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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2013

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	**76-0210849**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8141 SH 75 South
P.O. Box 1175
Huntsville, Texas 77342
(Address of principal executive offices, including Zip Code)

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

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 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.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 12,837,576 shares of common stock, $0.01 par value, were outstanding as of September 3, 2013.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	July 31, 2013	January 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,298	$ 15,150
Restricted cash	719	801
Accounts receivable, net	23,651	23,131
Current portion of contracts and notes receivable	1,075	2,096
Inventories, net	6,536	6,188
Prepaid income taxes	7,023	5,591
Deferred tax asset	1,751	1,842
Prepaid expenses and other current assets	4,039	3,079
Total current assets	65,092	57,878
Seismic equipment lease pool and property and equipment, net	105,874	119,608
Intangible assets, net	3,587	3,989
Goodwill	4,320	4,320
Deferred tax asset	4,816	4,296
Other assets	32	316
Total assets	$ 183,721	$ 190,407
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,436	$ 6,921
Current maturities – long-term debt	130	145
Deferred revenue	653	539
Accrued expenses and other current liabilities	2,930	1,875
Total current liabilities	8,149	9,480
Non-current income taxes payable	376	376
Long-term debt, net of current maturities	139	4,238
Total liabilities	8,664	14,094
Shareholders' equity:		
Preferred stock, $1.00 par value; 1,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.01 par value; 20,000 shares authorized; 13,867 and 13,763 shares issued at July 31, 2013 and January 31, 2013, respectively	139	138
Additional paid-in capital	117,368	116,506
Treasury stock, at cost (1,030 and 926 shares at July 31, 2013 and January 31, 2013, respectively)	(6,402)	(4,860)
Retained earnings	61,962	56,348
Accumulated other comprehensive income	1,990	8,181
Total shareholders' equity	175,057	176,313
Total liabilities and shareholders' equity	$ 183,721	$ 190,407

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

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2013	2012	2013	2012
Revenues:				
Equipment leasing	$ 6,442	$ 10,882	$26,535	$31,890
Lease pool equipment sales	2,119	3,204	3,019	5,536
Seamap equipment sales	6,958	7,262	10,885	17,806
Other equipment sales	5,376	1,732	7,747	2,479
Total revenues	20,895	23,080	48,186	57,711
Cost of sales:				
Direct costs—equipment leasing	1,119	1,940	2,392	4,645
Direct costs—lease pool depreciation	7,386	8,437	14,805	16,831
Cost of lease pool equipment sales	559	1,007	961	2,411
Cost of Seamap and other equipment sales	7,531	4,296	11,131	9,538
Total cost of sales	16,595	15,680	29,289	33,425
Gross profit	4,300	7,400	18,897	24,286
Operating expenses:				
General and administrative	6,048	5,719	12,087	11,038
Recovery of doubtful accounts	—	—	—	(428)
Depreciation and amortization	378	340	753	669
Total operating expenses	6,426	6,059	12,840	11,279
Operating (loss) income	(2,126)	1,341	6,057	13,007
Other income (expenses):				
Interest, net	160	(96)	157	(101)
Other, net	1,000	29	739	(569)
Total other income (expenses)	1,160	(67)	896	(670)
(Loss) income before income taxes	(966)	1,274	6,953	12,337
Benefit (provision) for income taxes	273	5,128	(1,339)	2,521
Net (loss) income	$ (693)	$ 6,402	$ 5,614	$14,858
Net (loss) income per common share:				
Basic	$ (0.05)	$ 0.51	$ 0.44	$ 1.17
Diluted	$ (0.05)	$ 0.48	$ 0.43	$ 1.12
Shares used in computing net income per common share:				
Basic	12,742	12,665	12,766	12,646
Diluted	12,742	13,262	13,198	13,294

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

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MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Net (loss) income	$ (693)	$ 6,402	$ 5,614	$14,858
Change in cumulative translation adjustment	(4,610)	(1,911)	(6,191)	(145)
Comprehensive (loss) income	$ (5,303)	$ 4,491	$ (577)	$14,713

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

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Six Months Ended July 31, 2013	2012
Cash flows from operating activities:		
Net income	$ 5,614	$ 14,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,624	17,567
Stock-based compensation	553	1,064
Provision for doubtful accounts, net of charge offs	—	(17)
Provision for inventory obsolescence	58	118
Gross profit from sale of lease pool equipment	(2,058)	(3,125)
Excess tax benefit from exercise of non-qualified stock options and restricted shares	(44)	(350)
Deferred tax provision	(695)	(1,815)
Changes in non-current income taxes payable	—	(5,003)
Changes in working capital items:		
Accounts receivable	(2,568)	11,722
Contracts and notes receivable	1,329	(850)
Inventories	(1,028)	(370)
Prepaid expenses and other current assets	(1,382)	1,109
Income taxes payable	(1,666)	(7,105)
Prepaid foreign income tax	—	3,519
Accounts payable, accrued expenses, other current liabilities and deferred revenue	2,224	(2,042)
Net cash provided by operating activities	15,961	29,280
Cash flows from investing activities:		
Purchases of seismic equipment held for lease	(7,829)	(27,316)
Purchases of property and equipment	(405)	(485)
Sale of used lease pool equipment	3,019	5,536
Net cash used in investing activities	(5,215)	(22,265)
Cash flows from financing activities:		
Net payments on revolving line of credit	(4,000)	(150)
Payments on borrowings	(72)	(1,494)
Net purchases of short-term investments	7	—
Proceeds from issuance of common stock upon exercise of options	252	96
Purchase of treasury stock	(1,527)	—
Excess tax benefit from exercise of non-qualified stock options and restricted shares	44	350
Net cash used in financing activities	(5,296)	(1,198)
Effect of changes in foreign exchange rates on cash and cash equivalents	(302)	441
Net change in cash and cash equivalents	5,148	6,258
Cash and cash equivalents, beginning of period	15,150	15,287
Cash and cash equivalents, end of period	$20,298	$ 21,545
Supplemental cash flow information:		
Interest paid	$ 82	$ 325
Income taxes paid	$ 3,625	$ 7,035
Purchases of seismic equipment held for lease in accounts payable at end of period	$ 1,190	$ 385

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

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MITCHAM INDUSTRIES, INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

The condensed consolidated balance sheet as of January 31, 2013 for Mitcham Industries, Inc. (for purposes of these notes, the “Company”) has been derived from audited consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company’s Annual Report on Form 10-K for the year ended January 31, 2013. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of July 31, 2013, the results of operations for the three and six months ended July 31, 2013 and 2012, and the cash flows for the six months ended July 31, 2013 and 2012, have been included in these financial statements. The foregoing interim results are not necessarily indicative of the results of operations to be expected for the full fiscal year ending January 31, 2014.

2. Organization

The Company was incorporated in Texas in 1987. The Company, through its wholly-owned Canadian subsidiary, Mitcham Canada, ULC. (“MCL”), its wholly-owned Russian subsidiary, Mitcham Seismic Eurasia LLC (“MSE”), its wholly- owned Hungarian subsidiary, Mitcham Europe Ltd. (“MEL”), its wholly-owned Singaporean subsidiary, Mitcham Marine Leasing Pte Ltd. (“MML”), 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, Seamap International Holdings Pte, Ltd. (“Seamap”), designs, manufactures and sells a broad range of proprietary products for the seismic, hydrographic and offshore industries with manufacturing, support and sales facilities based in Singapore and the United Kingdom. All material intercompany transactions and balances have been eliminated in consolidation.

3. Restricted Cash

In connection with a temporary importation of lease pool equipment, MSE has pledged approximately $636,000 in short-term deposits as of July 31, 2013 as collateral to secure import bonds posted with Russian customs authorities. Also, in connection with certain contracts, SAP has pledged approximately $83,000 in short-term time deposits as of July 31, 2013 to secure performance obligations under those contracts. The amount of security will be released as the contractual obligations are performed over the remaining terms of the contracts, which is estimated to be approximately two months.

As these investments in short-term time deposits relate to financing activities, the securing of contract obligations, these transactions are reflected as a financing activities in the accompanying condensed consolidated statements of cash flows.

4. Balance Sheet

	July 31, 2013	January 31, 2013
	(in thousands)	
Accounts receivable:		
Accounts receivable	$26,932	$ 26,505
Allowance for doubtful accounts	(3,281)	(3,374)
Total accounts receivable, net	$23,651	$ 23,131
Contracts and notes receivable:		
Contracts receivable	$ 858	$ 904
Notes receivable	217	1,471
Less current portion	(1,075)	(2,096)
Long-term portion	$ —	$ 279

Contracts receivable consisted of $858,000 due from two customers as of July 31, 2013 and $904,000 due from two customers as of January 31, 2013. Notes receivable of $217,000 at July 31, 2013 and $1,471,000 at January 31, 2013 relate to promissory notes issued by a customer in settlement of a trade accounts receivable. As of July 31, 2013, these agreements bear interest at an average of approximately 8.5% per year and have remaining repayment terms of one to 11 months. These agreements are collateralized by seismic equipment and are considered collectable; thus, no allowances have been established for them.

	July 31, 2013	January 31, 2013
	(in thousands)	
Inventories:		
Raw materials	$ 3,074	$ 3,103
Finished goods	3,676	3,531
Work in progress	904	627
	7,654	7,261
Less allowance for obsolescence	(1,118)	(1,073)
Total inventories, net	$ 6,536	$ 6,188

	July 31, 2013	January 31, 2013
	(in thousands)	
Seismic equipment lease pool and property and equipment:		
Seismic equipment lease pool	$ 233,376	$ 241,395
Land and buildings	366	366
Furniture and fixtures	8,861	8,899
Autos and trucks	807	748
	243,410	251,408
Accumulated depreciation and amortization	(137,536)	(131,800)
Total seismic equipment lease pool and property and equipment, net	$ 105,874	$ 119,608

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5. Goodwill and Other Intangible Assets

	Weighted Average Remaining Life at 7/31/2013	July 31, 2013 Gross Carrying Amount	July 31, 2013 Accumulated Amortization (in thousands)	July 31, 2013 Net Carrying Amount	January 31, 2013 Gross Carrying Amount	January 31, 2013 Accumulated Amortization (in thousands)	January 31, 2013 Net Carrying Amount
Goodwill		$ 4,320			$ 4,320		
Proprietary rights	6.9	$ 3,444	$ (1,708)	$ 1,736	$ 3,503	$ (1,625)	1,878
Customer relationships	4.6	2,333	(996)	1,337	2,402	(876)	1,526
Patents	4.6	703	(300)	403	724	(264)	460
Trade name	4.6	192	(81)	111	197	(72)	125
Amortizable intangible assets		$ 6,672	$ (3,085)	$ 3,587	$ 6,826	$ (2,837)	$ 3,989

As of July 31, 2013, the Company had goodwill of $4,320,000, all of which was allocated to the Seamap segment. No impairment was recorded against the goodwill account.

Amortizable intangible assets are amortized over their estimated useful lives of eight to 15 years using the straight-line method. Aggregate amortization expense was $164,000 and $169,000 for the three months ended July 31, 2013 and 2012, respectively, and $329,000 and $338,000 for the six months ended July 31, 2013 and 2012, respectively. As of July 31, 2013, future estimated amortization expense related to amortizable intangible assets was estimated to be:

For fiscal years ending January 31 (in thousands):	
2014	$ 326
2015	653
2016	653
2017	653
2018	653
2019 and thereafter	649
Total	$3,587

6. Long-Term Debt and Notes Payable

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

	July 31, 2013	January 31, 2013
Revolving line of credit	$ —	$ 4,000
Other equipment notes	269	383
	269	4,383
Less current portion	(130)	(145)
Long-term debt	$ 139	$ 4,238

In August 2012, the Company entered into an amended credit agreement with First Victoria Bank (the “Bank”) that provided for borrowings of up to $50.0 million on a revolving basis through August 31, 2015 (the “Revolving Credit Facility”).

Amounts available for borrowing under the Revolving Credit Facility were determined by a borrowing base. The borrowing base was computed based upon certain outstanding accounts receivable, certain portions of the Company’s lease pool and certain lease pool assets that had been purchased with proceeds from the Revolving Credit Facility. The Revolving Credit Facility was collateralized by essentially all of the Company’s domestic assets. Interest was payable monthly at the greater of the prime rate or 3.25%. As of July 31, 2013, the applicable rate was 3.25%. Up to $10.0

million of available borrowings under the Revolving Credit Facility may be utilized to secure letters of credit. As of July 31, 2013, there were outstanding stand-by letters of credit totaling approximately $622,000. The Revolving Credit Facility contained certain financial covenants that require, among other things, 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; and have quarterly earnings before interest, taxes, depreciation and amortization ("EBITDA") of not less than $2.0 million. The Revolving Credit Facility also provided that the Company could not incur or maintain indebtedness in excess of $10.0 million without the prior written consent of the Bank, except for borrowings related to the Revolving Credit Facility. The Company could also guaranty up to $5.0 million of subsidiary debt without the Bank's prior consent. The Company was in compliance with each of these provisions as of and for the six months ended July 31, 2013. The Company's average borrowings under the Revolving Credit Facility for the six months ended July 31, 2013 and 2012 were approximately $3,715,000 and $15,756,000, respectively.

On August 2, 2013, the Company entered into a $50.0 million, three-year revolving credit facility, as described below (the "Credit Agreement"). The Credit Agreement replaced the Revolving Credit Facility with First Victoria National Bank. The Credit Agreement is a three-year, secured revolving facility in the maximum principal amount of $50.0 million, among the Company, as borrower, HSBC Bank USA, N.A., as administrative agent and several banks and other financial institutions from time to time parties thereto (initially consisting of HSBC Bank USA, N.A., and First Victoria National Bank) as lenders.

Amounts available for borrowing under the Credit Agreement are determined by a borrowing base. The borrowing base is determined primarily based upon the appraised value of the Company's domestic lease pool equipment and certain accounts receivable. The Credit Agreement is collateralized by essentially all of the Company's domestic assets (other than real estate) and 65% of the capital stock of Mitcham Holdings, Ltd., a foreign holding company that holds the capital stock of the Company's foreign subsidiaries.

The Credit Agreement provides interest at a base rate, or for Eurodollar borrowings, in both cases plus an applicable margin. As of August 2, 2013, the base rate margin was 150 basis points and the Eurodollar margin was 250 basis points. The Company has agreed to pay a commitment fee on the unused portion of the Credit Agreement of 0.375% to 0.5%. Up to $10.0 million of available borrowings under the Credit Agreement may be utilized to secure letters of credit. The Credit Agreement contains certain financial covenants that require, among other things, that the Company maintain a leverage ratio, which is calculated at the end of each quarter, of no greater than 2.00 to 1.00 on a trailing four quarter basis and a fixed charge coverage ratio, which also is calculated at the end of each quarter, of no less than 1.25 to 1.00 on a trailing four quarter basis. In addition, should adjusted EBITDA, as defined in the Credit Agreement, for any trailing four quarter period be less than $22.0 million, the ratio of capital expenditures to adjusted EBITDA for that four quarter period may not be greater than 1.0 to 1.0. The Credit Agreement also includes restrictions on additional indebtedness in excess of $5.0 million.

The Credit Agreement contains customary representations, warranties, conditions precedent to credit extensions, affirmative and negative covenants and events of default. The negative covenants include restrictions on liens, additional indebtedness in excess of $5.0 million, acquisitions, fundamental changes, dispositions of property, restricted payments, transactions with affiliates and lines of business. The events of default include a change in control provision.

From time to time, certain subsidiaries have entered into notes payable to finance the purchase of certain equipment, which are secured by the equipment purchased.

7. Income Taxes

Prepaid income taxes of approximately $7.0 million at July 31, 2013 consisted of approximately $4.9 million of foreign taxes and approximately $2.1 million of domestic federal and state taxes. Prepaid income taxes of approximately $5.6 million at January 31, 2013 consisted of approximately $4.2 million of foreign taxes and approximately $1.4 million of domestic federal and state taxes.

The Company and its subsidiaries file consolidated and separate income tax returns in the United States federal jurisdiction and in foreign jurisdictions. The Company is subject to United States federal income tax examinations for all tax years beginning with its fiscal year ended January 31, 2010.

The Company is subject to examination by taxing authorities throughout the world, including foreign jurisdictions such as Australia, Canada, Colombia, Hungary, Peru, Russia, Singapore and the United Kingdom. With few exceptions, the Company and its subsidiaries are no longer subject to foreign income tax examinations for tax years before 2008.

In July 2012, the Company reached a settlement with the Canadian Revenue Agency ("CRA") and the Internal Revenue Service regarding its request for competent authority assistance for matters arising from an audit of the Company's Canadian income tax returns for the years ended January 31, 2004, 2005 and 2006. The issues involved related to intercompany repair charges, management fees and the deductibility of depreciation charges and whether those deductions should be taken in Canada or in the United States. Pursuant to the settlement agreement, adjustments have been proposed to the Company's Canadian and United States income tax returns for the years ended January 31, 2004 through January 31, 2012. These changes are estimated to result in a net reduction to consolidated income tax expense of approximately $141,000, which amount was reflected in the Company's benefit from income taxes for the six months ended July 31, 2012.

As a result of the settlement, in the six months ended July 31, 2012, the Company recognized the benefit of certain tax positions amounting to approximately $3.3 million and reversed previous estimates of potential penalties and interest amounting to approximately $1.9 million.

The effective tax rate for the three and six months ended July 31, 2013 was approximately 28.3% and 19.3%, respectively. Without the effect of the $5.3 million tax benefit above, the effective tax rate for the three and six months ended July 31, 2012 was 13.5% and 22.5%, respectively. These rates are less than the federal statutory rate of 34% primarily due to the effect of lower tax rates in certain foreign jurisdictions. The Company has determined that earnings from these jurisdictions have been permanently reinvested outside of the United States.

8. Earnings per Share

Net income per basic common share is computed using the weighted average number of common shares outstanding during the period, excluding unvested restricted stock. Net income per diluted common share is computed using the weighted average number of common shares and dilutive potential common shares outstanding during the period using the treasury stock method. Potential common shares result from the assumed exercise of outstanding common stock options having a dilutive effect and from the assumed vesting of unvested shares of restricted stock.

The following table presents the calculation of basic and diluted weighted average common shares used in the earnings per share calculation:

	Three Months Ended July 31,		For the Six Months Ended July 31,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Basic weighted average common shares outstanding	12,742	12,665	12,766	12,646
Stock options	419	583	406	629
Unvested restricted stock	15	14	26	19
Total weighted average common share equivalents	434	597	432	648
Diluted weighted average common shares outstanding	13,176	13,262	13,198	13,294

For the three months ended July 31, 2013, potentially dilutive common shares, underlying stock options and unvested restricted stock, were anti-dilutive and were therefore not considered in calculating diluted loss per share for that period.

9. Treasury Stock

In April 2013, the Company's Board of Directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock through December 31, 2014. During the six months ended July 31, 2013, the Company repurchased 102,900 shares of its common stock at an average price of $14.79 per share. These shares are reflected as treasury stock in the accompanying financial statements. The Company expects that it will continue to purchase its shares from time to time in the open market or in privately negotiated purchase transactions as market and financial conditions warrant.

10. Stock-Based Compensation

Total compensation expense recognized for stock-based awards granted under the Company's equity incentive plan during the three and six months ended July 31, 2013 was approximately $287,000 and $553,000, respectively, and, during the three and six months ended July 31, 2012 was approximately $870,000 and $1.1 million, respectively.

11. Segment Reporting

The Equipment Leasing segment offers new and “experienced” seismic equipment for lease or sale 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; Budapest, Hungary; Singapore; Bogota, Colombia; and Lima, Peru.

The Seamap segment 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 United Kingdom and Singapore.

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

	As of July 31, 2013 Total Assets	As of January 31, 2013 Total Assets
	(in thousands)	
Equipment Leasing	$ 165,373	$ 171,971
Seamap	18,387	18,578
Eliminations	(39)	(142)
Consolidated	$ 183,721	$ 190,407

Results for the three months ended July 31, 2013 and 2012 were as follows (in thousands):

	Revenues		Operating (loss) income		(Loss) income before taxes	
	2013	2012	2013	2012	2013	2012
Equipment Leasing	$13,937	$15,818	$ (3,428)	$ (1,313)	$ (2,504)	$ (1,634)
Seamap	7,042	7,454	1,260	2,617	1,496	2,871
Eliminations	(84)	(192)	42	37	42	37
Consolidated	$20,895	$23,080	$ (2,126)	$ 1,341	$ (966)	$ 1,274

Results for the six months ended July 31, 2013 and 2012 were as follows (in thousands):

	Revenues		Operating income		Income before taxes	
	2013	2012	2013	2012	2013	2012
Equipment Leasing	$37,301	$39,905	$ 4,730	$ 5,714	$ 5,331	$ 5,092
Seamap	10,976	18,295	1,234	7,178	1,529	7,130
Eliminations	(91)	(489)	93	115	93	115
Consolidated	$48,186	$57,711	$ 6,057	$ 13,007	$ 6,953	$ 12,337

Sales from the Seamap segment to the Equipment Leasing segment are eliminated in the consolidated revenues. Consolidated income before taxes reflects the elimination of profit from intercompany sales and depreciation expense on the difference between the sales price and the cost to manufacture the equipment. Fixed assets are reduced by the difference between the sales price and the cost to manufacture the equipment, less the accumulated depreciation related to the difference.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q (this "Form 10-Q") may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "expect," "plan," "intend," "foresee," "should," "would," "could," or other similar expressions are intended to identify forward-looking statements, which generally are not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- decline in the demand for seismic data and our services;
- the effect of changing economic conditions and fluctuations in oil and natural gas prices on exploration activities;
- the effect of uncertainty in financial markets on our customers' and our ability to obtain financing;
- loss of significant customers;
- increased competition;
- loss of key suppliers;
- seasonal fluctuations that can adversely affect our business;
- fluctuations due to circumstances beyond our control or that of our customers;
- defaults by customers on amounts due us;
- possible impairment of our long-lived assets due to technological obsolescence or changes in anticipated cash flow generated from those assets;
- inability to obtain funding or to obtain funding under acceptable terms;
- intellectual property claims by third parties;
- risks associated with our manufacturing operations; and
- risks associated with our foreign operations, including foreign currency exchange risk.

For additional information regarding known material factors that could cause our actual results to differ materially from our projected results, please see (1) Part II, "Item 1A. Risk Factors" of this Form 10-Q and (2) Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2013.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publically update or revise any forward-looking statement after the date they are made, whether as the result of new information, future events or otherwise.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Overview

We operate in two segments, equipment leasing ("Equipment Leasing") and equipment manufacturing. Our equipment leasing operations are conducted from our Huntsville, Texas headquarters and from our locations in Calgary, Canada; Brisbane, Australia; Ufa, Bashkortostan, Russia; Budapest, Hungary; Singapore; Bogota, Colombia; and Lima, Peru. Our Equipment Leasing segment includes the operations of our Mitcham Canada, ULC. ("MCL"), Seismic Asia Pacific Pty. Ltd. ("SAP"), Mitcham Europe Ltd. ("MEL"), Mitcham Marine Leasing Pte Ltd. ("MML") and Mitcham Seismic Eurasia LLC ("MSE") subsidiaries and our branch operations in Peru and Colombia. Our equipment manufacturing segment is conducted by our Seamap subsidiaries and, therefore, is referred to as our "Seamap" segment. 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 and liquidity.

The following table presents certain operating information by operating segment.

	For the Three Months Ended July 31, 2013	For the Three Months Ended July 31, 2012	For the Six Months Ended July 31, 2013	For the Six Months Ended July 31, 2012
	(in thousands)		(in thousands)	
Revenues:				
Equipment Leasing	$ 13,937	$ 15,818	$ 37,301	$ 39,905
Seamap	7,042	7,454	10,976	18,295
Inter-segment sales	(84)	(192)	(91)	(489)
Total revenues	20,895	23,080	48,186	57,711
Cost of sales:				
Equipment Leasing	13,119	12,788	24,162	26,016
Seamap	3,602	3,121	5,311	8,013
Inter-segment costs	(126)	(229)	(184)	(604)
Total cost of sales	16,595	15,680	29,289	33,425
Gross profit	4,300	7,400	18,897	24,286
Operating expenses:				
General and administrative	6,048	5,719	12,087	11,038
Recovery of doubtful accounts	—	—	—	(428)
Depreciation and amortization	378	340	753	669
Total operating expenses	6,426	6,059	12,840	11,279
Operating (loss) income	$ (2,126)	$ 1,341	$ 6,057	$ 13,007
EBITDA (1)	$ 6,672	$ 10,180	$ 22,420	$ 30,005
Adjusted EBITDA (1)	$ 6,959	$ 11,050	$ 22,973	$ 31,069
Reconciliation of Net income to EBITDA and Adjusted EBITDA				
Net (loss) income	$ (693)	$ 6,402	$ 5,614	$ 14,858
Interest (income) expense, net	(160)	96	(157)	101
Depreciation and amortization	7,798	8,810	15,624	17,567
(Benefit) provision for income taxes	(273)	(5,128)	1,339	(2,521)
EBITDA (1)	6,672	10,180	22,420	30,005
Stock-based compensation	287	870	553	1,064
Adjusted EBITDA (1)	$ 6,959	$ 11,050	$ 22,973	$ 31,069

Reconciliation of Net cash provided by operating activities to EBITDA				
Net cash provided by operating activities	$ 7,571	$11,416	$15,961	$ 29,280
Stock-based compensation	(287)	(870)	(553)	(1,064)
Changes in trade accounts and contracts receivable	(3,738)	(7,147)	1,239	(10,872)
Interest paid	16	158	82	325
Taxes paid , net of refunds	2,246	3,214	3,625	7,035
Gross profit from sale of lease pool equipment	1,560	2,197	2,058	3,125
Changes in inventory	(317)	535	1,028	370
Changes in accounts payable, accrued expenses and other current liabilities and deferred revenue	(50)	1,210	(2,224)	2,042
Changes in prepaid expenses and other current assets	(196)	—	1,382	—
Other	(133)	(533)	(178)	(236)
EBITDA (1)	$ 6,672	$10,180	$22,420	$ 30,005

(1) EBITDA is defined as net income before (a) interest expense, net of interest income, (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 (“U.S. GAAP”). We have included these non-GAAP financial measures because management utilizes this information for assessing our performance and liquidity and as indicators of our ability to make capital expenditures, service debt and finance working capital requirements. The covenants of our revolving credit facility contain financial covenants that are based upon Adjusted EBITDA. Management believes that EBITDA and Adjusted EBITDA are measurements that are commonly used by analysts and some investors in evaluating the performance and liquidity 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 and liquidity of our core cash operations. EBITDA and Adjusted EBITDA are not measures of financial performance or liquidity under U.S. 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 U.S. 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. All active leases at July 31, 2013 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 Seamap segment. These amounts are reflected in the accompanying condensed consolidated financial statements at the cost to our Seamap segment, net of 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 and if the proceeds from the sale exceed the estimated present value of future lease income from that equipment. We also occasionally sell new seismic equipment that we acquire from other companies and sometimes provide financing on those sales. We also produce, sell, and lease equipment used to deploy and retrieve seismic equipment with helicopters. In addition to conducting seismic equipment leasing operations, 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.

Seismic equipment leasing is normally susceptible to weather patterns in certain geographic regions. In Canada and Russia, a significant percentage of the seismic survey activity occurs in winter months, from December or January 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 unstable terrain. In other areas of the world, such as South America, Southeast Asia and the Pacific Rim, periods of heavy rain can impair seismic operations. These periods of heavy rain often occur during the months of February through May in parts of South America. We are able, in some cases, to transfer our equipment from one region to another in order to accomodate seasonal demand and to increase our equipment utilization.

Historically, our first fiscal quarter has produced the highest leasing revenues, due in large part to the effect of the Canadian and Russian winter seasons discussed above. With the expansion of our land leasing operations into other geographic areas, such as South America and Europe, and marine leasing, we have seen a lessening of the seasonal variation in our leasing business in some years. We expect to continue to experience seasonal fluctuations, but such fluctuations may not be as great or as predictable as in the past.

Our Equipment Leasing segment can also experience periodic fluctuations in activity levels due to matters unrelated to seasonal or weather factors. These factors include the periodic shift of seismic exploration activity from one geographic area to another and difficulties encountered by our customers due to permitting and other logistical challenges.

Our Seamap segment designs, manufactures and sells a variety of products used primarily in marine seismic applications. Seamap's primary products include (1) the GunLink seismic source acquisition and control systems, which provide marine operators more precise control of their exploration systems, and (2) the BuoyLink RGPS tracking system used to provide precise positioning of seismic sources and streamers (marine recording channels that are towed behind a vessel). Seamap's business is generally not impacted by seasonal conditions, as is the case with our land leasing operations. However, Seamap can experience significant fluctuations in its business. The timing of deliveries and sales is often dependent upon the availability of the customer's vessel for delivery and installation of the equipment. Given the relatively large size of some orders, this can result in significant variations from period to period.

Business Outlook

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.

During fiscal 2013, we experienced an unexpected softening of demand for land seismic equipment in certain markets, specifically Latin America and Europe, and we saw sporadic land leasing demand in the United States, each as more fully discussed below. This situation has continued into fiscal 2014 to a large degree, as discussed more fully below. While we expect marginal improvement in the third quarter of fiscal 2014 and seasonal improvement in the fourth quarter of fiscal 2014, there remains much uncertainty as to the magnitude of this improvement, if any.

In Latin America, specifically in Colombia, we have experienced a series of delays in anticipated projects due to permitting, labor and logistical difficulties encountered by our existing and potential customers. A significant number of projects have been recently awarded to seismic contractors in Colombia, which we believe could indicate improving activity in that region. We have seen indications of renewed activity in Latin America, where we have delivered equipment for two new contracts and are staging equipment for other contracts. Many projects in Colombia have not started when anticipated and it now appears that some work scheduled to be completed in calendar 2013 will not take place until calendar 2014. Based on our discussions with customers and others in the industry, we believe there is considerable future demand for seismic services and equipment in Latin America, including Colombia, Bolivia, Brazil and other areas. Therefore, we remain optimistic about the future of our land leasing operations in Latin America. However, given our experience in recent periods and reports of on-going permitting, labor and security issues in parts of Colombia, the timing of many projects in Latin America continues to be uncertain.

Leasing revenues in the United States declined over the course of fiscal 2013 and through the second quarter of fiscal 2014. We believe this decline, and the sporadic activity we have experienced in this region, has been due to an overall slow-down in exploration activity in the United States, and as exploration budgets have been diverted to drilling programs rather than seismic exploration. This slow-down in the United States has also contributed to lower leasing revenues from our downhole seismic tools.

Activity in Europe was considerably lower in fiscal 2013 as compared to fiscal 2012. Political changes, fiscal issues and environmental concerns we believe, caused delays in many energy projects in Europe, particularly non-conventional natural gas projects. The effect of these matters continued into the first six months of fiscal 2014. However, we have recently shipped equipment to new projects and have seen a significant increase in bidding activity within this region, which leads us to believe demand in that region will increase over the balance of fiscal 2014 and into fiscal 2015.

Very recently we have experienced an increase in inquiries for the Russian market. As the seismic industry in Russia is generally seasonal, much of this work is scheduled for the winter season, which would encompass the fourth quarter of fiscal 2014 and the first quarter of fiscal 2015. Should this business develop as preliminarily indicated, we would expect an improvement in our land leasing business in this area and would likely deploy additional equipment to that region. We also have recently received preliminary inquiries in Canada regarding equipment for the upcoming winter season there. While these early inquiries are encouraging, we believe it is too early to determine what impact this will have on our business in Canada for the balance of this fiscal year and the first quarter of fiscal 2015.

We have recently seen a decline in demand in our marine rental business. Due to industry consolidation and restructuring we believe there to be an oversupply of used marine equipment available on the market, which has had a negative impact on the demand for our products and services. We believe this situation to be temporary as the overall marine seismic market continues to be robust.

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. Seamap has enjoyed increases in revenues over the past three fiscal years. Our Seamap business has benefited from equipping new-build vessels and from re-equipping older vessels with newer, more efficient technology. In addition, as Seamap has expanded its installed base of products, our business for replacements, spare parts, repair and support services has expanded. Certain existing and potential customers continue to express interest in our GunLink and BuoyLink products. Some of this interest involves the upgrade of existing GunLink and BuoyLink products to newer versions or systems with greater functionality. We believe that demand in our marine markets will remain strong into the future; however, subject to fluctuations from period to period.

In June 2013 we entered into a manufacturing arrangement with Petroleum Geo-Services ASA (“PGS”), one of the largest marine seismic contractors in the world. Under this arrangement we will manufacture and sell to PGS a customized and proprietary marine energy source controller that is based on our GunLink 4000 product (the “PGS SourceLink”). We have previously collaborated with PGS to develop PGS SourceLink. We expect PGS SourceLink will be deployed on the majority of PGS’ fleet of seismic vessels. This fleet currently consists of 13 vessels, with three additional vessels under development. The deployment will take place over a period of several years. At this time, we expect this arrangement to have an immaterial impact on our results of operations for the balance of fiscal 2014.

The oil and gas industry, in general, and the seismic industry, in particular, have historically been cyclical businesses. If worldwide oil and gas prices should decline from current levels, or if the expectations for future prices should change, we could see a material change in the level of our business and our income from operations.

Over the past several years, we have made significant additions to our lease pool of equipment, amounting to over $190 million in equipment purchases during the five years ended January 31, 2013. By adding this equipment, we have not only expanded the amount of equipment that we have, but have also increased the geographic expanse of our leasing operations and have expanded the types of equipment that we have in our lease pool. From time to time we will seek to sell certain types of equipment from our lease pool, such as older technology or equipment for which demand is declining, and redeploy that capital into other types of equipment. Due to the recent softening in demand in our leasing business, we have reduced the level of additions to our lease pool. During the first six months of fiscal 2014 we have added approximately $4.8 million of equipment to our lease pool. We expect that additions to our lease pool for all of fiscal 2014 will amount to between $18 million and $23 million. However, many of those expenditures are contingent upon anticipated improvements in demand for seismic equipment materializing. We expect the majority of these additions to be for land recording equipment, including traditional cabled systems for certain geographic regions and wireless recording systems.

Historically, there have been two or three primary manufacturers of land seismic equipment. Recently, the industry has seen the emergence of additional entities seeking to introduce new equipment, particularly wireless recording equipment. Accordingly, there has developed significant competition among these new and existing manufacturers. This competition has, we believe, in turn led to pricing pressure for the manufacturers of equipment. While we benefit from lower prices for new equipment, this situation has also begun to have a negative impact on the pricing for our products and services. We have not been able to determine the magnitude of this impact on our results to date.

We also have expanded the geographic breadth of our operations over the past few years by acquiring or establishing operating facilities in new locations. We may seek to expand our operations into additional locations in the future either through establishing "green field" operations or by acquiring other businesses. However, we do not currently have specific plans to establish any such operations.

A significant portion of our revenues are generated from foreign sources. For the three months ended July 31, 2013 and 2012, revenues from international customers totaled approximately $18.6 million and $15.6 million, respectively. These amounts represent 89% and 68% of consolidated revenues in those periods, respectively. The majority of our transactions with foreign customers are denominated in United States, Australian and Canadian dollars and Russian rubles. 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 may be described above.

Results of Operations

Revenues for the three months ended July 31, 2013 and 2012 were approximately $20.9 million and $23.1 million, respectively. The decrease between the two periods was due primarily to lower leasing revenues. Revenues for the six months ended July 31, 2013 and 2012 were approximately $48.2 million and $57.7 million, respectively. The decline between the six month periods is due primarily to lower leasing revenues and lower Seamap equipment sales. For the three months ended July 31, 2013, we incurred an operating loss of approximately $2.1 million, compared to operating income of approximately $1.3 million for the three months ended July 31, 2012. For the six months ended July 31, 2013, we generated an operating profit of approximately $6.1 million, compared to $13.0 million in the six months ended July 31, 2012. The decrease in operating profit in the three and six months ended July 2013 as compared to the same periods a year ago was due primarily to lower leasing revenues and lower gross profit from Seamap sales. A more detailed explanation of these variations follows.

Revenues and Cost of Sales

Equipment Leasing

Revenue and cost of sales from our Equipment Leasing segment were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2013	2012	2013	2012
	($ in thousands)		($ in thousands)	
Revenue:				
Equipment leasing	$ 6,442	$10,882	$26,535	$31,890
Lease pool equipment sales	2,119	3,204	3,019	5,536
New seismic equipment sales	158	170	275	438
SAP equipment sales	5,218	1,562	7,472	2,041
	13,937	15,818	37,301	39,905
Cost of sales:				
Direct costs-equipment leasing	1,119	2,012	2,392	4,882
Lease pool depreciation	7,438	8,528	14,908	16,962
Cost of lease pool equipment sales	559	1,007	961	2,411
Cost of new seismic equipment sales	121	107	200	247
Cost of SAP equipment sales	3,882	1,134	5,701	1,514
	13,119	12,788	24,162	26,016
Gross profit	$ 818	$ 3,030	$13,139	$13,889
Gross profit %	6%	19%	35%	35%

Equipment leasing revenues decreased approximately 41% in the second quarter of fiscal 2014 from the second quarter of fiscal 2013 due primarily to declines in land leasing in the United States and Latin America, and a decline in marine leasing. These declines were partially offset by higher land leasing revenues in Europe, the Pacific Rim, Asia and Africa. For the first six months of fiscal 2014, equipment leasing revenues declined approximately 17% from the first six months of fiscal 2013 primarily due to declines in land leasing in the United States, Latin America and in marine leasing. Partially offsetting the decline in the six month periods were improved land leasing revenue in Canada, Russia, the Pacific Rim, Asia and Africa. Land leasing activity in the United States in fiscal 2014 has continued the downward trend that began in fiscal 2013, which we believe was caused by a shift in exploration spending towards drilling activity and away from seismic programs. Latin America land leasing activity has continued to encounter project delays in fiscal 2014, as discussed above. The decline in marine leasing activity in fiscal 2014 is, we believe, the result of certain projects being completed in the fourth quarter of fiscal 2013, temporary delays in the start of various new projects and an excess of used equipment becoming available in the market as discussed above. Leasing revenues in Canada and Russia in the first six months of fiscal 2014 benefited from more equipment being deployed in those areas than in the first six months of fiscal 2013. The year-over-year improvement in these areas was despite a generally softer winter season in Canada and the cancellation of a project in Russia. Leasing activity in the Pacific Rim, Asia and Africa has increased as we have deployed additional equipment into those regions. The increased activity in Asia and Africa relates to specific projects and may not necessarily be indicative of a trend in those regions.

From time to time, we sell equipment from our lease pool based on specific customer demand and as opportunities present themselves in order to redeploy our capital in other lease pool assets. Accordingly, these transactions tend to occur sporadically and are difficult to predict. Often, the equipment that is sold from our lease pool has been in service, 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 margin from the transaction. The amount of the margin on a particular transaction varies greatly based primarily upon the age of the equipment. The gross profit from sales of lease pool equipment for the three months ended July 31, 2013 and 2012 was approximately $1.6 million and $2.2 million, respectively. For the first six months of fiscal 2014 and 2013 gross profit from sales of lease pool equipment was approximately $2.1 million and $3.1 million, respectively. We expect to continue to sell lease pool equipment from time to time.

We regularly sell new seismic equipment, including heli-picker equipment that we produce. Heli-picker equipment sales are generally concentrated in the third and fourth quarter of our fiscal year. The gross profit from sales of new seismic equipment for the three months ended July 31, 2013 and 2012 was approximately $37,000 and $63,000, respectively. The gross profit from sales of new seismic equipment for the six months ended July 31, 2013 and 2012 was approximately $75,000 and $191,000, respectively.

SAP regularly sells new hydrographic and oceanographic equipment and provides system integration services to customers in Australia and throughout the Pacific Rim. These sales increased significantly in the three and six months ended July 31, 2013 as compared to the comparable periods in the prior fiscal year as SAP completed deliveries for a variety of projects primarily in The Philippines and China. For the fiscal quarter ended July 31, 2013, SAP generated gross profit of approximately $1.3 million from these transactions as compared to approximately $428,000 in the fiscal quarter ended July 31, 2012. For the six months ended July 31, 2013, SAP generated gross profit of approximately $1.8 million from these transactions as compared to approximately $527,000 in the fiscal quarter ended July 31, 2012. Sales of equipment by SAP can vary significantly from period to period based upon the delivery requirements of customers, which are often times governmental agencies in the Pacific Rim.

Direct costs related to equipment leasing were approximately 17% and 18% of leasing revenues in the three months ended July 31, 2013 and 2012, respectively. For the six month ended July 31, 2013, direct costs were approximately 9% of leasing revenues, as compared to approximately 15% in the six months ended July 31, 2012. The decrease in the percentage in the six month fiscal 2014 period as compared to the prior year reflects the effect of the sub-lease of certain equipment in the six months ended July 31, 2012. Absent these sub-lease costs, the relationship between direct costs and leasing revenues reflect certain costs that are fixed and do not fluctuate with the level of leasing revenues.

For the three and six months ended July 31, 2013, lease pool depreciation decreased approximately 12% from the comparable periods in the prior fiscal year. The decrease in depreciation expense results from certain assets becoming fully depreciated, yet still producing leasing revenue and the decline in the rate of lease pool additions in fiscal 2014.

Overall, our Equipment Leasing segment generated gross profit of approximately $818,000, 6% of segment revenues, in the second quarter of fiscal 2014, as compared to $3.0 million, 19% of segment revenues, in the second quarter of fiscal 2013. For the six months ended July 31, 2013 the gross profit from our Equipment Leasing segment was approximately $13.1 million, 35% of segment revenues, as compared to $13.9 million, 35% of segment revenues in the six months ended July 31, 2012. The decline in gross profit in the second quarter of fiscal 2014 period resulted primarily from lower leasing revenue as certain costs, such as depreciation, are fixed.

Seamap

Revenues and cost of sales from our Seamap segment were as follows:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2013	2012	2013	2012
	($ in thousands)		($ in thousands)	
Equipment sales	$7,042	$ 7,454	$10,976	$18,295
Cost of equipment sales	3,602	3,121	5,311	8,013
Gross profit	$3,440	$ 4,333	$ 5,665	$10,282
Gross profit %	49%	58%	52%	56%

The sale of Seamap products, while not generally impacted by seasonal factors, can vary significantly from quarter to quarter due to customer delivery requirements. In the three months ended July 31, 2013, we shipped one GunLink 4000 system and two BuoyLink systems. Other revenues for this segment were related to the sale of other products and spare parts as well as support, engineering, training and repair services. In the three months ended July 31, 2012, we shipped one GunLink 4000 systems and no BuoyLink systems. In the first six months of fiscal 2014 we shipped one GunLink 4000 system and one BuoyLink system, as there were no shipments of major systems in the first quarter of fiscal 2014. In the first six months of fiscal 2013 we shipped three GunLink 4000 systems and three BuoyLink systems. The fluctuations in sales between comparable periods result primarily from the number of major systems delivered within those periods. Changes in product prices did not contribute materially to the difference in sales between the periods. We expect to make additional shipments of GunLink 4000 and BuoyLink systems during the balance of fiscal 2014.

The gross profit margin from the sale of Seamap equipment for the three months ended July 31, 2013 declined from that generally achieved in prior periods. In the three months ended July 31, 2013 we completed an engineering development project and recognized revenues and costs related to the final phase of this project. This project had a gross profit margin inherently lower than that historically achieved from Seamap sales. In addition, the GunLink 4000 system delivered during this period included certain design revisions that had not been previously produced. Accordingly, the costs associated with producing these initial versions were higher than historical costs. We expect costs with future systems to be more in line with historical costs.

Operating Expenses

General and administrative expenses for the three months ended July 31, 2013 were approximately $6.0 million, compared to approximately $5.7 million for the three months ended July 31, 2012. Such expenses for the six months ended July 31, 2013 were approximately $12.1 million, compared to approximately $11.0 million for the six months ended July 31, 2012. The increase in the fiscal 2014 period reflects lower overhead absorption from Seamap and increased personnel related costs. Included in general and administrative expenses for the three months ended July 31, 2013 and 2012 is stock-based compensation expense of approximately $287,000 and $870,000, respectively. For the six months ended July 31, 2013 and 2012, stock-based compensation expense amounted to approximately $553,000 and $1.1 million, respectively. The decline in stock-based compensation expense in the fiscal 2014 periods reflects lower restricted stock and stock option awards in those periods.

In the six months ended July 31, 2012, we recorded a recovery of doubtful accounts receivable of approximately $428,000 related to accounts receivable previously determined to be uncollectable.

Other Income (Expense)

Net interest income for the three months ended July 31, 2013 declined to approximately $160,000, as compared to net interest expense of approximately $96,000 for the three months ended July 31, 2012. For the six months ended July 31, 2013, net interest income was approximately $157,000, as compared to net interest expense of approximately $101,000 for the six months ended July 31, 2012. The variation between the comparable periods is due primarily to lower average borrowings under our revolving credit agreement and interest income earned on excess cash balances.

Other income and other expense relate primarily to foreign exchange losses and gains incurred by our foreign subsidiaries and branches. These entities have functional currencies other than the U.S. dollar but in many cases hold U.S. dollar cash balances and have accounts receivable and accounts payable denominated in U.S. dollars. As the U.S. dollar fluctuates in value against each subsidiary's functional currency, the subsidiary can incur a foreign exchange gain or loss, although the value of these amounts in our consolidated financial statements may not have changed materially. In the three and six months ended July 31, 2013, we had net foreign exchange gains of approximately $1.0 million and $739,000, respectively. These net gains resulted primarily from fluctuations in the value of the Euro, Colombian peso and Russian ruble versus the U.S. dollar. In the three months ended July 31, 2012, we had a net foreign exchange gain of approximately $29,000 and in the six months ended July 31, 2012 a net foreign exchange loss of approximately $569,000. The net loss in the six month period resulted primarily from fluctuations in the value of the Euro, Colombian peso, Canadian dollar, Russian ruble and Singapore dollar versus the U.S. dollar in that period.

Provision for Income Taxes

Our tax provision for the three months ended July 31, 2013 was a benefit of approximately $273,000, which is an effective tax rate of approximately 28%. For the three months ended July 31, 2012, our tax provision was a benefit of approximately $5.1 million, which included a benefit of approximately $5.3 million related to the settlement with the Canadian Revenue Authority and the Internal Revenue Service regarding our request for competent authority assistance for matters arising from an audit of certain of our Canadian income tax returns. Without the effect of this settlement, our tax provision for the three months ended July 31, 2012 would have been approximately $174,000, which is an effective tax rate of approximately 13.5%. For the six months ended July 31, 2013, our tax provision is approximately $1.3 million, which is an effective rate of approximately 19%. For the six months ended July 31, 2012, without the effect of the benefit discussed above, our tax provision would have been approximately $2.8 million, which is an effective tax rate of approximately 23%. Our effective tax rate is less than the United States statutory rate primarily due to the effect of lower tax rates in foreign jurisdictions.

Liquidity and Capital Resources

Our principal source of liquidity and capital in recent periods has been cash flows provided by operating activities, our revolving credit agreement and, in fiscal 2012, a public offering of common stock. The principal factor that has affected our cash flow from operating activities is the level of oil and gas exploration and development activities as discussed above.

We believe that our liquidity needs for the next 12 months will be met from cash on hand, cash provided by operating activities and from proceeds of our revolving credit facility, taking into account the possible restrictions on funds from our foreign subsidiaries. However, should our needs for liquidity increase, such as for the purchase of additional lease pool equipment or to make an acquisition, we may seek to issue other debt or equity securities. We have on file with the SEC a shelf registration statement pursuant to which we may issue from time to time up to $150 million in common stock, warrants, preferred stock, debt securities or any combination thereof. We currently have no plans to issue any such securities.

The following table sets forth selected historical information regarding cash flows from our Consolidated Statements of Cash Flows:

	For the Six Months Ended July 31,	
	2013	2012
	(in thousands)	
Net cash provided by operating activities	$ 15,961	$ 29,280
Net cash used in investing activities	(5,215)	(22,265)
Net cash used in financing activities	(5,296)	(1,198)
Effect of changes in foreign exchange rates on cash and cash equivalents	(302)	441
Net increase in cash and cash equivalents	$ 5,148	$ 6,258

As of July 31, 2013, we had working capital of approximately $56.9 million, including cash and cash equivalents and restricted cash of approximately $21.0 million, as compared to working capital of approximately $48.4 million, including cash and cash equivalents and restricted cash of approximately $16.0 million, at January 31, 2013. The increase in working capital resulted primarily from net income generated during the first six months of fiscal 2014.

Net cash provided by operating activities was approximately $16.0 million in the first six months of fiscal 2014 as compared to approximately $29.3 million in the first six months in fiscal 2013. This decrease resulted primarily from the decrease in net income and lower collections of accounts receivable in the fiscal 2014 period.

Net cash flows used in investing activities for the six months ended July 31, 2013 included purchases of seismic equipment held for lease totaling approximately $7.8 million, as compared to approximately $27.3 million in the six months ended July 31, 2012. There was approximately $1.2 million in accounts payable at July 31, 2013 related to lease pool purchases. At January 31, 2013, there was approximately $4.2 million in accounts payable related to lease pool purchases. Accordingly, additions to our lease pool amounted to approximately $4.8 million in the first six months of fiscal 2014, as compared to approximately $17.8 million in the first six months of fiscal 2013. As of July 30, 2013, we had commitments for the purchase of lease pool equipment totaling approximately $2.0 million. Due to the softness we have encountered in certain markets, we have reduced our prior estimates of lease pool additions for fiscal 2014. We expect additions to our lease pool for all of fiscal 2014 to total between $18 million and $23 million. However, should additional demand not develop as we currently expect, we may reduce the expected purchases. We expect to fund these acquisitions with a combination of cash on hand, cash flow generated from operating activities and proceeds from our revolving credit facility.

In the first six months of fiscal 2014, proceeds from the sale of lease pool equipment totaled approximately $3.0 million, compared to approximately $5.5 million in the first six months of fiscal 2013. We generally do not seek to sell our lease pool equipment on a regular basis, but may do so from time to time. In particular, we may sell lease pool equipment in response to specific demand from customers if the selling price exceeds the estimated present value of projected future leasing revenue from that equipment. Accordingly, cash flow from the sale of lease pool equipment is unpredictable.

Net cash used in financing activities was approximately $5.3 million in the first six months of fiscal 2014 compared to approximately $1.2 million used in financing activities in the first six months of fiscal 2013. During the six months ended July 31, 2013, we made net repayments of approximately $4.0 million on our revolving credit facility. In addition, during this period, we repurchased 102,900 shares of our common stock for a total of approximately $1.5 million, pursuant to a share repurchase program approved by our Board of Directors in April 2013. During the six months ended July 31, 2012, we had net repayments under our revolving credit facility of approximately $150,000 and made payments totaling approximately $1.5 million under other debt instruments.

On August 2, 2013 we entered into a syndicated $50 million, secured, three-year revolving credit agreement (the “Credit Agreement”) with HSBC Bank USA, N.A. (“HSBC”) as administrative agent. The Credit Agreement replaced our existing $50 million revolving credit agreement with First Victoria National Bank, which agreement was cancelled as of August 2, 2013. Proceeds from the Credit Agreement may be used for working capital and general corporate needs. Up to $10.0 million of the Credit Agreement may be used to secure letters of credit.

The Credit Agreement provides for Eurodollar loans which bear interest at the Eurodollar base rate plus a margin of from 2.50% to 3.50% based on our leverage ratio and for ABR loans which bear interest at the applicable base rate plus a margin of from 1.50% to 2.50% based on our leverage ratio. The initial margins for Eurodollar loans and ABR loans are 2.50% and 1.50%, respectively. We have agreed to pay a commitment fee on the used portion of the Credit Agreement of from 0.375% to 0.50% based on our leverage ratio. The initial commitment fee rate is 0.375%.

Amounts available under the Credit Agreement are subject to a borrowing base which is determined based primarily on the appraised value of our domestic lease pool equipment and certain accounts receivable. We believe that as of the effective date of the Credit Agreement and as of August 30, 2013, the full $50.0 million, less any amounts outstanding, is available to us. The Credit Agreement is secured by essentially all of our domestic assets and 65% of the capital stock of Mitcham Holdings Ltd., which is the holding company for all of our foreign subsidiaries.

The Credit Agreement contains customary representations, warranties, conditions precedent to credit extensions, affirmative and negative covenants and events of default. The negative covenants include restrictions on liens, additional indebtedness in excess of $5.0 million, acquisitions, fundamental changes, dispositions of property, restricted payments, transactions with affiliates and lines of business. The events of default include a change in control provision.

The Credit Facility contains certain financial covenants that require us to maintain a maximum ratio of debt to adjusted EBITDA, a minimum ration of fixed charges to adjusted EBITDA and, in certain circumstances, a maximum ratio of capital expenditures to adjusted EBITDA, all as defined in the Credit Agreement. As indicated by the following chart, we were in pro forma compliance with all financial covenants as of July 31, 2013:

Description of Financial Covenant	Required Amount	Actual for the four quarters ended July 31, 2013
Leverage Ratio	Not more than 2.00 to 1.00	0.02 to 1.00
Fixed Charge Coverage Ratio	Not less than 1.25 to 1.00	96.14 to 1.00
Capital Expenditures to Adjusted EBITDA Ratio	Not more than 1.0 to 1.0, when Adjusted EBITDA is less than $22.0 million for trailing four quarters	not applicable, Adjusted EBITDA—$42.5 million

As of August 30, 2013 approximately $1.0 million was outstanding under the Credit Agreement.

Upon the cancellation of our previous revolving credit agreement on August 2, 2013 there were no outstanding borrowings and $622,000 in letters of credit outstanding. We have posted cash collateral of $622,000 to secure these letters of credit, pending their cancellation or replacement with new letters of credit issued pursuant to the Credit Agreement.

We have entered into equipment purchase agreements with Sercel whereby we have agreed to purchase minimum quantities of certain products throughout the terms of the agreements. We estimate the total value of this equipment to be approximately $26.8 million, of which we have purchased approximately $9.0 million through July 31, 2013.

As of July 31, 2013, we had deposits in foreign banks consisting of both United States dollar and foreign currency deposits equal to approximately $20.0 million. These funds may generally be transferred to our accounts in the United States without restriction; however, we have determined that the undistributed earnings of our foreign subsidiaries have been permanently reinvested outside of the United States and, therefore, we do not anticipate repatriating these funds to the United States. If we were to transfer these undistributed earnings to the United States, we would likely incur additional income taxes in the United States which are not currently reflected in our consolidated financial statements. In addition, 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. As of July 31, 2013, net inter-company indebtedness of our foreign subsidiaries to the parent company amounted to approximately $914,000. These amounts can generally be transferred to the United States without the adverse tax consequences discussed above.

Item 3. *Quantitative and Qualitative Disclosures About 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, or 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 United States dollars. For those cases in which transactions are not denominated in United States dollars, we are exposed to risk from changes in exchange rates to the extent that non-United States dollar revenues exceed non-United States dollar expenses related to those operations. Our non-United States dollar transactions are denominated primarily in Canadian dollars, Australian dollars, Singapore dollars and Russian rubles. As a result of these transactions, we generally hold cash balances that are denominated in these foreign currencies. At July 31, 2013, our consolidated cash and cash equivalents included foreign currency denominated amounts equivalent to approximately $12.1 million in United States dollars. A 10% increase in the value of the United States dollar as compared to the value of each of these currencies would result in a loss of approximately $1,210,000 in the United States 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 as we do not believe it is cost efficient to attempt to hedge these exposures.

Some of our foreign operations are conducted through wholly-owned foreign subsidiaries or branches that have functional currencies other than the United States dollar. We currently have subsidiaries whose functional currencies are the Canadian dollar, British pound sterling, Australian dollar, Russian ruble, Colombian peso, the euro and the Singapore dollar. Assets and liabilities from these subsidiaries are translated into United States 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 (loss) in the shareholders' equity section of our consolidated balance sheets. Approximately 71% of our net assets as of July 31, 2013 were impacted by changes in foreign currencies in relation to the United States dollar.

Interest Rate Risk

As of July 31, 2013, there were no borrowings outstanding under our revolving credit facility. This facility was replaced by the Credit Agreement as of August 2, 2013. The Credit Agreement provides for floating interest rates based on an applicable base rate, generally the prime rate, or Eurodollar rates, also known as LIBOR. Should our borrowings under the Credit Agreement increase we could be subject to fluctuations in interest rates which in turn would impact our interest costs. We have not entered into interest rate hedging arrangements in the past, and have no plans to do so in the future. Due to fluctuating balances in the amount outstanding under this facility, we do not believe such arrangements to be cost effective.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of 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 Form 10-Q. 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. Based upon the evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of July 31, 2013 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended July 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *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, individually or collectively, that we believe could have a material adverse effect on our results of operations or financial condition.

Item 1A. *Risk Factors*

The Risk Factors included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2013 have not materially changed.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

Item 3. *Defaults Upon Senior Securities*

Not applicable.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

Not applicable.

Item 6. *Exhibits*

Exhibits

The exhibits required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Exhibit Index accompanying this Form 10-Q and are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements 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.

	MITCHAM INDUSTRIES, INC.
Date: September 5, 2013	/s/ Robert P. Capps
	Robert P. Capps Executive Vice President-Finance and Chief Financial Officer (Duly Authorized Officer and Chief Accounting Officer)

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EXHIBIT INDEX

Each exhibit identified below is part of this Form 10-Q. Exhibits filed with this Form 10-Q are designated by the cross symbol (†) and exhibits furnished with this Form 10-Q are designated by the asterisk symbol (*). All exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

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	Third Amended and Restated Bylaws of Mitcham Industries, Inc.	Incorporated by reference to Mitcham Industries, Inc.'s Current Report on Form 8-K, filed with the SEC on August 2, 2010.	000-25142	3.1(i)
10.1†	Amendment No. 1 To The Equipment Purchase Agreement Unite RAU 1, dated June 12, 2013 between the Company and Sercel Inc.			
10.2†	Equipment Purchase Agreement Unite RAUeX-3 dated June 12, 2013 between the Company and Sercel Inc.			
10.3	Mitcham Industries, Inc. Amended and Restated Stock Awards Plan	Incorporated by reference to Mitcham Industries, Inc.'s Definitive Proxy Statement on Schedule 14A filed with the SEC on May 31, 2013	000-25142	Appendix A
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			
32.1*	Certification of Billy F. Mitcham, Jr., Chief Executive Officer, and Robert P. Capps, Chief Financial Officer, under Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. § 1350			
101.INS*	XBRL Instance Document			
101.SCH*	XBRL Taxonomy Extension Schema Document			
101.CAL*	XBRL Taxonomy Extension Calculation of Linkbase Document			
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document			

AMENDMENT N°1 TO THE EQUIPMENT PURCHASE AGREEMENT
UNITE RAU 1

This Amendment n°l to the Exclusive Equipment Purchase Agreement dated November 6, 2012 (the “Agreement”) is entered into as of the 12, June, 2013 (the “Effective Date”) between Mitcham Industries, Inc., a corporation organized under the laws of Texas, USA (“MITCHAM”), and Sercel Inc., a corporation organized under the laws of Oklahoma, USA (“SERCEL”), which parties agree as follows:

Words with capital letters in this Amendment shall have the meaning set forth in the Agreement, unless expressly stated otherwise herein.

1. The Parties expressly agree to modify article 4.b of the Agreement as follows:

“4.(b) For purposes hereof, the term “Minimum Purchase Requirement” for years subsequent to 2012 shall mean Products purchased and delivered to MITCHAM via Supply PO’s from SERCEL as follows:

From January 1, 2013 to December 31, 2013: purchase of 6,000 Unite RAU1

From January 1, 2014 to September 30, 2014: purchase of 6,000 Unite RAUl.”

2. The Parties expressly agree to add to article 24 of the Agreement the following paragraph

In addition, SERCEL shall be entitled to immediately terminate this Agreement effective upon the giving of notice to MITCHAM in the event that the Agreement entered between the Parties on June 12, 2013 regarding the UNITE RAU eX-3 is terminated by SERCEL for breach by MITCHAM of any of its obligation under this UNITE RAU 1 Agreement.

All other terms of the Agreement not expressly modified by this Amendment shall remain valid with full force and effect.

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

SERCEL Inc.

By: /s/ George Wood, President
George Wood, President

Mitcham Industries, Inc.

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

Exhibit 10.2

EQUIPMENT PURCHASE AGREEMENT
UNITE RAUeX-3

This Exclusive Equipment Purchase Agreement (the “Agreement”) is entered into as of the 12 day of June, 2013 (the “Effective Date”) between Mitcham Industries, Inc., a corporation organized under the laws of Texas, USA (“MITCHAM”), and Sercel Inc., a corporation organized under the laws of Oklahoma, USA (“SERCEL”), which parties agree as follows:

0. DEFINITIONS AND INTERPRETATION

In this Agreement, the following terms have the meanings set forth below, which shall be equally applicable to both the singular and the plural form:

i. “Affiliate” shall mean with respect to any person, any other person directly or indirectly controlling, controlled by or under common control with the first person. For the purposes of this Agreement, “control,” when used with respect to any Person, means the possession, directly or indirectly, of the power to vote 50% or more of the securities having ordinary voting power for the election of directors (or comparable positions) of such person or any one or more business entities which are: (a) owned or controlled by, (b) owning or controlling, or (c) owned or controlled by the business entity owning directly or indirectly, at least fifty percent (50%) of the voting stock ordinarily entitled to vote in the election of directors.

In the case of SERCEL, “Affiliate” shall be further limited to business entities, which are engaged in the manufacturing of seismic equipment.

ii. “Agreement” shall mean the present agreement (including the Schedules) as amended in writing from time to time.

iii. “Effective Date” shall mean June 12 2013

iv. “MITCHAM” shall mean Mitcham Industries Inc., and its Affiliates engaged in the rental, lease, and sales of seismic data acquisition systems and equipment throughout the world.

v. “Parties” shall mean MITCHAM and SERCEL; “Party” shall mean one of them.

vi. “Products” shall mean product(s), as more fully described in Schedule 1.

vii. “Territory” shall mean the World except (i) mainland China and (ii) Commonwealth of Independent States including without limitation Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan (“CIS”).

viii. “SERCEL” shall mean Sercel and its Affiliates engaged in the manufacture and marketing of seismic equipment.

1. Introduction.

SERCEL and certain of its Affiliates design, manufacture and market fully-configured seismic data acquisition systems (the "SERCEL Systems"). At the present time, SERCEL and certain of its Affiliates manufacture equipment including the Products. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged for all purposes, MITCHAM and SERCEL agree to the terms set forth herein.

2. Exclusive Authorized Third Party Lessor.

(a) MITCHAM hereby represents to SERCEL that MITCHAM has the necessary skills, experience, personnel, facilities and equipment to effectively perform its responsibilities as described in the Agreement. In reliance upon that representation, SERCEL hereby appoints MITCHAM as the exclusive authorized lessor of the Products throughout the Territory and as the non-exclusive authorized lessor throughout the CIS; except that MITCHAM shall not offer financing leases or leases equal to or greater than one year duration except with SERCEL's prior written consent. This Agreement does not allow MITCHAM to act as distributor, agent, commercial representative or reseller of brand-new Products.

The exclusivity herein granted is expressly subject to the compliance by MITCHAM with its yearly minimum purchase requirement under article 4 herein and with other yearly minimum purchase requirements subscribed by MITCHAM under the Equipment purchase agreements applicable to other products.

(b) During the term of this Agreement, SERCEL and/or any Affiliate shall remain free to perform, directly or indirectly, with any third party any lease purchase or operating lease with a term greater than or equal to six (6) months or any financial lease. The Parties acknowledge that the purpose of this Agreement is the purchase of Products by MITCHAM.

(c) For the avoidance of doubt, MITCHAM will not rent UNITE for use in mainland China to any seismic contractor that is owned or controlled by Chinese nationals without SERCEL's prior written consent.

(d) During the term of the Agreement, in the event that a third party makes inquiry of SERCEL as to the possibility of pure operating lease in respect of any of the Products anywhere in the Territory for a term less than six (6) months, then and upon each inquiry, SERCEL shall contact MITCHAM (by phone, email or letter) and explain in reasonable detail the identity of the third party, and MITCHAM shall promptly contact such third party and negotiate the terms of the proposed lease. Mitcham shall have discretion to accept or reject any third party referred by SERCEL for leasing as a result of (i) possessing an insufficient amount of the Products for lease to such third party (provided, however, the continued failure of MITCHAM to maintain a sufficient amount of products to satisfy demand could be evidence that MITCHAM is not actively promoting the leasing of Products, as required hereunder unless caused by the failure of SERCEL to deliver Products to MITCHAM), (ii) reasonably apparent credit risk or any other reasonable business-related factor, or (iii) inability to reach agreement on the terms of such lease. Notwithstanding the previous sentence, MITCHAM shall use commercially reasonable best efforts to service every third party referred by SERCEL for leasing. MITCHAM shall be deemed to have rejected such a third party as a result of inability to agree on the terms within fifteen (15) business days of such third party's first contact by MITCHAM with regard to such proposed lease. SERCEL may then respond to this one time business opportunity in any means it sees fit. If SERCEL leases to such third party, then SERCEL shall have the right to continue to lease to such third party after the term of the initial lease; provided, however, that if (x) the lease between such a third party and SERCEL shall terminate, (y) the leased Product is returned to SERCEL, and/or (z) such third party shall later make an inquiry concerning leasing of the Products, SERCEL shall again follow the procedure set forth in this Sub-Section (d); and provided further that when such lease ends, SERCEL will offer to sell any Products leased thereunder to MITCHAM, on mutually agreed terms. The purchase of these products will not count toward the minimum purchase commitment made by MITCHAM to SERCEL in this agreement.

(e) SERCEL will have the right to operate a pool of equipment dedicated to "lease with option to purchase" agreements based on minimum initial rental periods of six (6) months or greater. Equipment from this pool may subsequently be re-rented to clients, including Mitcham, for periods less than six (6) months.

(f) In no event shall either SERCEL or MITCHAM have any right to require that the other party charge any specific price or follow any pricing guidelines or establish or require any other specific or general term with regard to the leasing of any of the Products, or the provision of any other good or service by either of them. Notwithstanding the foregoing, MITCHAM shall use its commercially reasonable best efforts to have a reasonable quantity of the Products available for lease at prices which MITCHAM believes reflects the supply of and demand for the Products.

3. Purchase of Products from SERCEL.

(a) Subject to the other provisions of this Agreement, MITCHAM agrees that it will purchase from SERCEL and SERCEL agrees that it will sell to MITCHAM, all of the Products necessary to meet MITCHAM's obligations under each lease as provided herein. The terms and conditions of purchases by MITCHAM of the Products hereunder shall be governed by SERCEL's general terms and conditions, a copy of which is attached hereto as *Schedule 2(a)*; provided, however, that in the event of any conflict between the terms of such terms hereof, the terms of the Agreement shall prevail. SERCEL may update *Schedule 2(a)* from time to time after written notice to MITCHAM.

(b) MITCHAM shall receive the discounts and allowances set forth on *Schedule 2(b)* with regard to the Products ordered by MITCHAM in each order, subject to adjustment agreed to by the parties pursuant to paragraph 3(c) herein.

(c) The Parties acknowledge that SERCEL's prices for the products are based on discounts offered by SERCEL based on volume.

(d) Delivery is Ex-Works SERCEL plant(s). Packing charges will be quoted to MITCHAM and the purchase order received from MITCHAM will reflect the full value of the quotation including packing charges. MITCHAM may instruct SERCEL at their discretion to include freight and insurance in the proposal. This will be quoted at SERCEL's cost plus a handling fee of ten percent (10%).

(e) SERCEL reserves the right to increases prices of product and repair services up to five percent (5%) per calendar year. This only includes products and repair services that involve SERCEL manufactured products. Out sourced services and products will be increased at a proportionate level to increases imposed on SERCEL.

4. Minimum Purchase Requirements for Unite.

(a) Subject to the terms hereof, MITCHAM will issue a purchase order for 8,500 Unite RAUeX-3 within two weeks of signing this agreement. This purchase order will be called "Master PO". Subsequently, MITCHAM will issue purchase orders which reference the relevant Master PO to draw against the 8,500 RAUeX-3s. These purchase orders will be called "Supply PO's" and will apply toward the minimum purchase requirements in section 4(b) herein. Supply PO's may be issued by any MITCHAM Affiliate and will be directed to the appropriate SERCEL Affiliate as directed by SERCEL. In the event that MITCHAM does not purchase Products from SERCEL via Supply PO's under this Agreement in an amount that satisfies the Minimum Purchase Requirements (set forth in section 4(b)), at SERCEL's option but subject to Section 4(c) below, SERCEL may terminate this Agreement on 30 days written notice; and upon such termination MITCHAM shall not be obligated to purchase any Products other than the Products that it has ordered prior to the effective date of such termination or SERCEL may terminate the exclusivity granted to MITCHAM without terminating the whole Agreement.

(b) For purposes hereof, the term "Minimum Purchase Requirement" shall mean Products purchased and delivered to MITCHAM via Supply PO's from SERCEL as follows: From June 12, 2013 to December 31, 2013: purchase of 2,000 Unite RAUeX-3. From January 1, 2014 to September 30, 2014: purchase of 6,500 Unite RAUeX-3.

(c) Notwithstanding anything herein to the contrary, in the event that a Minimum Purchase Requirement is not satisfied by MITCHAM in any period ending before December 31, 2013, this Agreement may not be terminated by SERCEL due to such failure if MITCHAM meets the Minimum Purchase Requirement for the subsequent period but SERCEL may, at its sole option, terminate the exclusivity granted.

(d) For purposes of determining whether MITCHAM has satisfied the Minimum Purchase Requirement, Products purchased by MITCHAM shall include Products ordered by MITCHAM via Supply PO's regardless of when such Products are delivered so long as such Products are ordered before [45] days of the end of a period and paid for in accordance with the terms and conditions set forth in *Schedule 2(a)*. If MITCHAM orders within the specified period and SERCEL is not able to deliver due to manufacturing delivery issues, there will be no penalty against MITCHAM and such orders will be applied to satisfy the Minimum Purchase Requirement. In the event MITCHAM purchases more than the Minimum Purchase Requirement in any given period, such excess shall be applied in meeting the Minimum Purchase Requirement for any subsequent period.

5. Third Party Replacement Parts. Any use of replacement parts that have not been qualified by SERCEL will give SERCEL the right, in any case, to cancel any warranty remaining on the equipment for which such unqualified parts are used.

6. Resale of Purchased Equipment by MITCHAM. Without SERCEL's prior written consent, MITCHAM hereby agrees that it will not sell any of the Products purchased under this Agreement until a period of three (3) years from the date it received the relevant Product. Without limiting the foregoing, MITCHAM may approach SERCEL with a lease to purchase or sales opportunity for equipment purchased hereunder, and SERCEL may then grant MITCHAM the right to pursue that opportunity. Notwithstanding anything to the contrary contained in this Agreement, MITCHAM is not, in any case, entitled to sell within or outside mainland China any of the Products purchased under this Agreement to any seismic contractor owned or controlled by Chinese nationals.

7. Provision of Certain Goods and Services by SERCEL. SERCEL hereby agrees that MITCHAM shall have the right to send a reasonable number of its employees and representatives of its customers who lease the Products from MITCHAM to such technical, training, operations and maintenance classes as SERCEL provides to SERCEL's customers who lease or purchase the Products from SERCEL, at SERCEL standard rates. SERCEL will provide MITCHAM (2) two free training courses in conjunction with this Agreement to be used for any of the SERCEL training courses. This does not include the cost of travel, lodging, food or incidental expenses. SERCEL hereby agrees to send to MITCHAM such quantities of all manuals and selling information, marketing brochures and literature regarding the Products (other than proprietary information) as SERCEL develops and as MITCHAM shall reasonably request in connection with its Leasing activities, at no charge to MITCHAM. SERCEL's current training price schedule can be changed any anytime as long as MITCHAM is so notified 30 days in advance. SERCEL will provide MITCHAM with 1) one free training class for up to (4) four MITCHAM employees per class with respect to the repair of the Unite.

8. Warranty and Service.

(a) Warranty terms of the Sercel general terms and conditions of sale will apply to the Products purchased by MITCHAM under this Agreement.

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

9. Maintenance and Repair of the Products.

(a) MITCHAM and SERCEL acknowledge that third party lessee of the Products from MITCHAM may return the leased Products directly to SERCEL after the termination of such third party's leases. In such event, SERCEL shall perform its standard maintenance check of such Products and inform MITCHAM of any necessary repairs.

(b) The maintenance checks and the repairs performed by SERCEL on the Products received from the lessees shall be invoiced by SERCEL to MITCHAM at the SERCEL standard price. With respect to the repair undertaken by SERCEL, MITCHAM will be entitled to a discount as indicated on Schedule 2(b) on the Products standard repair pricing. MITCHAM shall also pay the reasonable and ordinary freight and storage charges incurred by SERCEL with respect to such Products.

(c) Following such maintenance check and needed repairs, SERCEL shall ship such Products to MITCHAM at MITCHAM's expense to a location designated by MITCHAM.

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

11. Relationship of the Parties. Neither MITCHAM nor SERCEL shall have any liability for leases or sales of any of the Products by the other. This Agreement shall not be construed as creating an agency, partnership or joint venture between MITCHAM and SERCEL. Neither MITCHAM nor SERCEL (or any of their employees or representatives) shall be construed as an agent, consultant or employee of the other for any purpose. MITCHAM shall not have the authority to bind SERCEL in any respect, it being intended that MITCHAM shall act as an independent contractor and not as an agent, with the understanding that SERCEL shall not be responsible for any obligations and/or liabilities incurred by MITCHAM in connection with its business activities.

12. Term of Agreement. Unless sooner terminated in accordance with the provisions hereof, this Agreement shall be effective from the Effective Date through September 30, 2014 (the ‘‘Term”). This Agreement may only be renewed through written agreement of both Parties.

13. No Effect on Right to Sell.

(a) This Agreement shall not be construed to have any effect on SERCEL’s rights to sell (as opposed to lease) its products and services to any party, except that SERCEL shall not knowingly sell any of the Products to any party that will lease the Products in the Territory.

(b) This Agreement shall not be construed to have any effect on MITCHAM’s rights to sell any other products or services to any party, except as otherwise provided for in this Agreement.

14. Indemnity. SERCEL and MITCHAM hereby agree to the following indemnification obligations:

(a) MITCHAM shall defend, indemnify and hold harmless SERCEL, Affiliates, its agents, employees and/or officers (the “SERCEL Indemnitees”) from and against any and all third party’s claims including MITCHAM’s customers, costs (including attorney’s fees) and expenses arising out of any injury, damage of any kind whatsoever howsoever caused whether in contract, tort (negligence included) or breach of duty including contractual or statutory duty by SERCEL or otherwise.

(b) Liabilities between the Parties.

MITCHAM shall be responsible for, indemnify, defend and hold the SERCEL Indemnitees harmless against any and all claims in respect of injury to or sickness, disease or death of any person employed by or engaged on behalf of MITCHAM or its customers or in respect of loss of or damage to physical property (including, but not limited to, plant and equipment, materials, goods, premises and facilities,) owned, supplied or borrowed by MITCHAM or its customers arising out of or in connection with the Agreement from any cause whatsoever including but not limited to the negligence or breach of duty (statutory, contractual or otherwise) of MITCHAM.

SERCEL shall be responsible for, indemnify, defend and hold MITCHAM, its directors, officers, employees and Affiliates (hereinafter the “MITCHAM Indemnitees”) harmless against any and all claims in respect of injury to or sickness, disease or death of any person employed by or engaged on behalf of SERCEL or in respect of loss of or damage to physical property (including, but not limited to, plant and equipment, materials, goods, premises and facilities) owned, supplied or borrowed by SERCEL arising out of or in connection with the Agreement from any cause whatsoever including but not limited to the negligence or breach of duty (statutory, contractual or otherwise) of SERCEL.

(c) The amount of SERCEL's liability to MITCHAM shall in no case exceed the amount of the purchase or lease order to which such liability is related.

(d) It is expressly acknowledged by MITCHAM that all liabilities and indemnification in relation thereto between SERCEL and MITCHAM and MITCHAM's customers, when leasing, renting or selling SERCEL equipment to MITCHAM's customers, will be exclusively governed by SERCEL's general conditions of sale as mentioned in *Schedule 2(a)* of the Agreement.

(e) Patent infringement. The parties acknowledge that if any MITCHAM customer issues a claim against MITCHAM or SERCEL on the basis that the Products are infringing a third party valid and enforceable patent, SERCEL agrees to do its best efforts to protect its patents. Without limiting the foregoing, if a final injunction is, or SERCEL believes, in its sole discretion, is likely to be, entered, prohibiting the use of Products by MITCHAM's customers, SERCEL will, at its sole option and expense, either: (a) procure for MITCHAM or its clients the right to use the relevant Products herein, or (b) replace the infringing Products with non-infringing, functionally equivalent products, or (c) suitably modify the Products so that they are not infringing; or, (d) in the event (a), (b) and (c) are not commercially reasonable, refund to MITCHAM the infringing Products at a price which is the purchase price less depreciation based on five (5) years straight-lined depreciation. Except as specified above, SERCEL will not be liable for any costs or expenses incurred without its prior written authorization. Notwithstanding the foregoing, SERCEL assumes no liability for infringement claims arising from (i) combination of the Products with other products not provided by SERCEL, (ii) any modifications to the Products unless such modification was made by SERCEL or, (iii) any part or component supplied by third party. The liability that SERCEL may incur with respect to any infringement claim is expressly limited to 100% of the amount MITCHAM paid as purchase price of the Products.

(f) Either party seeking indemnification hereunder shall notify the other party in writing of any legal action commenced against SERCEL Indemnitees or the MITCHAM Indemnitees, as the case may be, as soon as practicable. The indemnity obligations of MITCHAM and SERCEL shall survive the expiration or termination of the Agreement.

(g) In no event will SERCEL be liable to MITCHAM, whether in contract or tort including negligence, under this Agreement as amended for special, incidental, indirect or consequential damages, nor any other losses or damages whatsoever resulting from loss of use, time, profits or business resulting from its performance or non-performance, or its termination of this Agreement as amended in accordance with the terms of this Agreement.

15. General.

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

MITCHAM:
Mitcham Industries, Inc.
8141 Highway 75 South
Huntsville, Texas, USA 77340

Attn. Billy F. Mitcham

SERCEL Inc.:
17200 Park Row
Houston, Texas, USA 77084

Attn: George Wood

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

(b) MITCHAM and SERCEL represent and warrant to each other that the execution, delivery and performance of this Agreement have been authorized by all necessary corporate action, and that this Agreement is a valid and binding obligation of each of them, respectively. MITCHAM and SERCEL represent and warrant to each other that, to the best of their knowledge, neither the execution and delivery nor the performance of this Agreement will conflict with or result in a breach of any (i) law or of any regulation, order, writ, injunction, or decree of any court or government authority of any country or state in which this Agreement is to be performed, or (ii) any agreement to which they are a party.

(c) This Agreement represents the entire agreement between MITCHAM and SERCEL with regard to the subject matter hereof, and supersedes all prior or contemporaneous agreements, understandings or arrangements related to the subject matter hereof, including without limitation the Exclusive Equipment Lease Agreement between the parties dated September 4, 2009 as amended and extended. This Agreement may not be amended or modified except by a written document signed by duly authorized officers of MITCHAM and SERCEL.

(d) The Equipment Purchase Agreement Unite between the parties dated November 6th, 2012 and any authorized amendments thereof to remain in effect and run concurrently.

(e) The Equipment Purchase Agreement DSU between Mitcham and Sercel SA dated November 6th, 2012 and any authorized amendments thereof to remain in effect and run concurently.

(f) This Agreement may not be assigned by either party hereto without the prior written consent of the other party. This Agreement shall bind and be enforceable against the parties hereto and their respective successors and permitted assigns. Notwithstanding such authorized assignment, Mitcham Industries, Inc. shall continue to be liable for all obligations of MITCHAM set forth in this Agreement.

(g) In the event Billy F. Mitcham, Jr. is no longer employed by MITCHAM in a senior management capacity or is considered by SERCEL to be not sufficiently and actively involved in the performance of this Agreement, SERCEL shall have the option upon 30 days written notice to terminate this Agreement.

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

(a) has not offered, paid, given, promised to pay or give, or authorized the payment or gift of, and

(b) will not offer, pay, promise to pay or give, or authorize the payment or gift of,

(c) any money or thing of value to:

(i) any "Foreign Official" as defined in the United States Foreign Corrupt Practices Act (Pub. L. No. 95-213, 94 Stat. 1494), together with all amendments to that Act which are effective during the term hereof (the "FCPA")

(ii) any political party or party official, or any candidate for political office; or

(iii) any other person for the purpose of (A) influencing any act or decision of such Foreign Official, political party, party official, or candidate in his or its official capacity, (B) inducing such Foreign Official, political party, party official or candidate to do or omit to do an act in his violation of his or its official duty; or (C) Inducing such Foreign Official, political party, party official or candidate to use his or its influence with a foreign government or an instrumentality of such government to affect or influence any act or decision of such government or instrumentality in order to assist SERCEL to obtain or retain business with any person or to direct business to any person.

Further, MITCHAM hereby represents and warrants to SERCEL that no person having a direct or indirect financial interest in MITCHAM as of the date hereof is: (i) a Foreign Official, (ii) an official of any political party, or (iii) a candidate for political office; provided, however, for purposes hereof, a person shall not be deemed to have a direct or indirect financial interest in MITCHAM as a result of owning less than five percent (5%) of the outstanding shares of common stock of MITCHAM. In connection with determining whether a person owns five percent (5%) or more of the stock, MITCHAM shall be permitted to rely upon filings made by its shareholders under the Securities Exchange Act of 1934, as amended, or filings made under other applicable federal securities laws. MITCHAM shall immediately notify SERCEL in the event that any person now or hereafter having such a financial interest in MITCHAM shall assume such a status.

From time to time as requested by SERCEL, MITCHAM shall, within five (5) days after request from SERCEL, certify to SERCEL in writing that the obligations, representations and warranties of MITCHAM set forth in this Section have not been violated. SERCEL shall not be permitted to request such certification more often than once each calendar quarter unless it has reason to believe a violation has occurred. MITCHAM shall cooperate fully with any investigation which may be conducted by representatives of SERCEL for the purpose of determining whether or not MITCHAM has violated any of those obligations, representations and warranties. In the event that amendments in the FCPA reasonably necessitate modifications to this Section 16, the parties hereto agree to negotiate in good faith in connection therewith and enter into such modifications.

17. MITCHAM's Undertakings. MITCHAM hereby agrees:

(a) To use its commercially reasonable best efforts to actively promote and solicit the leasing of the Products.

(b) To participate in training programs that may be offered by SERCEL or by others relating to the Products.

(c) Not knowingly to lease the Products to companies or countries that are precluded by United States law from trading with the United State or its residents and, to make reasonable inquiry in connection therewith, including inserting provisions in the leases with their customers that are reasonably intended to keep MITCHAM's customers from using the Products in the countries in which United States law prohibits the use of the Products.

(d) To use commercially reasonable efforts to continue to maintain an organization commensurate with the growth of leasing of the Products.

(e) To return to SERCEL on termination of this Agreement any and all catalogs, samples, price lists, and any other data, information and/or supplies or materials furnished by SERCEL which are in the possession of MITCHAM or any of its employees, agents, representatives or consultants.

(f) Not to alter, hide nor secrete SERCEL's name on any of the Products or on any sales promotion material furnished by SERCEL.

18. SERCEL's Undertakings. SERCEL hereby agrees:

(a) To cooperate with MITCHAM in joint marketing programs for the Products.

(b) At its sole discretion and option, to invite MITCHAM to meetings in order to joint market the Products.

(c) To provide such reasonable support and technical services for the Products as MITCHAM may reasonably request from time to time and at MITCHAM obligation as per SERCEL's current price list for said support and technical services without any discount.

(d) To honor all of SERCEL's manufacturer warranties in accordance with SERCEL's standard warranty terms and conditions for the Products leased by MITCHAM.

(e) To provide MITCHAM with the right to transfer licenses to use SERCEL software to customers solely in connection with the use of the Products.

(f) To provide MITCHAM with the right to transfer the SERCEL manufacturer's warranties in connection with any lease, or lease to purchase of the Products.

19. Purchase Order Acceptance and Payment.

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

(b) Upon receiving purchase order from MITCHAM, SERCEL shall confirm delivery date with formal acceptance or order acknowledgment.

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

(d) All sales by SERCEL to MITCHAM shall be payable in U.S. dollars net thirty (30) days from the date of the invoice. Continued late payment could result in SERCEL termination of this agreement.

(e) If SERCEL agrees to modify, alter or amend any of the payment terms contained herein in order to meet the requirements of a specific transaction, such deviation from the provisions of this Agreement shall not be construed as a permanent modification, alteration or amendment of the payment terms nor shall the same be used to establish a precedent for future transactions.

20. Most Favored Leasing Agent/Supplier Status

(a) Most favored leasing agent status. In consideration of the above understandings, Sercel shall grant Mitcham the status of the "most favored leasing agent" for Sercel's: Land acquisition systems and products including 428XL, Unite, vibrator controls, geophone sensors, hydrophone sensors, and all other related 408 and 428 land conventional and multicomponent equipment excluding the DSU; Marine acquisition systems and products including Seal, G Guns but excluding SeaRay; VSP Tools including SlimWave, GeoWave, MaxiWave and will provide MITCHAM with the best competitive offer taking into account, the current and domestic prevailing market conditions, the quantities, the delivery times, the support services required, and the fact that the relevant equipment is purchased. This offer will include the best available pricing that is at least as favorable at that time as that made available by Sercel to any of its customers for comparable order quantities and taking into account the current and local market conditions and the aggregate volume purchased over the time. The above provisions are expressly subject to compliance by MITCHAM with its yearly purchase requirements under article 4 herein, with other yearly minimum purchase requirement subscribed by MITCHAM under the Equipment purchase agreement applicable to other products and with its obligations under point b) below.

(b) Most favored supplier status. In consideration of SERCELS's commitments under this Agreement, MITCHAM shall grant SERCEL the status of the "most preferred supplier" for the supply of any conventional or multi-component land acquisition, marine acquisition or transition zone equipment, excluding DSU-428 and SeaRay. Such equipment shall include, but is not limited to conventional land acquisition systems, transition zone acquisition systems, geophone sensors, hydrophone sensors, VSP tools, vibrators, vibrator control systems and G Guns. MITCHAM shall use its commercially reasonable best efforts to purchase all such equipment from SERCEL and not from other suppliers. Should MITCHAM seek to purchase comparable equipment from another supplier, it will first provide SERCEL with reasonable prior notice. Such notice will specify the equipment required, the quantity required, the delivery period and the country of delivery. SERCEL will then be provided the opportunity to provide a proposal for such equipment within fifteen (15) business days. Should SERCEL not provide a proposal within the time frame required, or should MITCHAM determine that SERCEL's proposal is not competitive in terms of price, quality, support services, delivery dates, technical specifications or commercially viable, MITCHAM shall be free to purchase such equipment from another supplier.

21. Confidential Information. MITCHAM agrees that it will maintain in strict confidence, and not disclose to any other person or firm except with the prior written permission of an authorized officer of SERCEL, any and all information received from SERCEL or prepared by MITCHAM for SERCEL regarding prices, customer lists, business plans, strategies, forecasts, studies, reports and any other information which may be considered confidential or proprietary by SERCEL and which is not publicly available. The confidentiality obligation of MITCHAM under this Section 20 shall survive the expiration or termination of this Agreement. In the event that MITCHAM receives a request to disclose all or any part of the confidential information under terms of a subpoena or order issued by a court or by a governmental body, MITCHAM agrees (i) to notify SERCEL immediately of the existence, terms, and circumstances surrounding such request, (ii) to consult with SERCEL on the advisability of taking legally available steps to resist or narrow such request, and (iii) if disclosure of such information is required to prevent MITCHAM from being held in contempt or subject to other penalty, to furnish only such portion of the information as, in the written opinion of counsel reasonably satisfactory to SERCEL, it is legally compelled to disclose and to exercise its best efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the disclosed information. The provisions of this Section are mandatory, MITCHAM hereby acknowledges that the provisions of this Agreement may be specifically performed and enforced, and MITCHAM consents and agrees that it may be restrained, enjoined or otherwise prevented from divulging any such confidential information if at any time SERCEL reasonably fears that such event may occur. The existence and terms of this Agreement shall be considered as confidential Information, unless otherwise agreed.

22. Force Majeure. All transactions under this Agreement and all purchase orders accepted hereunder are subject to modification or cancellation in the event of strikes, labor disputes, lock-outs, accidents, fires, delays in manufacturing or in transportation or delivery of materials, floods severe weather or other acts of God, embargoes, governmental actions, or any other cause beyond the reasonable control of the party concerned, whether similar to or different from the causes above enumerated; and including any special, indirect, incidental, or consequential damages arising from SERCEL'S delay in delivery or failure to deliver as a result of any such cause.

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

24. Termination.

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

(b) In addition, SERCEL shall be entitled to immediately terminate this Agreement effective upon the giving of notice to MITCHAM in the event that: (i) SERCEL has reasonable cause to believe that MITCHAM or others acting in association with or on the behalf of MITCHAM have committed, or intend to commit, a violation of the FCPA; (ii) MITCHAM refuses or is unable to make the certification described in Section 17; (iii) MITCHAM ceases doing business as a going concern, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they become due or such fact is determined by judicial proceedings, files a voluntary petition in bankruptcy, is adjusted a bankrupt or an Insolvent entity, files a petition seeking for itself any reorganization, rearrangement, composition, readjustment, liquidation, dissolution, or similar arrangement under any present or future statute, law or regulation, or files an answer admitting the material allegations of a petition filed against it in any such proceedings, consents to or acquiesces in the appointment of a trustee, receiver, or liquidator of, all or any substantial part of its assets or properties, or if it or the holders of its common stock shall take any action contemplating its dissolution or liquidation. In such event, SERCEL shall have no further liability to MITCHAM under this Agreement.

(c) In addition, SERCEL shall be entitled to immediately terminate this Agreement effective upon the giving of notice to MITCHAM in the event that the Agreement entered between the Parties on November 6, 2012 regarding the UNITE RAU 1 is terminated by Sercel for breach by Mitcham of any of its obligation under this UNITE RAU 1 Agreement.

(d) Upon the termination of this Agreement in accordance with the terms hereof, neither party shall have any further liability to the other party under this Agreement except for obligations and liabilities arising or related to events or circumstances prior to the effective date of termination.

(e) Notwithstanding the foregoing, it is expressly acknowledged between the Parties that the modification, amendment or termination of this Agreement by SERCEL in accordance with the terms of this Agreement, or the non-renewal of this Agreement, will not entitle MITCHAM to claim for any damage, penalty or indemnity whatsoever.

25. Arbitration. Any dispute or claim arising out of or in connection with this AGREEMENT shall be finally settled in accordance with the rules of Arbitration of the International Chamber of Commerce (I.C.C) by one or more arbitrators appointed in accordance with the

said rules. The arbitrator(s) so chosen shall render its (or their) award in accordance with the substantive laws of Switzerland taking into account the rules and customs of International Trade "lex mercatoria" as well as the trade usages of the Oil and Gas Industry. The proceedings shall take place in Geneva - Switzerland and shall be conducted in the English language. Decision and award shall finally allocate the costs of such arbitration, provided that each Party shall pay in advance any costs and fees for its arbitrator, and that any other fee or cost, such as fees for the third arbitrator or for the sole arbitrator shall be paid in advance equally by both Parties. The arbitral award shall be final and binding upon the Parties.

26. Applicable Law. This Agreement shall be governed by the laws of the Switzerland.

27. Export Control Laws. MITCHAM agrees that it shall not assist in the disposition of U.S. origin SERCEL Products, by way of transshipment, re-export, and diversion or otherwise, except as said laws and regulations may expressly permit.

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

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

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

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

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

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

34. Drafting Party. This Agreement expresses the mutual intent of the parties to this Agreement. According, regardless of the preparing party, the rule of construction against the drafting party shall have no appreciation to this Agreement.

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

36. Survival. Articles 14, 20, 22, 23, 24, 27 and 35 of the Agreement shall survive expiration or termination of this Agreement for whatever reason.

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

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

SERCEL Inc.

By: /s/ George Wood, President
George Wood, President

Mitcham Industries, Inc.

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

Exhibit 31.1

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 31, 2013 of Mitcham Industries, Inc. (the “registrant”);

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
September 5, 2013

Exhibit 31.2

CERTIFICATION

I, Robert P. Capps, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended July 31, 2013 of Mitcham Industries, Inc. (the "registrant");

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
September 5, 2013

Exhibit 32.1

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

In connection with the Quarterly Report of Mitcham Industries, Inc. (the "Company") on Form 10-Q for the quarterly period ended July 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Billy F. Mitcham, Jr., Chief Executive Officer of the Company, and Robert P. Capps, Executive Vice President-Finance and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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
September 5, 2013

/s/ Robert P. Capps
Robert P. Capps
Executive Vice President-Finance and
Chief Financial Officer
September 5, 2013