

MITCHAM INDUSTRIES INC

Form 10-Q

December 04, 2007

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**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 October 31, 2007**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-25142**

**MITCHAM INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

**Texas**

(State or other jurisdiction of  
incorporation or organization)

**76-0210849**

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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: 9,781,009 shares of common stock, \$0.01 par value, were outstanding as of December 3, 2007.

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

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

|  | <b>October<br/>31,<br/>2007<br/>(unaudited)</b> | <b>January<br/>31,<br/>2007</b> |
|--|---|---------------------------------|
| <b>ASSETS</b>  |   |                                 |
| Current assets:  |   |                                 |
| Cash and cash equivalents  | \$ 16,305                                       | \$ 12,582                       |
| Accounts receivable, net   | 14,186  | 11,823                          |
| Current portion of notes receivable, net   | 1,547   | 1,787                           |
| Inventories  | 6,157   | 7,308                           |
| Deferred tax asset   | 944   | 483                             |
| Prepaid expenses and other current assets  | 1,482   | 2,003                           |
| <br>   |   |                                 |
| Total current assets   | 40,621  | 35,986                          |
| Seismic equipment lease pool and property and equipment, net   | 43,450  | 35,432                          |
| Goodwill   | 4,358   | 3,358                           |
| Intangible assets, net   | 1,784   | 2,127                           |
| Deferred tax asset   |   | 5,094                           |
| Long-term portion of notes receivable and other assets   | 21  | 1,305                           |
| <br>   |   |                                 |
| Total assets   | \$ 90,234                                       | \$ 83,302                       |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |   |                                 |
| Current liabilities:   |   |                                 |
| Accounts payable   | \$ 8,462  | \$ 16,343                       |
| Current maturities long-term debt  | 1,500   | 1,500                           |
| Income taxes payable   | 362   | 328                             |
| Deferred revenue   | 1,594   | 948                             |
| Accrued expenses and other current liabilities   | 4,327   | 3,177                           |
| <br>   |   |                                 |
| Total current liabilities  | 16,245  | 22,296                          |
| Non-current deferred tax liability   | 728   |                                 |
| Non-current income taxes payable   | 804   |                                 |
| Long-term debt   |   | 1,500                           |
| <br>   |   |                                 |
| Total liabilities  | 17,777  | 23,796                          |
| Shareholders' equity:  |   |                                 |
| Preferred stock, \$1.00 par value; 1,000 shares authorized; none issued and outstanding  |   |                                 |
| Common stock \$.01 par value; 20,000 shares authorized; 10,702 and 10,601 shares issued at October 31 and January 31, 2007, respectively | 107   | 106                             |
| Additional paid-in capital   | 70,596  | 67,385                          |

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|   |           |           |
|---|-----------|-----------|
| Treasury stock, at cost; 921 and 919 shares at October 31 and January 31, 2007,<br>respectively | (4,805)   | (4,781)   |
| Accumulated deficit   | (2,685)   | (6,142)   |
| Accumulated other comprehensive income  | 9,244     | 2,938     |
| Total shareholders' equity  | 72,457    | 59,506    |
| Total liabilities and shareholders' equity  | \$ 90,234 | \$ 83,302 |

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

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

|   | <b>For the Three Months<br/>Ended<br/>October 31,</b> |                 | <b>For the Nine Months<br/>Ended<br/>October 31,</b> |                 |
|---|---|-----------------|--|-----------------|
|   | <b>2007</b>   | <b>2006</b>     | <b>2007</b>  | <b>2006</b>     |
| <b>Revenues:</b>                          |   |                 |  |                 |
| Equipment leasing                         | \$ 8,402  | \$ 6,161        | \$ 24,732  | \$ 18,141       |
| Lease pool equipment sales                | 1,661   | 842             | 3,153  | 3,991           |
| Seamap equipment sales                    | 5,144   | 2,601           | 20,807   | 8,593           |
| Other equipment sales                     | 1,998   | 3,137           | 6,926  | 7,090           |
| <b>Total revenues</b>                     | <b>17,205</b>   | <b>12,741</b>   | <b>55,618</b>  | <b>37,815</b>   |
| <b>Cost of sales:</b>                     |   |                 |  |                 |
| Direct costs equipment leasing            | 475   | 433             | 1,296  | 1,809           |
| Direct costs lease pool depreciation      | 2,567   | 1,956           | 7,413  | 5,507           |
| Cost of equipment sales                   | 4,887   | 4,442           | 20,956   | 12,160          |
| <b>Total cost of sales</b>                | <b>7,929</b>  | <b>6,831</b>    | <b>29,665</b>  | <b>19,476</b>   |
| <b>Gross profit</b>                       | <b>9,276</b>  | <b>5,910</b>    | <b>25,953</b>  | <b>18,339</b>   |
| <b>Operating expenses:</b>                |   |                 |  |                 |
| General and administrative                | 5,045   | 3,330           | 12,685   | 10,693          |
| Depreciation and amortization             | 389   | 337             | 1,110  | 944             |
| <b>Total operating expenses</b>           | <b>5,434</b>  | <b>3,667</b>    | <b>13,795</b>  | <b>11,637</b>   |
| <b>Operating income</b>                   | <b>3,842</b>  | <b>2,243</b>    | <b>12,158</b>  | <b>6,702</b>    |
| <b>Other income (expense)</b>             |   |                 |  |                 |
| Interest, net                             | 178   | 284             | 319  | 617             |
| Other, net                                | (6)   | 12              | (3)  | 47              |
| <b>Total other income</b>                 | <b>172</b>  | <b>296</b>      | <b>316</b>   | <b>664</b>      |
| <b>Income before income taxes</b>         | <b>4,014</b>  | <b>2,539</b>    | <b>12,474</b>  | <b>7,366</b>    |
| (Provision for) benefit from income taxes | (1,583)   | 1,324           | (4,382)  | 1,189           |
| <b>Net income</b>                         | <b>\$ 2,431</b>                                       | <b>\$ 3,863</b> | <b>\$ 8,092</b>                                      | <b>\$ 8,555</b> |

**Net income per common share:**

|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Basic   | \$ 0.25 | \$ 0.40 | \$ 0.84 | \$ 0.89 |
| Diluted | \$ 0.24 | \$ 0.38 | \$ 0.79 | \$ 0.84 |

**Shares used in computing net income per common share:**

|         |        |        |        |        |
|---------|--------|--------|--------|--------|
| Basic   | 9,733  | 9,609  | 9,682  | 9,584  |
| Diluted | 10,333 | 10,069 | 10,257 | 10,157 |

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

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

|  | <b>For the Nine Months<br/>Ended<br/>October 31,</b> |             |
|--|--|-------------|
|  | <b>2007</b>  | <b>2006</b> |
| <b>Cash flows from operating activities:</b>   |  |             |
| Net income   | \$ 8,092   | \$ 8,555    |
| Adjustments to reconcile net income to net cash provided by operating activities:                            |  |             |
| Depreciation and amortization  | 8,523  | 6,451       |
| Stock-based compensation   | 1,628  | 1,197       |
| Provision for doubtful accounts  | 165  |             |
| Provision for inventory obsolescence   | 316  | 9           |
| Gross profit from sale of lease pool equipment   | (2,193)  | (2,115)     |
| Excess tax benefit from exercise of non-qualified stock options  | (1,219)  | (497)       |
| Deferred tax provision (benefit)   | 1,981  | (2,009)     |
| Changes in:  |  |             |
| Accounts receivable  | (1,429)  | (4,727)     |
| Notes receivable   | 1,535  | (154)       |
| Inventories  | 1,317  | (4,734)     |
| Income taxes payable   | 1,252  | 730         |
| Accounts payable, accrued expenses, other current liabilities and deferred revenue                           | (430)  | 4,562       |
| Prepaid expenses and other current assets  | 850  | (745)       |
| Net cash provided by operating activities  | 20,388   | 6,523       |
| <b>Cash flows from investing activities:</b>   |  |             |
| Purchases of seismic equipment held for lease  | (19,199)   | (10,177)    |
| Sales and maturities of short-term investments   |  | 2,550       |
| Purchases of property and equipment  | (434)  | (1,585)     |
| Additional payments related to subsidiary acquisition  | (1,000)  | (1,000)     |
| Sale of used lease pool equipment  | 3,153  | 3,991       |
| Net cash used in investing activities  | (17,480)   | (6,221)     |
| <b>Cash flows from financing activities:</b>   |  |             |
| Proceeds from borrowings   | 4,500  |             |
| Payments on borrowings   | (6,000)  |             |
| Proceeds from issuance of common stock upon exercise of warrants and stock options, net of stock surrendered | 341  | 783         |
| Excess tax benefit from exercise of non-qualified stock options  | 1,219  | 497         |
| Net cash provided by financing activities  | 60   | 1,280       |
| <b>Effect of changes in foreign exchange rates on cash and cash equivalents</b>                              | <b>755</b>   | <b>165</b>  |



|  |           |           |
|--|-----------|-----------|
| <b>Net increase in cash and cash equivalents</b>                                   | 3,723     | 1,747     |
| <b>Cash and cash equivalents, beginning of period</b>                              | 12,582    | 16,438    |
| <b>Cash and cash equivalents, end of period</b>                                    | \$ 16,305 | \$ 18,185 |
| <b>Supplemental cash flow information:</b>   |           |           |
| Interest paid  | \$ 248    | \$ 154    |
| Income taxes paid  | \$ 811    | \$ 139    |
| Purchases of seismic equipment held for lease in accounts payable at end of period | \$ 6,485  |           |

*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**  
**(in thousands, except per share amounts)**  
**(unaudited)**

**1. Basis of Presentation**

The condensed consolidated balance sheet as of January 31, 2007 for Mitcham Industries, Inc. ( Mitcham or the Company ) has been derived from audited consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared by the Company without audit 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 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 financial statements and the related notes included in the Company s Annual Report on Form 10-K for the year ended January 31, 2007. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of October 31, 2007; the results of operations for the three and nine months ended October 31, 2007 and 2006; and the cash flows for the nine months ended October 31, 2007 and 2006, have been included in these financial statements. The foregoing interim results are not necessarily indicative of the results of the operations to be expected for the full fiscal year ending January 31, 2008.

Certain fiscal 2007 amounts have been reclassified to conform to the fiscal 2008 presentation. Such reclassifications had no effect on net income.

**2. Organization**

Mitcham Industries, Inc., a Texas corporation, was incorporated in 1987. The Company, through its wholly owned Canadian subsidiary, Mitcham Canada, Ltd. ( MCL ) and its wholly owned Russian subsidiary, Mitcham Seismic Eurasia LLC ( MSE ), 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 product sales and support facilities based in Singapore and the United Kingdom. All intercompany transactions and balances have been eliminated in consolidation.

**3. New Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with Statement of Financial Accounting Standards ( SFAS ) 109, *Accounting for Income Taxes*, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition: the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the enterprise should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (1) an increase in a liability for income taxes payable or a reduction of an income tax refund

receivable (2) a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2). The Company adopted FIN 48 effective February 1, 2007. See Note 8 *Income Taxes* for a discussion of the impact of adoption on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ( SFAS 157 ), to define fair value, establish a framework for measuring fair value and expand disclosures about the use of fair value to measure assets and

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liabilities. SFAS 157 requires quantitative disclosures using a tabular format in all periods (interim and annual) and qualitative disclosures about the valuation techniques used to measure fair value in all annual periods. SFAS 157 will be effective for the Company's fiscal year beginning February 1, 2008. The Company is currently evaluating the effect that the adoption of SFAS 157 will have on its consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 will be effective for the Company's fiscal year beginning February 1, 2008. The Company is currently evaluating the effect that the adoption of SFAS 159 will have on its consolidated financial position and results of operations.

**3. Balance Sheet**

|   | <b>October<br/>31,<br/>2007</b> | <b>January 31,<br/>2007</b> |
|---|---------------------------------|-----------------------------|
| <b>Accounts receivable:</b>                                     |                                 |                             |
| Accounts receivable   | \$ 15,402                       | \$ 13,035                   |
| Allowance for doubtful accounts                                 | (1,216)                         | (1,212)                     |
| Total accounts receivable, net                                  | \$ 14,186                       | \$ 11,823                   |
| <b>Notes receivable:</b>  |                                 |                             |
| Notes receivable  | \$ 1,561                        | \$ 3,077                    |
| Allowance for doubtful accounts                                 |                                 |                             |
|   | 1,561                           | 3,077                       |
| Less current portion of notes receivable                        | (1,547)                         | (1,787)                     |
| Long-term portion of notes receivable                           | \$ 14                           | \$ 1,290                    |
| <b>Inventories:</b>   |                                 |                             |
| Raw materials   | \$ 3,432                        | \$ 3,996                    |
| Finished goods  | 748                             | 2,023                       |
| Work in progress  | 2,774                           | 1,686                       |
|   | 6,954                           | 7,705                       |
| Less allowance for obsolescence                                 | (797)                           | (397)                       |
| Total inventories, net  | \$ 6,157                        | \$ 7,308                    |
| <b>Seismic equipment lease pool and property and equipment:</b> |                                 |                             |
| Seismic equipment lease pool                                    | \$ 107,480                      | \$ 88,301                   |
| Land and buildings  | 366                             | 366                         |
| Furniture and fixtures  | 4,972                           | 4,347                       |
| Autos and trucks  | 541                             | 382                         |
|   | 113,359                         | 93,396                      |

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|  |           |           |
|--|-----------|-----------|
| Accumulated depreciation and amortization                          | (69,909)  | (57,964)  |
| Total seismic equipment lease pool and property and equipment, net | \$ 43,450 | \$ 35,432 |

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|   | Weighted<br>Average<br>Life at<br>10/31/07 | October 31, 2007            |                             |                           | January 31, 2007            |                             |                           |
|---|--|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
|   |  | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
| Goodwill  |  | \$ 4,358                    |                             | \$ 4,358                  | \$ 3,358                    |                             | \$ 3,358                  |
| Proprietary rights<br>Covenants<br>not-to-compete | 12.7                                       | \$ 1,850                    | \$ (288)                    | \$ 1,562                  | \$ 1,850                    | \$ (195)                    | \$ 1,655                  |
|   | 0.7  | 1,000                       | (778)                       | 222                       | 1,000                       | (528)                       | 472                       |
| Amortizable intangible<br>assets                  |  | \$ 2,850                    | \$ (1,066)                  | \$ 1,784                  | \$ 2,850                    | \$ (723)                    | \$ 2,127                  |

On July 12, 2005, the Company acquired 100% of the stock of Seemap. Under the Stock Purchase Agreement dated July 1, 2005, the Company agreed to pay to the sellers certain contingent purchase price payments provided that certain earn-out earnings thresholds and prerequisites are achieved. Earn-out earnings thresholds are based upon total revenues of the acquired companies of Seemap (earn-out revenues). For each of the years ending April 30, 2007 through April 30, 2010, the annual earn-out revenues threshold is \$10,000. The Company paid the final earn-out threshold payment in August 2007 and recorded \$1,000 as additional goodwill. As of October 31, 2007, the Company had goodwill of \$4,358, all of which is allocated to the Seemap segment. No impairment has been recorded against the goodwill account.

Amortizable intangible assets are amortized over their estimated useful lives of three to 15 years using the straight-line method. Aggregate amortization expense was \$114 for the three months ended October 31, 2007 and 2006 and \$343 for the nine months ended October 31, 2007 and 2006. As of October 31, 2007, future estimated amortization expense related to amortizable intangible assets is estimated to be:

For fiscal year ended January 31,:

|                     |          |
|---------------------|----------|
| 2008                | \$ 114   |
| 2009                | 262      |
| 2010                | 123      |
| 2011                | 123      |
| 2012 and thereafter | 1,162    |
| Total               | \$ 1,784 |

**5. Long-Term Debt and Notes Payable**

On June 27, 2005, the Company entered into a \$12,500 revolving loan agreement with First Victoria National Bank (the Bank). On February 1, 2007, the facility was amended to extend its term to February 1, 2009. The facility bears interest at the prime rate. Amounts available for borrowing under the facility are determined by a borrowing base. The borrowing base is computed based on certain outstanding accounts receivable, certain portions of the Company's lease pool and any lease pool assets that are to be purchased with proceeds of the facility. Borrowings under the facility are secured by essentially all of the Company's domestic assets. Interest on any outstanding principal balance is payable monthly, while the principal is due at maturity. The loan agreement also contains certain financial covenants that require, among other things, that the Company maintain a debt to shareholder's equity ratio of a maximum of 1.3 to 1.0, maintain a current assets to current liabilities ratio of a minimum of 1.25 to 1.0, and not incur or maintain any indebtedness or obligations or guarantee the debts or obligations of others in a total aggregate amount which exceeds

\$1,000 without the prior written approval of the Bank, except for indebtedness incurred as a result of the Seemap acquisition and other specific exceptions. The Company has borrowed and repaid \$4,500 under this facility during the current fiscal year and no amounts are currently outstanding under this facility.

In connection with the Seemap acquisition in July 2005, the Company issued \$3,000 in promissory notes payable to the former shareholders of Seemap, of which \$1,500 was outstanding at October 31, 2007. The notes bear interest at 5%, which is payable annually on the anniversary of the notes. The remaining principal is due on July 31, 2008.

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During the nine months ended October 31, 2007, approximately 62 shares were issued upon the exercise of stock options by employees and non-employee directors pursuant to various stock option plans of the Company. Additionally, approximately 23 shares were issued in July 2007 upon the exercise of warrants. The Company granted 16 shares of restricted stock in July 2007 to certain employees. Approximately two shares were surrendered to the Company for payment of taxes upon the vesting of restricted stock.

**7. Comprehensive Income**

Comprehensive income generally represents all changes in shareholders equity during the period, except those resulting from investments by, or distributions to, shareholders. The Company has comprehensive income related to changes in foreign currency to U.S. dollar exchange rates, which is recorded as follows:

|   | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|---|---------------------------|-------------|--------------------------|-------------|
|   | <b>October 31,</b>        |             | <b>October 31,</b>       |             |
|   | <b>2007</b>               | <b>2006</b> | <b>2007</b>              | <b>2006</b> |
| Net income  | \$ 2,431                  | \$ 3,863    | \$ 8,092                 | \$ 8,555    |
| Gain from foreign currency translation adjustment | 2,752                     | 350         | 6,306                    | 718         |
| Comprehensive income                              | \$ 5,183                  | \$ 4,213    | \$ 14,398                | \$ 9,273    |

**8. Income Taxes**

The Company adopted the provisions of FIN 48 on February 1, 2007. As a result of the implementation of FIN 48, the Company recognized a liability for unrecognized tax benefits of \$1,235, a reduction of deferred tax assets of \$3,400 and a \$4,635 decrease to its February 1, 2007 balance of retained earnings. If recognized, all of the \$4,635 of currently unrecognized tax benefits would reduce the Company's effective tax rate.

The Company and its subsidiaries file consolidated and separate income tax returns in the U.S. federal jurisdiction and in foreign jurisdictions. The Company is subject to U.S. federal income tax examinations for all tax years beginning with its fiscal year ended January 31, 2002. The Internal Revenue Service has not commenced an examination of any of the Company's U.S. federal income tax returns.

The Company is subject to examination by taxing authorities throughout the world, including such major foreign jurisdictions as Australia, Canada, 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 2002. With respect to ongoing audits, in the second quarter of fiscal 2008, the Canadian federal tax authorities commenced an audit of the Company's Canadian income tax returns for tax years ended January 31, 2004 through 2007. To date, no adjustments have been proposed as a result of this audit.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. In conjunction with the adoption of FIN 48, the Company recognized approximately \$773 for the accrual of interest and penalties at February 1, 2007, which is included as a component of the \$4,635 of unrecognized tax benefits. During the three and nine months ended October 31, 2007, the Company recognized approximately \$198 and \$250, respectively, of potential interest associated with uncertain tax positions. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as reductions in income tax expense.

The Company does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of audits and the expiration of statute of limitations prior to October 31, 2008. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of these matters may result in liabilities that could be materially different from these estimates.

**9. Earnings per Share**

Net income per basic common share is computed using the weighted average number of common shares outstanding





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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. Potential common shares result from the assumed exercise of outstanding warrants and common stock options having a dilutive effect using the treasury stock method, and from the assumed vesting of unvested shares of restricted stock using the treasury stock method. The following table presents the calculation of basic and diluted weighted average common shares used in the earnings per share calculation for the three and nine months ended October 31, 2007 and 2006:

|  | <b>Three Months Ended<br/>October 31,</b> |             | <b>Nine Months Ended<br/>October 31,</b> |             |
|--|---|-------------|--|-------------|
|  | <b>2007</b>                               | <b>2006</b> | <b>2007</b>                              | <b>2006</b> |
| Basic weighted average common shares outstanding   | 9,733                                     | 9,609       | 9,682                                    | 9,584       |
| Stock options                                      | 575                                       | 431         | 543                                      | 545         |
| Unvested restricted stock                          | 25  | 15          | 22                                       | 12          |
| Warrants   |   | 14          | 10                                       | 16          |
| Total weighted average common share equivalents    | 600                                       | 460         | 575                                      | 573         |
| Diluted weighted average common shares outstanding | 10,333                                    | 10,069      | 10,257                                   | 10,157      |

**10. Stock-Based Compensation**

Total compensation expense recognized for stock-based awards granted under the Company's various equity incentive plans during the three and nine months ended October 31, 2007 was approximately \$643 and \$1,628, respectively, and during the three and nine months ended October 31, 2006 was approximately \$404 and \$1,197, respectively. During the nine months ended October 31, 2007, 16 shares of restricted stock were awarded to certain employees and 226 options to purchase common stock were granted to employees and to the non-employee members of the Company's Board of Directors.

**11. Segment Reporting**

The following information is disclosed as required by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

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

The Seemap 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):

|                   | <b>As of October 31, 2007</b>    |                                   |                 |
|-------------------|----------------------------------|-----------------------------------|-----------------|
|                   | <b>Fixed<br/>assets,<br/>net</b> | <b>Intangible<br/>assets, net</b> | <b>Goodwill</b> |
| Equipment Leasing | \$ 42,818                        | \$                                | \$              |
| Seemap            | 1,187                            | 1,784                             | 4,358           |
| Eliminations      | (555)                            |                                   |                 |

|              |           |          |          |
|--------------|-----------|----------|----------|
| Consolidated | \$ 43,450 | \$ 1,784 | \$ 4,358 |
|--------------|-----------|----------|----------|

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Results for the three months ended October 31, 2007 and 2006 were as follows:

|                   | <b>Revenues</b> |             | <b>Operating income<br/>(loss)</b> |             | <b>Income (loss) before<br/>taxes</b> |             |
|-------------------|-----------------|-------------|------------------------------------|-------------|---------------------------------------|-------------|
|                   | <b>2007</b>     | <b>2006</b> | <b>2007</b>                        | <b>2006</b> | <b>2007</b>                           | <b>2006</b> |
| Equipment Leasing | \$ 12,061       | \$ 10,140   | \$ 3,590                           | \$ 2,932    | \$ 3,816                              | \$ 3,261    |
| Seamap            | 5,313           | 2,741       | 471                                | (521)       | 426                                   | (554)       |
| Eliminations      | (169)           | (140)       | (219)                              | (168)       | (228)                                 | (168)       |
| Consolidated      | \$ 17,205       | \$ 12,741   | \$ 3,842                           | \$ 2,243    | \$ 4,014                              | \$ 2,539    |

Results for the nine months ended October 31, 2007 and 2006 were as follows:

|                   | <b>Revenues</b> |             | <b>Operating income<br/>(loss)</b> |             | <b>Income (loss) before<br/>taxes</b> |             |
|-------------------|-----------------|-------------|------------------------------------|-------------|---------------------------------------|-------------|
|                   | <b>2007</b>     | <b>2006</b> | <b>2007</b>                        | <b>2006</b> | <b>2007</b>                           | <b>2006</b> |
| Equipment Leasing | \$ 34,811       | \$ 29,222   | \$ 10,726                          | \$ 8,079    | \$ 11,234                             | \$ 8,767    |
| Seamap            | 21,431          | 8,816       | 1,484                              | (1,154)     | 1,301                                 | (1,178)     |
| Eliminations      | (624)           | (223)       | (52)                               | (223)       | (61)                                  | (223)       |
| Consolidated      | \$ 55,618       | \$ 37,815   | \$ 12,158                          | \$ 6,702    | \$ 12,474                             | \$ 7,366    |

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.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
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 Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) and Section 27A of the Securities Act of 1933, as amended. This information includes, without limitation, statements concerning:

our future financial position and results of operations;

planned capital expenditures;

our business strategy and other plans for future operations;

the future mix of revenues and business;

future demand for our services; and

general conditions in the energy industry and seismic service industry.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can not assure you that these expectations will prove to be correct. When used in this Form 10-Q, the words anticipate, believe, estimate, expect, may and similar expressions, as they relate to our company and management, are intended to identify forward-looking statements. The actual results of future events described in these forward-looking statements could differ materially from the results described in the forward-looking statements due to risks and uncertainties, including those set forth in our Annual Report on Form 10-K for the year ended January 31, 2007 and elsewhere within this Quarterly Report on Form 10-Q. Readers are cautioned not to place undue reliance on forward-looking statements which speak only as the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

**Overview**

We operate in two segments, Equipment Leasing and equipment manufacturing. The equipment manufacturing segment is conducted by our Seamap subsidiaries and therefore is referred to as our Seamap segment. Our equipment leasing operations are conducted from our Huntsville, Texas headquarters and from our locations in Calgary, Canada; Brisbane, Australia; and Ufa, Russia. This includes the operations of our Mitcham Canada, Ltd. (MCL), Seismic Asia Pacific Pty. Ltd., (SAP) and Mitcham Seismic Eurasia LLC (MSE) subsidiaries. We acquired Seamap in July 2005. Seamap operates from its locations near Bristol, United Kingdom and in Singapore.

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

The following table presents certain operating information by operating segment.

|                   | For the Three Months Ended |           | For the Nine Months Ended |           |
|-------------------|----------------------------|-----------|---------------------------|-----------|
|                   | October 31,                |           | October 31,               |           |
|                   | 2007                       | 2006      | 2007                      | 2006      |
|                   | (in thousands)             |           | (in thousands)            |           |
| <b>Revenues:</b>  |                            |           |                           |           |
| Equipment Leasing | \$ 12,061                  | \$ 10,140 | \$ 34,811                 | \$ 29,222 |
| Seamap            | 5,313                      | 2,741     | 21,431                    | 8,816     |

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|                               |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|
| Inter-segment sales           | (169)  | (140)  | (624)  | (223)  |
| Total revenues                | 17,205 | 12,741 | 55,618 | 37,815 |
| <b>Cost of sales:</b>         |        |        |        |        |
| Equipment Leasing             | 4,655  | 4,628  | 14,914 | 13,858 |
| Seamap                        | 3,215  | 2,175  | 15,314 | 5,618  |
| Inter-segment costs           | 59     | 28     | (563)  |        |
| Total cost of sales           | 7,929  | 6,831  | 29,665 | 19,476 |
| <b>Gross profit</b>           | 9,276  | 5,910  | 25,953 | 18,339 |
| <b>Operating expenses:</b>    |        |        |        |        |
| General and administrative    | 5,045  | 3,330  | 12,685 | 10,693 |
| Depreciation and amortization | 389    | 337    | 1,110  | 944    |
| Total operating expenses      | 5,434  | 3,667  | 13,795 | 11,637 |

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|   | <b>For the Three Months<br/>Ended<br/>October 31,</b> |                 | <b>For the Nine Months<br/>Ended<br/>October 31,</b> |                  |
|---|---|-----------------|--|------------------|
|   | <b>2007</b>   | <b>2006</b>     | <b>2007</b>  | <b>2006</b>      |
|   | (in thousands)  |                 | (in thousands)                                       |                  |
| <b>Operating income</b>   | \$ 3,842  | \$ 2,243        | \$ 12,158  | \$ 6,702         |
| <b>EBITDA <sup>(1)</sup></b>  | \$ 6,792  | \$ 4,548        | \$ 20,678  | \$ 13,200        |
| <b>Adjusted EBITDA <sup>(1)</sup></b>                                 | \$ 7,435  | \$ 4,952        | \$ 22,306  | \$ 14,397        |
| <b>Reconciliation of Net Income to EBITDA and<br/>Adjusted EBITDA</b> |   |                 |  |                  |
| Net income  | \$ 2,431  | \$ 3,863        | \$ 8,092   | \$ 8,555         |
| Interest income, net  | (178)   | (284)           | (319)  | (617)            |
| Depreciation and amortization   | 2,956   | 2,293           | 8,523  | 6,451            |
| Provision for (benefit from) income taxes                             | 1,583   | (1,324)         | 4,382  | (1,189)          |
| <b>EBITDA <sup>(1)</sup></b>  | <b>6,792</b>  | <b>4,548</b>    | <b>20,678</b>  | <b>13,200</b>    |
| Stock-based compensation  | 643   | 404             | 1,628  | 1,197            |
| <b>Adjusted EBITDA <sup>(1)</sup></b>                                 | <b>\$ 7,435</b>                                       | <b>\$ 4,952</b> | <b>\$ 22,306</b>                                     | <b>\$ 14,397</b> |

<sup>(1)</sup> EBITDA is defined as earnings (loss) before (a) interest income, net of interest expense, (b) provision for (or benefit from) income taxes and (c) depreciation and amortization. Adjusted EBITDA excludes stock-based compensation. We consider EBITDA and Adjusted EBITDA to be important

indicators for the performance of our business, but not measures of performance calculated in accordance with accounting principles generally accepted in the United States of America ( GAAP ). We have included these non-GAAP financial measures because they provide management with important information for assessing our performance and as indicators of our ability to make capital expenditures and finance working capital requirements. EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP and should not be considered in isolation or as alternatives to cash flow from operating activities or as alternatives to net income as



indicators of operating performance or any other measures of performance derived in accordance with GAAP. 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 and offer technical support during the lease term. The majority of all active leases at October 31, 2007 were for a term of less than one year. Seismic equipment held for lease is carried at cost, net of accumulated depreciation. We acquire some marine lease pool equipment from our Seemap segment. These amounts are reflected in the accompanying consolidated financial statements at the cost to our Seemap segment. 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. 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.

Our Seemap segment designs, manufactures and sells a variety of products used primarily in marine seismic applications. Seemap'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 GPS tracking system used to provide precise positioning of seismic sources and streamers (marine recording channels that are towed behind a vessel).

Seismic equipment leasing is susceptible to weather patterns in certain geographic regions. Our lease revenue is seasonal, especially in Canada and Russia, where a significant percentage of seismic survey activity occurs in the winter months, from January through March or April. During the months in which the weather is warmer, certain areas are not accessible by trucks, earth vibrators and other heavy equipment because of the unstable terrain. Additionally, monsoons that occur in some areas of Southeast Asia and the Pacific Rim may disrupt land and marine seismic operations.

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. 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. Because an accurate

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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. Nonetheless, we believe the seismic industry is currently enjoying a period of stable and sustained growth. This is evidenced by increased demand for our equipment and by improving financial results as reported by many seismic contractors. We believe that this increase is being driven by relatively high world oil prices and, to a lesser degree, North American natural gas prices, combined with the maturation of the world's hydrocarbon producing basins. The future direction and magnitude of changes in seismic data acquisition activity levels will continue to be dependent upon oil and natural gas prices to a large degree.

The market for products sold by Seamap 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.

Current prices of oil and natural gas have resulted in increased activity in the oil and gas industry and, in turn, resulted in an increased demand for seismic services. This has contributed to an increased demand for leasing of our equipment. We cannot predict how long the current trend will last, but we believe that a depressed oil and gas industry results in lower demand for and, therefore, lower revenues from, the leasing of our equipment. We do not quantitatively calculate utilization rates for our equipment lease pool. However, we do subjectively monitor factors that we believe reflect trends in utilization. We have relatively fixed costs within certain revenue ranges and, as a result, our earnings are particularly sensitive to changes in utilization rates and demand for our lease equipment.

A significant portion of our revenues are generated from sources outside the United States. For the nine months ended October 31, 2007, revenues from international customers totaled approximately \$46.4 million. This amount represents 79% of consolidated revenues for that period. The majority of our transactions with international customers are denominated in United States, Australian and Canadian dollars, Russian rubles and British pounds sterling.

**Results of Operations**

For the fiscal quarter ended October 31, 2007, we recorded operating income of approximately \$3.8 million, compared to approximately \$2.2 million for the same fiscal quarter a year ago, an increase of approximately 71%. Operating income in the first nine months of fiscal 2008 was approximately \$12.2 million, as compared to approximately \$6.7 million in the first nine months of fiscal 2007, an increase of 81%. The improvements in the operating results for both comparative periods resulted primarily from higher equipment leasing revenues and higher-end Seamap equipment sales, offset by increased general and administrative costs. Income tax benefits from the recognition of deferred tax assets were recorded during fiscal 2007, whereas in the first nine months of fiscal 2008, we have recorded a provision for income taxes at an effective rate of approximately 35%.

**Revenues and Direct Costs****Equipment Leasing**

Revenue from our Equipment Leasing segment is comprised of the following:

|                             | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|-----------------------------|---------------------------|-------------|--------------------------|-------------|
|                             | <b>October 31,</b>        |             | <b>October 31,</b>       |             |
|                             | <b>2007</b>               | <b>2006</b> | <b>2007</b>              | <b>2006</b> |
|                             | <b>(in thousands)</b>     |             | <b>(in thousands)</b>    |             |
| Equipment leasing           | \$ 8,402                  | \$ 6,161    | \$ 24,732                | \$ 18,141   |
| Lease pool equipment sales  | 1,661                     | 842         | 3,153                    | 3,991       |
| New seismic equipment sales | 760                       | 2,570       | 4,207                    | 4,284       |
| SAP equipment sales         | 1,238                     | 567         | 2,719                    | 2,806       |
|                             | \$ 12,061                 | \$ 10,140   | \$ 34,811                | \$ 29,222   |

Equipment leasing revenues have increased due to increased demand for seismic equipment, expansion into new geographic markets and expansion of our lease pool, including equipment for marine applications. The demand for seismic equipment is primarily driven by the global oil and gas exploration activity discussed above. In the fourth

quarter of fiscal 2007 and the first quarter of fiscal 2008, we added approximately \$18.1 million of new lease pool equipment, including 5,000 stations, or 15,000 channels of Sercel DSU3 428XL equipment and new marine equipment. This increase in our lease pool contributed significantly to the increase in equipment leasing revenues in the first nine months of fiscal 2008 as compared to the first nine months of fiscal 2007. MSE, our Russian subsidiary, had equipment under lease for the full winter season this year and was also able to generate leasing revenues in other areas, such as Kazakhstan, during the balance of the year. Therefore, MSE has contributed

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approximately \$2.4 million in leasing revenues during the first three quarters of fiscal 2008, an increase of approximately \$2.3 million over the same period last year.

We have recently added approximately 5,750 land channels and additional marine streamer sections to our lease pool. Furthermore, we have placed orders for another 6,500 land channels, which we expect to be delivered by the end of the fiscal year. These recent and pending additions to our lease pool have had no effect on our leasing revenues in the first nine months of fiscal 2008 and are not expected to have a material impact on the balance of this fiscal year. However, should demand for the leasing of our equipment remain at current levels, we expect this additional equipment to contribute to our leasing revenues and operating results in fiscal 2009.

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 are difficult to predict. The gross profit from the sales of lease pool equipment amounted to approximately \$1.4 million and \$0.6 million for the quarters ended October 31, 2007 and 2006, respectively. For the nine months ended October 31, 2007 and 2006, the gross profit from these transactions amounted to approximately \$2.2 million and \$2.1 million, respectively. Often, the equipment that is sold from our lease pool has been held by us, and therefore depreciated, for some period of time. Accordingly, the equipment sold may have a relatively low net book value at the time of the sale, resulting in a relatively high gross margin from the transaction. The amount of the margin on a particular transaction varies greatly based primarily upon the age of the equipment.

Occasionally, we will sell new seismic equipment that we acquire from others. On occasion, these sales may be structured with a significant down payment and the balance financed over a period of time at a market rate of interest. SAP regularly sells new hydrographic and oceanographic equipment to customers in Australia and throughout the Pacific Rim. The gross profit from the sale of new seismic equipment and hydrographic and oceanographic equipment amounted to approximately \$0.5 million and \$1.1 million in the fiscal quarters ended October 31, 2007 and 2006, respectively. For the nine months ended October 31, 2007 and 2006, the gross profit from the sale of this equipment amounted to approximately \$1.7 million and \$2.4 million, respectively.

Overall, the gross profit from our Equipment Leasing segment increased to approximately \$7.4 million in the third quarter of fiscal 2008 as compared to approximately \$5.5 million in the third quarter of fiscal 2007. For the first nine months of fiscal 2008 the gross profit from the Equipment Leasing segment amounted to approximately \$19.9 million as compared to approximately \$15.4 million in the first nine months of fiscal 2007. The increases in overall gross profit in the fiscal 2008 periods are attributable to the increase in leasing revenues and a decline in direct costs related to these operations, despite higher depreciation charges within this segment.

Depreciation expense related to lease pool equipment for the quarter ending October 31, 2007 amounted to approximately \$2.6 million, as compared to approximately \$2.0 million for the quarter ended October 31, 2006. For the nine months ended October 31, 2007 lease pool depreciation amounted to approximately \$7.4 million as compared to approximately \$5.5 million for the nine months ended October 31, 2006. Most of the increase in depreciation expense was due to our acquisition of additional lease pool equipment primarily during the last half of fiscal 2007 and the first quarter of fiscal 2008.

Revenues and lease pool depreciation costs do not necessarily directly correlate. Over the long-term, depreciation costs are impacted by increases in equipment purchases to meet growing demand for our leased equipment. We have been able to purchase equipment at discounts through volume purchase arrangements. A lower purchase price results in lower depreciation costs. Although some of the equipment in our lease pool has reached the end of its depreciable life, given the increased demand within the seismic industry, the equipment continues to be in service and continues to generate revenue. The depreciable life of equipment in our industry is determined more by technical obsolescence than by usage or wear and tear. Some of our equipment is still capable of functioning appropriately, although fully depreciated. The current high demand for equipment has allowed us to lease older equipment that in periods of lower demand would be idle. Thus, we are able to generate leasing revenues from this older equipment with little or no associated depreciation costs.

Direct costs related to seismic leasing amounted to approximately \$0.5 million in the three months ended October 31, 2007 and \$0.4 million in the three months ended October 31, 2006. We recorded direct costs of \$1.3 million related to seismic leasing during the nine months ended October 31, 2007 as compared to approximately

\$1.8 million during the nine months ended October 31, 2006. Direct costs typically fluctuate with leasing revenues, as the three main components of direct costs are freight, repairs and sublease expense; however, costs as a percentage of revenues decreased in fiscal 2008 as compared to previous periods. This decline was primarily due to greater reimbursement of costs from our customers, lower costs to lease certain equipment from third parties and the effect of slightly longer lease terms on average. Longer lease terms have the effect of increasing equipment utilization without increasing direct costs.

**Table of Contents*****Seamap***

The Seamap segment increased revenues by approximately 100% in the third quarter of fiscal 2008 as compared to the same quarter a year ago, to approximately \$5.3 million from approximately \$2.7 million. For the first nine months of fiscal 2008 Seamap sales increased almost 150% to approximately \$21.4 million from approximately \$8.8 million. Inter-segment revenues are included in these comparisons. The increased sales related primarily to our GunLink, BuoyLink and weight collar products, as well as ancillary equipment. Demand for marine seismic equipment is influenced generally by the same factors that impact demand for the rental of seismic equipment.

The gross profit from the sale of Seamap equipment amounted to approximately \$2.1 million, or 39% of Seamap revenues for the three months ended October 31, 2007, as compared to approximately \$0.6 million, or 21% of Seamap revenues for the three months ended October 31, 2006. For the nine months ended October 31, 2007, gross profit from Seamap sales amounted to approximately \$6.1 million, or 29% of revenues, as compared to approximately \$3.2 million, or 36% of revenues for the nine months ended October 31, 2006. Gross margins, or gross profit as a percentage of sales, for the three months ended October 31, 2006 were negatively impacted by certain design issues related to the GunLink 4000 product. Beginning with the fourth quarter of fiscal 2006, we have seen the gross margins for Seamap increase each quarter due to the resolution of the GunLink 4000 design issues and improved margins related to the GunLink 2000 and GunLink 4000 products. The GunLink 2000 and 4000 margins have improved primarily due to increased production efficiencies. These production efficiencies have resulted from the normal maturation of the production process for new products, such as the GunLink 4000, and from moving most production activities to Singapore from the United Kingdom to take advantage of lower cost structures. Included in the first nine months of fiscal 2008, was approximately \$3.5 million in sales from the first quarter that related to ancillary equipment, such as umbilicals and handling systems, which have a much lower gross margin than Seamap's other products.

***Operating Costs***

General and administrative expenses for the quarter ended October 31, 2007 were approximately \$5.0 million, compared to approximately \$3.3 million for the quarter ended October 31, 2006. The increase in the fiscal 2008 period resulted from increased provisions for incentive compensation to certain of our senior managers, increased stock-based compensation expense, and a provision for uncollectible accounts receivables made in the third quarter related to a specific account. For the first nine months of fiscal 2008 general and administrative expenses amounted to approximately \$12.7 million as compared to approximately \$10.7 million in the first nine months of fiscal 2007. Contributing to the increase in general and administrative expenses in the first nine months of fiscal 2008 were the factors described above, as well as costs relating to compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

***Interest and Other Income, net***

Net interest and other income for the third quarter and first nine months of fiscal 2008 amounted to approximately \$172,000 and \$316,000, respectively, compared to approximately \$296,000 and \$664,000, respectively, in comparable periods of fiscal 2007. The decrease reflects lower levels of invested funds in fiscal 2008, as well as interest expense on borrowings from our revolving loan agreement. Amounts outstanding under our revolving loan agreement amounted to \$4.5 million for most of the first quarter of fiscal 2008, with none outstanding for the following two quarters of fiscal 2008.

***Provision for Income Taxes***

Our provision for income taxes for the third quarter of fiscal 2008 amounted to approximately \$1.6 million, consisting of current taxes of \$1.4 million and deferred taxes of \$0.2 million. This compares with a benefit of approximately \$1.3 million for the third quarter of fiscal 2007. For the first nine months of fiscal 2008 our provision for income taxes amounted to approximately \$4.4 million, consisting of current taxes of \$2.4 million and deferred taxes of \$2.0 million. This compares with a benefit of approximately \$1.2 million for the first nine months of fiscal 2007. As of January 31, 2007, we had recognized essentially all of our deferred tax assets. In prior periods, our tax provision generally reflected the recognition of certain deferred tax assets relating primarily to net operating loss carryovers and fixed assets. Our effective tax rate for the first nine months of fiscal 2008 was approximately 35%. This is slightly higher than the expected statutory rate of 34% due primarily to the accrual of potential interest charges in accordance with the provisions of the Financial Accounting Standards Board ( FASB ) Interpretation No. 48,

*Accounting for Uncertainty in Income Taxes* ( FIN 48 ). Income taxes currently payable in the United States have been reduced by approximately \$1.2 million due to deductions arising from the exercise of non-qualified stock options. This amount did not reduce our current tax provision but was credited directly to paid-in capital.



**Table of Contents****Liquidity and Capital Resources**

As of October 31, 2007, we had working capital of approximately \$24.4 million and cash and cash equivalents of approximately \$16.3 million as compared to net working capital of approximately \$13.7 million and cash and cash equivalents of approximately \$12.6 million at January 31, 2007. Our working capital increased during the nine months ended October 31, 2007 primarily due to working capital generated by operations.

Cash flow provided by operating activities was approximately \$20.4 million in the first nine months of fiscal 2008 as compared to cash flows provided by operating activities of approximately \$6.5 million in the same nine months in fiscal 2007. The approximate \$13.9 million difference in cash flows from operating activities resulted from an increase in deferred taxes of \$4.0 million, an increase in depreciation and amortization expense of \$2.1 million, a decrease in the change in receivables and payables of \$5.3 million and a decrease in the changes in inventories of approximately \$6.1 million. Receivables increased in fiscal 2008 over fiscal 2007 because of the higher revenues. Depreciation was higher in fiscal 2008 as a result of the purchase of equipment in late fiscal 2007 and early fiscal 2008.

Cash flow used in investing activities for the nine months ended October 31, 2007 includes purchases of seismic equipment held for lease totaling approximately \$19.2 million. This amount reflects approximately \$12.6 million attributable to equipment purchased in fiscal 2007, but not paid for until the current year. Approximately \$6.5 million of current year additions of equipment, for which payment had not been made as of October 31, 2007, are not included in the purchases of seismic equipment held for lease in the statement of cash flows. Accordingly, additions to our lease pool amounted to approximately \$13.0 million in the first nine months of fiscal 2008, as compared to approximately \$10.2 million in the first nine months of fiscal 2007. Additions to our lease pool in the first nine months of fiscal 2008 consisted of approximately 8,750 land channels, additional marine streamer sections, marine air compressors, as well as various other land and marine equipment. As of October 31, 2007, we have placed orders for approximately \$7.0 million of additional lease pool equipment consisting of 6,500 land channels, geophones and miscellaneous other equipment. We expect to receive all of this equipment before the end of fiscal 2008. Accordingly, we expect additions to our lease pool for fiscal 2008 to total approximately \$20.0 million, which will include more than 15,000 land channels.

In the first nine months of fiscal 2008, we received approximately \$3.2 million in cash from the sale of lease pool equipment compared to approximately \$4.0 million from the first nine months of fiscal 2007. The amount we receive from the sale of lease pool equipment varies significantly based on market conditions and the demand for equipment. We generally do not seek to sell our lease pool equipment, but do so from time to time. We will 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. Our net cash used in investing activities for the nine months ended October 31, 2006 and 2007 reflects payments of \$1.0 million to the former owners of Seemap pursuant to the earn-out arrangement included in the Seemap purchase agreement. The August 2007 payments were the final payments due under the earn-out provisions.

During the quarter ended April 30, 2007, we borrowed \$4.5 million under our \$12.5 million revolving loan agreement with First Victoria National Bank. The \$4.5 million was repaid before the end of the quarter. We intend to utilize the amounts available under this facility from time to time to fund short-term working capital needs. Under this credit agreement we may borrow up to \$12.5 million, subject to a borrowing base comprised of eligible accounts receivable and eligible lease pool equipment. We believe that the entire amount of the facility is available to us under these criteria. Any amounts borrowed under the facility are due at the maturity of the facility on February 1, 2009. Interest on outstanding amounts is payable monthly at the prime rate. The facility contains certain financial covenants that require, among other things, that we maintain a debt to shareholders equity ratio of not more than 1.3 to 1.0, maintain a current assets to current liabilities ratio of at least 1.25 to 1.0, and not incur or maintain any indebtedness which exceeds \$1.0 million without the prior written consent of the bank, except for certain specific exceptions such as the debt incurred in connection with the Seemap acquisition. In July 2007, we made a payment of \$1.5 principal payment under the notes issued in connection with the purchase of Seemap. Financing activities also include the sale of common stock upon the exercise of stock options. These transactions resulted in cash provided of approximately \$0.3 million and \$0.8 million in the first nine months of fiscal 2008 and 2007, respectively.

As discussed above, we have commitments outstanding for the purchase of approximately \$7.0 million of additional lease pool equipment. We may purchase further amounts should we believe customer demand for equipment warrants such further purchases; however, the amount and timing of any additional purchases are uncertain.

We believe that the obligations discussed above, as well as our other liquidity needs, can be met from cash flow provided by operations. We might, however, utilize our revolving line of credit from time to time to fund short-term

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liquidity needs, such as we did in the first quarter of fiscal 2008. Should we make additional substantial purchases of lease pool equipment or should we purchase other businesses, we may seek other sources of debt or equity financing.

As of October 31, 2007, we had deposits in foreign banks consisting of both US dollar and foreign currency deposits equal to approximately \$6.2 million. These funds may generally be transferred to our accounts in the United States without restriction. However, the transfer of these funds may result in withholding taxes payable to foreign taxing authorities. Any such transfer taxes generally may be credited against our federal income tax obligations in the United States. Additionally, the transfer of funds from our foreign subsidiaries to the United States may result in currently taxable income in the United States.

**Critical Accounting Policies**

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

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

***Revenue Recognition******Leases***

We recognize lease revenue ratably over the term of the lease unless there is a question as to whether it is collectible. We do not enter into leases with embedded maintenance obligations. Under our standard lease, the customer is responsible for maintenance and repairs to the equipment, excluding normal wear and tear. We provide technical advice to our customers as part of our customer service practices.

***Equipment Sales***

We recognize revenue and cost of goods sold from the equipment sales upon agreement of terms and when delivery has occurred, unless there is a question as to its collectibility. We occasionally offer extended payment terms on equipment sales transactions. These terms are generally one to two years in duration.

***Allowance for Doubtful Accounts***

We make provisions to the allowance for doubtful accounts periodically, as conditions warrant, based on whether such receivables are estimated to be collectible. In certain instances when customers have been unable to repay their open accounts receivable balances, we have agreed to a structured repayment program using an interest-bearing promissory note. In these cases, we provide a reserve for doubtful accounts against the balance and do not recognize interest earned until the entire principal balance has been collected.

***Long-Lived Assets***

We carry our lease pool of equipment and other property and equipment at cost, net of accumulated depreciation, and compute depreciation on the straight-line method over the estimated useful lives of the property and equipment, which range from two to 10 years. Cables are depreciated over two years, geophones over three years, channel boxes over five to seven years and earth vibrators and other heavy equipment are depreciated over a 10-year period. Buildings are depreciated over 40 years, property improvements are amortized over 10 years and leasehold improvements are amortized over the shorter of useful life and the life of the lease. Intangible assets are amortized from three to 15 years.

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

Our policy regarding the removal of assets that are fully depreciated from our books is the following: if an asset is fully depreciated and is still expected to generate revenue, then the asset will remain on our books.

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However, if a fully depreciated asset is not expected to have any revenue generating capacity, then it is removed from our books.

In accordance with Statement of Financial Accounting Standards ( SFAS ) 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we perform a review of our lease pool assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. We typically review all major categories of assets (not each individual asset) in our consolidated lease pool with remaining net book value to ascertain whether or not we believe that a particular asset group will generate sufficient cash flow over their remaining life to recover the remaining carrying value of those assets. Assets that we believe will not generate cash flow sufficient to cover the remaining net book value are subject to impairment. We make our assessments based on customer demand, current market trends and market value of our equipment to determine if it will be able to recover its remaining net book value from future leasing or sales.

***Income Taxes***

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

Under SFAS No. 109, *Accounting for Income Taxes* ( SFAS 109 ), an enterprise must use judgment in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified. The more negative evidence that exists (1) the more positive evidence is necessary and (2) the more difficult it is to support a conclusion that a valuation allowance is not needed for some portion, or all, of the deferred tax asset. Among the more significant types of evidence that we consider are:

taxable income projections in future years;

whether the carryforward period is so brief that it would limit realization of tax benefits;

future sales and operating cost projections that will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures; and

our earnings history exclusive of the loss that created the future deductible amount coupled with evidence indicating that the loss is an aberration rather than a continuing condition.

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

the current level of worldwide oil and gas exploration activities resulting from historically high prices for oil and natural gas;

increasing world demand for oil;

our recent history of profitable operations in various jurisdictions;

our anticipated positive income in various jurisdictions; and

our existing customer relationships.

We also consider the following negative indicators:

the risk of the world oil supply increasing, thereby depressing the price of oil and natural gas;

the risk of decreased global demand for oil; and

the potential for increased competition in the seismic equipment leasing and sales business.

In June 2006, FASB issued FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and

measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. In the first step we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. In the second step any tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in (1) an increase in a liability for income taxes payable or a reduction of an income tax refund receivable or (2) a reduction in a deferred tax asset or an increase in a deferred tax liability or both (1) and (2). The evaluation of tax positions and the measurement of the related benefit require significant judgment on the part of management.

**Table of Contents*****Stock-Based Compensation***

Effective February 1, 2006, we adopted the provisions of SFAS No. 123R, *Share-Based Payment*, using the modified prospective transition method. Determining the grant date fair value under SFAS No. 123R requires management to make estimates regarding the variables used in the calculation of the grant date fair value. Those variables are the future volatility of our common stock price, the length of time an optionee will hold their options until exercising them (the expected term), and the number of options or shares that will be forfeited before they are exercised (the forfeiture rate). We utilize various mathematical models in calculating the variables. Share-based compensation expense could be different if we used different models to calculate the variables.

***New Accounting Pronouncements***

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), to define fair value, establish a framework for measuring fair value and expand disclosures about the use of fair value to measure assets and liabilities. SFAS 157 requires quantitative disclosures using a tabular format in all periods (interim and annual) and qualitative disclosures about the valuation techniques used to measure fair value in all annual periods. SFAS 157 will be effective for our fiscal year beginning February 1, 2008. We are currently evaluating the effect that the adoption of SFAS 157 will have on our consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 will be effective for our fiscal year beginning February 1, 2008. We are currently evaluating the effect that the adoption of SFAS 159 will have on our consolidated financial position and results of operations.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk******Market Risk***

We are exposed to market risk, which is the potential loss arising from adverse changes in market prices and rates. We have not entered, 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 give rise to risk from changes in foreign exchange rates. To the extent possible, we attempt to denominate our transactions in foreign locations in U.S. dollars. For those cases in which transactions are not denominated in U.S. dollars, we are exposed to risk from changes in exchange rates to the extent that non-U.S. dollar revenues exceed non-U.S. dollar expenses related to those operations. Our non-U.S. dollar transactions are denominated primarily in British pounds sterling, Canadian dollars, Australian dollars, Singapore dollars and the Russian ruble. As a result of these transactions, we generally hold cash balances that are denominated in these foreign currencies. At October 31, 2007, our consolidated cash and cash equivalents included foreign currency denominated amounts equivalent to approximately \$3.6 million in U.S. dollars. A 10% increase in the U.S. dollar as compared to each of these currencies would result in a loss of approximately \$361,000 in the U.S. dollar value of these deposits, while a 10% decrease would result in an equal amount of gain. We do not currently hold or issue foreign exchange contracts or other derivative instruments to hedge these exposures.

Some of our foreign operations are conducted through wholly owned foreign subsidiaries that have functional currencies other than the U.S. dollar. We currently have subsidiaries whose functional currencies are the Canadian dollar, British pound sterling, Australian dollar, Russian ruble and the Singapore dollar. Assets and liabilities from these subsidiaries are translated into U.S. dollars at the exchange rate in effect at each balance sheet date. The resulting translation gains or losses are reflected as Accumulated Other Comprehensive Income in the Shareholders Equity section of our Consolidated Balance Sheets. Approximately 52% of our net assets are impacted by changes in foreign currencies in relation to the U.S. dollar. We recorded an increase of approximately \$6.3 million in our equity in the nine months ended October 31, 2007 related to weakening of the U.S. dollar against the foreign currencies mentioned above.

**Item 4. *Controls and Procedures******Evaluation of Disclosure Controls and Procedures***

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the

effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls



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and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of October 31, 2007 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 during our third fiscal quarter 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 litigation 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 year ended January 31, 2007 have not materially changed.

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

(a) Not applicable.

(b) Not applicable.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

| <b>Period</b>        | <b>(a)</b>  | <b>(b)</b>  | <b>(c)</b><br><b>Total</b><br><b>number of</b><br><b>shares</b><br><br><b>purchased as</b><br><b>part of</b><br><b>publicly</b><br><b>announced</b><br><br><b>plans or</b><br><b>programs</b> | <b>(d)</b><br><b>Maximum</b><br><b>number of</b><br><b>shares that</b><br><b>may</b><br><br><b>yet be</b><br><b>purchased</b><br><b>under the</b><br><b>plans</b><br><b>or programs</b> |
|----------------------|---|---|---|---|
|                      | <b>Total</b><br><b>number of</b><br><br><b>shares</b><br><b>purchased</b> | <b>Average</b><br><b>price</b><br><br><b>paid per</b><br><b>share</b> |   |   |
| August 1 31, 2007    |   |   |   |   |
| September 1 30, 2007 | 1,677   | \$ 13.87  |   |   |
| October 1 31, 2007   |   |   |   |   |
| <b>Total</b>         | <b>1,677</b>  | <b>\$ 13.87</b>   |   |   |

Note: All shares were surrendered in payment of taxes due upon the vesting of restricted stock.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

*Exhibits*

The exhibits marked with the cross symbol ( ) are filed or furnished (in the case of Exhibit 32.1) with this Form 10-Q.

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| <b>Exhibit Number</b> | <b>Document Description</b>  | <b>Report or Registration Statement</b>  | <b>SEC File or Registration Number</b> | <b>Exhibit Reference</b> |
|-----------------------|--|--|--|--------------------------|
| 3.1                   | Amended and Restated Articles of Incorporation of Mitcham Industries, Inc.   | Incorporated by reference to Mitcham Industries, Inc.'s Registration Statement on Form S-8, filed with the SEC on August 9, 2001.                                  | 333-67208                              | 3.1                      |
| 3.2                   | Second Amended and Restated Bylaws of Mitcham Industries, Inc.   | Incorporated by reference to Mitcham Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended January 31, 2004, filed with the SEC on May 28, 2004. | 000-25142                              | 3.2                      |
| 10.1                  | Form of Performance Award for the Mitcham Industries, Inc. Stock Awards Plan   | Incorporated by reference to Mitcham Industries, Inc.'s Current Report of Form 8-K filed on October 24, 2007.  | 000-25142                              | 10.1                     |
| 10.2                  | Form of Phantom Share Agreement for the Mitcham Industries, Inc. Stock Awards Plan   | Incorporated by reference to Mitcham Industries, Inc.'s Current Report of Form 8-K filed on October 24, 2007.  | 000-25142                              | 10.2                     |
| 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 |  |  |                          |

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**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: December 4, 2007

/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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## Index to Exhibits

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