by Matthews	4
2.4 Deliveries by the Sellers	4
2.5 Deliveries by the Buyer	5
2.6 Costs; Transfer Taxes, and Fees	5

ARTICLE III  
WARRANTIES REGARDING HOLDCO1 and HOLDCO2

3.1 Representations and Warranties Regarding Holdco1	6
3.2 Warranties Regarding Holdco2	7

ARTICLE IV  
WARRANTIES REGARDING AES

4.1 Organization	9
4.2 Subsidiaries	10
4.3 Capitalization	10
4.4 Financial Statements and Other Financial Information	10
4.5 No Undisclosed Liabilities	10
4.6 Facilities	10
4.7 Tangible Personal Property	11
4.8 Contracts and Commitments	11
4.9 Permits	11
4.10 No Conflict or Violation	11
4.11 Books and Records	12
4.12 Litigation	12
4.13 Employment Matters	12
4.14 Compliance with Law	13
4.15 Intellectual Property	13
4.16 Tax Matters	15
4.17 Banking Relationships	15
4.18 No Other Agreements to Sell the Assets or Equity Interests of AES	15
4.19 Disclosure; No Material Misstatements	16
4.20 Payment of Special Dividend	16

ARTICLE V  
REPRESENTATIONS AND WARRANTIES OF THE BUYER

5.1 Organization of Buyer	17
5.2 Authorization	17
5.3 No Conflict or Violation	17
5.4 No Brokers	17
5.5 Sophistication; Information	17

ARTICLE VI  
COVENANTS AND AGREEMENTS

6.1 Conduct of Business Prior to the Closing	18
6.2 Books and Records	18
6.3 Privacy	18
6.4 Confidentiality	19
6.5 Non-Competition	19
6.6 Further Assurances	20
6.7 Publicity	20
6.8 Tax Matters	20
6.9 Repayment of Indebtedness	21

ARTICLE VII  
CONDITIONS TO THE CLOSING

7.1 Conditions to Obligations of the Sellers	21
7.2 Conditions to Obligations of Buyer	22

ARTICLE VIII  
EARN-OUT PAYMENTS

8.1 Earn-Out Payments	22
8.2 Determination of Earn-Out Payments	22
8.3 Payment of the Earn-Out Payments	24
8.4 Earn-Out Payment Limitations	24
8.5 Operation of the Business	24
8.6 Definitions	24

ARTICLE IX  
LIABILITY AND INDEMNIFICATION

9.1 Survival of Representations, Etc	25
9.2 Indemnification by the Sellers	25
9.3 Indemnification by Cameron	25
9.4 Indemnification by Matthews	25
9.5 Indemnification by the Buyer	26
9.6 Indemnification Procedures	26
9.7 Tax Indemnity	26
9.8 Limitations on Liability	27
9.9 Right of Setoff	27

ARTICLE X  
TERMINATION, AMENDMENT AND WAIVER

10.1 Termination	28
10.2 Effect of Termination	29
10.3 Waiver	29

ARTICLE XI  
DEFINITIONS AND CONSTRUCTION

11.1 Defined Terms	29
11.2 Rules of Construction	36

ARTICLE XII  
OTHER PROVISIONS

12.1 Notices	36
12.2 Entire Agreement	37
12.3 Assignment	37
12.4 Amendment or Modification; and Waiver	37
12.5 Severability	38
12.6 Burden and Benefit	38
12.7 Governing Law and Consent to Jurisdiction	38
12.8 Legal Fees	38
12.9 Expenses	38
12.10 Execution and Counterparts	39

**EXHIBITS**

A	Sellers' Bank Account Information
B	Year-End Financial Statements and Current Balance Sheet
C	Exclusive Marketing Agreement
D	Cameron Employment Agreement
E	Van Caulart Employment Agreement
F	Cameron Promissory Note
G	Matthews Promissory Note
H	Authorized Capital of Holdco1
I	Authorized Capital of Holdco2
J	Authorized Capital of AES

**DISCLOSURE SCHEDULE**

## STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of February 19, 2010 (the "Effective Date"), is made by and among:

Mitcham Canada Ltd., a company registered under the laws of Alberta, Canada under company number 89262 9486 RC0001 whose registered address is 2080 21st St N.E., Calgary, Alberta T2E 6S5 (the "Buyer"), and

Brett Cameron and Teresa Marshall, husband and wife residing at 1008 Mackid Road NE, Calgary, Alberta, T2E 6A9 (individually and collectively referred to as "Cameron"); and Steve and Ann Matthews, husband and wife residing at R.R. #2, 344 Mustang Lane, Airdrie, Alberta T4B 2A4 (individually and collectively referred to as "Matthews").

Cameron and Matthews are individually referred to as a "Seller" and collectively as the "Sellers." The Buyer on the one hand, and the Sellers on the other hand, are individually referred to as a "Party." and collectively as the "Parties."

### RECITALS

A. Cameron owns all of the issued and outstanding shares of capital stock of 796366 Alberta Ltd., an Alberta corporation ("Holdco1"), and Matthews owns all of the issued and outstanding shares of capital stock of 1185618 Alberta Ltd., an Alberta corporation ("Holdco2").

B. Holdco1 and Holdco2 own all of the issued and outstanding shares of capital stock of Absolute Equipment Solutions, Inc., an Alberta corporation ("AES").

C. The Buyer desires to purchase from the Sellers, and the Sellers desire to sell to the Buyer, all of the issued and outstanding shares of capital stock of Holdco1 and Holdco2, and consequently to acquire through Holdco1 and Holdco2 all of the issued and outstanding shares of capital stock of AES, all according to the terms, but subject to the conditions and limitations set forth in this Agreement.

### AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, the respective covenants and promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

#### **ARTICLE I PURCHASE AND SALE OF SHARES**

##### 1.1 Purchase and Sale of Shares.

(a) Upon the terms contained herein, on the Closing Date, Cameron will sell, transfer, and deliver to the Buyer, and the Buyer will purchase and acquire free and clear of all Encumbrances, all of the Holdco1 Shares, together with all of Cameron's right, title and interest in and to Holdco1, and its assets including the shares and any other property of AES.

---

(b) Upon the terms contained herein, on the Closing Date, Matthews will sell, transfer, and deliver to the Buyer, and the Buyer will purchase and acquire free and clear of all Encumbrances, all of the Holdco2 Shares, together with all of Matthew's right, title and interest in and to Holdco1, and its assets including the shares and any other property of AES.

1.2 Purchase Price.

(a) The purchase price to be paid by Buyer to Cameron for the sale, transfer, assignment, conveyance and delivery of the Holdco1 Shares shall equal C\$2,000,000.

(b) The purchase price to be paid by the Buyer to Matthews for the sale, transfer, assignment, conveyance and delivery of the Holdco2 Shares shall equal C\$2,000,000.

(c) The Buyer shall pay to the Sellers their respective purchase price as follows:

(i) On the Closing Date, the Buyer will pay each Seller C\$1,100,000 in immediately available funds by wire transfer in accordance with the wire transfer instructions set forth opposite such Seller's name on Exhibit A;

(ii) On the Closing Date, the Buyer will deliver to Cameron the Cameron Promissory Note (representing C\$750,000 principal amount); and the Buyer will deliver to Matthews the Matthews Promissory Note (representing C\$750,000 principal amount);

(iii) The balance of the purchase price (C\$150,000 for each of Cameron and Matthews) shall be retained by the Buyer as a tax reserve (the "Tax Reserve Amount"). Such amount, as may be reduced pursuant to Section 9.7(c), shall be paid to the Sellers pursuant to Section 9.7(d).

1.3 Working Capital Adjustment.

(a) Within sixty (60) days after the Closing Date, the Buyer shall determine the Net Working Capital as of the Closing Date in accordance with GAAP, and shall provide the Sellers with written notice of such determination, along with reasonable supporting information and calculations (the "Buyer's Determination").

(b) If either Seller objects to the Buyer's Determination, then the Sellers shall provide the Buyer with written notice thereof within fifteen (15) days after receiving the Buyer's Determination and shall include reasonable detail regarding such specific objections together with supporting documentation. In such notice, the Sellers shall appoint a joint representative (the "Seller's Representative") who will be authorized to resolve any issues with respect to the Net Working Capital as of the Closing Date.

(c) If the Buyer and the Sellers' Representative, working in good faith, are unable to agree on such disputed items of Net Working Capital as of the Closing Date on or prior to the ninetieth (90<sup>th</sup>) day following the Closing Date, then either the Buyer or the Sellers may refer such dispute to BDO Dunwoody LLP or, if that firm declines to act as provided in this Section 1.3(c), the Parties shall refer the dispute to a nationally recognized accounting firm

acceptable to both the Sellers and the Buyer, which firm shall make a final and binding determination as to all matters in dispute (and only such matters) on a timely basis (and in any event within 135 days following the Closing Date) and promptly shall notify the Parties in writing of its resolution. Such accounting firm handling the dispute resolution shall not have the power to modify or amend any term or provision of this Agreement. Each of the Buyer and the Sellers shall bear and pay one-half of the fees and other costs charged by such accounting firm. If the Sellers do not object to Buyer's Determination within the time period and in the manner set forth in this Section 1.3(c) or if the Sellers accept Buyer's Determination, the Net Working Capital as set forth in Buyer's Determination shall become final and binding upon the Parties for all purposes hereunder. If the Sellers do object to Buyer's Determination within the time period and in the manner set forth in the first sentence of this Section 1.3(c), then Buyer's Determination shall become final and binding for all purposes hereunder except with respect to, and only to the extent of, those matters expressly objected to by the Sellers in such objection. The Net Working Capital as of the Closing Date as established pursuant to this Section 1.3(c) is referred to as the "Final Net Working Capital".

(d) If the Final Net Working Capital is in excess of C\$150,000, then the Buyer shall pay the amount of such excess within five (5) Business Days after such amounts are so agreed or determined, by wire transfer of immediately available funds, one-half to Cameron and one-half to Matthews, to the accounts designated by Cameron and Matthews, respectively.

(e) If the Final Net Working Capital is less than C\$150,000, then each Seller shall pay to the Buyer one half of the amount of such difference within five (5) Business Days after such amounts are agreed or determined, by wire transfer of immediately available funds to an account designated by the Buyer.

1.4 Earn-Out Payments. In addition to the Purchase Price, the Buyer will pay any Earn-Out Payments to the Sellers (one-half to Cameron and one-half to Matthews) pursuant to the terms of ARTICLE VIII.

## ARTICLE II DELIVERIES ON THE CLOSING DATE

2.1 Closing. The Closing will take place at the offices of AES, located at Unit L, 1338- 36<sup>th</sup> Avenue NE, Calgary, Alberta T2E6T6, at 10:00 a.m. local time on March 1, 2010, or at such other place, time and date as may be agreed in writing by Buyer and the Sellers (the "Closing Date").

2.2 Deliveries by Cameron. On the Closing Date, Cameron will deliver (or cause to be delivered) to the Buyer the following:

(a) The original share certificates representing all of the Holdco1 Shares, duly endorsed by the registered holders thereof in favor of the Buyer (or as it may direct), together with duly executed stock powers endorsed in blank and such transfer instruments as the Buyer may reasonably request;

(b) copies of all necessary shareholder consents and board resolutions required to authorize payment of the Special Dividend by Holdco1, together with copies of evidence that such Special Dividend was paid by Holdco1 to its shareholders;

(c) written resignations (with effect as of the Closing Date) of all of the directors, officers, and employees of Holdco1;

(d) copies of the charter documents and bylaws of Holdco1, and copies of all necessary shareholder consents and board resolutions required to complete the sale of the Holdco1 Shares, certified by the Secretary of Holdco1;

(e) all existing instructions to any of Holdco1's bankers, bank mandate forms and authorities, shall be revoked and shall be replaced with alternative instructions, bank mandate forms and authorities in such form as the Buyer may require;

(f) a duly executed counterpart of the Cameron Employment Agreement; and

(g) such other certificates or other documents as may be reasonably requested by the Buyer.

2.3 Deliveries by Matthews. On the Closing Date, Matthews will deliver (or cause to be delivered) to the Buyer the following:

(a) The original share certificates representing all of the Holdco2 Shares, duly endorsed by the registered holders thereof in favor of the Buyer (or as it may direct) together with a duly executed stock powers endorsed in blank and such transfer instruments as the Buyer may reasonably request;

(b) copies of all necessary shareholder consents and board resolutions required to authorize payment of the Special Dividend by Holdco2, together with copies of evidence that such Special Dividend was paid by Holdco1 to its shareholders;

(c) written resignations (with effect as of the Closing Date) of all of the directors, officers, and employees of Holdco2;

(d) Copies of the charter documents and bylaws of Holdco2, and copies of all necessary shareholder consents and board resolutions required to complete the sale of the Holdco2 Shares, certified by the Secretary of Holdco2;

(e) all existing instructions to any of Holdco2's bankers, bank mandate forms and authorities, shall be revoked and shall be replaced with alternative instructions, bank mandate forms and authorities in such form as the Buyer may require; and

(f) such other certificates or other documents as may be reasonably requested by the Buyer.

2.4 Deliveries by the Sellers. On the Closing Date, the Sellers shall deliver to the Buyer the following:

(a) written resignations (with effect as of the Closing Date) of all of the directors and officers of AES;

(b) copies of all necessary shareholder consents and board resolutions required to authorize payment of the Special Dividend by AES, together with copies of evidence that such Special Dividend was paid by AES to Holdco1 and Holdco2;

(c) all existing instructions to any of AES' bankers, bank mandate forms and authorities, shall be revoked and shall be replaced with alternative instructions, bank mandate forms and authorities in such form as the Buyer may require;

(d) a duly executed counterpart of the Exclusive Marketing Agreement, executed by Absolute Tracking Solutions Ltd., an Alberta limited liability company;

(e) a duly executed counterpart of the Van Caulart Employment Agreement, executed by Paul Van Caulart;

(f) a certificate executed by a duly authorized officer of Holdco1 and Holdco2, dated as of the Closing Date, certifying that the conditions set forth in Section 7.2 have been fulfilled;

(g) a duly executed consent from Narland Properties (McCall) Ltd. issued in connection with Section 13 of that certain Lease dated August 2, 2005, between Narland Properties (McCall) Ltd. and AES; and

(h) such other certificates or other documents as may be reasonably requested by the Buyer.

2.5 Deliveries by the Buyer. The Buyer will deliver (or cause to be delivered) to the Sellers on the Closing Date the following:

(a) the cash consideration to be paid to each Seller as set forth in Section 1.2(c)(i);

(b) a duly executed counterpart of the Cameron Promissory Note;

(c) a duly executed counterpart of the Matthews Promissory Note;

(d) a duly executed counterpart of the Cameron Employment Agreement; and

(e) such other certificates or other documents as may be reasonably requested by the Sellers.

2.6 Costs, Transfer Taxes, and Fees. Each Seller will be responsible for any documentary and transfer Taxes and any sales, use, or other Taxes (other than stamp taxes or duties) imposed by Canada and any Government Agency in Canada by reason of the transfers of such Shares provided hereunder, and any deficiency, interest, or penalty asserted with respect



thereto. The Buyer will pay the fees and costs of recording or filing all applicable conveyancing instruments required in connection with the transactions contemplated by this Agreement.

**ARTICLE III  
WARRANTIES REGARDING HOLDCO1 and HOLDCO2**

3.1 **Representations and Warranties Regarding Holdco1.** Cameron hereby represents and warrants to the Buyer as follows:

(a) **Authorization: Due Execution.** Cameron has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and the Ancillary Documents to which he is a party and to consummate the transactions contemplated herein and to perform his obligations hereunder. This Agreement has been duly executed and delivered by Cameron and is enforceable against Cameron in accordance with the terms of the Agreement, except as limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to creditor's rights generally or by equitable principles (whether considered in an action at law or in equity).

(b) **Consents and Approvals.** Cameron has obtained all notices to, declarations, filings or registrations with, or authorizations, consents, or approvals of, or Permits from, any Person, required to be made or obtained by Cameron in connection with the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein. Evidence of the receipt of all consents and other documentation required pursuant to this Section 3.1(b) is included in Section 3.1(b) of the Disclosure Schedule.

(c) **Non-contravention.** Neither the execution and delivery by Cameron of this Agreement and the Ancillary Documents to which he is a party nor consummation or performance by Cameron of the transactions contemplated hereby or thereby will (i) violate any laws or regulations of Canada, (ii) violate any order, judgment, decree or other restriction to which Cameron is a party or by which Cameron is bound, or (iii) require any consent from, authorization or approval or other action by, and no notice to or declaration, filing or registration with any governmental agency of Canada or any other third party.

(d) **No Brokers.** Cameron has not paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby for which the Buyer or Holdco1 shall have any liability after the Closing Date.

(e) **Litigation.** There is no legal proceeding pending, or, to the knowledge of Cameron, threatened against or affecting Cameron or Holdco1.

(f) **No Undisclosed Liabilities.** There is no liability, contingent or otherwise, of Holdco1 that is not reflected in Section 3.1(f) of the Disclosure Schedule.

(g) **Employment Matters.** Other than those listed in Section 3.1(g) of the Disclosure Schedule, Holdco1 does not have any employees. Holdco1 has not violated any law or Court Order or Employment Statute regarding the terms and conditions of employment of employees, former employees, or prospective employees or other labor related matters, including

without limitation any laws, orders, judgments, or awards relating to wrongful discharge, discrimination, personal rights, wages, hours, collective bargaining, fair labor standards, or occupational health and safety. Holdco1 is in compliance with all applicable employment statutes. Holdco1 has withheld and paid to the appropriate governmental authority all amounts required to be withheld from compensation paid to employees of Holdco1, if any, and is not liable in arrears for any Taxes or penalties or other sums for failure to withhold and pay applicable Taxes.

(h) Capitalization.

(i) The authorized capital stock of Holdco1 is as set out on Exhibit H attached hereto and the issued and outstanding capital stock of Holdco1 consists of 1,000 Class A shares and 1,000 Class C shares, and Cameron owns all of the issued and outstanding shares.

(ii) Holdco1 has not granted any options to purchase its capital stock. Holdco1 has no outstanding warrants to purchase, or any other securities convertible or exercisable into, any shares of its capital stock. Holdco1 has not exercised or purported to exercise any lien over any of its issued share capital.

(iii) All of the Holdco1 Shares have been validly issued and fully paid. All of the Holdco1 Shares were issued in compliance with applicable securities laws and in accordance with the articles of incorporation and bylaws of Holdco1 from time to time in force.

(i) Ownership of Stock. Cameron is the record and beneficial owner of the number of Holdco1 Shares, and those Holdco1 Shares are owned by Cameron free and clear of all Encumbrances, and no commitment has been given to create an Encumbrance affecting the Holdco1 Shares. Cameron has full authority to transfer pursuant to this Agreement all of the Holdco1 Shares owned by Cameron, free and clear of all Encumbrances.

(j) Marketable Title. The delivery by Cameron to the Buyer of the certificates representing the Holdco1 Shares owned by Cameron, when duly endorsed in blank or accompanied by stock powers endorsed in blank, will vest the Buyer on the Closing Date with good and marketable title to all of the Holdco1 Shares, free and clear of all Encumbrances.

(k) Residency. Cameron is not a non-resident of Canada within the meaning of the Income Tax Act (Canada), including without restriction, section 116 thereof.

(l) Payment of Special Dividend.

(i) The board of directors of Holdco1 has duly authorized the payment of a special dividend in the amount of at least C\$675,000 to the shareholders of Holdco1; and

(ii) Holdco1 has paid the special dividend to the shareholders of Holdco1.

3.2 Warranties Regarding Holdco2. Matthews hereby represents and warrants to the Buyer as follows:

(a) Authorization; Due Execution. Matthews has all requisite power and authority, and has taken all action necessary, to execute and deliver this Agreement and the Ancillary Documents to which he is a party and to consummate the transactions contemplated herein and to perform his obligations hereunder. This Agreement has been duly executed and delivered by Matthews and is enforceable against Matthews in accordance with the terms of the Agreement, except as limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to creditor's rights generally or by equitable principles (whether considered in an action at law or in equity).

(b) Consents and Approvals. Matthews has obtained all notices to, declarations, filings or registrations with, or authorizations, consents, or approvals of, or Permits from, any Person, required to be made or obtained by Matthews in connection with the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated herein. Evidence of the receipt of all consents and other documentation required pursuant to this Section 3.2(b), the failure to obtain which would have a material adverse effect, is included in Section 3.2(b) of the Disclosure Schedule.

(c) Non-contravention. Neither the execution and delivery by Matthews of this Agreement and the Ancillary Documents to which he is a party nor consummation or performance by Matthews of the transactions contemplated hereby or thereby will (i) violate any laws or regulations of Canada, (ii) violate any order, judgment, decree or other restriction to which Matthews is a party or by which Matthews is bound, or (iii) require any consent from, authorization or approval or other action by, and no notice to or declaration, filing or registration with any governmental agency of Canada or any other third party.

(d) No Brokers. Matthews has not paid or become obligated to pay any fee or commission to any broker, finder or intermediary in connection with the transactions contemplated hereby for which the Buyer or Holdco2 shall have any liability after the Closing Date.

(e) Litigation. There is no legal proceeding pending, or, to the knowledge of Matthews, threatened against or affecting Matthews or Holdco2.

(f) No Undisclosed Liabilities. There is no liability, contingent or otherwise, of Holdco2 that is not reflected in Section 3.2(f) of the Disclosure Schedule.

(g) Employment Matters. Other than those listed in Section 3.2(g) of the Disclosure Schedule, Holdco2 does not have any employees. Holdco2 has not violated any law or Court Order or Employment Statute regarding the terms and conditions of employment of employees, former employees, or prospective employees or other labor related matters, including without limitation any laws, orders, judgments, or awards relating to wrongful discharge, discrimination, personal rights, wages, hours, collective bargaining, fair labor standards, or occupational health and safety. Holdco2 is in compliance with all applicable employment statutes. Holdco2 has withheld and paid to the appropriate governmental authority all amounts required to be withheld from compensation paid to employees of Holdco2, if any, and is not liable in arrears for any Taxes or penalties or other sums for failure to withhold and pay applicable Taxes.

(h) Capitalization.

(i) The authorized capital stock of Holdco2 is as set out on Exhibit I attached hereto and the issued and outstanding capital stock of Holdco1 consists of 200 Class A shares, and Matthews owns all of the issued and outstanding shares.

(ii) Holdco2 has not granted any options to purchase its capital stock. Holdco2 has no outstanding warrants to purchase, or any other securities convertible or exercisable into, any shares of its capital stock. Holdco2 has not exercised or purported to exercise any lien over any of its issued share capital.

(iii) All of the Holdco2 Shares have been validly issued and fully paid. All of the Holdco2 Shares were issued in compliance with applicable securities laws and in accordance with the articles of incorporation and bylaws of Holdco2 from time to time in force.

(i) Ownership of Stock. Matthews is the record and beneficial owner of the number of Holdco2 Shares, and those Holdco2 Shares are owned by Matthews free and clear of all Encumbrances, and no commitment has been given to create an Encumbrance affecting the Holdco2 Shares. Matthews has full authority to transfer pursuant to this Agreement all of the Holdco2 Shares owned by Matthews, free and clear of all Encumbrances.

(j) Marketable Title. The delivery by Matthews to the Buyer of the certificates representing the Holdco2 Shares owned by Matthews, when duly endorsed in blank or accompanied by stock powers endorsed in blank, will vest the Buyer on the Closing Date with good and marketable title to all of the Holdco2 Shares, free and clear of all Encumbrances.

(k) Residency. Matthews is not a non-resident of Canada within the meaning of the Income Tax Act (Canada), including without restriction, section 116 thereof.

(l) Payment of Special Dividend.

(i) The board of directors of Holdco2 has duly authorized the payment of a special dividend in the amount of at least C\$675,000 to the shareholders of Holdco2; and

(ii) Holdco2 has paid the special dividend to the shareholders of Holdco2.

**ARTICLE IV  
WARRANTIES REGARDING AES**

Each Seller hereby represents and warrants, jointly and severally, to the Buyer as follows:

4.1 Organization. AES is a private corporation organized, duly formed and validly existing under the laws of Alberta, Canada, with full corporate power and authority to conduct its business as it is presently being conducted, to own and or use the properties and assets that it purports to own or use, and to perform all its obligations under its Contracts. AES is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in

which the character of its properties owned or leased and the nature of its activities makes such qualification necessary.

4.2 Subsidiaries. AES has no direct or indirect subsidiaries. AES has no direct or indirect stock or other equity or ownership interest (whether controlling or not) in any corporation, association, partnership, limited liability company, joint venture, or other entity.

4.3 Capitalization.

(a) The authorized capital stock of AES is as set out on Exhibit J attached hereto and the issued and outstanding capital stock of AES consists of 6,000 shares (collectively, the "AES Shares"), and Holdco1 owns 3,000 Class A Shares and Holdco2 owns 3,000 Class B shares.

(b) AES has not granted any options to purchase its capital stock. AES has no outstanding warrants to purchase, or any other securities convertible or exercisable into, any shares of its capital stock. AES has not exercised or purported to exercise any lien over any of its issued share capital.

(c) All of the AES Shares have been validly issued and fully paid. All of the AES Shares were issued in compliance with applicable securities laws and in accordance with the articles of incorporation and bylaws of AES from time to time in force.

4.4 Financial Statements and Other Financial Information.

(a) AES has delivered to Buyer the Year-End Financial Statements and Current Balance Sheet (copies of which are attached as Exhibit B). Each of the Year-End Financial Statements and Current Balance Sheet (i) were prepared in accordance with GAAP consistently applied throughout the periods covered thereby and in a manner consistent with the past practice of AES, and (ii) fairly and accurately present in all material respects the assets, Liabilities and financial condition of AES as of the respective dates thereof and the results of operations and changes in cash flows of AES for the periods then ended.

(b) AES has no Liabilities or other material obligations of any nature (whether accrued, absolute, contingent, or otherwise), except (i) as reflected or reserved against in the Current Balance Sheet, or (ii) obligations arising under the Material Contracts.

4.5 No Undisclosed Liabilities. There is no liability, contingent or otherwise, of AES that is not reflected or reserved against in the Current Balance Sheet, other than liabilities that are (a) liabilities incurred in the ordinary course of business and consistent with past practices of AES since August 31, 2009; (b) liabilities that would not be required to be presented in unaudited interim financial statements prepared in conformity with GAAP; or (c) liabilities arising under this Agreement.

4.6 Facilities.

(a) Owned Real Property. AES does not currently own any real property, and has not owned any real estate since its initial formation.

(b) Leases or Other Agreements. Section 4.6 of the Disclosure Schedule lists all of the leases, subleases, licenses, occupancy agreements, options, rights, concessions, or other agreements or arrangements (written, oral, or any other character) granting to any person the right to purchase, use or occupy any facility, to which AES is or has been a party or guarantor since its initial formation.

4.7 Tangible Personal Property. AES has good and marketable title to the tangible personal property that is listed on the Current Balance Sheet, free and clear of any Encumbrances. All such tangible property is in good operating condition and repair, subject to ordinary wear and tear, and is usable in the ordinary course of business and, to the Knowledge of the Sellers, conforms in all material respects to all applicable laws relating to their construction, use, and operation.

4.8 Contracts and Commitments.

(a) Contracts. Section 4.8(a) of the Disclosure Schedule sets forth a complete and accurate list of all Material Contracts to which AES is a party or bound, or to which AES is a guarantor. Prior to the Closing Date, the Sellers have made available to Buyer true, correct, and complete copies of all of the Material Contracts, including all amendments and supplements thereto.

(b) Absence of Defaults. All of the Material Contracts are valid, binding, and enforceable in accordance with their terms. AES has complied in all material respects with the provisions of each of the Material Contracts and is not in Default thereunder, and no event or circumstance has occurred with notice or the lapse of time or both would be the basis for a Default thereunder.

4.9 Permits. The Permits listed on Section 4.9 of the Disclosure Schedule collectively constitute all of the Permits necessary to permit AES to lawfully conduct and operate the Business in the manner that the Business is currently conducted and to permit AES to own and use its assets in the manner in which AES currently owns and uses its assets. AES is not in Default, nor has it received any notice of any claim of Default, with respect to any such Permit.

4.10 No Conflict or Violation.

(a) Neither the execution, delivery, or performance of this Agreement, nor the consummation of the transactions contemplated herein, nor compliance by any Seller with any of the provisions hereof, will (i) violate or conflict with any provision of the Organizational Documents of AES, (ii) violate, conflict with, or result in or constitute a Default under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration, or result in the creation of any Encumbrance upon or with respect to any of the assets of AES under any of the terms, conditions, or provisions of any contract or Permit, (iii) violate any law or Court Order, (iv) impose any Encumbrance on any of the assets of AES, or (v) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any governmental body the right to revoke, withdraw, suspend, cancel, terminate, or modify any Permits that are held by AES or that otherwise relate to the Business or any of the assets of AES.

(b) No consent, approval, order or authorization of, or registration, declaration or filing with, any Person (other than a governmental body) is required by or with respect to AES in connection with the execution, delivery or performance of this Agreement or the Ancillary Documents or the consummation of the transactions contemplated hereby or thereby.

4.11 Books and Records. AES has made and kept Books and Records and accounts, which, in reasonable detail, accurately and fairly reflect the activities of AES and the Business. The corporate minute book of AES previously delivered to the Buyer accurately and adequately reflects all material actions previously taken by the directors and officers of AES. The copies of the shareholder records of AES previously delivered to the Buyer are true and correct and accurately reflect all issuances and transfers of any AES Shares through and including the Closing Date. AES has not engaged in any transaction, maintained any bank account or used any corporate funds except for transactions, bank accounts, and funds which have been and are reflected in the normally maintained Books and Records of AES.

4.12 Litigation. There are no Actions pending or, to the Knowledge of the Sellers, threatened or reasonably anticipated (a) that are against, related to, or affecting (i) AES, the Business or the assets of AES, or (ii) any officers or directors of AES that are involved in the operations of the Business, (b) seeking to delay, limit, or enjoin the transactions contemplated in this Agreement, (c) against AES or any officer or manager of AES that involve the risk of criminal liability, or (d) that are related to the Business in which AES is a claimant. AES is not in Default with respect to or subject to any Court Order, and there are no unsatisfied judgments against AES, the Business, or the assets of AES.

4.13 Employment Matters.

(a) AES has not violated any law or Court Order or Employment Statute regarding the terms and conditions of employment of employees, former employees, or prospective employees or other labor related matters, including without limitation any laws, orders, judgments, or awards relating to wrongful discharge, discrimination, personal rights, wages, hours, collective bargaining, fair labor standards, or occupational health and safety. AES is in compliance with all applicable employment statutes. Section 4.13(a) of the Disclosure Schedule sets forth the names of all present employees of AES. AES has withheld and paid to the appropriate governmental authority all amounts required to be withheld from compensation paid to employees of AES and is not liable in arrears for any Taxes or penalties or other sums for failure to withhold and pay applicable Taxes. AES has paid in full to all of its employees or adequately accrued for in accordance with GAAP all wages, salaries, commissions, bonuses, benefits, and other compensation due to or on behalf of such employees. AES has no outstanding obligations towards, and is not required to make any payments for, any pensions or similar retirement plans for any employee.

(b) AES is not liable to make any payment to any employee or former employee by way of damages (whether for breach of contract or otherwise) or compensation for loss of office or employment or for redundancy, protective awards, wrongful dismissal or unfair dismissal or for failure to comply with any order for the reinstatement or re-engagement of any employee or for any other liability accruing from the termination of any contract of service or for services.

(c) No past employee has a right of return to work or has or may have a right to be reinstated or reengaged.

(d) AES is not engaged or involved in any dispute arising out of, affected by or otherwise relating to the provisions of the Employment Statutes, and there are no circumstances known to the Sellers which could give rise to any such dispute.

(e) AES has not received notice that it has not fully complied with the requirement of and applicable legislation concerning rights in respect of privacy and personal data.

4.14 Compliance with Law. AES has not received any notice to the effect that, or otherwise been advised that, it is not in compliance in any material respect with all laws and Court Orders relating to AES, the Business, or the assets of AES, and no circumstances exist that are reasonably likely to result in violations of any of the foregoing.

4.15 Intellectual Property.

(a) AES Owned Intellectual Property. Section 4.15(a) of the Disclosure Schedule sets forth a complete and accurate list of all of the Intellectual Property owned by AES, whether registered or unregistered. AES owns all right, title, and interest (including the sole right to enforce), in and to all such Intellectual Property free and clear of all Encumbrances. To the Knowledge of the Sellers, all such Intellectual Property is valid and enforceable. All Intellectual Property owned by AES has been recorded in the appropriate recording office and any and all maintenance fees have been paid with respect to any such Intellectual Property. There are no actions that must be taken within ninety (90) days after the Closing Date for the purposes of prosecuting, maintaining or renewing any such items of Intellectual Property, including the payment of any registration, maintenance or renewal fees, or the filing of any responses to office actions.

(b) Inbound Licensing Agreements. Section 4.15(b) of the Disclosure Schedule sets forth a complete and accurate list of all Contracts containing a license of or right to use any Intellectual Property from a third party to AES or pursuant to which AES must pay royalties, fees, and similar payments to any third party that owns or is a licensor of any Intellectual Property. A true and correct copy of each such Contract has been provided to Buyer. No third party who has licensed any Intellectual Property to AES has ownership rights or license rights to improvements or modifications made by or for AES in or to such Intellectual Property. No action, suit, proceeding, hearing, investigation, or complaint is pending or, to the Knowledge of the Sellers, threatened, nor has any claim or demand been made against AES which challenges the legality, validity, enforceability, or ownership of the underlying Intellectual Property for each such Contract. The consummation of the transactions contemplated in this Agreement and the Ancillary Documents will not result in a breach, modification, cancellation, termination, suspension, or acceleration of any payments with respect to any such Contract.

(c) Outbound License Agreements. Section 4.15(c) of the Disclosure Schedule sets forth a complete and accurate list of all Contracts containing a license of (or covenant not to sue related to) Intellectual Property by AES to a third party. A true and correct



copy of each such Contract has been provided to Buyer. The consummation of the transactions contemplated in this Agreement and the Ancillary Documents will not result in a breach, modification, cancellation, termination, or suspension with respect to any such Contract.

(d) **Business IP.** The Intellectual Property set out in Sections 4.15(a), 4.15(b), and 4.15(c) of the Disclosure Schedule constitutes all of the Intellectual Property that is related to or used in or held for use in connection with the operation of the Business (the "**Business IP**"). No Seller or Affiliate of a Seller (other than AES) has any right, title, or interest in or to any Business IP (including licenses of Business IP). There are no restrictions on AES' right to sell products owned by or offer services provided by AES, in connection with the Business, or to transfer or license any Business IP. The Business IP is not subject to any pending or threatened opposition, cancellation, interference, or similar proceeding. AES has not (i) transferred ownership of, or granted any exclusive license of or exclusive right to use, or authorized the retention of any exclusive rights to use or joint ownership of, any Intellectual Property that is or was Business IP, to any Person, or (ii) permitted AES' rights in such Business IP to enter into the public domain.

(e) **Treatment of Confidential Information.** AES has taken commercially reasonable steps to protect, maintain and preserve the secrecy and confidentiality of all trade secrets and confidential information of the Business, and any trade secrets and confidential information of third parties provided thereto, in accordance with the laws of the applicable jurisdictions where such trade secrets and confidential information are developed or disclosed. The Sellers have validly assigned all Intellectual Property for the benefit of AES.

(f) **No Infringement.** The Business IP and operation of the Business do not infringe (either directly or indirectly, such as through contributory infringement or inducement of infringement), misappropriate, or otherwise violate any rights of any Person in or to any Intellectual Property, violate any right to privacy or publicity, or constitute unfair competition or trade practices under the laws of any jurisdiction to which AES or the Business is subject. AES has not received notice from any Person claiming that the Business IP or the operation of the Business infringes, misappropriates, or otherwise violates the rights of any Person in or to any Intellectual Property, violates any rights to privacy or publicity, or constitutes unfair competition or trade practices under the laws of any jurisdiction (nor do the Sellers have knowledge of any basis therefor). There is no claim, action, suit, investigation or proceeding pending against, or, to the Knowledge of the Sellers, threatened against or affecting, AES (i) relating to the rights of AES to the Business IP, (ii) alleging that the use of the Business IP or any services provided, processes used or products manufactured, used, imported or sold by AES do or may conflict with, misappropriate, infringe or otherwise violate the rights of any Person in or to any Intellectual Property, or (iii) alleging that AES otherwise infringed, misappropriated or violated the rights of any Person in or to any Intellectual Property. To the knowledge of the Sellers, no Business IP has been adjudged invalid or unenforceable in whole or in part. Except as set forth on Section 4.15(f) of the Disclosure Schedule, to the Knowledge of the Sellers, no Person has infringed (either directly or indirectly), misappropriated, or violated any of rights in the Intellectual Property owned or used by AES.

(g) **Liabilities.** There is no present or future liability under any agreement to (i) provide indemnification for infringement of any third-party Intellectual Property rights, or (ii)

provide updates, enhancements, improvements, modifications, fixes, support, or maintenance for any material Intellectual Property used in the Business.

4.16 Tax Matters. The Taxpayers have duly and timely filed with the appropriate Tax authorities all Tax Returns required to be filed prior to the Closing Date. All such Tax Returns are complete and accurate in all material respects. AES has not filed a Tax Return outside of Canada. AES has not filed, nor been a part of or played a role in filing, a consolidated or combined Tax Return. All Taxes due and owing by any of the Taxpayers on or before the Closing Date (whether or not shown on any Tax Return) have been paid. Neither the Taxpayers nor any entity liable for any Taxes (or filing a Tax Return) with respect to the Business or any of the assets of AES is currently the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by a Tax authority in a jurisdiction where Tax Returns have not been filed by any of the Taxpayers or with respect to the Business or any of the assets of AES that any of the Taxpayers or the Business or such assets of AES are or may be subject to taxation by that jurisdiction. Except as disclosed on Section 4.16 of the Disclosure Schedule, since September 1, 2009 and except as a result of the transactions contemplated by this Agreement, the Taxpayers have not incurred any liability for Taxes outside the ordinary course of business other than the transfers contemplated by this Agreement or otherwise inconsistent with past custom and practice. No deficiencies for Taxes with respect to any of the Taxpayers, any of the assets of AES or the Business have been claimed, proposed, or assessed by any Tax authority or other governmental authority. There are no pending (or, based on written notice to any of the Taxpayers, threatened) audits, assessments, investigations, disputes, claims, or other actions for or relating to any Liability in respect of Taxes of any of the Taxpayers or Taxes with respect to any of the assets of AES or the Business. There are no matters under discussion with any Tax authority or other governmental authority, or known to any of the Taxpayers, with respect to Taxes that are likely to result in any additional Liability for Taxes with respect to AES, any of the assets of AES or the Business. AES has delivered or made available to Buyer complete and accurate copies of all applicable Canadian Tax Returns including for the avoidance of doubt, Payroll taxes, income tax, benefits in kind and any other tax which maybe applicable to AES, any income Tax Returns of the Taxpayers and their predecessors for all taxable years remaining open under the applicable statute of limitations, including, promptly upon their availability, for the most recent taxable year, and complete and accurate copies of all correspondence with and any other relevant revenue authority and all assessments against or agreed to by any of the Taxpayers or any predecessors since the last day of the last taxable year, if any, for which the applicable statute of limitations either open or closed, with respect to Taxes of any type. There are no Encumbrances for Taxes upon any property or asset of AES (other than for current Taxes not yet due and payable).

4.17 Banking Relationships. Section 4.17 of the Disclosure Schedule sets forth a complete and accurate description of all arrangements that AES or the Business has with any banks, savings and loan associations, or other financial institutions providing for checking accounts, safe deposit boxes, borrowing arrangements, and certificates of deposit or otherwise, indicating in each case account numbers, if applicable, and the person or persons authorized to act or sign on behalf of AES in respect of any of the foregoing.

4.18 No Other Agreements to Sell the Assets or Equity Interests of AES. Neither AES nor any of its officers, Representatives, or Affiliates has any commitment or legal obligation,

absolute or contingent, to any other person or firm other than Buyer to sell, assign, transfer, or effect a sale of any of the assets of AES, to sell or effect a sale of any equity interest in AES, to effect any merger, consolidation, liquidation, dissolution, or other reorganization of AES, or to enter into any agreement or cause the entering into of an agreement with respect to any of the foregoing. AES is not now engaged in discussions or negotiations with any party other than Buyer with respect to any of the foregoing.

4.19 Disclosure: No Material Misstatements. The Sellers have disclosed to the Buyer all agreements, instruments and corporate or other restrictions to which it is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a material adverse effect on the business or operations of AES. None of the other reports, financial statements, certificates or other information furnished by or on behalf of the Sellers to the Buyer or any of its Affiliates in connection with the negotiation of this Agreement or any Ancillary Documents delivered hereunder (as modified or supplemented by other information so furnished) contained, when taken as a whole at the time of delivery, any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Sellers represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. There is no fact peculiar to AES which could reasonably be expected to have a material adverse effect or in the future is reasonably likely to have a material adverse effect and which has not been set forth in this Agreement or the Ancillary Documents.

4.20 Payment of Special Dividend.

- (a) The board of directors of AES has duly authorized the payment of a special dividend in the amount of at least C\$1,350,000 to Holdco1 and Holdco2; and
- (b) AES has paid the special dividend to Holdco1 and Holdco2.

4.21 Accounts Receivable. All accounts receivable of AES on the Current Balance Sheet (collectively, the "Receivables"), (a) are valid and existing, (b) represent monies due for goods sold and delivered or services rendered in the ordinary course of business, (c) are not subject to any refunds or adjustments required by GAAP or any defenses, rights of set-off, assignment, restrictions, security interests or other encumbrances, and (d) to the knowledge of the Sellers are fully collectible except to the extent of the reserves therefor on the Current Balance Sheet. There are no disputes regarding the collectability of any such Receivables for which AES has sent a demand letter or initiated other formal debt collection proceedings. To the knowledge of AES, (x) the debtors to which the Receivables relate are not in or subject to a bankruptcy or insolvency proceeding, and (y) none of the Receivables have been made subject to an assignment for the benefit of creditors

**ARTICLE V  
REPRESENTATIONS AND WARRANTIES  
OF THE BUYER**

The Buyer hereby represents and warrants to each of the Sellers as follows:

5.1 Organization of Buyer. The Buyer is duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization with full corporate power and authority to conduct its business as such business is presently being conducted, to own and or use the properties and assets that it purports to own or use, and to perform all its obligations under this Agreement.

5.2 Authorization. The Buyer has all requisite corporate power and authority, and has taken all corporate action necessary, to execute and deliver this Agreement to consummate the transactions contemplated herein and to perform its obligations hereunder. The execution and delivery by the Buyer of this Agreement and the consummation by the Buyer of the transactions contemplated herein have been duly approved by all necessary corporate or other necessary actions. No other corporate proceedings or actions on the part of the Buyer are necessary to authorize this Agreement and the transactions contemplated herein. This Agreement has been duly executed and delivered by the Buyer and is enforceable against the Buyer in accordance with the terms of the Agreement, except as limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to creditor's rights generally or by equitable principles (whether considered in an action at law or in equity).

5.3 No Conflict or Violation. Neither the execution, delivery, or performance of this Agreement, nor the consummation of the transactions contemplated herein, nor compliance by the Buyer with any of the provisions hereof, will (a) violate or conflict with any provision of the Organizational Documents of the Buyer, (b) violate, conflict with, or result in, or constitute a Default under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon or with respect to any of the Buyer's assets under, any of the terms, conditions or provisions of any contract, indebtedness, note, bond, indenture, security, or pledge agreement, commitment, license, lease, franchise, permit, agreement, authorization, concession, or other instrument or obligation to which the Buyer is a party or by which its assets are bound, except for any violation, conflict, Default, termination, acceleration or creation of Encumbrance which would not have a material adverse effect on the ability of the Buyer to consummate the transactions contemplated in this Agreement, or (c) violate any law or Court Order.

5.4 No Brokers. Neither the Buyer nor any of its respective Representatives or Affiliates has employed or made any agreement with any broker, finder or similar agent or any person or firm which will result in the obligation of the Buyer or Sellers to pay any finder's fee, brokerage fees, or commission or similar payment in connection with the transactions contemplated herein.

5.5 Sophistication: Information. The Buyer is an experienced and sophisticated investor and has such knowledge and experience in financial and business matters as are necessary to evaluate the merits and risks of an investment in the Shares. The Buyer is able to bear the economic risk of this investment regarding Holdco1, Holdco2 and AES, is able to hold the Shares indefinitely and has a sufficient net worth to sustain a loss of its entire investment in Holdco1, Holdco2 and AES in the event such loss should occur. Buyer acknowledges and affirms that (a) it has been furnished with the information about Holdco1, Holdco2, AES and the Shares that it has desired and requested and provided access to the books, records, facilities, equipment, other properties and assets and (b) it has made its own independent inquiry,

investigation, analysis and evaluation of Holdco1, Holdco2 and AES and has made all such reviews and inspections of the business, assets, results of operations, condition (financial and otherwise) and prospects of Holdco1, Holdco2 and AES as it has deemed necessary or appropriate, and based thereon, has formed an independent judgment concerning Holdco1, Holdco2 and AES and the Shares, and that in making its decision to enter into this Agreement and to consummate the transactions contemplated herein, it has relied solely on its own independent investigation, analysis and evaluation and the representations, warranties, covenants and agreements contained in this Agreement and has not relied on any statement or representation not made in this Agreement or the Disclosure Schedule.

## ARTICLE VI COVENANTS AND AGREEMENTS

Each of the Sellers and the Buyer each covenant and agree with the other as follows:

6.1 Conduct of Business Prior to the Closing. The Sellers covenant and agree that, until the Closing Date, they will continue to conduct the business of Holdco1, Holdco2, and AES in the ordinary course except for actions expressly permitted or prescribed by this Agreement and such further matters as may be approved by Buyer in advance in writing.

6.2 Access to Books and Records. Prior to the Closing Date, the Sellers will provide the Buyer will access to any information relating to the assets or businesses of Holdco1, Holdco2, or AES, upon reasonable request by the Buyer.

6.3 Privacy. Each of the Sellers acknowledge and consent to the fact that Buyer is collecting the Sellers' personal information (as that term is defined under applicable privacy legislation, in effect from time to time) for the purpose of completing this Agreement. Each of the Sellers acknowledge and consent to the Buyer retaining such personal information for as long as permitted or required by law or business practices. The Sellers further acknowledge and consent to the fact that the Buyer may be required by applicable Laws, to provide regulatory authorities with any personal information provided by the Sellers. Each of the Sellers represents and warrants that it has the authority to provide the consents and acknowledgements set out in this Section 6.3. In addition to the foregoing, the Sellers each acknowledge and agree that the Buyer may use and disclose the Seller's personal information, and consents thereto, as follows:

- (a) for internal use with respect to managing the relationships between and contractual obligations of the Buyer and the Sellers;
- (b) for use and disclosure for income tax related purposes, including without limitation, where required by law, disclosure to the Canada Revenue Agency;
- (c) disclosure to any person to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure;
- (d) disclosure to professional advisers of the Buyer in connection with the performance of their professional services;

(e) disclosure to a court determining the rights of the Parties under this Agreement; or

(f) for use and disclosure as otherwise required or permitted by law.

6.4 Confidentiality. Each of the Sellers acknowledges that he or she has knowledge of certain Confidential Information and that such Confidential Information is confidential and proprietary to the Business and constitutes valuable trade secrets of the Business, which affect, among other things, the successful conduct, furtherance, and protection of the Business and related goodwill. Each of the Sellers hereby acknowledges that the unauthorized use or disclosure of such Confidential Information is likely to be highly prejudicial to the interests of Buyer and its Affiliates or their respective customers, advertisers, clients and patrons, an invasion of privacy, or an improper disclosure of trade secrets. Each of the Sellers hereby agrees that a substantial portion of the Purchase Price is being paid for such Confidential Information and that it represents a substantial investment having great economic and commercial value to Buyer and its Affiliates. Each of the Sellers hereby further acknowledges and agrees that Buyer and its Affiliates is likely to be irreparably damaged if any of the Confidential Information was disclosed to, or used or exploited on behalf of, any Person other than Buyer or any of its Affiliates in violation of this Agreement. Accordingly, subject to the provisions of this Section 6.4, each of the Sellers hereby covenants and agrees that he or she shall not, directly or indirectly, and shall use his or her reasonable best efforts to ensure that any agents and Affiliates (each of the Sellers and such agents and Affiliates being collectively referred to as, "Restricted Persons") do not, without the prior written consent of Buyer, disclose, use, exploit, furnish, or make accessible to anyone or any other entity in violation of this Agreement, any such Confidential Information, for the benefit of any such Restricted Person or of any third party, at any time from and after the Closing Date until the tenth (10<sup>th</sup>) anniversary of this Agreement, except that a Restricted Person may disclose, use, exploit, furnish or make accessible a particular item of Confidential Information if and to the extent (but only if and to the extent) that such item is or becomes generally known on a non-confidential basis to the public or persons in the industry not in violation by a Restricted Person of this Section 6.4, in which Buyer or AES is engaged.

6.5 Non-Competition.

(a) Each of the Sellers hereby agrees that for a five (5) year period following the Closing Date such Seller will not in any capacity, or in association with others, directly or indirectly, as advisor, agent, owner, partner, stockholder, beneficial owner, or in any other capacity:

- (i) engage in the Business or in any business activity that competes with the Business in Canada or elsewhere in the world (the "Competitive Activities");
- (ii) own any interest in, manage, operate, join, or control any business or organization that engages in a Competitive Activity;
- (iii) solicit (directly or indirectly) for employment any person or entity who is employed by AES (other than persons or entities (A) who respond to any public

advertising without any other direct or indirect solicitation or (B) whose employment by any of the Buyer or AES has been terminated prior to the commencement of discussions with such person or entity); and

(iv) solicit (directly or indirectly) for the benefit of a Competitive Activity or entice customers or distribution partners of AES to cease doing business with or reduce their relationship with AES;

provided, however, that the ownership of less than five percent (5%) of the outstanding equity interests in a publicly traded Person will not constitute a violation of this Section 6.5(a) so long as such Seller or such other Restricted Person does not have any active participation in the management of such entity.

(b) Remedies. Each of the Sellers hereby expressly acknowledges that the covenants contained in this Section 6.5 are integral to the purchase of the Shares by Buyer and that without the protection of such covenants, Buyer would not have entered into this Agreement. Each of the Sellers hereby further acknowledges and agrees that money damages will be impossible to calculate and may not adequately compensate Buyer and/or its Affiliates in connection with an actual or threatened breach by a Restricted Person of the provisions of this Section 6.5. Accordingly, on his or her own behalf and on behalf of each of the other Restricted Persons, each of the Sellers hereby expressly waives all rights to raise the adequacy of the Buyer's remedies at law as a defense if the Buyer seeks to enforce by injunction or other equitable relief the due and proper performance and observance of the provisions of Section 6.5. In addition, the Buyer shall be entitled to pursue any other available remedies at law or equity, including the recovery of money damages, in respect of the actual or threatened breach of the provisions of this Section 6.5. Each of the Sellers hereby expressly waives any right to assert inadequacy of consideration as a defense to enforcement of the covenants in this Section 6.5 should such enforcement ever become necessary.

6.6 Further Assurances. Upon the terms and subject to the conditions contained herein, the Parties agree to (a) use all commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper, or advisable to consummate and make effective the transactions contemplated in this Agreement, (b) execute any documents, instruments, assignments or conveyances of any kind which may be reasonably necessary or advisable to carry out any of the transactions contemplated herein, including, without limitation, any assignments of Intellectual Property and (c) cooperate with each other in connection with the foregoing.

6.7 Publicity. No Seller shall reveal publicly the terms of this Agreement or of the Ancillary Documents except as required by law (including, if applicable, under applicable securities laws) without the prior written consent of the Buyer. The Parties agree that each Party may reveal the terms of this Agreement to any Representative or other advisor of a Party for purposes of Tax planning, responding to any dispute that may arise as a result of this Agreement or any other matter related to the performance by a Party of its obligations under this Agreement.

6.8 Tax Matters.

(a) Prior to the Effective Date, the Sellers will have caused Holdco1, Holdco2 and AES to file all federal and provincial income Tax Returns for the fiscal year ended August 31, 2009 and will have provided Buyer with copies of such Tax Returns.

(b) The Parties hereby acknowledge that the transactions contemplated by this Agreement will trigger the year-end for Holdco1, Holdco2, and AES and consequent obligations for the filing of corporate Tax Returns for the periods immediately preceding the Closing Date (the "Stub Periods"). The Buyer shall prepare and file the Tax Returns for Holdco1, Holdco2, and AES for the Stub Period. Before Buyer files such Tax Returns, Buyer will give the Sellers an opportunity to review and comment on such Tax Returns; provided that the Buyer has the sole discretion, acting reasonably, whether to accept any of the Sellers' comments with respect to such Tax Returns.

(c) In the event that Buyer files any amended Tax Return or changes any related elections relating to a period (or portion thereof) ending on or before the Closing Date (a "Tax Return Amendment"), Buyer will give the Sellers an opportunity to review and comment on such Tax Return Amendment; provided that the Buyer has the sole discretion, acting reasonably, whether to accept any of the Sellers' comments with respect to such Tax Return Amendment.

(d) Sellers shall provide the Buyer with such cooperation and information as it reasonably may request with respect to Holdco1, Holdco2 and AES in filing any Tax Return, Tax Return Amendment or claim for refund, determining a liability for Taxes or a right to a refund of Taxes or participating in or conducting any audit or other proceeding in respect of Taxes. Sellers shall bear their own expenses in complying with the foregoing provisions.

6.9 Repayment of Indebtedness. The Sellers hereby acknowledge that AES has made a Special Dividend to Holdco1 and Holdco2; and that in connection with that Special Dividend, each Seller advanced to AES the amount of C\$100,000 which is evidenced by a promissory note payable to such Seller (each a "Dividend Promissory Note"). The Sellers hereby agree that regardless of the terms and conditions contained in the Dividend Promissory Notes, from and after the Closing Date the Buyer will have no obligation to repay any portion of the Dividend Promissory Notes until the collected accounts receivables of AES exceeds C\$200,000.

## ARTICLE VII CONDITIONS TO THE CLOSING

7.1 Conditions to Obligations of the Sellers. The obligations of the Sellers to consummate the transactions contemplated by this Agreement will be subject to the fulfillment by Buyer as of the Closing (as determined in the reasonable judgment of the Sellers), of each of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Buyer contained in ARTICLE V of this Agreement will be true and correct in all material respects as of the Closing (other than such representations and warranties as are expressly made as of another date);



(b) No Adverse Order. No Governmental Agency or court of competent jurisdiction will have issued any statute, rule, regulation, or other order which has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions; and

(c) No Litigation. No suit, claim, cause of action, arbitration, investigation or other proceeding contesting, challenging or seeking to alter or enjoin or adversely affect the sale and purchase of the Holdco1 Shares, the Holdco2 Shares and the AES Shares, or any other transaction contemplated hereby, will be pending or threatened.

7.2 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement will be subject to the fulfillment by the Sellers as of the Closing (as determined in the reasonable judgment of the Buyer), of each of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of Sellers contained in ARTICLE III and ARTICLE IV of this Agreement will be true and correct in all material respects as of the Closing;

(b) Compliance with Covenants. The Sellers will have performed or complied with all of the covenants and agreements required by this Agreement to be performed or complied with by the Sellers at or before the Closing;

(c) Delivery of Stock Certificates. The Sellers will have delivered, and Buyer will have received, the Holdco1 Shares, Holdco2 Shares and the AES Shares at Closing together with properly executed stock powers;

(d) No Adverse Order. No Governmental Agency or court of competent jurisdiction will have issued any statute, rule, regulation, or other order which has the effect of making any of the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions; and

(e) No Litigation. No suit, claim, cause of action, investigation or other proceeding contesting, challenging or seeking to alter, enjoin or adversely affect the sale and purchase of the Holdco1 Shares, the Holdco2 Shares or the AES Shares or any other transaction contemplated hereby will be pending or to the knowledge of any of the Parties, threatened.

#### **ARTICLE VIII EARN-OUT PAYMENTS**

8.1 Earn-Out Payments. The Buyer will pay to the Sellers an Earn-Out Payment (if any) upon the satisfaction of certain financial milestones for the years 2010 and 2011, in accordance with this ARTICLE VIII.

8.2 Determination of Earn-Out Payments.

(a) No later than ninety (90) days after the completion of the 2010 Earn-Out Period and the 2011 Earn-Out Period, Buyer shall deliver to the Sellers a certificate of its chief

executive officer or its chief financial officer setting forth in reasonable detail Buyer's calculations of the Earn-Out Payment for the 2010 Earn-Out Period or the 2011 Earn-Out Period, as applicable (each, an "Earn-Out Notice"). For a period of fifteen (15) days following the Sellers' receipt of such Earn-Out Notice, the Sellers (acting together) may request from Buyer additional financial information or other supporting documentation for any items relating to the calculations of such Earn-Out Payment. Buyer shall promptly deliver such requested information and documentation to the Sellers not later than fifteen (15) days following receipt of the Sellers' request. The Sellers (acting together) shall have the right within thirty (30) days following the later of Sellers' receipt of such Earn-Out Notice or Sellers' receipt of the additional information requested (provided, however, that Sellers shall be deemed to have received all such information unless Sellers deliver to Buyer, within five (5) days of their receipt of information from Buyer that Buyer indicates is responsive, written notice that specifies with particularity the information that Sellers believe was not so delivered) to object to Buyer's calculation of such Earn-Out Payment as set forth in such Earn-Out Notice. Any objection made by the Sellers shall be accompanied by a detailed explanation of the basis for such objection together with any materials that support the Seller's objections. Buyer and the Sellers shall meet to resolve any differences in their respective positions with respect to Buyer's calculation of such Earn-Out Payment as set forth in such Earn-Out Notice. If the Parties are unable to agree upon the amount of such Earn-Out Payment, Buyer or the Sellers may submit the matter to be resolved through a binding arbitration procedure conducted in accordance with Section 8.2(b). If there is no timely objection by the Sellers (acting together) as provided above, Buyer's calculation of such Earn-Out Payment as set forth in such Earn-Out Notice shall be binding and final for purposes of this Agreement. If there is a timely objection by the Sellers as provided above, such Earn-Out Payment set forth in such Earn-Out Notice as revised, if applicable, by the agreement of Buyer and the Sellers or through arbitration as provided in Section 8.2(b), as applicable, shall be binding and final for purposes of this Agreement.

(b) If Sellers (acting together) timely object to any determinations set forth in the Earn-Out Notice, then the Sellers (acting together) shall refer such dispute to BDO Dunwoody LLP, and if BDO Dunwoody is unavailable, the Parties shall refer the dispute to a nationally recognized accounting firm acceptable to the Buyer and the Sellers, which accounting firm shall make a final and binding determination as to all such matters in dispute which must have been raised prior to submitting such dispute to such accounting firm as provided for in Section 8.2(a) above (and only such matters) on a timely basis and promptly shall notify the Sellers in writing of its resolution. The accounting firm shall be instructed by the Buyer and the Sellers (acting together) to resolve all such matters in dispute within thirty (30) days of its engagement consistent with the terms of this Agreement. Buyer and the Sellers shall each bear and pay one-half of the fees and other costs charged by the accounting firm. Buyer and the Sellers shall cooperate and provide each other and the accounting firm access to their respective books and records as are reasonably requested in connection with the matters addressed in this Section 8.2(b).

(c) Buyer and the Sellers agree that they will, and that they will cause their respective representatives to, cooperate and assist in the calculation of the Earn-Out Payment for either the 2010 Earn-Out Period or the 2011 Earn-Out Period and in the conduct of the reviews referred to in the foregoing sections hereof, including making available, to the extent necessary, books, records, work papers and personnel.

8.3 Payment of the Earn-Out Payments. Following the final determination of the Earn-Out Payment for either the 2010 Earn-Out Period or the 2011 Earn-Out Period in accordance with Section 8.2(a), if there is an Earn-Out Payment owing to the Sellers, Buyer shall promptly (but in any event within five (5) Business Days of such final determination) pay to each of Cameron and Matthews one-half of such Earn-Out Payment by wire transfer in immediately available funds to such account as each Seller may direct in writing.

8.4 Earn-Out Payment Limitations. Notwithstanding anything to the contrary contained herein, the aggregate of the 2010 Earn-Out Payment and the 2011 Earn-Out Payment shall in no event exceed C\$750,000.

8.5 Operation of the Business. Sellers hereby acknowledge and agree that Buyer shall have the right to operate the Business, AES, Holdco1 and Holdco2 in its sole and absolute discretion, and in no event shall Buyer have any obligation or duty to the Sellers to attempt to maximize any Earn-Out Payment.

8.6 Definitions. The following terms used in this ARTICLE VIII shall have the following meanings:

(a) "Earn-Out Payment" means the 2010 Earn-Out Payment or the 2011 Earn-Out Payment, as applicable.

(b) "Net Revenue" means the gross revenue of AES related to the Business less returns, allowances and credits, as such amounts are determined by the Buyer in accordance with GAAP, and as reflected in the consolidated financial statements of Mitcham Industries, Inc.

(c) "2010 Earn-Out Payment" is based on the Net Revenues for the 2010 Earn-Out Period and is determined as follows:

<u>Net Revenue for the 2010 Earn-Out Period</u>	<u>2010 Earn-Out Payment</u>
Less than C\$3,100,000	Zero
C\$3,100,000 or more up to C\$3,750,000	C\$150,000
More than C\$3,750,000	C\$300,000

(d) "2011 Earn-Out Payment" is based on the Net Revenues for the 2011 Earn-Out Period and is determined as follows:

Net Revenue for the 2011 Earn-Out Period	2011 Earn-Out Payment
Less than C\$4,000,000	Zero
C\$4,000,000 or more up to C\$4,250,000	C\$250,000
More than C\$4,250,000	C\$450,000

(e) "2010 Earn-Out Period" means the twelve month period beginning on the first day of the month in which the Closing Date occurs.

(f) "2011 Earn-Out Period" means the twelve month period beginning on the first date after the end of the 2010 Earn-Out Period.

#### ARTICLE IX LIABILITY AND INDEMNIFICATION

9.1 Survival of Representations, Etc. All of the representations and warranties made by each Party in this Agreement shall survive for a period of (and claims based upon or arising out of such representations and warranties may be asserted at any time before the date which shall be) twenty-four (24) months following the Closing Date, except that the representations and warranties made in Sections 3.1(f), 3.1(j), 3.2(f), 3.2(j) and 4.16 shall survive indefinitely. The termination of the representations and warranties provided herein shall not affect the rights of a Party in respect of any Claim (as defined below) made by such Party in a writing received by the applicable Party prior to the expiration of the applicable survival period provided herein.

9.2 Indemnification by the Sellers. Subject to limits set forth in Section 9.8, each of the Sellers shall, jointly and severally, indemnify, save, defend, and hold harmless the Buyer and its Affiliates and their respective Representatives, from and against any and all claims, losses, liabilities, obligations, damages, lawsuits, deficiencies, demands, costs, expenses (including reasonable attorneys' fees and all amounts paid in the investigation, defense, or settlement of any of the foregoing) (collectively "Claims") in connection with, arising out of or resulting from any breach of any (a) representation or warranty contained in ARTICLE IV, and (b) agreement or covenant by the Sellers contained in or made pursuant to this Agreement or any of the transactions contemplated herein. Where any liability of the Sellers has already been reserved or accounted for in the calculation of Final Net Working Capital, the Sellers' liability for indemnification hereunder shall be credited accordingly so as to avoid duplication.

9.3 Indemnification by Cameron. Subject to limits set forth in Section 9.8, Cameron shall indemnify, save, defend, and hold harmless the Buyer and its Affiliates and their respective Representatives, from and against any and all Claims in connection with, arising out of or resulting from (a) any breach of any representation or warranty contained in Section 3.1, and (b) agreement or covenant by Cameron (severally and not jointly with the other Seller) contained in or made pursuant to this Agreement or any of the transactions contemplated herein.

9.4 Indemnification by Matthews. Subject to limits set forth in Section 9.8, Matthews shall indemnify, save, defend, and hold harmless the Buyer and its Affiliates and their respective

Representatives, from and against any and all Claims in connection with, arising out of or resulting from (a) any breach of any representation or warranty contained in Section 3.2, and (b) agreement or covenant by Matthews (severally and not jointly with the other Seller) contained in or made pursuant to this Agreement or any of the transactions contemplated herein.

9.5 Indemnification by the Buyer. Subject to limits set forth in Section 9.8, the Buyer hereby agrees to indemnify and hold the Sellers harmless from and against any and all Claims in connection with, arising out of, or resulting from any breach of any representation, warranty, agreement or covenant on the part of the Buyer contained in or made pursuant to this Agreement or any of the transactions contemplated herein.

9.6 Indemnification Procedures.

(a) If any third party asserts any claim against a indemnified person which would entitle such person to indemnification under Sections 9.2, 9.3, 9.4, or 9.5 (the "Indemnified Party"), it shall give notice of such claim to the Party from whom it intends to seek indemnification (the "Indemnifying Party") and the Indemnifying Party shall have the right to assume the defense of such claim, subject to the provisions of this Section. The failure of the Indemnified Party to notify the Indemnifying Party of such claim shall not relieve the Indemnifying Party of any liability that the Indemnifying Party may have with respect to such claim, except to the extent that the defense is materially prejudiced by such failure. The Indemnified Party shall have the right to participate in the defense of such claim at its expense, in which case the Indemnifying Party shall cooperate in providing information to and consulting with the Indemnified Party about the claim. If the Indemnifying Party fails to assume the defense of any such claim within fifteen (15) days after written notice of such claim has been given by the Indemnified Party to the Indemnifying Party, the Indemnified Party may defend against or settle such claim with counsel of its own choosing at the expense of the Indemnifying Party.

(b) If the Indemnifying Party assumes the defense of such a claim, no settlement thereof may be effected by the Indemnifying Party without the Indemnified Party's prior written consent unless (A) there is no finding or admission of any violation of Law or any violation of the rights of any Person and no effect on any other claim that may be made against the Indemnified Party, (B) the sole relief provided is monetary damages that have been paid in full by the Indemnifying Party, and (C) the settlement includes, as an unconditional term thereof, the giving by the claimant or the plaintiff to the Indemnified Party of a release in form and substance reasonably satisfactory to the Indemnified Party, from all liability in respect of such claim.

9.7 Tax Indemnity.

(a) Subject to Section 9.7(c), Sellers hereby jointly and severally, indemnify, and agree to save, defend and hold harmless Buyer and its Affiliates and their respective Representatives, from and against any Tax attributable to AES, Holdco1 and/or Holdco 2, or arising out of or related to the operation of the Business, accruing prior to the Closing Date to the extent not reserved for in the Final Net Working Capital (a "Tax Deficiency"). For the avoidance of doubt, a Tax Deficiency shall not include any amount that results from the Buyer's

preparation and filing of any Tax Return Amendment for a period (or portion thereof) that precedes the Closing Date, except where such refiling is the result of an audit, investigation, inquiry or other government initiated assessment or action.

(b) Buyer shall have the sole control and authority over (i) the filing of all Tax Returns after the Closing Date, (ii) communications and negotiations with any taxing authorities, and (iii) the settlement, negotiation or resolution of any audits, assessments or disputes.

(c) Subject to Section 9.9, in the event of any Tax Deficiency, the Buyer shall give the Sellers written notice of such Tax Deficiency and shall reduce the Tax Reserve Amount by the amount of the Tax Deficiency; and the Purchase Price shall be reduced by the same amount.

(d) Within thirty (30) days after the expiration of all statute of limitations for any Taxes arising or accruing prior to the Closing Date (including tax periods for which filings are made after the Closing Date), the Buyer will pay to the Sellers (one-half to Cameron and one-half to Matthews) in immediately available funds by wire transfer to such account as each Seller may direct in writing the excess (if any) of the Tax Reserve Amount over any reductions pursuant to Section 9.7(c), together with interest on such excess calculated at six percent (6%) per annum (calculated on a semi-annual basis) from the Closing Date to the payment date. For example, if there is a Tax Deficiency of C\$200,000 assessed against the Tax Reserve Amount, the interest would be calculated on C\$100,000 from the Closing until the payment date.

9.8 Limitations on Liability. Notwithstanding anything to the contrary contained in this Agreement, for breaches of representations and warranties by third parties under Article III and Article IV, the Sellers will not be liable to Buyer unless and until the aggregate amount of damages related to such breach(es) exceeds an accumulated total of C\$25,000. For the avoidance of doubt, the foregoing limitations do not apply to any breach of a covenant hereunder by any Seller and do not limit or apply to the Buyer's rights to recover any Tax Deficiency under Section 9.7 and shall not apply to any representation or warranty claim that involves allegations of any fraud on the part of the Sellers or any of them.

9.9 Right of Setoff. The Parties hereby agree that the Buyer shall have the right to set-off any amounts owed by either or both of the Sellers to Buyer for any claim against or liabilities of either or both of the Sellers under this Agreement, in accordance with the following:

(a) The Buyer shall provide a written notice to the Seller(s), together with supporting documentation, prior to making a set-off of any amounts owed under this Agreement. Such notice shall include the amount of the set-off, the basis for the set-off and what amounts will be set-off against the Cameron Note or the Matthews Note, as applicable, the Earn-Out Payments or the Tax Reserve Amount or some combination of the foregoing.

(b) If the claim of set-off relates to any claim or liability arising out of or under Section 9.3, then the Buyer may set-off such amount against the Cameron Note only or any Earn-Out Payment owing to Cameron.

(c) If the claim of set-off relates to any claim or liability arising out of or under Section 9.4, then the Buyer may set-off such amount against the Matthews Note only or any Earn-Out Payment owing to Matthews.

(d) If the claim of set-off relates to any claim or liability arising out of or under Section 9.7, then the Buyer may set-off such amount first against the Tax Reserve Amount and then if any additional amounts are owing in accordance with Section 9.9(e).

(e) If the amounts owed by either or both of the Sellers to the Buyer relate to any claim or liability arising out of any other section of this Agreement, then the Buyer may set-off such amount (in its sole and absolute discretion) against the Cameron Promissory Note, the Matthews Promissory Note or any Earn-Out Payments, providing that any set-off is allocated against each Seller equally.

(f) In the event that the Sellers object to the set-off amount, then applicable Seller or Sellers shall provide the Buyer with written notice thereof within thirty (30) days after receiving the notice provided for in Section 9.9(a) and shall include reasonable detail regarding such objections with supporting documentation. If the Buyer and the Seller(s), working in good faith, are unable to agree on such amount within sixty (60) days of receipt of Sellers' notice, then either the Buyer or the Seller(s) may refer such dispute to BDO Dunwoody LLP or, if that firm declines to act as provided in this Section 9.9(f), the Parties shall refer the dispute to a nationally recognized accounting firm or law firm acceptable to both the Sellers and the Buyer, which firm shall make a final and binding determination as to all matters in dispute (and only such matters) on a timely basis (and in any event within 135 days following the Closing Date) and promptly shall notify the Parties in writing of its resolution. Such accounting firm handling the dispute resolution shall not have the power to modify or amend any term or provision of this Agreement. Each of the Buyer and the Sellers shall bear and pay one-half of the fees and other costs charged by such accounting firm or law firm.

#### ARTICLE X TERMINATION, AMENDMENT AND WAIVER

10.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Sellers and Buyer;

(b) by either the Sellers or Buyer if there will have been instituted, pending or threatened (and not withdrawn) any action or proceeding by any Governmental Agency or court of competent jurisdiction, or there will be in effect any judgment, decree or order of any Governmental Authority or court of competent jurisdiction, seeking to prohibit or limit Buyer from exercising all material rights and privileges pertaining to its ownership of Holdco1, Holdco2 and AES, or which materially adversely affects the valuation of the assets of Holdco1, Holdco2 or AES which forms the basis of Buyer's Purchase Price from the Effective Date to the Closing;

(c) by Buyer, if the conditions set forth in Section 7.2 have not been complied with or performed in any respect and such non-compliance or non-performance is not cured or

eliminated (or by its nature cannot be cured or eliminated) by the Sellers on or before March 15, 2010; or

(d) by the Sellers, if the conditions set forth in Section 7.1 above have not been complied with or performed in any respect and such non-compliance or non-performance is not cured or eliminated (or by its nature cannot be cured or eliminated) by Buyer on or before March 15, 2010.

10.2 Effect of Termination. In the event of termination in accordance with Section 10.1 hereof, this Agreement will forthwith become void and there will be no liability on the part of any Party hereto.

10.3 Waiver. At any time prior to the Closing, any Party may in its sole discretion:

- (a) extend the time for the performance of any of the obligations or other acts of the other Parties hereto;
- (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; or
- (c) waive compliance with any of the agreements or conditions contained herein.

Any such extension or waiver will be valid if set forth in an instrument in writing signed by the Party to be bound thereby.

#### ARTICLE XI DEFINITIONS AND CONSTRUCTION

11.1 Defined Terms. As used herein, the terms below shall have the following meanings. Any such term, unless the context otherwise requires, may be used in the singular or plural, depending upon the reference.

“2010 Earn-Out Payment” shall have the meaning ascribed to such term in Section 8.6(c).

“2010 Earn-Out Period” shall have the meaning ascribed to such term in Section 8.6(e).

“2011 Earn-Out Payment” shall have the meaning ascribed to such term in Section 8.6(d).

“2011 Earn-Out Period” shall have the meaning ascribed to such term in Section 8.6(f).

“AES” shall have the meaning ascribed to such term in the recitals to this Agreement.

“AES Shares” shall have the meaning ascribed to such term in Section 4.3.

“Action” shall mean any action, complaint, claim, suit, litigation, proceeding, employment dispute, arbitration, governmental audit, inquiry, criminal prosecution, civil or criminal investigation, or unfair labor practice charge or complaint.



“Affiliate” shall mean, when used with reference to any specified Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Ancillary Documents” shall mean the Cameron Employment Agreement, the Van Caulart Employment Agreement, the Exclusive Marketing Agreement, the Cameron Promissory Note, the Matthews Promissory Note and any other documents delivered by a Party on the Closing Date in connection with the transactions contemplated by this Agreement.

“Books and Records” shall mean all business records, data, documents, management information systems (including related computer software and electronic forms of data and information), files, customer lists, supplier lists, blueprints, specifications, designs, drawings, plans, operation or maintenance manuals, bids, personnel records, invoices, sales literature, all Tax Returns and all worksheets, notes, files, or documents related thereto, and all other books and records maintained by Holdco1, Holdco2 and AES.

“Business” shall mean the historical, current, or planned future business or business activities of AES as of the Closing Date, which shall include the research, design, manufacture, sale and lease of heli-support equipment and services for use in the seismic survey industry. For the avoidance of doubt, “Business” shall not include the testing or maintenance of seismic cable or the production and manufacture of helicopter tracking and navigation software and hardware systems by Geo-Check Cable Solutions Ltd. and Absolute Tracking Solutions Ltd.

“Business Day” shall mean a day other than Saturday, Sunday, or any day on which banks located in Calgary, Alberta, Canada are authorized or obligated to close.

“Business IP” shall have the meaning ascribed to such term in Section 4.15(b).

“Buyer” shall have the meaning ascribed to such term in the opening paragraph of this Agreement.

“Buyer’s Determination” shall have the meaning ascribed to such term Section 1.3(a).

“C\$” shall mean the Canadian dollar.

“Cameron” shall have the meaning ascribed to such term in the opening paragraph of this Agreement.

“Cameron Employment Agreement” means that certain Employment Agreement between the Buyer and Brett Cameron attached hereto as Exhibit D.

“Cameron Promissory Note” shall mean that certain promissory note in favor of Cameron in the principal aggregate amount of C\$750,000 attached hereto as Exhibit E.

“Claim” shall have the meaning ascribed to such term in Section 9.2.

“Closing” means the consummation of the transactions contemplated by this Agreement.

“Closing Date” shall have the meaning ascribed to such term in Section 2.1.

“Code” means the Internal Revenue Code of 1986, as amended.

“Competitive Activities” has the meaning ascribed to such term in Section 6.5(a)(i). The Competitive Activities shall include the design, development, manufacture, sale, lease, or rental of products, equipment or services for use in seismic acquisition surveys including, but not limited to, those related to helicopter assisted deployment and retrieval of equipment. For the avoidance of doubt, “Competitive Activities” shall not include the testing or maintenance of seismic cable or the production and manufacture of helicopter tracking and navigation software and hardware systems by Geo-Check Cable Solutions Ltd. and Absolute Tracking Solutions Ltd.

“Confidential Information” shall mean any and all trade secrets, confidential business or technical information, and proprietary information and materials, whether or not stored in any medium, owned by AES, including, but not limited to, business information, technology, technical documentation, product or service specifications, marketing plans, research and development, designs, formulae, computer programs, pricing information, financial information and information relating to existing, previous and potential suppliers, customers, and contracts.

“Contract” shall mean any agreement, contract, note, loan, evidence of indebtedness, purchase order, letter of credit, indenture, security or pledge agreement, franchise agreement, undertaking, covenant not to compete, license, instrument, obligation, promise or commitment (in each case whether written or oral) to which AES is a party or is bound.

“Court Order” shall mean any judgment, decision, consent decree, injunction, ruling, or order of any federal, state, local, or foreign court or governmental agency, department or authority that is binding on any Person or its property under applicable law.

“Current Balance Sheet” shall mean the unaudited balance sheet attached hereto as Exhibit B.

“Default” shall mean (a) a breach of or default under any Contract, Lease, or Permit, (b) the occurrence of an event that with the passage of time or the giving of notice or both would reasonably be expected to constitute a breach of or default under any Contract, Lease, or Permit, or (c) the occurrence of an event that with or without the passage of time or the giving of notice or both would reasonably be expected to give rise to a right of termination or acceleration under any Contract, Lease, or Permit.

“Disclosure Schedule” shall mean the disclosure schedule to this Agreement.

“Dividend Promissory Note” shall have the meaning ascribed to such term in Section 6.9.

“Earn-Out Notice” shall have the meaning ascribed to such term in Section 8.2(a).

“Earn-Out Payment” shall have the meaning ascribed to such term in Section 8.6(a).

“Effective Date” shall have the meaning ascribed to such term in the opening paragraph to this Agreement.

“Employment Statutes” means all legislation (whether of Canada, any part thereof, or elsewhere) relating in any way to the employment of employees or other workers (whether individually or collectively) or the terms on which they are employed and including, for the avoidance of doubt, any such legislation relating to health and safety.

“Encumbrance” shall mean any lien, pledge, option, charge, community property interest, equitable interest, right of first refusal, or restriction of any kind, easement, security interest, deed of trust, mortgage, pledge, hypothecation, right-of-way, encroachment, encumbrance, or other right of third parties, whether voluntarily incurred or arising by operation of law, and includes, without limitation, any voting trusts or stockholders agreements or any agreement to give any of the foregoing in the future, and any contingent sale or other title retention agreement or lease in the nature thereof.

“Exclusive Marketing Agreement” means that certain Exclusive Marketing Agreement among Buyer, Cameron and Matthews attached hereto as Exhibit C.

“Final Net Working Capital” shall have the meaning ascribed to such term in Section 1.3(c).

“GAAP” means the accounting principles generally accepted in Canada as in effect from time to time.

“Government Agency” means any government or any public, statutory, governmental (including a local government), semi-governmental, or judicial body, entity, department or authority and includes any self-regulatory organization established under statute.

“Holdco1” shall have the meaning ascribed to such term in the recitals of this Agreement.

“Holdco1 Shares” shall mean all of the issued and outstanding stock in Holdco1.

“Holdco2” shall have the meaning ascribed to such term in the recitals of this Agreement.

“Holdco2 Shares” shall mean all of the issued and outstanding stock in Holdco2.

“Indemnified Party” shall have the meaning ascribed to such term in Section 9.6(a).

“Indemnifying Party” shall have the meaning ascribed to such term in Section 9.6(a).

“Intellectual Property” shall mean any and all rights in or affecting intellectual or industrial property or other proprietary rights, existing now or in the future in Canada or anywhere worldwide. Intellectual Property includes, without limitation, any and all rights in, to, or subsisting in the following:

- (a) all issued patents, reissued or reexamined patents, revivals of patents, divisions, continuations, and continuations-in-part of patents, all renewals and extensions

thereof, utility models, registrations and certificates of invention, regardless of country or formal name;

(b) all published or unpublished non-provisional and provisional patent applications, including the right to file other or further applications, reexamination proceedings, invention disclosures, and records of invention;

(c) all registered or unregistered copyrights, copyrightable works, including, without limitation, all rights of authorship, use, publication, reproduction, distribution, performance, transformation, moral rights, and ownership of copyrightable works, the right to create derivative works, and all applications for registration, registrations, renewals, and extensions of registrations, together with all other interests accruing by reason of international copyright;

(d) all trademarks, service marks, logos, trade names, Internet domain names, slogans, corporate names, together with the goodwill of the business associated therewith, all applications for registration and registrations thereof, renewals thereof, the right to bring opposition and cancellation proceedings and any and all rights under the laws of trade dress;

(e) all proprietary information and materials, whether or not patentable or copyrightable, and whether or not reduced to practice, including without limitation all technology, ideas, research and development, inventions, designs, manufacturing and production processes and techniques, specifications, know-how, formulae, customer and supplier lists, pricing and cost information, business and marketing plans, shop rights, designs, drawings, patterns, trade secrets, confidential information, technical data, databases, data compilations and collections, computer programs, and all hardware, software and processes; and

(f) all claims, causes of action, and rights to sue for past, present, and future infringement or unauthorized use of any of the foregoing intellectual and other proprietary rights set forth in the foregoing paragraphs (a) through (e), the right to file applications and obtain registrations, and all rights arising therefrom and pertaining thereto.

“Knowledge of the Sellers” shall mean the knowledge Cameron and/or Matthews relating to a particular matter; and for purposes of the foregoing, Cameron and Matthews shall be deemed to have knowledge of a particular matter if, in the prudent exercise of his duties and responsibilities in the ordinary course of business, he should have known of such matter, after reasonable inquiry.

“Leases” shall mean all of the existing leases with respect to the personal or real property of AES.

“Liabilities” means all liabilities, losses, damages, costs, interest, fees, penalties, fines, assessments, forfeiture and expenses of whatever description (whether actual, contingent or materially prospective).

“Material Contracts” shall mean any and all written and oral agreements, contracts, commitments and understandings to which AES is a party, by which AES is directly or indirectly bound, or to which any of the assets of AES may be subject, in each case as amended and supplemented, including:

- (a) leases, licenses, permits, franchises and other contracts concerning or relating to real property and personal property;
- (b) employment, consulting, agency, collective bargaining and other similar contracts, agreements, and other instruments and arrangements relating to or for the benefit of current, future or former employees, officers, directors, sales representatives, distributors, dealers, agents, independent contractors or consultants;
- (c) loan agreements, indentures, letters of credit, mortgages, security agreements, pledge agreements, deeds of trust, bonds, notes, guarantees, and other agreements and instruments relating to the borrowing of money or obtaining of or extension of credit;
- (d) brokerage or finder’s agreements;
- (e) joint venture, partnership and similar contracts involving a sharing of profits or expenses (including joint research and development and joint marketing contracts);
- (f) asset purchase agreements and other acquisition or divestiture agreements, including any agreements relating to the sale, lease or disposal of any assets (other than sales of inventory in the ordinary course of business) or involving continuing indemnity or other obligations;
- (g) orders and other contracts for the purchase or sale of materials, supplies, products or services, each of which involves aggregate payments in excess of C\$10,000 in the case of purchases or C\$5,000 in the case of sales;
- (h) contracts with respect to which the aggregate amount that could reasonably be expected to be paid or received thereunder in the future exceeds C\$5,000 per annum or C\$10,000 in the aggregate;
- (i) sales agency, manufacturer’s representative, marketing and distributorship agreements or non-compete agreement; and
- (j) confidentiality agreements.

“Matthews” shall have the meaning ascribed to such term in the opening paragraph of this Agreement.

“Matthews Promissory Note” shall mean that certain promissory note in favor of Matthews in the principal aggregate amount of C\$750,000 attached hereto as Exhibit G.

“Net Revenue” shall have the meaning ascribed to such term in Section 8.6(b).

“Net Working Capital” means (without duplication), with respect to AES, the amount (expressed as a positive or negative number) equal to (a) the total current assets of AES, minus (b) the total current liabilities of AES, in the case of clauses (a) and (b): (i) including current assets and current liabilities relating to Taxes, (ii) including as a current asset, (A) cash collateral posted as credit support by or on behalf of AES, (B) any cash deposited by or on behalf of AES in any reserve account in connection with any Material Contract, and (C) the amount of any prepayments made at or prior to the Closing Date by or on behalf of AES for assets or services anticipated to be received by AES after the Closing Date, (iii) measured as of the time immediately prior to the consummation of, and without giving effect to, the transactions contemplated hereby, and (iv) as determined in accordance in all material respects with GAAP applied in a manner consistent with past practices of AES. By way of example, in the Year-End Financial Statements included in Exhibit B, as of August 31, 2009, the current assets equal C\$1,578,016 and the current liabilities equal C\$631,438; therefore as of August 31, 2009, the net working capital equals C\$946,578.

“Organizational Documents” shall mean (a) the articles of incorporation; (b) the bylaws; and (c) any amendment to any of the foregoing.

“Party” shall have the meaning ascribed to such term in the opening paragraph of this Agreement.

“Permits” shall mean all licenses, permits, franchises, approvals, consents or orders of, or filings with, any governmental authority, whether foreign, federal, state, or local, or any other person, necessary or desirable for the past or present conduct of, or relating to the operation of the Business.

“Person” shall mean any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or governmental body.

“Purchase Price” shall mean C\$4,000,000, as adjusted pursuant to Section 9.7(c).

“Receivables” shall have the meaning ascribed to such term in Section 4.21.

“Representative” of a Person shall mean any officer, director, principal, attorney, agent, employee, or other representative of that Person.

“Restricted Person” shall have the meaning ascribed to such term in Section 6.4.

“Sellers” shall have the meaning ascribed to such term in the opening paragraph of this Agreement.

“Sellers’ Representative” shall have the meaning ascribed to such term in Section 1.3(b).

“Shares” shall mean the Holdco1 Shares and the Holdco2 Shares.

“Special Dividend” means the special dividend declared and paid by Holdco1, Holdco2 and AES, respectively, pursuant to Sections 3.1(l), 3.2(l), and 4.20.

“Stub Periods” shall have the meaning ascribed to such term in Section 6.8(b).

“Tax,” “Taxes” or “Taxation” means all forms of taxes, duties (including stamp duty land tax), imposts, charges, withholdings, rates, levies or other governmental impositions imposed, assessed or charged by any Government Agency, together with all interest, penalties, fines, expenses and other additional statutory charges resulting from a failure to pay when due the full amount of any such imposition.

“Tax Deficiency” shall have the meaning ascribed to such term in Section 9.7(a).

“Taxpayers” shall mean any or all of (a) AES, (b) Holdco1, (c) Holdco2, (d) Sellers and (e) each member of any group of corporations with respect to which any Seller files or has filed a consolidated, combined or unitary Tax Return.

“Tax Reserve Amount” shall have the meaning ascribed to such term in Section 1.2(c)(iii).

“Tax Return” shall mean any return, report, information return or other document (including schedules thereto, other attachments thereto, amendments thereof, or any related or supporting information) filed or required to be filed with any taxing authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations, or administrative requirements relating to any Tax pertaining to the Business, or relating to AES, Holdco1 and Holdco2.

“Tax Return Amendment” shall have the meaning ascribed to such term in Section 6.8(c).

“Van Caulart Employment Agreement” means that certain Employment Agreement between the Buyer and Peter Van Caulart attached hereto as Exhibit E.

“Year-End Financial Statements” shall mean the balance sheet, and the related unaudited statements of income and cash flow of AES for the fiscal years ended in August 31, 2008 and 2009.

11.2 Rules of Construction. The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding, or rule of construction providing that ambiguities in any agreement or other document will be construed against the Party drafting such agreement or document. The titles, captions, and headings of the Articles and Sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

## ARTICLE XII OTHER PROVISIONS

12.1 Notices. All notices, requests, demands, Claims, and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if delivered in person or by private courier; or

when delivered by Canadian or United States mail, first-class, registered or certified, return receipt requested, with postage paid. In each case notice shall be sent to:

If to the Sellers or the Sellers' Representative,  
addressed to:

Caron & Partners LLP  
2100 700 2nd St. S.W.  
Calgary, Alberta T2P 2W1  
Attn: Tim Platnich

If to the Buyer, addressed to:

Mitcham Canada Ltd.  
2080 21st St N.E.  
Calgary, Alberta T2E 6S5  
Attn: General Manager

With a copy to:

Mitcham Industries, Inc.  
8141 Highway 75 South  
Huntsville, TX 77340  
Attn: Chief Executive Officer

or to such other place and with such other copies as any Party may designate as to itself by written notice to the others.

12.2 Entire Agreement. This Agreement, including the Schedule and Exhibits hereto, the Disclosure Schedule, and the Ancillary Documents, constitute the entire agreement of the Parties with respect to the subject matter hereof and supersede all other prior covenants, agreements, undertakings, obligations, promises, arrangements, communications, representations, and warranties, whether oral or written, by any Party or by any Representative of any Party.

12.3 Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by any Seller without the prior written consent of the Buyer. The Buyer may, without the consent of the Sellers assign all or any portion of its rights and obligations hereunder; *provided, however*, that such assignee(s) execute(s) a joinder to and agree(s) to be bound by this Agreement.

12.4 Amendment or Modification; and Waiver. This Agreement may not be amended except in an instrument in writing signed by the Buyer and the Sellers. No amendment,



supplement, modification, or waiver of this Agreement shall be binding unless executed in writing by the Party to be bound thereby. Neither the failure nor any delay on the part of any Party in exercising any right, power, or privilege under this Agreement or the documents referred to in this Agreement shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any such right, power, or privilege, nor any single or partial exercise of any such right, power, or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege. The failure of a Party to exercise any right conferred herein within the time required shall cause such right to terminate with respect to the transaction or circumstances giving rise to such right, but not to any such right arising as a result of any other transactions or circumstances.

12.5 Severability. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced as a result of any rule of law or public policy, all other terms and other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated in this Agreement is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated in this Agreement are fulfilled to the greatest extent possible.

12.6 Burden and Benefit. This Agreement shall be binding upon and shall inure to the benefit of, the Parties and their respective successors and permitted assigns. This Agreement and all of its conditions and provisions are for the sole and exclusive benefit of the Parties and their respective successors and permitted assigns, and nothing in this Agreement, express or implied, is intended to confer upon any Person other than the Parties any rights or remedies of any nature whatsoever under or by reason of this Agreement or any provision hereof; *provided, however*, that any Person that is not a Party but, by the terms of ARTICLE IX, is entitled to indemnification, shall be considered a third party beneficiary of this Agreement, with full rights of enforcement as though such Person was a signatory to this Agreement.

12.7 Governing Law and Consent to Jurisdiction. This Agreement (and any claim or controversy arising out of or relating to this Agreement) shall be governed by the laws of Alberta, Canada without regard to conflict of law principles that would result in the application of any other law.

12.8 Legal Fees. If any Party brings an action to enforce its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including without limitation reasonable legal fees, incurred in connection with such action, including any appeal of such action.

12.9 Expenses. Except as otherwise expressly provided herein, whether or not the transactions contemplated herein are consummated, each Party is responsible for all of its costs and expenses incurred in connection with this Agreement and the transactions contemplated herein.

12.10 Execution and Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed an original and all of which together shall constitute one and the same instrument. The Parties agree that this Agreement shall be legally binding upon the electronic transmission, including by facsimile or email, by each Party of a signed signature page to this Agreement to the other Party.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed on their respective behalf, by their respective officers thereunto duly authorized, all as of the day and year first set forth above.

**SELLERS:**

**BRETT CAMERON, INDIVIDUALLY**

By: /s/ Brett Cameron

**TERESA MARSHALL, INDIVIDUALLY**

By: /s/ Teresa Marshall

**STEVE MATTHEWS, INDIVIDUALLY**

By: /s/ Steve Matthews

**ANN MATTHEWS, INDIVIDUALLY**

By: /s/ Ann Matthews

[Signature Page to Stock Purchase Agreement]

---

**BUYER:**

**MITCHAM CANADA LTD.**

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

Mitcham Industries, Inc., as parent of the Buyer, hereby unconditionally and irrevocably guarantees the prompt and complete performance of all obligations of the Buyer under this Agreement.

**MITCHAM INDUSTRIES, INC.**

By: /s/ Robert P. Capps  
Robert P. Capps  
Executive Vice President

[Signature Page to Stock Purchase Agreement]

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the 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 9, 2010, relating to the consolidated financial statements and the financial statement schedule, which appears in this Form 10-K.

Hein & Associates LLP

Houston, Texas

April 9, 2010

**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 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Billy F. Mitcham, Jr.

\_\_\_\_\_  
Billy F. Mitcham, Jr.  
Chief Executive Officer  
April 9, 2010

**CERTIFICATION**

I, Robert P. Capps, certify that:

1. I have reviewed this annual report on Form 10-K of Mitcham Industries, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert P. Capps

---

Robert P. Capps  
Executive Vice President-Finance and Chief Financial Officer  
April 9, 2010

**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 on Form 10-K for the year ended January 31, 2010 of Mitcham Industries, Inc. (the "Company"), 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  
April 9, 2010



**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 on Form 10-K for the year ended January 31, 2010 of Mitcham Industries, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert P. Capps, Executive Vice President-Finance and Chief Financial 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/ Robert P. Capps

Robert P. Capps  
Executive Vice President-Finance and Chief Financial Officer  
April 9, 2010