

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 April 30, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 9,813,352 shares of common stock, \$0.01 par value, were outstanding as of June 2, 2009.

MITCHAM INDUSTRIES, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | April 30, 2009 (unaudited) | January 31, 2009 |
|---|-------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,756 | \$ 5,063 |
| Restricted cash | 1,112 | 969 |
| Accounts receivable, net | 12,730 | 12,415 |
| Current portion of contracts receivable | 562 | 836 |
| Inventories, net | 6,057 | 3,772 |
| Costs incurred and estimated profit in excess of billings on uncompleted contract | 1,001 | 1,787 |
| Income taxes receivable | — | 1,000 |
| Deferred tax asset | 1,339 | 1,682 |
| Prepaid expenses and other current assets | 1,051 | 1,535 |
| Total current assets | 28,608 | 29,059 |
| Seismic equipment lease pool and property and equipment, net | 61,165 | 64,251 |
| Intangible assets, net | 2,719 | 2,744 |
| Goodwill | 4,320 | 4,320 |
| Deferred tax asset | 671 | — |
| Long-term portion of contracts receivable | 3,806 | 3,806 |
| Other assets | 50 | 47 |
| Total assets | <u>\$ 101,339</u> | <u>\$ 104,227</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 8,197 | \$ 13,561 |
| Income taxes payable | 455 | — |
| Deferred revenue | 553 | 424 |
| Accrued expenses and other current liabilities | 3,281 | 3,877 |
| Total current liabilities | 12,486 | 17,862 |
| Non-current income taxes payable | 3,448 | 3,260 |
| Deferred tax liability | — | 32 |
| Long-term debt | 6,450 | 5,950 |
| Total liabilities | 22,384 | 27,104 |
| Shareholders' equity: | | |
| Preferred stock, \$1.00 par value; 1,000 shares authorized; none issued and outstanding | — | — |
| Common stock, \$0.01 par value; 20,000 shares authorized; 10,725 shares issued at April 30, 2009 and January 31, 2009 | 107 | 107 |
| Additional paid-in capital | 74,819 | 74,396 |
| Treasury stock, at cost (923 and 922 shares at April 30, 2009 and January 31, 2009, respectively) | (4,832) | (4,826) |
| Retained earnings | 9,647 | 9,727 |
| Accumulated other comprehensive loss | (786) | (2,281) |
| Total shareholders' equity | 78,955 | 77,123 |
| Total liabilities and shareholders' equity | <u>\$ 101,339</u> | <u>\$ 104,227</u> |

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

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

| | For the Three Months Ended April 30, | |
|---|--|-----------------|
| | 2009 | 2008 |
| Revenues: | | |
| Equipment leasing | \$ 6,326 | \$ 12,373 |
| Lease pool equipment sales | 69 | 561 |
| Seamap equipment sales | 2,598 | 5,282 |
| Other equipment sales | 1,612 | 318 |
| Total revenues | <u>10,605</u> | <u>18,534</u> |
| Cost of sales: | | |
| Direct costs — equipment leasing | 528 | 442 |
| Direct costs — lease pool depreciation | 4,101 | 3,640 |
| Cost of lease pool equipment sales | 10 | 125 |
| Cost of Seamap and other equipment sales | 2,194 | 2,699 |
| Total cost of sales | <u>6,833</u> | <u>6,906</u> |
| Gross profit | 3,772 | 11,628 |
| Operating expenses: | | |
| General and administrative | 3,502 | 4,875 |
| Depreciation and amortization | 254 | 395 |
| Total operating expenses | <u>3,756</u> | <u>5,270</u> |
| Operating income | 16 | 6,358 |
| Other income (expenses): | | |
| Interest, net | (89) | 150 |
| Other, net | 119 | 5 |
| Total other income | <u>30</u> | <u>155</u> |
| Income before income taxes | 46 | 6,513 |
| Provision for income taxes | (126) | (2,235) |
| Net (loss) income | <u>\$ (80)</u> | <u>\$ 4,278</u> |
| Net (loss) income per common share: | | |
| Basic | \$ (0.01) | \$ 0.44 |
| Diluted | \$ (0.01) | \$ 0.41 |
| Shares used in computing net (loss) income per common share: | | |
| Basic | 9,784 | 9,751 |
| Diluted | 9,784 | 10,337 |

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

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

| | For the Three Months Ended April 30, | |
|--|---|-----------------|
| | 2009 | 2008 |
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (80) | \$ 4,278 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,385 | 4,076 |
| Stock-based compensation | 416 | 636 |
| Provision for doubtful accounts | — | 116 |
| Provision for inventory obsolescence | (81) | 6 |
| Gross profit from sale of lease pool equipment | (59) | (438) |
| Excess tax benefit from exercise of non-qualified stock options | (7) | (53) |
| Deferred tax (benefit) provision | (176) | 548 |
| Changes in non-current income taxes payable | 188 | 205 |
| Changes in working capital items: | | |
| Accounts receivable | 555 | (2,814) |
| Contracts receivable | — | 424 |
| Inventories | (2,029) | 825 |
| Prepaid expenses and other current assets | 261 | 431 |
| Income taxes receivable and payable | 1,402 | 30 |
| Costs incurred and estimated profit in excess of billings on uncompleted contract | 1,066 | — |
| Accounts payable, accrued expenses, other current liabilities and deferred revenue | (239) | (7,310) |
| Net cash provided by operating activities | <u>5,602</u> | <u>960</u> |
| Cash flows from investing activities: | | |
| Purchases of seismic equipment held for lease | (6,485) | (11,338) |
| Purchases of property and equipment | (95) | (269) |
| Sale of used lease pool equipment | 69 | 561 |
| Net cash used in investing activities | <u>(6,511)</u> | <u>(11,046)</u> |
| Cash flows from financing activities: | | |
| Net proceeds from line of credit | 500 | 4,000 |
| Payments on borrowings | — | (637) |
| Proceeds from issuance of common stock upon exercise of stock options, net of stock surrendered to pay taxes | (6) | 49 |
| Excess tax benefit from exercise of non-qualified stock options | 7 | 53 |
| Net cash provided by financing activities | <u>501</u> | <u>3,465</u> |
| Effect of changes in foreign exchange rates on cash and cash equivalents | <u>101</u> | <u>(330)</u> |
| Net decrease in cash and cash equivalents | <u>(307)</u> | <u>(6,951)</u> |
| Cash and cash equivalents, beginning of period | <u>5,063</u> | <u>13,884</u> |
| Cash and cash equivalents, end of period | <u>\$ 4,756</u> | <u>\$ 6,933</u> |
| Supplemental cash flow information: | | |
| Interest paid | \$ 119 | \$ 62 |
| Income taxes paid | \$ 219 | \$ 1,401 |
| Purchases of seismic equipment held for lease in accounts payable at end of period | \$ 181 | \$ 2,789 |

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

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, 2009 for Mitcham Industries, Inc. (for purposes of these notes the "Company") has been derived from audited consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's Annual Report on Form 10-K for the year ended January 31, 2009. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of April 30, 2009, the results of operations for the three months ended April 30, 2009 and 2008, and the cash flows for the three months ended April 30, 2009 and 2008, 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, 2010.

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, Seemap International Holdings Pte. Ltd. ("Seemap"), designs, manufactures and sells a broad range of proprietary products for the seismic, hydrographic and offshore industries with product sales and support facilities based in Singapore and the United Kingdom. All intercompany transactions and balances have been eliminated in consolidation.

3. Restricted Cash

In connection with a contract awarded in May 2008, SAP has pledged approximately \$1.1 million in short-term time deposits to secure performance obligations under the contract. The amount of the security will be released as the contract obligations are performed over the remaining life of the contract, which is estimated to be three months from April 30, 2009.

4. Balance Sheet

| | April 30, 2009 | January 31, 2009 |
|--|-------------------|---------------------|
| Accounts receivable: | | |
| Accounts receivable | \$ 14,974 | \$ 14,715 |
| Allowance for doubtful accounts | (2,244) | (2,300) |
| Total accounts receivable, net | <u>\$ 12,730</u> | <u>\$ 12,415</u> |
| Contracts receivable: | | |
| Contracts receivable | \$ 4,368 | \$ 4,642 |
| Less current portion of contracts receivable | (562) | (836) |
| Long-term portion of contracts receivable | <u>\$ 3,806</u> | <u>\$ 3,806</u> |

Long-term contracts receivable at April 30, 2009 and January 31, 2009 consist of amounts related to a contract receivable from one customer. The customer has defaulted on this contract and the Company is in the process of repossessing the equipment that was pledged as collateral for the obligation. The carrying value of this account has been reduced to the fair market value of the equipment, less the estimated cost to procure the equipment. The Company expects to place the equipment recovered in its lease pool of equipment and accordingly has classified this contract receivable as a non-current asset.

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Inventories:

| | | |
|---------------------------------|-----------------|-----------------|
| Raw materials | \$ 3,109 | \$ 2,309 |
| Finished goods | 1,593 | 1,593 |
| Work in progress | 2,270 | 834 |
| | <u>6,972</u> | <u>4,736</u> |
| Less allowance for obsolescence | (915) | (964) |
| Total inventories, net | <u>\$ 6,057</u> | <u>\$ 3,772</u> |

Seismic equipment lease pool and property and equipment:

| | | |
|--|------------------|------------------|
| Seismic equipment lease pool | \$ 130,668 | \$ 127,067 |
| Land and buildings | 366 | 366 |
| Furniture and fixtures | 5,591 | 5,380 |
| Autos and trucks | 487 | 469 |
| | <u>137,112</u> | <u>133,282</u> |
| Accumulated depreciation and amortization | (75,947) | (69,031) |
| Total seismic equipment lease pool and property and equipment, net | <u>\$ 61,165</u> | <u>\$ 64,251</u> |

5. Goodwill and Other Intangible Assets

| | Weighted Average Life at 4/30/09 | April 30, 2009 | | | January 31, 2009 | | |
|-------------------------------|---|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Goodwill | | <u>\$ 4,320</u> | | | <u>\$ 4,320</u> | | |
| Proprietary rights | 11.2 | \$ 3,352 | \$ (633) | \$ 2,719 | \$ 3,313 | \$ (569) | \$ 2,744 |
| Covenants not-to-compete | — | 1,000 | (1,000) | — | 1,000 | (1,000) | — |
| Amortizable intangible assets | | <u>\$ 4,352</u> | <u>\$ (1,633)</u> | <u>\$ 2,719</u> | <u>\$ 4,313</u> | <u>\$ (1,569)</u> | <u>\$ 2,744</u> |

As of April 30, 2009, the Company had goodwill of \$4,320, all of which is allocated to the Seamap 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 \$60 and \$155 for the three months ended April 30, 2009 and 2008, respectively. As of April 30, 2009, future estimated amortization expense related to amortizable intangible assets is estimated to be:

For fiscal years ending January 31:

| | |
|---------------------|-----------------|
| 2010 | \$ 181 |
| 2011 | 244 |
| 2012 | 244 |
| 2013 | 244 |
| 2014 and thereafter | 1,806 |
| Total | <u>\$ 2,719</u> |

6. Long-Term Debt and Notes Payable

On September 24, 2008 the Company entered into a new credit agreement with First Victoria National Bank (the “Bank”) which replaced the Company’s then existing \$12.5 million agreement with the Bank. The new credit agreement provides for borrowings of up to \$25.0 million on a revolving basis through September 24, 2010. The Company may, at its option, convert any or all balances outstanding under the revolving credit facility into a series of term notes with monthly amortization over 48 months. Amounts available for borrowing are determined by a borrowing base. The borrowing base, which amounted to \$25.0 million as of April 30, 2009, is computed based upon certain outstanding accounts receivable, certain portions of the Company’s lease pool and any lease pool assets that are to be purchased with proceeds from the facility. The revolving credit facility and any term loan are secured by essentially all of the Company’s domestic assets. Interest is payable monthly at prime, which was 3.25% at April 30, 2009. Up to \$5.0 million of the revolving facility may be utilized to secure letters of credit. The credit agreement contains certain financial covenants that require, among other things, for the Company to maintain a debt to shareholders’ equity ratio of no more than 0.7 to 1.0, maintain a current assets to current liabilities ratio of not less than 1.25 to 1.0; and have quarterly earnings before interest, taxes, depreciation and amortization (“EBITDA”) of not less than \$2.0 million. The credit agreement also provides that the Company may not incur or maintain indebtedness in excess of \$1.0 million without the prior written consent of the Bank, except for borrowings related to the credit agreement. The Company was in compliance with each of these provisions as of April 30, 2009.

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:

| | Three Months Ended | |
|---|--------------------|-----------------|
| | April 30, | |
| | 2009 | 2008 |
| Net (loss) income | \$ (80) | \$ 4,278 |
| Gain from foreign currency translation adjustment | 1,495 | 301 |
| Comprehensive income | <u>\$ 1,415</u> | <u>\$ 4,579</u> |

The gain from foreign currency translation adjustment for the three months ended April 30, 2009 resulted primarily from the improvement in the value of the Canadian dollar and the Australian dollar versus the U.S. dollar.

8. Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* (“SFAS 109”). Under SFAS 109, deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. SFAS 109 requires that the net deferred tax asset be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the net deferred tax asset will not be realized. The Company has adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109, Accounting for Income Taxes* (“FIN 48”). As required by FIN 48, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

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, 2006. The Internal Revenue Service has not commenced an examination of any of the Company’s U.S. federal income tax returns.

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The Company is subject to examination by taxing authorities throughout the world, including major foreign jurisdictions such 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, adjustments totaling approximately \$360 have been proposed and agreed upon. Those adjustments reduced the net operating loss carryforward available in Canada.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. 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 tax returns of MCL, the Company's Canadian subsidiary, for the years ended January 31, 2004 through the year ended January 31, 2007 are being examined by Canadian federal taxing authorities. Accordingly, it is reasonably possible that some uncertain tax positions will be resolved within the next twelve months. Should these uncertain tax positions be resolved, the amount of unrecognized tax benefits would decrease by up to approximately \$3,772, which amount would decrease income tax expense.

9. Earnings per Share

Net income per basic common share is computed using the weighted average number of common shares outstanding during the period, excluding unvested restricted stock. Net income per diluted common share is computed using the weighted average number of common shares and dilutive potential common shares outstanding during the period. Potential common shares result from the assumed exercise of outstanding common stock options having a dilutive effect using the treasury stock method, from the assumed vesting of phantom stock units, 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 (loss) per share calculation for the three months ended April 30, 2009 and 2008:

| | Three Months Ended | |
|--|--------------------|--------|
| | April 30, | |
| | 2009 | 2008 |
| Basic weighted average common shares outstanding | 9,784 | 9,751 |
| Stock options | 85 | 570 |
| Unvested restricted stock | 11 | 16 |
| Phantom stock | 12 | — |
| Total weighted average common share equivalents | 108 | 586 |
| Diluted weighted average common shares outstanding | 9,892 | 10,337 |

For the three months ended April 30, 2009 diluted weighted average common shares were anti-dilutive and were therefore not considered in calculating diluted earnings per share for that period.

10. Stock-Based Compensation

Total compensation expense recognized for stock-based awards granted under the Company's various equity incentive plans during the three months ended April 30, 2009 and 2008 was approximately \$416 and \$636, respectively. No grants of equity awards were made during the three months ended April 30, 2009.

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

| | <u>As of April 30, 2009</u> | <u>As of January 31, 2009</u> |
|-------------------|---------------------------------|-----------------------------------|
| | <u>Total assets</u> | <u>Total assets</u> |
| Equipment Leasing | \$ 85,099 | \$ 89,240 |
| Seemap | 16,737 | 15,529 |
| Eliminations | (497) | (542) |
| Consolidated | <u>\$ 101,339</u> | <u>\$ 104,227</u> |

Results for the three months ended April 30, 2009 and 2008 were as follows:

| | <u>Revenues</u> | | <u>Operating income (loss)</u> | | <u>Income before taxes</u> | |
|-------------------|------------------|------------------|--------------------------------|-----------------|----------------------------|-----------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Equipment Leasing | \$ 8,007 | \$ 13,252 | \$ (408) | \$ 5,137 | \$ (358) | \$ 5,322 |
| Seemap | 2,683 | 5,305 | 371 | 1,194 | 351 | 1,164 |
| Eliminations | (85) | (23) | 53 | 27 | 53 | 27 |
| Consolidated | <u>\$ 10,605</u> | <u>\$ 18,534</u> | <u>\$ 16</u> | <u>\$ 6,358</u> | <u>\$ 46</u> | <u>\$ 6,513</u> |

Sales from the Seemap 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.

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;
- international and economic instability;
- planned capital expenditures;
- our business strategy and other plans for future operations;
- the future mix of revenues and business;
- our relationship with suppliers;
- our ability to retain customers;
- 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, but are not limited to, those summarized below:

- decline in the demand for seismic data and our services;
- the effect on recent declines in oil and natural gas prices on exploration activities;
- the effect of uncertainty in financial markets on our customers' and our ability to obtain financing;
- loss of significant customers;
- defaults by customers on amounts due us;
- possible impairment of our long-lived assets;
- risks associated with our manufacturing operations and
- foreign currency exchange risk

Other factors that could cause our actual results to differ from our projected results are described in (1) Part II, "Item 1A. Risk Factors" and elsewhere in this Form 10-Q, (2) our Annual Report on Form 10-K for the fiscal year ended January 31, 2009, (3) our reports and registration statements filed from time to time with the Securities and Exchange Commission ("SEC") and (4) other announcements we make from time to time. We caution readers not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any 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 ("Equipment Leasing") and equipment manufacturing. Our equipment leasing operations are conducted from our Huntsville, Texas headquarters and from our locations in Calgary, Canada; Brisbane, Australia; 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. The equipment manufacturing segment is conducted by our Seemap subsidiaries and therefore is referred to as our "Seemap" segment. We acquired Seemap in July 2005. Seemap operates from its locations near Bristol, United Kingdom and in Singapore.

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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 Seemap 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 | |
|--|----------------------------|------------------|
| | April 30, | |
| | 2009 | 2008 |
| | (in thousands) | |
| Revenues: | | |
| Equipment Leasing | \$ 8,007 | \$ 13,252 |
| Seemap | 2,683 | 5,305 |
| Inter-segment sales | (85) | (23) |
| Total revenues | <u>10,605</u> | <u>18,534</u> |
| Cost of sales: | | |
| Equipment Leasing | 5,862 | 4,488 |
| Seemap | 1,109 | 2,469 |
| Inter-segment costs | (138) | (51) |
| Total cost of sales | <u>6,833</u> | <u>6,906</u> |
| Gross profit | <u>3,772</u> | <u>11,628</u> |
| Operating expenses: | | |
| General and administrative | 3,502 | 4,875 |
| Depreciation and amortization | 254 | 395 |
| Total operating expenses | <u>3,756</u> | <u>5,270</u> |
| Operating income | <u>\$ 16</u> | <u>\$ 6,358</u> |
| EBITDA (1) | \$ 4,520 | \$ 10,439 |
| Adjusted EBITDA (1) | \$ 4,936 | \$ 11,075 |
| Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA | | |
| Net (loss) income | \$ (80) | \$ 4,278 |
| Interest expense (income), net | 89 | (150) |
| Depreciation and amortization | 4,385 | 4,076 |
| Provision for income taxes | 126 | 2,235 |
| EBITDA (1) | 4,520 | 10,439 |
| Stock-based compensation | 416 | 636 |
| Adjusted EBITDA (1) | <u>\$ 4,936</u> | <u>\$ 11,075</u> |

(1) EBITDA is defined as net income (loss) before (a) interest income, net of interest expense, (b) provision for (or benefit from) income taxes and (c) depreciation, amortization and impairment. Adjusted EBITDA excludes stock-based compensation. We consider EBITDA and Adjusted EBITDA to be important indicators for the performance of our business, but not measures of performance calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We have included these non-GAAP financial measures because management utilizes this information for assessing our performance and as indicators of our ability to make capital expenditures, service debt and finance working capital requirements. The covenants of our revolving credit agreement require us to maintain a minimum level of EBITDA. Management believes that EBITDA and Adjusted EBITDA are measurements that are commonly used by analysts and some investors in evaluating the performance of companies such as us. In particular, we believe that it is useful to our analysts and investors to understand this relationship because it excludes transactions not related to our core cash operating activities. We believe that excluding these transactions allows investors to meaningfully trend and analyze the performance of our core cash operations. EBITDA and Adjusted EBITDA are not measures of financial performance under GAAP and should not be considered in isolation or as alternatives to cash flow from operating activities or as alternatives to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. In evaluating our performance as measured by EBITDA, management recognizes and considers the limitations of this measurement. EBITDA and Adjusted EBITDA do not reflect our obligations for the payment of income taxes, interest expense or other obligations such as capital expenditures. Accordingly, EBITDA and Adjusted EBITDA are only two of the measurements that management utilizes. Other companies in our industry may calculate EBITDA or Adjusted EBITDA differently than we do and EBITDA and Adjusted EBITDA may not be comparable with similarly titled measures reported by other companies.

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In our Equipment Leasing segment, we lease seismic data acquisition equipment primarily to seismic data acquisition companies conducting land, transition zone and marine seismic surveys worldwide. We provide short-term leasing of seismic equipment to meet a customer's requirements. The majority of all active leases at April 30, 2009 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 condensed 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 normally susceptible to weather patterns in certain geographic regions. In Canada and Russia, a significant percentage of the seismic survey activity occurs in winter months, from December through March or April. During the months in which the weather is warmer, certain areas are not accessible to trucks, earth vibrators and other heavy equipment because of unstable terrain. In other areas of the world, such as Southeast Asia and the Pacific Rim, periods of heavy rain, known as monsoons, can impair seismic operations. We are able, in many cases, to transfer our equipment from one region to another in order to deal with seasonal demand and to increase our equipment utilization.

Business Outlook

Prior to the recent turmoil in global financial markets, the oil and gas exploration industry enjoyed generally sustained growth, fueled primarily by historically high commodity prices for oil and natural gas. We, along with much of the seismic industry, benefited from this growth. These higher prices resulted in increased activity within the oil and gas industry and, in turn, resulted in an increased demand for seismic services. In recent months, we have seen significant declines in the prices for oil and natural gas. This decline is generally believed to be the result of a slow-down in the global economy, which, in turn, was impacted by unrest and uncertainty in global financial markets.

Our revenues are directly related to the level of worldwide oil and gas exploration activities and the profitability and cash flows of oil and gas companies and seismic contractors, which in turn are affected by expectations regarding the supply and demand for oil and natural gas, energy prices and finding and development costs. Land seismic data acquisition activity levels are measured in terms of the number of active recording crews, known as the "crew count," and the number of recording channels deployed by those crews, known as "channel count." Because an accurate and reliable census of active crews does not exist, it is not possible to make definitive statements regarding the absolute levels of seismic data acquisition activity. Furthermore, a significant number of seismic data acquisition contractors are either private or state-owned enterprises and information about their activities is not available in the public domain. Because of these factors it is difficult to assess the impact of recent petroleum price changes on our business. However, there have been declines in oil and gas exploration activities, especially in certain geographic areas, such as North America and Russia. This is contrasted with indications of continued robust exploration activity in other parts of the world such as South America and Asia.

Historically, our first fiscal quarter, which ends on April 30, has generally been the strongest quarter for our equipment leasing business due to the normal seasonal increase in seismic acquisition operations in Canada and Russia during this period. In the quarter ended April 30, 2009, however, we did not experience the normal increase in our equipment leasing business. We believe that this is an indication of the aforementioned decline in oil and gas exploration activity. Accordingly, the current outlook for our business is uncertain. However, the geographic breadth of our operations and our expansive lease pool of equipment, as well as our generally stable financial position and our \$25.0 million credit line position us, we believe, to address the downturn in the seismic industry.

The market for products sold by Seemap and the demand for the leasing of marine seismic equipment is dependent upon activity within the offshore, or marine, seismic industry, including the re-fitting of existing seismic vessels and the equipping of new vessels. The ability of our customers to build or re-fit vessels is dependent in part on their ability to obtain appropriate financing. Continued uncertainty in global financial markets could make such

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financing more difficult to obtain. There have been indications from some marine seismic contractors of plans to retire older vessels and to delay the introduction of new vessels, resulting in a decline in the number of seismic vessels operating. This could result in a decline in the demand for Seamap's products. However, we have not experienced the cancellation of or significant delay in any material orders.

We have responded to the decline in demand for our services and products by reducing our additions to our lease pool of equipment. During the three months ended April 30, 2009, we added approximately \$700,000 of equipment to our lease pool. During the fiscal years ended January 31, 2009, 2008 and 2007, we added approximately \$34.9 million, \$26.0 million and \$25.5 million, respectively, of equipment to our lease pool in response to the strong demand for our equipment and services during those periods. Despite the recent decline in demand, we do expect to add certain types of equipment to our lease pool, such as additional equipment for vertical seismic profiling ("VSP") during the balance of fiscal 2010. We expect these additions will be less than \$10 million for all of fiscal 2010. In response to demand in specific geographic regions, we may also establish operating facilities in new geographic areas.

A significant portion of our revenues are generated from sources outside the United States of America. For the three months ended April 30, 2009, revenues from international customers totaled approximately \$8.4 million. This amount represents 79% of consolidated revenues for this period, as compared to 86% for the first quarter of fiscal 2009. 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

Revenues for the three months ended April 30, 2009 were approximately \$10.6 million, compared to approximately \$18.5 million for the three months ended April 30, 2008. The decline is attributable primarily to a decrease in equipment leasing revenues and lower sales from the Seamap segment. For the three months ended April 30, 2009, operating profit amounted to approximately \$16,000 as compared to approximately \$6.4 million for the three months ended April 30, 2008 due primarily to the decline in revenues and an increase in lease pool depreciation. A more detailed explanation of the variations noted above follows.

Revenues and Cost of Sales

Equipment Leasing

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

| | Three Months Ended | |
|-------------------------------------|--------------------|-----------------|
| | April 30, | |
| | 2009 | 2008 |
| | (\$ in thousands) | |
| Revenue: | | |
| Equipment leasing | \$ 6,327 | \$ 12,373 |
| Lease pool equipment sales | 69 | 561 |
| New seismic equipment sales | 9 | 129 |
| SAP equipment sales | 1,602 | 189 |
| | <u>8,007</u> | <u>13,252</u> |
| Cost of sales: | | |
| Lease pool depreciation | 4,101 | 3,680 |
| Direct costs-equipment leasing | 528 | 442 |
| Cost of lease pool equipment sales | 10 | 123 |
| Cost of new seismic equipment sales | 5 | 88 |
| Cost of SAP equipment sales | 1,218 | 155 |
| | <u>5,862</u> | <u>4,488</u> |
| Gross profit | <u>\$ 2,145</u> | <u>\$ 8,764</u> |
| Gross profit % | <u>27%</u> | <u>66%</u> |

Equipment leasing revenues decreased approximately 49% in the first quarter of fiscal 2010 over the first quarter of fiscal 2009. This decrease resulted from a dramatic decline in demand for our equipment and services. The demand for seismic equipment is primarily driven by the global oil and gas exploration activity discussed above. As noted above, in the first quarter we normally experience a significant increase in demand in our equipment leasing business driven in large part by seasonal demand in Canada and Russia, areas in which significant

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seismic exploration activity occurs in the winter months. Due to the global economic and financial situation discussed above, many seismic programs in these areas have been cancelled or delayed indefinitely. Accordingly, we did not enjoy the normal seasonal increase in business during the quarter ended April 30, 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. Due to the decline in seismic exploration activity, these transactions were not material in the first quarter of fiscal 2010. 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.

Periodically, 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. These sales are also difficult to predict and do not follow any seasonal patterns. Due to the current conditions in the energy industry and in global financial markets, these transactions were not material in the first quarter of fiscal 2010.

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 was approximately \$384,000, 24% of related sales, in the quarter ended April 30, 2009 as compared to approximately \$34,000, 18% of related sales, in the fiscal quarter ended April 30, 2008. In May 2008, SAP entered into a contract with the Royal Australian Navy to provide certain equipment to the Republic of the Philippines. We account for this contract using the percentage of completion method. In the three months ended April 30, 2009, we recognized approximately \$900,000 in revenues related to this contract, which was approximately 90% complete as of April 30, 2009. The sales of hydrographic and oceanographic equipment by SAP are generally not related to oil and gas exploration activities and are often made to governmental entities. Accordingly, these sales are not impacted by global economic and financial issues to the same degree as are other parts of our business.

Overall, the gross profit from our Equipment Leasing segment decreased by approximately 76% to approximately \$2.1million in the first quarter of fiscal 2010 as compared to approximately \$8.8 million in the first quarter of fiscal 2009. The gross profit for this period declined due primarily to lower leasing revenues and higher depreciation expense related to our lease pool equipment. During fiscal 2009 we added significant amounts of new equipment to our lease pool. Once new equipment is initially placed in service we begin depreciating the equipment on a straight-line basis for the balance of its estimated useful life. Therefore, in periods of lower equipment utilization, such as in the first quarter of fiscal 2010, we experience depreciation expense that is disproportionate to our equipment leasing revenues.

Direct costs related to equipment leasing for the three months ended April 30, 2009 increased approximately 19% over the same period in the prior year, despite the decrease in equipment leasing revenues, due to the subleasing of certain specific equipment during the fiscal 2010 period. Direct costs typically fluctuate with leasing revenues, as the three main components of direct costs are freight, repairs and sublease expense.

Seamap

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

| | Three Months Ended April 30, | |
|-------------------------|-------------------------------------|-------------|
| | 2009 | 2008 |
| | (\$ in thousands) | |
| Equipment sales | \$ 2,683 | \$ 5,305 |
| Cost of equipment sales | 1,109 | 2,469 |
| Gross profit | \$ 1,574 | \$ 2,836 |
| Gross profit % | 59% | 53% |

The sale of Seamap products, while not generally impacted by seasonal factors, can vary significantly from quarter to quarter due to customer delivery requirements. In the three months ended April 30, 2009, as expected, we did not ship significant GunLink 4000 or BuoyLink product orders and shipped two GunLink 2000 systems. The balance of the revenues relate primarily to parts, repairs and support services. The majority of Seamap's backlog as of January 31, 2009, including orders for the equipping of six new-build vessels with GunLink 4000 and BuoyLink, is scheduled to ship during the last nine months of fiscal 2010. Changes in product prices did not contribute materially to the difference in sales between the fiscal 2010 and fiscal 2009 periods.

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The gross profit from the sale of Seemap equipment amounted to approximately \$1.6 million, or 59% of Seemap revenues for the three months ended April 30, 2009, as compared to approximately \$2.8 million, or 53% of Seemap revenues for the three months ended April 30, 2008. The increase in the gross profit percentage results from differences in product mix between the two periods and continued improvements in the cost structure of our Singapore production facility.

Operating Expenses

General and administrative expenses for the quarter ended April 30, 2009 were approximately \$3.5 million, compared to approximately \$4.9 million for the quarter ended April 30, 2008. This decrease resulted primarily from lower stock-based compensation expense, lower incentive compensation expense and reduced travel costs in the first quarter of fiscal 2010.

Interest and Other Income, net

Net interest expense for the first quarter of fiscal 2010 amounted to approximately \$89,000 compared to approximately \$150,000 of net interest income in the comparable period of fiscal 2009. This decrease is due to higher interest expense related to higher average borrowings under our line of credit and the absence of interest income related to a contract receivable. The proceeds from the line of credit were used to purchase lease pool equipment. The contract receivable went into default in fiscal 2009 and we are in the process of repossessing the equipment securing the agreement. Recognition of interest income has been deferred until such amounts are realized. Other income for the three months ended April 30, 2009 relates primarily to foreign exchange gains at our foreign subsidiaries.

Provision for Income Taxes

Our provision for income taxes for the three months ended April 30, 2009 was approximately \$126,000, which is significantly higher than that expected from the statutory rate of 34%. This variation relates primarily to estimated potential penalties and interest recognized in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109, Accounting for Income Taxes*, which we adopted in the first quarter of fiscal 2008. Pursuant to this accounting standard, we have estimated and recorded the potential effect on our liabilities for income taxes should specific uncertain tax positions be resolved not in our favor. We are further required to estimate and record potential penalties and interest that could arise from these positions. We record these estimated penalties and interest as income tax expense. For the three months ended April 30, 2009 and 2008 the amount of estimated penalties and interest was \$109,000 and \$399,000, respectively.

Liquidity and Capital Resources

As of April 30, 2009, we had working capital of approximately \$16.1 million including cash and cash equivalents of approximately \$5.9 million as compared to working capital of approximately \$11.2 million including cash and cash equivalents of approximately \$6.0 million at January 31, 2009. Our working capital increased during the three months ended April 30, 2009 primarily due to working capital generated from operations.

Net cash flows from operating activities were approximately \$5.6 million in the first three months of fiscal 2010 as compared to cash flows provided by operating activities of approximately \$1.0 million in the same three months in fiscal 2009. This increase, despite the decrease in net income in the first quarter of fiscal 2010, resulted primarily from a change in the effect of accounts payable between the periods and the receipt of income tax refunds in the fiscal 2010 period. In the first three months of fiscal 2010, items contributing to cash flows from operating activities included non cash charges, including depreciation and amortization and stock-based compensation expense, receipt of income tax refunds and collections on contract billings. Increases in inventories offset the contribution of these items.

Net cash flows from investing activities for the three months ended April 30, 2009 includes purchases of seismic equipment held for lease totaling approximately \$6.5 million. This amount reflects approximately \$6.0 million attributable to equipment purchased in fiscal 2009, but not paid for until fiscal 2010. There were approximately \$0.2 million in accounts payable at April 30, 2009 related to lease pool purchases made during the first three months of fiscal 2010. Accordingly, additions to our lease pool amounted to approximately \$0.7 million in the first three months of fiscal 2010, as compared to approximately \$5.5 million in the first three months of fiscal 2009. Due to the decline in demand for our equipment and services we have materially reduced our purchases of lease pool equipment in fiscal 2010. We expect the cost of purchases of lease pool equipment to total less than \$10.0 million for all of fiscal 2010. As of April 30, 2009 approximately \$6.1 million related to lease pool

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purchases made in fiscal 2009 remained in accounts payable. We have arranged extended payment terms for these purchases and expect to make payment for all remaining amounts prior to December 31, 2009.

In the first three months of fiscal 2010, proceeds from the sale of lease pool equipment were not material. We generally do not seek to sell our lease pool equipment, but do so from time to time. In particular we may sell lease pool equipment in response to specific demand from customers if the selling price exceeds the estimated present value of projected future leasing revenue from that equipment. Due to current market conditions we do not expect sales of lease pool equipment to be material during the balance of fiscal 2010.

During the three months ended April 30, 2009, we incurred net borrowings of \$0.5 million under our revolving credit agreement. In September 2008 we entered into a new \$25.0 million revolving credit agreement with First Victoria National Bank (the "Bank"), which replaced our then existing \$12.5 million facility with the Bank. Amounts available for borrowing are determined by a borrowing base. The borrowing base is computed based upon eligible accounts receivable and eligible lease pool assets. Based upon the latest calculation of the borrowing base we believe that the entire \$25.0 million of the facility is available to us. The revolving credit facility matures on September 24, 2010. However, at any time prior to maturity, we can convert any or all outstanding balances into a series of 48-month notes. Amounts converted into these notes are due in 48 equal monthly installments. The revolving credit facility is secured by essentially all of our domestic assets. Interest is payable monthly at the prime rate. The credit agreement contains certain financial covenants that require us, among other things, to maintain a debt to shareholders' equity ratio of no more than 0.7 to 1.0, maintain a current assets to current liabilities ratio of not less than 1.25 to 1.0 and produce quarterly earnings before interest, taxes, depreciation and amortization ("EBITDA") of not less than \$2.0 million. As indicated by the following chart, we were in compliance with all financial covenants as of April 30, 2009:

| Description of Financial Covenant | Required Amount | Actual as of April 30, 2009 or for period then ended |
|--|-----------------------------|---|
| Ratio of debt to shareholder's equity | Not more than 0.7:1.0 | 0.08:1.0 |
| Ratio of current assets to current liabilities | Not less than 1.25:1.0 | 2.29:1.0 |
| Quarterly EBITDA | Not less than \$2.0 million | \$4.5 million |

The credit agreement also provides that we may not incur or maintain indebtedness in excess of \$1.0 million without the prior written consent of the Bank, except for borrowings related to the credit agreement. As of May 29, 2009, we had approximately \$6.5 million outstanding under this revolving credit agreement.

We believe that the working capital requirements, contractual obligations and expected capital expenditures discussed above, as well as our other liquidity needs for the next twelve months, can be met from cash flows provided by operations and from amounts available under our revolving credit facility discussed above. 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 April 30, 2009, we had deposits in foreign banks consisting of both U.S. dollar and foreign currency deposits equal to approximately \$5.1 million. These funds may generally be transferred to our accounts in the United States without restriction. However, the transfer of these funds may result in withholding taxes payable to foreign taxing authorities. Any such withholding taxes generally may be credited against our federal income tax obligations in the United States. Additionally, the transfer of funds from our foreign subsidiaries to the United States may result in currently taxable income in the United States.

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 gives rise to risk from changes in foreign exchange rates. To the extent possible, we attempt to denominate our transactions in foreign locations in U.S. dollars. For those cases in which transactions are not denominated in U.S. dollars, we are exposed to risk from changes in exchange rates to the extent that non-U.S. dollar revenues exceed non-U.S. dollar expenses related to those operations. Our non-U.S. dollar transactions are denominated primarily in British pounds sterling, Canadian dollars, Australian dollars, Singapore dollars and Russian rubles. As a result of these transactions, we generally hold cash balances that are denominated in these foreign currencies. At April 30, 2009, our consolidated cash and cash equivalents included foreign currency denominated amounts equivalent to approximately \$3.4 million in U.S. dollars. A 10% increase in the value of the U.S. dollar as compared to the value of each of these currencies would result in a loss of approximately \$0.3 million 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 (loss) 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.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of April 30, 2009 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 the quarter ended April 30, 2009 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.

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Item 1A. Risk Factors

The Risk Factors included in our Annual Report on Form 10-K for the year ended January 31, 2009 have not materially changed. In addition to the other information set forth in this form 10-Q, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 31, 2009, which could materially affect our business, financial condition or future results. The risks described in this Form 10-Q and in our Annual Report on Form 10-K are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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.

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the quarter ended April 30, 2009:

| Period | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced plans or programs | (d) Maximum number of shares that may yet be purchased under the plans or programs ⁽¹⁾ |
|---------------------|--|--|---|--|
| February 1-28, 2009 | — | — | — | — |
| March 1-31, 2009 | — | — | — | — |
| April 1-30, 2009 | 217 ⁽²⁾ | \$ 3.81 | — | — |
| Total | <u>217</u> | <u>\$ 3.81</u> | <u>—</u> | <u>—</u> |

- (1) In connection with the lapsing of restrictions on restricted shares granted by our Company under our 2006 Stock Incentive Plan (the "Plan"), we adopted a policy that enables employees the ability to surrender shares to cover the associated tax liability. We are unable to determine at this time the total amount of securities or the approximate dollar value of those securities that could potentially be surrendered to us pursuant to the Plan.
- (2) These shares represent shares surrendered to us by a participant in the Plan to settle the personal tax liability that resulted from the lapsing of restrictions on the award.

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 required to be filed pursuant to the requirements of Item 601 of Regulation S-K are set forth in the Index to Exhibits accompanying this report and are incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MITCHAM INDUSTRIES, INC.

Date: June 3, 2009

/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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Each exhibit identified below is part of this Form 10-Q. Exhibits filed (or furnished in the case of Exhibit 32.1) with this Form 10-Q are designated by the cross symbol (†). All exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

| Exhibit Number | Document Description | Report or Registration Statement | SEC File or Registration Number | Exhibit Reference |
|-----------------------|--|--|--|--------------------------|
| 3.1 | Amended and Restated Articles of Incorporation of Mitcham Industries, Inc. | Incorporated by reference to Mitcham Industries, Inc.'s Registration Statement on Form S-8, filed with the SEC on August 9, 2001. | 333-67208 | 3.1 |
| 3.2 | 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 |
| 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 | | | |

CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended April 30, 2009 of Mitcham Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Billy F. Mitcham, Jr.

Billy F. Mitcham, Jr.
Chief Executive Officer
June 3, 2009

CERTIFICATION

I, Robert P. Capps, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended April 30, 2009 of Mitcham Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert P. Capps

Robert P. Capps

Executive Vice President-Finance and Chief Financial Officer

June 3, 2009

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

In connection with the Quarterly Report of Mitcham Industries, Inc. (the "Company") on Form 10-Q for the quarterly period ended April 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Billy F. Mitcham, Jr., Chief Executive Officer of the Company, and Robert P. Capps, Executive Vice President-Finance and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Billy F. Mitcham, Jr.

Billy F. Mitcham, Jr.
Chief Executive Officer
June 3, 2009

/s/ Robert P. Capps

Robert P. Capps
Executive Vice President-Finance and Chief Financial Officer
June 3, 2009