2012 ANNUAL REPORT

Breakthrough

GEOSPACE Technologies

A RECORD-BREAKING YEAR – YEARS IN THE MAKING

In our business, success doesn't happen in a thunderclap. It's a visionary process of anticipating customer needs and building confidence out in the field. That's how our wireless GSX technology transformed the land seismic industry. And now, it's our seabed systems making the waves. The business need, the market environment, and the operator confidence – it has all come together, creating a truly momentous year for our company and our shareholders. It's a

breakthrough

by any definition. *(But it didn't happen overnight.)*

FORWARD-LOOKING STATEMENTS: This Annual Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included herein including statements regarding potential future products and markets, our potential future revenues, future financial position, business strategy, future expectations and other plans and objectives for future operations, are forward-looking statements. We believe our forward-looking statements are reasonable. However, they are based on certain assumptions about our industry and our business that may in the future prove to be inaccurate. Important factors that could cause actual results to differ materially from our expectations include the level of seismic exploration worldwide, which is influenced primarily by prevailing prices for oil and gas, the extent to which our new products are accepted in the market, the availability of competitive products that may be more technologically advanced or otherwise preferable to our products, tensions in the Middle East and other factors disclosed under the heading "Risk Factors" and elsewhere in our Form 10-K which is on file with the Securities and Exchange Commission. Further, all written and verbal forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such factors.

Dear Fellow Shareholder,

This has been a year to be proud of for our company and a breakthrough year for our market position as the leading provider of wireless seismic recording systems. For the fiscal year ended September 30, 2012, we reported record revenues of $191.7 million, an increase of 10.8% over revenues of $173.0 million for fiscal year 2011. Our net income for fiscal year 2012, also a record, increased 18.2% to $35.1 million, or $2.74 per diluted share, compared to fiscal year 2011 net income of $29.7 million, or $2.36 per diluted share.

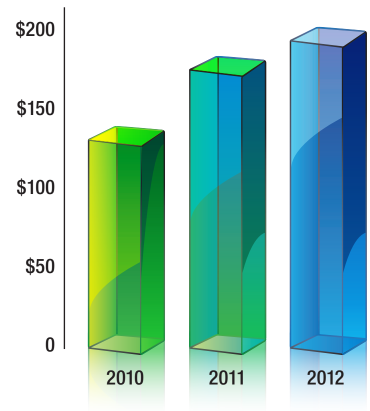
Introducing our new name

Fiscal year 2012 was also an unusual year for our company in many respects. I'm sure all of you are aware that we changed our name and ticker symbol from OYO Geospace Corporation (OYOG) to Geospace Technologies Corporation (GEOS). We didn't make this decision on a whim or as part of a new corporate branding initiative. In February 2012, our former parent company, OYO Corporation, sold their remaining 20% stake in the company. That meant that we were no longer a member of the "OYO" family of companies. We changed our name and ticker symbol in early October 2012 to reflect this transition. Later in October, we approved a 2-for-1 stock split effected in the legal form of a 100% stock dividend. Most beneficially, the sale by OYO Corporation of its holdings in the company and the stock split has added considerable liquidity for the trading of our stock.

GEOSPACE Technologies

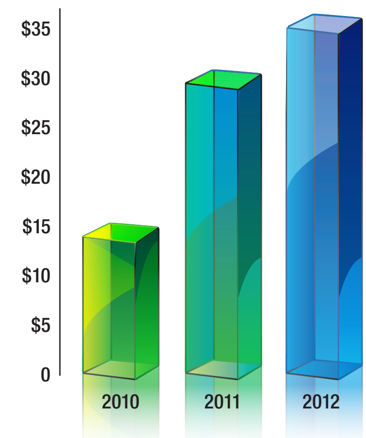
Revenue

(in millions)



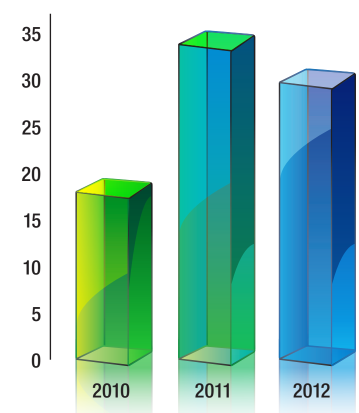
Net Income

(in millions)



Return on Shareholder Equity

(percent)



Entering new territory

In other corporate news, subsequent to the end of fiscal year 2012, we announced the creation of a new branch office in Bogotá, Colombia to provide sales support, equipment rentals and field service support to our customers in South America. The Bogotá branch office is expected to become operational in the second quarter of fiscal year 2013.

Expanding our rental fleet

We are also building a wireless rental fleet in the Russian Federation through our subsidiary in Ufa. We recently executed a wireless rental contract with a Russian customer for the winter season, and we intend to aggressively market our suite of wireless products for sale and rental into the Russian market during 2013. Our efforts in Colombia and the Russian Federation reflect our increased focus on the international acceptance of our wireless data acquisition systems and the importance of having ample rental units available to support global seismic crew activity. Our new wireless rental fleet grew from 20,000 channels last year to 52,000 channels by September 30, 2012.

The Russian winter season kicks wireless seismic acquisition programs into high gear.

For fiscal year 2013, we intend to continue the expansion of our wireless rental fleet with key investments in South America, Canada and the Russian Federation. Currently, we estimate our fiscal year 2013 gross investment in rental equipment will be approximately $40 million. As in past years, we expect these rental equipment investments will be significantly offset by cash proceeds from the sale of rental equipment to our customers.

Additionally, during the fourth quarter of the fiscal year 2012, we entered into agreements to rent over 1,100 wireless marine nodes (ocean bottom seismic recorder or “OBX”) to two customers.

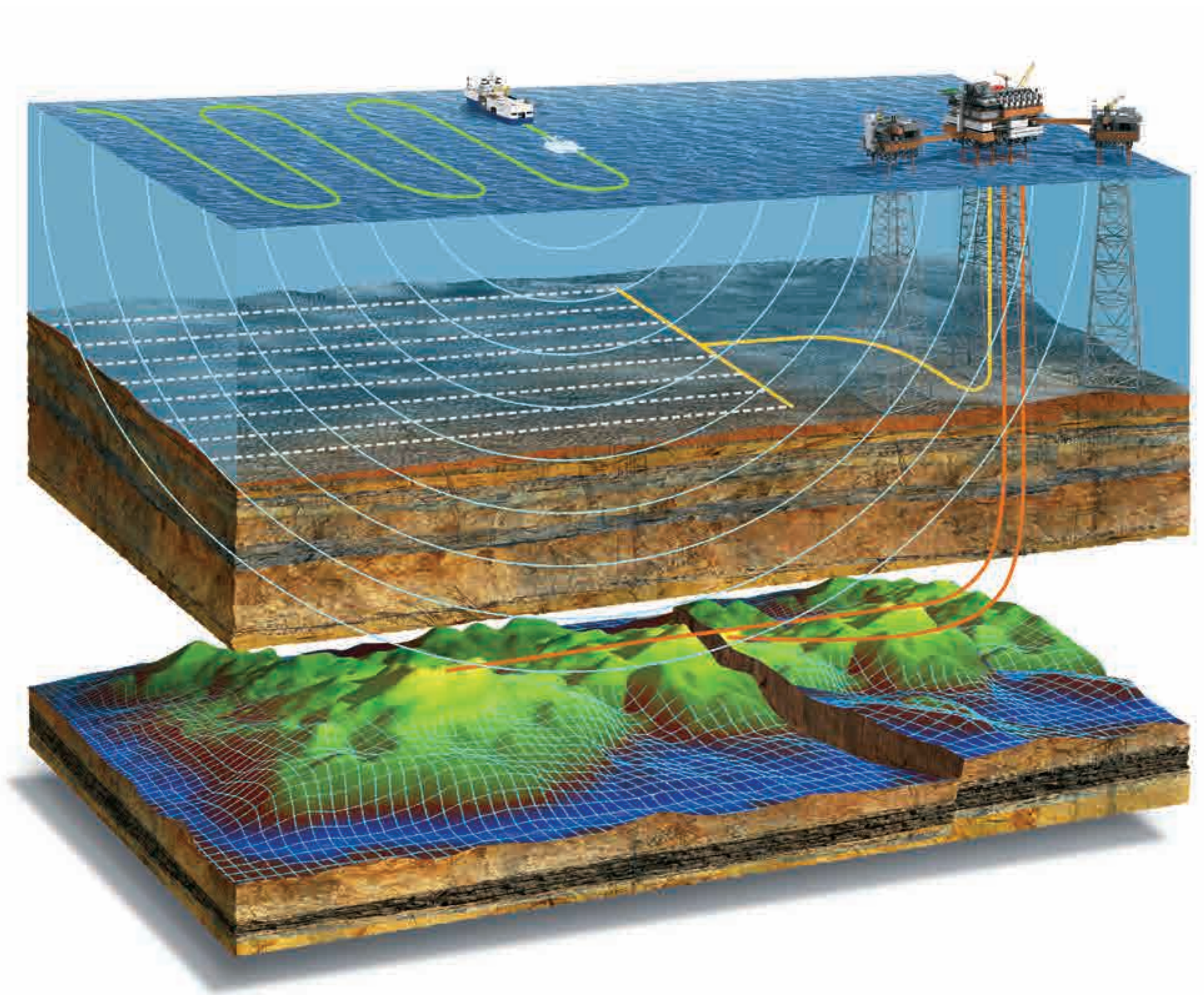
Breaking through in reservoir monitoring

Throughout fiscal year 2012 we also made several momentous announcements relating to our seismic seabed reservoir monitoring systems. Although we have been working successfully in this market for nearly a decade, this was a breakthrough year in this market in terms of industry acceptance and confidence.

In February 2012, we announced the receipt of a $15 million seabed data acquisition system to be permanently installed in the deep waters of offshore Brazil for the BC-10 Field operated by Shell and their partners Petrobras and ONGC. Revenue from that contract is now expected to be recognized in the second quarter of fiscal year 2013 ending March 31, 2013.

Permanent ocean bottom reservoir monitoring – today's tool for future production optimization

In operation in the North Sea since 2003, Geospace Technologies deployed the industry's first and only large-scale permanent reservoir monitoring system at Valhall Field. Geospace Technologies' SubSea System is delivering a proven solution for permanent reservoir monitoring at a time when operators are recognizing the long-term value of these investments. Thanks to our early technical and economic successes, we're leading the way as the partner of choice to today's oil and gas companies.



Our field-proven reservoir monitoring system allows companies to monitor, in real-time, changes inside their reservoirs from anywhere in the world.

Most significantly, we signed a $160 million contract with Statoil in November 2012 to provide two permanent seabed data acquisition systems to be installed in the Snorre and Grane Fields in the North Sea. For those of you who are familiar with our history of lumpy revenues, I need to emphasize that we will not incur a $160 million revenue spike.

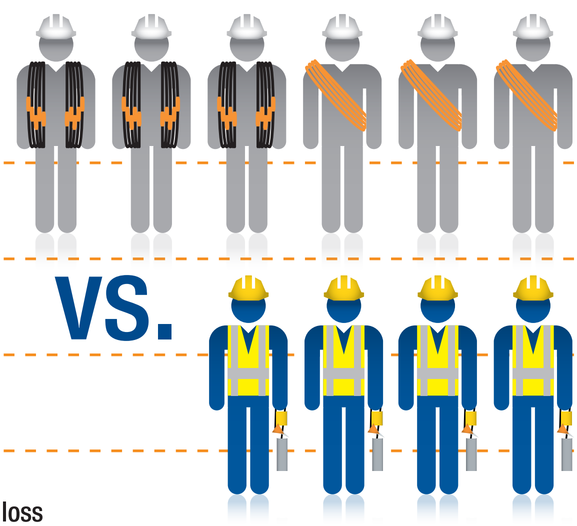
For this substantial contract, we will recognize revenues using the percentage of completion revenue recognition method. Under this method, we will recognize revenues ratably as manufacturing activities occur over the life of the contract. Currently, we expect to recognize approximately 45%, 40% and 15% of the contract's revenues in fiscal years 2013, 2014 and 2015, respectively. Revenue recognition is expected to begin in our first quarter of fiscal year 2013. It should also be noted that cash flows from the Statoil contract will occur at various predetermined milestones stipulated in the contract. While these contractual cash flows will not mirror the percentage of completion method of recognizing revenues, we expect that they will provide a significant portion of the funding necessary to offset our investment in materials and equipment.

Partially in response to the Statoil contract and in anticipation of other potential marine contracts, we recently purchased a 30,000 square foot facility on 3.4 acres near our corporate headquarters in northwest Houston. We have quickly initiated operations at this new facility. We plan to invest approximately $14 million in fiscal year 2013 for additional facilities, including this facility, a building in Bogotá to house our new rental equipment business, and additional equipment to expand our manufacturing capacity.

Extending our wireless lead — everywhere

Our land wireless data acquisition systems also enjoyed success during fiscal year 2012 with 73,000 channels sold. Revenues from our wireless seismic products for fiscal year 2012 were $82.6 million, an increase of 30% compared to revenues of $63.8 million for fiscal year 2011. The increase in revenues resulted from growing industry demand for sales and rentals of our wireless systems to replace less efficient legacy cable-based seismic data acquisition systems. Over the course of the year, we also improved our wireless systems so that they use less power, have expanded memory capacity, increased throughput speeds and a variety of other new features. We expect these enhancements, along with rental revenues, to drive growth in this segment going forward. Already in fiscal year 2013, we have sold

Wireless systems improve economics, productivity & HSE



1/3 fewer crew members

1/2 troubleshooting time

Faster, easier layout around obstructions

Fewer coverage gaps due to obstructions

Larger survey sizes without transmission loss

Safer operations, with less weight for crews to carry and less heavy equipment on-site two land wireless systems totaling 46,000 channels to TGC Industries and SAExploration Canada LTD, so we believe we are off to a good start. Since the end of fiscal year 2012, we also received an order to sell 200 wireless marine nodes to a Russian customer.

Wireless Seismic Acquisition – Land and Marine Environments

Over the past few years, Geospace Technologies' GSX wireless seismic acquisition system has demonstrated again and again the clear advantages of wireless seismic data acquisition in even the most extreme environments – and we have the market success to show for it.

We offer wireless seismic acquisition systems for both land and marine applications. By eliminating the logistical, time and safety drawbacks of cabled acquisition systems, our wireless nodal acquisition systems significantly reduce the costs and risks associated with traditional seismic data acquisition without risking signal fidelity and data quality.

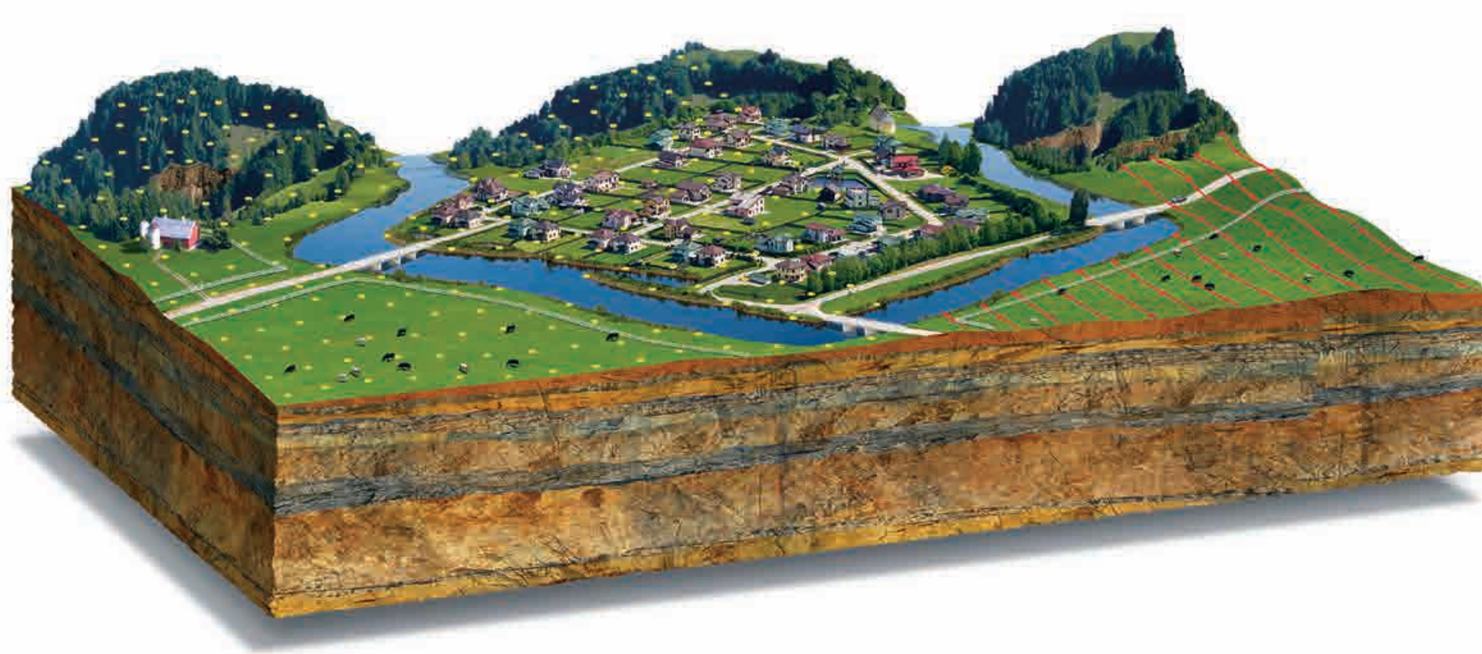
Today, Geospace Technologies wireless land seismic acquisition systems are the most widely accepted and used wireless acquisition systems on the market, out-selling all of our competitors' systems combined.

Efficient wireless systems for a world of applications

GSX – our proven land-based wireless seismic data acquisition system

GCX – a totally self-contained wireless seismic recorder for customers seeking a combined battery-recorder-geophone configuration

OBX – our wireless system for marine applications



Unveiling new wireless possibilities

In November 2012 at the Society of Exploration Geophysicists annual meeting held in Las Vegas, Nevada we announced a new land wireless nodal system, available in single and three channel configurations, called the GCX-1 and GCX-3. Although the system can be used in any land environment, it has special applications in high theft and environmentally constrained areas. The GCX nodal system works seamlessly with our existing land and marine wireless data acquisition systems.

The GCX is a wireless and totally self-contained battery-recorder-geophone configuration that is especially useful in environmentally or geopolitically sensitive surveys.

Taking stock

Our offshore cable products also experienced a record year contributing to the 20% increase in revenues from our industrial products segment, totaling $13.3 million in fiscal year 2012 compared to revenues of $11.0 million for fiscal year 2011.

Sales of our traditional seismic products such as geophones and hydrophones remained relatively flat at $66.8 million in fiscal year 2012 compared with $67.9 million in fiscal 2011. Shipments of our marine products declined slightly.

Revenues from our thermal solutions products were $12.6 million in fiscal year 2012, a decrease of 6% compared to revenues of $13.5 million for fiscal year 2011. We consider this decrease to be caused by recurring fluctuations in product sales and not necessarily associated with any particular long-term trend.

Standing strong

Our balance sheet remains strong. We ended fiscal year 2012 with $146 million of working capital, $71 million of cash and short-term investments, and no long-term debt on our balance sheet. Our $25 million credit facility with Frost Bank remains untouched at this time, resulting in total liquidity of $96 million at the end of fiscal year 2012. We believe the strength of our balance sheet puts us in a good position to meet the challenges ahead.

The GSX system is the seismic industry's most widely accepted and used wireless acquisition system.

From a cash flow standpoint, in fiscal year 2012 we generated $43.2 million of cash from operating activities, compared to $1.1 million of operating cash flows last year. Excluding purchases and sales of short-term investments (which we consider to be relatively liquid cash investments), in fiscal year 2012 we used $11.5 million of cash in our investing activities, compared to only $200,000 last year. During fiscal year 2012, we invested $31.7 million to expand our rental equipment fleet. As expected, this investment was offset by $24.2 million of proceeds from the sale of rental equipment to our customers.

Looking ahead

Fiscal year 2012 was a record year, which built on the previous year's record performance. Already in fiscal year 2013 we are off to a fast start as the Statoil contract will begin contributing in the first quarter of fiscal year 2013 along with the 34,000 channels of land wireless systems discussed above. In addition, the previously announced Shell subsea contract is expected to be recognized in the second quarter of fiscal year 2013. The Statoil contract gives us visibility over the next three years. While we don't give earnings guidance, this is the first time we have had multi-year visibility in our backlog.

Staying safe

Our seabed reservoir monitoring system awards and our land seismic system sales reflect our engineering teams' ability to conceive and develop reliable systems that anticipate our customers' technology needs and exceptional performance standards. The success achieved by these systems necessitates a strong commitment to quality, health, safety, and the environment in their design, manufacture, and implementation. You will read in a special section of this report the measures we take to ensure that Geospace Technologies is at the forefront of international standard QHSE practices.

Quality, Health, Safety and Environment (QHSE)

Geospace Technologies is a seismic technology company with manufacturing operations in Houston, Texas and Ufa, Bashkortostan. We also have service and rental facilities in Canada, Colombia and England. Like any other global business, Geospace Technologies takes its responsibilities to the health and safety of its employees very seriously as well as our social responsibilities in the communities in which we operate. The health and safety of our people is always our first priority when making decisions regarding our operations.

As a manufacturer of seismic data acquisition products, our goal is to make products of the highest quality - products that when used properly by our clients maintain the environment, essentially leaving no footprint behind. Not only does Geospace comply with all mandated legislation and local regulations, but we also work closely with our clients and industry associations to mitigate the impact of seismic operations on land and in the marine environment.

Our overarching concern is to help our clients meet the challenges of their operations, while maintaining the health and safety of our employees and satisfying the expectations of our shareholders regarding corporate responsibility. Our progress will be measured using the company's health and safety record as well as relevant financial and industry metrics.

In 2012, Geospace Technologies incurred zero man hours lost time injuries in 1,753,244 man hours, yielding a lost time incident rate of zero man hours per million man hours. This is unchanged from 2011.

In closing, I would like to thank Mr. Takashi Kanemori, who left our board after OYO Corporation sold their holdings in the company, and Mr. Richard White, who also left our board to take the CEO position of Global Geophysical Corporation, for their past service to our company. And I would like to welcome Ms. Tina M. Langtry to our board of directors. I would also like to thank the management and employees of Geospace Technologies throughout the world who have done so much to make our growth possible. Most of all I want to thank our customers for allowing us to serve their needs. For our long-term shareholders, I wish to thank you for your patience and support. We are a strong company ready to take on the opportunities for growth that continue to emerge.

Gary D. Owens

Gary D. Owens
Chairman of the Board
President & Chief Executive Officer

Financials

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

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the Fiscal Year Ended September 30, 2012

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-13601

GEOSPACE TECHNOLOGIES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**76-0447780**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

7007 Pinemont Drive
Houston, Texas 77040-6601
(Address of Principal Executive Offices)

(713) 986-4444
(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	**The NASDAQ Global Market**

Securities Registered pursuant to Section 12(g) of the Act: NONE

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ 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 ☒

There were 12,827,516 shares of the Registrant's Common Stock outstanding as of the close of business on December 4, 2012. As of March 31, 2012, the aggregate market value of the Registrant's Common Stock held by non-affiliates was approximately $632 million (based upon the closing price of $52.67 (Effected for the 2-for-1 stock split) on March 31, 2012, as reported by The NASDAQ Global Market).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Registrant's 2013 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

PART I

Item 1. Business

Business Overview

Geospace Technologies Corporation is a Delaware corporation incorporated on September 27, 1994. Unless otherwise specified, the discussion in this Quarterly Report on Form 10-K refers to Geospace Technologies Corporation and its subsidiaries. We design and manufacture instruments and equipment used in the acquisition and processing of seismic data as well as in the characterization and monitoring of producing oil and gas reservoirs. Demand for our products has been, and will likely continue to be, vulnerable to downturns in the economy and the oil and gas industry in general. There was substantial volatility in oil and natural gas prices during fiscal years 2008 and 2009, and while crude oil prices have strengthened since that time, natural gas prices in North America have declined significantly and are currently at relatively low levels. For more information, please refer to the risks discussed under the heading "Risk Factors" for more information.

We have engaged in the seismic instrument and equipment business since 1980 and market our products primarily to the oil and gas industry. We also design, manufacture and distribute thermal imaging equipment and thermal media products targeted at the screen print, point of sale, signage and textile market sectors. We have been manufacturing thermal imaging products since 1995. We report and evaluate financial information for each of these two segments: Seismic and Thermal Solutions.

Products and Product Development

Seismic Products

The seismic segment of our business accounts for the majority of our sales. Geoscientists use seismic data primarily in connection with the exploration, development and production of oil and gas reserves to map potential and known hydrocarbon bearing formations and the geologic structures that surround them. Our seismic product lines currently consist of land and marine nodal seismic data acquisition systems, high-definition reservoir characterization products and services, geophones and hydrophones, including multi-component geophones and hydrophones, seismic leader wire, geophone string and acquisition system connectors, seismic telemetry cables, marine seismic cable retrieval and steering devices and specialized data acquisition systems targeted at conventional and niche markets. Our seismic products are compatible with most major seismic data acquisition systems currently in use. We believe that our seismic products are among the most technologically advanced instruments and equipment available for seismic data acquisition.

In order to take advantage of our existing cable manufacturing facilities and capabilities in Houston, we are designing and selling cable products to the offshore oil and gas and offshore construction industries. The production of offshore marine cables requires specialized design capabilities and manufacturing equipment. We also utilize these design capabilities and manufacturing equipment to produce deepwater reservoir characterization products. We are aggressively working to diversify our seismic product lines as well as utilizing our manufacturing capabilities to develop and produce products for use in other industries

Traditional Seismic Exploration Products

A seismic energy source and a seismic data recording system are combined to acquire seismic data. We provide many of the components of seismic data recording systems, including geophones, hydrophones, multi-component sensors, seismic leader wire, geophone strings, connectors, seismic telemetry cables and other seismic related products. On land, our customers use geophones, leader wire, cables and connectors to receive and measure seismic reflections resulting from an energy source to data recording units, which store information for processing and analysis. In the marine environment, large ocean-going vessels tow long seismic cables known as "streamers" containing hydrophones which are used to detect pressure changes. Hydrophones transmit electrical impulses back to the vessel's data recording unit where the seismic data is stored for subsequent processing and analysis. Our marine seismic products help steer streamers while being towed and help recover streamers if they become disconnected from the vessel.

Our seismic sensor, cable and connector products are compatible with most major competitive seismic data acquisition systems currently in use, and sales result primarily from seismic contractors purchasing our products as components of new seismic data acquisition systems or to repair and replace components of seismic data acquisition systems already in use.

Our products used in marine seismic data acquisition include our patented marine seismic streamer retrieval devices (“SRDs”). Occasionally, streamer cables are severed and become disconnected from the vessel as a result of obstacles, inclement weather, vessel traffic or human error. Our SRDs, which are attached to the streamer cables, contain air bags which are designed to inflate automatically at a given depth, bringing the severed streamer cables to the surface. These SRDs save the seismic contractors significant time and money compared to the alternative of losing the streamer cable. We also produce seismic streamer steering devices, or “birds,” which are finlike devices that attach to the streamer cable. These birds help maintain the streamer cable at a certain desired depth as it is being towed through the water.

Our wholly-owned subsidiary in the Russian Federation manufactures international standard geophones, sensors, seismic leader wire, seismic telemetry cables and related seismic products for customers in the Russian Federation and other international seismic marketplaces. Operating in foreign locations involves certain risks as discussed under the heading “Risk Factors—Our Foreign Subsidiaries and Foreign Marketing Efforts Face Additional Risks and Difficulties” in this Annual Report on Form 10-K.

Wireless Seismic Exploration Products

During fiscal year 2008, we announced the development of a land-based wireless (or nodal) seismic data acquisition system. Each wireless station operates independently and therefore can be deployed in virtually unlimited channel configurations. Rather than utilizing interconnecting cables as required by most traditional land data acquisition systems, each wireless station operates as an independent data collection system. As a result, our wireless system requires less maintenance, which we believe allows our customers to operate more effectively and efficiently because of its reduced environmental impact, lower weight and ease of operation. Our wireless system is designed into configurations ranging from one to four channels per station. Since its introduction and through September 30, 2012, we sold approximately 158,000 wireless channels and had approximately 52,000 wireless channels available for rent. With the recent formation of a branch office in Bogota, Colombia and increasing demand for wireless rental equipment elsewhere in the world, we expect to increase the size of our wireless product rental fleet during fiscal year 2013.

In October 2009, we introduced a marine-based wireless seismic data acquisition system. Similar to our land wireless system, the marine wireless system can be deployed in virtually unlimited channel configurations and does not require interconnecting cables between each station. Our deepwater versions of this marine wireless system can be deployed in depths of up to 3,000 meters.

Seismic Reservoir Products

We have developed permanently installed high-definition reservoir characterization products for ocean-bottom applications in producing oil and gas fields. We also produce a retrievable version of this ocean-bottom system for use on fields where permanently installed systems are not appropriate or economical. Seismic surveys repeated over selected time intervals show dynamic changes within the reservoir and can be used to monitor the effects of production. Utilizing these tools, producers can enhance the recovery of oil and gas deposits over the life of a reservoir.

Our high-definition reservoir characterization products include the HDSeis™ product line and a suite of borehole and reservoir characterization products and services. Our HDSeis™ System is a high-definition seismic data acquisition system with flexible architecture that allows it to be configured as a borehole seismic system or as a subsurface system for both land and marine reservoir-monitoring projects. The scalable architecture of the

HDSeis™ System enables custom designed system configuration for applications ranging from low-channel engineering and environmental-scale surveys requiring a minimum number of recording channels to high-channel surveys required to efficiently conduct permanent reservoir imaging and monitoring. Modular architecture allows virtually unlimited channel expansion. In addition, multi-system synchronization features make the HDSeis™ System well suited for multi-well or multi-site acquisition, simultaneous surface and downhole acquisition and continuous reservoir monitoring projects.

Reservoir characterization requires special purpose or custom designed systems in which portability becomes less critical and functional reliability assumes greater importance. This reliability factor helps assure successful operations in inaccessible locations over a considerable period of time. Additionally, reservoirs located in deepwater or harsh environments require special instrumentation and new techniques to maximize recovery. Reservoir characterization also requires high-bandwidth, high-resolution seismic data for engineering project planning and reservoir management. We believe our HDSeis™ System and tools, designed for cost-effective deployment and lifetime performance, will make borehole and seabed seismic acquisition a cost-effective and reliable process for the challenges of reservoir characterization and monitoring. Our multi-component seismic product developments include an omni-directional geophone for use in reservoir monitoring, a compact marine three-component or four-component gimbaled sensor and special-purpose connectors, connector arrays and cases.

In February 2012 we received an order from Shell Brasil Petróleo Ltda for a $14.9 million seabed seismic reservoir monitoring system which is expected to be delivered in the second quarter of fiscal year 2013. In November 2012 we received an order from Statoil for a $160 million seabed seismic reservoir monitoring system to be delivered over a three year period through fiscal year 2015 (the "Statoil Order"). As a result of these orders, we expect our future revenues from the sale of seismic reservoir products to increase significantly compared to historical sales levels.

In addition, we produce seismic borehole acquisition systems which employ a fiber optic augmented wireline capable of very high data transmission rates. These systems are used for several reservoir characterization applications, including an application pioneered by us allowing operators and service companies to monitor and measure the results of fracturing operations.

Industrial Products

Our products continue to develop and expand beyond oil and gas exploration applications through the utilization of our existing engineering experience and manufacturing capabilities. In addition, many of our seismic products, with little or no modification, have direct application to industries beyond oil and gas exploration. For example, our customers utilize our borehole tools to monitor subsurface carbon dioxide injections and for mine safety applications. Customers also utilize our wireless acquisition systems and geophone sensors to record seismic data for geotechnical applications unrelated to oil and gas exploration.

We design and manufacture industrial sensors for the vibration monitoring, security and earthquake detection markets. We also design and manufacture other specialty cable and connector products, such as those used in connection with global positioning products and water meter applications.

In addition, we design and manufacture power and communication transmission cable products for offshore applications and market these products to the offshore oil and gas and offshore construction industries. These products include a variety of specialized cables, primarily used in deepwater applications, such as remotely operated vehicle ("ROV") tethers, umbilicals and electrical control cables. These products also include specially designed and manufactured cables, including armored cables, engineered to withstand harsh offshore operating environments.

Thermal Solutions Products

Our thermal solutions product technologies were originally developed for seismic data processing applications. In 1995, we modified this technology for application in other markets. Our thermal printers include both thermal imagesetters for graphics applications and thermal plotters for seismic applications. In addition, our thermal solutions products include direct-to-screen systems, thermal printheads, dry thermal film, thermal transfer ribbons and other thermal media. Our thermal imaging solutions produce images ranging in size from 12 to 54 inches wide and in resolution from 400 to 1,200 dots per inch. We market our thermal imaging solutions to a variety of industries, including the screen printing, point-of-sale, signage, flexographic and textile markets. We also continue to sell these products to our seismic customers.

The quality of thermal imaging is determined primarily by the interrelationship between a thermal printhead and the thermal media, be it film, ribbon, or any other media. We manufacture thermal printheads and thermal film, which we believe will enable us to more effectively match the characteristics of our thermal printers to thermal film, thereby improving print quality, and make us more competitive in markets for these products.

We also distribute private label high-quality dry thermal media for use in our thermal printers and direct-to-screen systems. In addition, we are continuously engaged in efforts to develop new lines of dry thermal film and ribbon in order to improve the image quality of our media for use with our printheads. In order to achieve more than marginal growth in our thermal solutions product business in future periods, we believe that it is important to continue our concentration of efforts on both our printhead and media improvements.

Segment and Geographic Information

The Company evaluates financial performance based on two business segments: Seismic and Thermal Solutions. The Seismic product lines currently consist of geophones and hydrophones, including multi-component geophones and hydrophones, seismic leader wire, geophone string connectors, seismic telemetry cables, high definition reservoir characterization products and services, marine seismic cable retrieval devices, data acquisition systems, offshore cables and industrial products. Thermal Solutions products include thermal printers, thermal printheads and dry thermal film and other media. The Company sells these products to a variety of markets, including the screen print, point of sale, signage and textile markets. The Company also sells these Thermal Solutions products to its seismic customers. For a discussion of financial information by segment and geographic area, see Note 19 to the consolidated financial statements contained in this Annual Report on Form 10-K.

Competition

Seismic Products

We believe that we are one of the world's largest manufacturers and distributors of seismic related products. The principal competitors in our seismic business segment for data acquisition systems, geophones, hydrophones, geophone string connectors, leader wire and telemetry cables are SERCEL (a division of CGGVeritas), ION Geophysical ("ION"), INOVA (a joint venture formed in 2009 between ION and Bureau of Geophysical Prospecting, a subsidiary of China National Petroleum Company) and Steward Cable (a division of Amphenol Corporation). Furthermore, entities in China affiliated with SERCEL as well as other Chinese manufacturers produce low-cost geophones meeting current industry standards.

We believe that the principal keys for success in the seismic instruments and equipment market are technological superiority, product durability, reliability, and customer support. We also believe that price and product delivery are always important considerations for our customers. In general, most customers prefer to standardize data acquisition systems, geophones and hydrophones, particularly if they are used by seismic companies which have multiple crews which are able to support each other. This standardization makes it difficult for competitive manufacturers to gain market share from other manufacturers with existing customer relationships.

As mentioned above, a key factor for seismic instruments and equipment manufacturers is durability under harsh field conditions. Instruments and equipment must meet not only rigorous technical specifications regarding signal integrity and sensitivity, but must also be extremely rugged and durable to withstand the rigors of field use, often in harsh environments.

We believe our primary competitors for our "wireless" nodal seismic data acquisition systems are SERCEL, Fairfield Industries and INOVA.

With respect to our marine seismic products, we are not aware of any competing companies that manufacture a product functionally similar to our patented seismic streamer retrieval device. We believe our primary competitors in the manufacture of our streamer depth positioning device, or "birds," are ION and SERCEL.

We believe our primary competitors for our deepwater cabled reservoir characterization and monitoring systems are SERCEL, ION and Petroleum Geo-Services ASA.

We believe our primary competitors for high-definition borehole seismic data acquisition systems are Avalon and SERCEL.

We believe our primary competitors for rental of seismic equipment are Mitcham Industries, Inc. and Seismic Equipment Solutions.

Thermal Solutions Products

We believe that the primary competitors to our thermal imaging business segments include emulsion producers like KIWO USA, Inc. as a distributor of direct-to-screen technologies, Colour Scanned Technology as a manufacturer of direct-to-screen technologies, iSys Group as a manufacturer of thermal technologies for oil and gas exploration applications, as well as manufacturers of alternative technologies such as inkjet devices distributed and used for film output. A key competitive factor in this market is producing equipment that is technologically advanced, yet cost effective.

Suppliers

For our seismic and thermal imaging products we purchase raw materials from a variety of suppliers located in various countries. We typically have multiple suppliers for our critical materials.

We produce our own brand of dry thermal film internally. We also purchase a substantial quantity of dry thermal film manufactured by Agfa-Gevaert N.V. ("AGFA"). For a discussion of the risks related to our reliance on AGFA, see "Risk Factors—We Rely on a Key Supplier for a Significant Portion of Our Dry Thermal Film."

We do not currently experience any significant difficulties in obtaining raw materials from our suppliers for the production of our seismic or thermal imaging products.

Product Manufacturing and Assembly

Our manufacturing and product assembly operations consist of machining or molding the necessary component parts, configuring these parts along with components received from various vendors and assembling a final product. We manufacture seismic equipment to the specifications of our customers. For example, we can armor cables for applications such as deepwater uses. We assemble geophone strings and seismic telemetry cables based on a number of customer choices such as length, gauge, tolerance and color of molded parts. With regard to dry thermal film, we mix and react various chemicals to formulate a reactive layer that is then coated onto a clear polyester film. The film is then coated with a protective topcoat that produces the final product.

Upon completion of our manufacturing and assembly operations, we test our final products to the functional and, in the case of seismic equipment, environmental extremes of product specifications and inspect the products for quality assurance. We normally manufacture and ship our products based on customer orders and, therefore, typically do not maintain significant inventories of finished goods held for sale.

Markets and Customers

Our principal seismic customers are seismic contractors and major independent and government-owned oil and gas companies that either operate their own seismic crews or specify seismic instrument and equipment preferences to contractors. For our deepwater reservoir characterization products, our customers are generally large international oil and gas companies that operate long-term offshore oil and gas producing properties. Our thermal imaging customers primarily consist of direct users of our equipment as well as specialized resellers that focus on the newsprint, silkscreen and corrugated box printing industries. Two customers comprised 16.9% and 11.0% of our revenues during fiscal year 2012. Two customers comprised 20.2% and 11.1% of our revenues during fiscal year 2011. One customer comprised 13.2% of our revenues during the fiscal year 2010. The following table describes our sales by customer type (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Traditional seismic exploration product revenues	$ 66,849	$ 67,862	$ 66,556
Wireless seismic exploration product revenues	82,646	63,753	23,221
Seismic reservoir product revenues	15,426	15,998	14,600
Industrial product revenues	13,300	11,040	10,397
Thermal solutions product revenues	12,642	13,519	12,955
Other	801	798	804
	$191,664	$172,970	$128,533

Intellectual Property

We seek to protect our intellectual property by means of patents, trademarks, trade secrets and other measures. Although we do not consider any single patent essential to our success, we consider our patents regarding our marine seismic cable retrieval devices to be of particular value to us. These patents are scheduled to expire in 2013 and 2022. The patent on our marine seismic cable retrieval device will expire in 2013. At this time we are not able to predict the effect of the patent expiration.

Research and Development

We expect to incur significant future research and development expenditures aimed at the development of additional seismic data acquisition products and thermal imaging technologies. We have incurred company-sponsored research and development expenses of $12.2 million, $11.5 million and $9.9 million during the fiscal years ended September 30, 2012, 2011 and 2010, respectively.

Employees

As of September 30, 2012, we employed approximately 1,164 people predominantly on a full-time basis, of which 813 were employed in the United States and 310 in the Russian Federation. Our employees in the Russian Federation belong to a national union for machine manufacturers. Our remaining employees are not unionized. We have never experienced a work stoppage and consider our relationship with our employees to be satisfactory.

Financial Information by Segment and Geographic Area

For a discussion of financial information by segment and geographic area, see Note 19 to the consolidated financial statements contained in this Annual Report on Form 10-K.

Relationship with OYO Corporation U.S.A.

As of September 30, 2012 and 2011, OYO Corporation U.S.A. (“OYO USA”) owned 0% and 20.3%, respectively, of Geospace’s common stock. OYO USA is a wholly owned subsidiary of OYO Corporation, a Japanese corporation (“OYO Japan”). In February 2012, OYO USA sold their remaining ownership stake in Geospace and, subsequently, Geospace is no longer affiliated with OYO USA or OYO Japan. Effective October 1, 2012, the Company’s name was changed from OYO Geospace Corporation to Geospace Technologies Corporation.

Available Information

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). Our SEC filings are available to the public over the Internet at the SEC’s website at http://www.sec.gov. You may also read and copy any document we file at the SEC’s public reference room at at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on their public reference room. Our SEC filings are also available to the public on our website at http://www.geospace.com. Please note that information contained on our website, whether currently posted or posted in the future, is not a part of this Annual Report on Form 10-K or the documents incorporated by reference in this Annual Report on Form 10-K.

Item 1A. Risk Factors

Risk Factors

Commodity Price Levels May Affect Demand for Our Products

Demand for many of our products and the profitability of our operations depend primarily on the level of worldwide oil and gas exploration activity. Prevailing oil and gas prices and market expectations regarding potential changes in such prices significantly affect the level of worldwide oil and gas exploration activity. During periods of improved energy commodity prices, the capital spending budgets of oil and natural gas operators tend to expand, which results in increased demand for our products. Conversely, in periods when these energy commodity prices deteriorate, capital spending budgets of oil and natural gas operators tend to contract and the demand for our products generally weakens. Historically, the markets for oil and gas have been volatile and are subject to wide fluctuation in response to changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors that are beyond our control. These factors include the level of consumer demand, supplies of oil and natural gas, regional and international economic conditions, weather conditions, domestic and foreign governmental regulations (including those related to climate change), price and availability of alternative fuels, political conditions, instability and hostilities in the Middle East and other significant oil-producing regions, increases and decreases in foreign supply of oil and gas, the effect of worldwide energy conservation measures, and the ability of OPEC to set and maintain production levels and prices of foreign imports.

Continued effects of the recent U.S. economic recession, uncertainty in the European markets and slowing economic growth in China could lead to a decline in demand for crude oil and natural gas. Further slowdowns in economic activity would likely reduce worldwide demand for energy and result in an extended period of lower crude oil and natural gas prices. Any unexpected material changes in oil and gas prices or other market trends that adversely impact seismic exploration activity would likely affect the demand for our products and could materially and adversely affect our results of operations and liquidity.

Our New Products May Not Achieve Market Acceptance

Our outlook and assumptions are based on various macro-economic factors and internal assessments, and actual market conditions could vary materially from those assumed. In recent years, we have incurred significant expenditures to fund our research and development efforts, and we intend to continue those expenditures in the future. However, research and development is by its nature speculative, and we cannot assure you that these expenditures will result in the development of new products or services or that any new products and services we have developed recently or may develop in the future will be commercially marketable or profitable to us. In particular, we have incurred substantial expenditures to develop our wireless nodal seismic data acquisition systems, as well as other seismic products for reservoir characterization applications. In addition, we try to use some of our capabilities, particularly our cable manufacturing capabilities, to supply products to new markets. Further, we have incurred substantial expense and expended significant effort to develop our thermal solutions products. We cannot assure you that we will realize our expectations regarding acceptance of and revenues generated by our new products and services in existing or new markets.

We May Experience Fluctuations in Quarterly Results of Operations

Historically, the rate of new orders for our products has varied substantially from quarter to quarter. Moreover, we typically operate, and expect to continue to operate, on the basis of orders in-hand for our products before we commence substantial manufacturing "runs." The short-term nature of our order backlog for most products generally does not allow us to predict with any accuracy demand for our products more than approximately three months in advance. Thus, our ability to replenish orders and the completion of orders, particularly large orders for deepwater reservoir characterization projects, can significantly impact our operating results and cash flow for any quarter, and results of operations for any one quarter may not be indicative of results of operations for future quarters. These periodic fluctuations in our operating results could adversely affect our stock price.

Our Credit Risk Could Increase if Our Customers Face Difficult Economic Circumstances

We believe that our allowances for bad debts are adequate in light of known circumstances. However, we cannot assure you that additional amounts attributable to uncollectible receivables and bad debt write-offs will not have a material adverse effect on our future results of operations. Many of our seismic customers are not well capitalized and as a result cannot always pay our invoices when due. We have in the past incurred write-offs in our accounts receivable due to customer credit problems. We have found it necessary from time to time to extend trade credit, including on promissory notes, to long-term customers and others where some risks of non-payment exist. With the recent global financial crisis and tight commercial credit availability, some of our customers relying on credit markets as the source of funds for their capital spending may experience significant liquidity difficulties, which increase those credit risks. An increase in the level of bad debts and any deterioration in our credit risk could adversely affect the price of our stock. In addition, we rent equipment to our customers that can be utilized in various countries around the world. If our rental customers experienced financial difficulties, it could be difficult or impossible to retrieve our rental equipment from foreign countries.

Our industry is characterized by rapid technological development and product obsolescence

Our instruments and equipment in both of our business segments are constantly undergoing rapid technological improvement. Our future success depends on our ability to continue to:

- improve our existing product lines,
- address the increasingly sophisticated needs of our customers,
- maintain a reputation for technological leadership,
- maintain market acceptance of our products,
- anticipate changes in technology and industry standards,
- respond to technological developments on a timely basis, and
- develop new markets for our products and capabilities.

Current competitors or new market entrants may develop new technologies, products or standards that could render our products obsolete. We cannot assure you that we will be successful in developing and marketing, on a timely and cost effective basis, product enhancements or new products that respond to technological developments, that are accepted in the marketplace or that comply with new industry standards. Additionally, in anticipation of customer product orders, from time to time we acquire substantial quantities of inventories, which if not sold or integrated into products within a reasonable period of time, could become obsolete. We would be required to impair the value of such inventories on our balance sheet.

We Operate in Highly Competitive Markets

The markets for most of our products are highly competitive. Many of our existing and potential competitors have substantially greater marketing, financial and technical resources than we do. Some competitors currently offer a broader range of instruments and equipment for sale than we do and may offer financing arrangements to customers on terms that we may not be able to match. In addition, new competitors may enter the market and competition could intensify. As to our thermal solutions products, we compete with other printing solutions, including inkjet and laser printing technologies, many of which are provided by large companies with significant resources.

We cannot assure you that sales of our products will continue at current volumes or prices if current competitors or new market entrants introduce new products with better features, performance, price or other characteristics than our products. Competitive pressures or other factors may also result in significant price competition that could have a material adverse effect on our results of operations.

We Have a Limited Market for Our Seismic Products

In our seismic business segment, we market our traditional products to seismic service contractors and to large, independent and government-owned oil and gas companies. We estimate that, based on published industry sources, fewer than 50 seismic contracting companies are currently operating worldwide (excluding those operating in the Russian Federation and the former Soviet Union, India, the People's Republic of China and certain Eastern European countries, where seismic data acquisition activity is difficult to verify). We estimate that fewer than 20 seismic contractors are engaged in marine seismic exploration. Due to these market factors, a relatively small number of customers, some of whom are experiencing financial difficulties, have accounted for most of our sales. From time to time these seismic contractors have sought to vertically integrate and acquire our competitors, which has influenced their supplier decisions before and after such transactions. In addition, consolidation among our customers may further concentrate our business to a limited number of customers and expose us to increased risks related to dependence on a small number of customers. The loss of a small number of these customers could materially and adversely impact sales of our seismic products.

We Cannot Be Certain of the Effectiveness of Patent Protection

We hold and from time to time apply for certain patents relating to some of our seismic data acquisition and other products. We also own several patents which relate to the development of dry thermal film. We cannot assure you that our patents will prove enforceable or free of challenge, that any patents will be issued for which we have applied or that competitors will not develop functionally similar technology outside the protection of any patents we have or may obtain.

Our Foreign Subsidiaries and Foreign Marketing Efforts Face Additional Risks and Difficulties

Based on customer billing data, net sales outside the United States accounted for approximately 47% of our net sales during fiscal year 2012; however, we believe the percentage of sales outside the United States is much higher as many of our products are first delivered to a domestic location and ultimately shipped to a foreign location. We again expect net sales outside of the United States to represent a substantial portion of our net sales for fiscal year 2013 and subsequent years.

Foreign sales are subject to special risks inherent in doing business outside of the United States, including the risk of war, terrorist activities, civil disturbances, embargo and government activities and foreign attitudes about conducting business activities with the United States, restrictions of the movement and exchange of funds, inhibitions of our ability to collect accounts receivable, international sanctions, expropriation and nationalization of our assets or those of our customers, currency fluctuations, devaluations and conversion restrictions, confiscatory taxation or other adverse tax policies and governmental actions that may result in the deprivation of our contractual rights, all of which may disrupt markets or our operations.

A portion of our manufacturing is conducted through our subsidiary Geospace Technologies Eurasia, which is based in the Russian Federation. Our business could be directly affected by political and economic conditions in the Russian Federation. Boycotts, protests, governmental sanctions and other actions in the region could adversely affect our ability to operate profitably. The risk of doing business in the Russian Federation and other economically or politically volatile areas could adversely affect our operations and earnings. Foreign sales are also generally subject to the risk of compliance with additional laws, including tariff regulations and import and export restrictions. Sales in certain foreign countries require prior U.S. government approval in the form of an export license. We cannot assure you that we will not experience difficulties in connection with future foreign sales. Also due to foreign laws and restrictions, should we experience substantial growth in certain foreign markets, for example in the Russian Federation, we may not be able to transfer cash balances to the United States to assist with debt servicing or other obligations.

Unfavorable Currency Exchange Rate Fluctuations Could Adversely Affect Our Results of Operations

Substantially all of our sales from the United States are made in U.S. dollars, though from time to time we may make sales in foreign currencies. As a result, we may be subject to foreign currency fluctuations on our sales. The reporting currency for our financial statements is the U.S. dollar. However, the assets, liabilities, revenues and costs of our Russian, Canadian and United Kingdom subsidiaries are denominated in currencies other than U.S. dollars. To prepare our consolidated financial statements, we must translate those assets, liabilities, revenues and expenses into U.S. dollars at then-applicable exchange rates. Consequently, increases and decreases in the value of the U.S. dollar versus these other currencies will affect the amount of these items in our consolidated financial statements, even if their value has not changed in their original currency. These translations could result in significant changes to our results of operations from period to period. For the fiscal year ended September 30, 2012, approximately 13.4% of our consolidated revenues related to the operations of our foreign subsidiaries.

We Have a Relatively Small Public Float, and Our Stock Price May be Volatile

In October 2012, we implemented a 2-for-1 split of our common stock effected in the legal form of a stock dividend. Other than the disclosure of the authorized number of shares of our common stock, we have adjusted all share and per-share disclosures for all periods presented in our consolidated financial statements to give effect to the stock split. Despite our recent 2-for-1 stock split, at September 30, 2012, we have approximately 12.0 million shares outstanding held by non-affiliates. This small float results in a relatively illiquid market for our common stock. Our daily trading volume for the year ended September 30, 2012 averaged approximately 114,000 shares. Our small float and daily trading volumes have in the past caused, and may in the future result in, significant volatility in our stock price.

We Rely on a Key Supplier for a Significant Portion of Our Dry Thermal Film

While we currently manufacture dry thermal film, we also purchase a large quantity of dry thermal film from a European manufacturer through its distributor in the United Kingdom. Except for the film produced by us and sold to us by this manufacturer/distributor, we know of no other source for dry thermal film that performs well in our thermal imaging equipment. If we are unable to economically manufacture dry thermal film internally or the European manufacturer/distributor we rely on were to discontinue producing dry thermal film, were to become unwilling to contract with us on competitive terms or were unable to supply dry thermal film in sufficient quantities to meet our requirements, our ability to compete in the thermal imaging marketplace could be impaired, which could adversely affect our financial performance.

Our Success Depends Upon a Limited Number of Key Personnel

Our success depends on attracting and retaining highly skilled professionals. A number of our employees are highly skilled engineers and other professionals. In addition, our success depends to a significant extent upon the abilities and efforts of the members of our senior management. If we fail to continue to attract and retain such professionals, our ability to compete in the industry could be adversely affected.

A General Downturn in the Economy in Future Periods May Adversely Affect Our Business

Continued effects of the recent downturn in the U.S. economy, uncertainty in the European markets and slowing growth in China and any other economic slowdown in future periods, could adversely affect our business in ways that we cannot predict. During times of economic slowdown, our customers may reduce their capital expenditures and defer or cancel pending projects. Such developments occur even among customers that are not experiencing financial difficulties. Any economic downturn may adversely affect the demand for oil and gas generally or cause volatility in oil and gas commodity prices and, therefore, adversely affect the demand for our services to the oil and gas industry and related service and equipment. It could also adversely affect the demand for consumer products, which could in turn adversely affect our thermal solutions business. To the extent these factors adversely affect other seismic companies in the industry, there could be an oversupply of products and services and downward pressure on pricing for seismic products and services, which could adversely affect us. Additionally, bankruptcies or financial difficulties among our customers could reduce our cash flows and adversely impact our liquidity and profitability. See "We Have a Limited Market for Our Seismic Products," above.

We Have a Minimal Disaster Recovery Program at the Pinemont Facility

Due to its proximity to the Texas Gulf Coast, our Pinemont facility is annually subject to the threat of hurricanes, and the aftermath that follows. Hurricanes may cause, among other types of damage, the loss of electrical power for extended periods of time. If we lost electrical power at the Pinemont facility, or if a fire or other natural disaster occurred, we would be unable to continue our manufacturing operations during the power outage because we do not own a generator or any other back-up power source large enough to provide for our manufacturing power consumption needs. We have a back-up generator to provide power for our information technology operations. Although we store our back-up data offsite, we do not maintain an alternative facility to run our information technology operations. Additionally, we do not have an alternative manufacturing or operating location in the United States. A significant disruption in our manufacturing and information technology operations could materially and adversely affect our business operations during an extended period of a power outage, fire or other natural disaster.

The Credit Agreement Imposes Restrictions on Our Business

We and several of our subsidiaries are parties to a credit agreement with a bank. The credit agreement contains covenants and requires maintenance of certain financial ratios and tests, which impose restrictions on our business and on the business of our guarantor-subsidiaries. We currently believe that the most restrictive covenant in the credit agreement is the consolidated cash flow coverage ratio. Our ability to comply with these restrictions may be affected by events beyond our control, including, but not limited to, prevailing economic, financial and industry conditions and continuing declines in our sales of products. The breach of any of these covenants or restrictions, as well as any failure to make a payment of interest or principal when due, could result in a default under the credit agreement. Such a default would permit our lender to declare amounts borrowed from it to be due and payable, together with accrued and unpaid interest, and the ability to borrow under the credit agreement could be terminated. If we are unable to repay debt to our lender, the lender could proceed against the collateral securing that debt. While we intend to seek alternative sources of cash in such a situation, there is no guarantee that any alternative cash source would be available, or would be available on terms favorable to us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of September 30, 2012, our operations included the following locations:

Location	Owned/Leased	Approximate Square Footage	Use
Houston, Texas	Owned	387,000	See Note 1 below
Houston, Texas	Owned	77,000	See Note 2 below
Ufa, Bashkortostan, Russia	Owned	120,000	Manufacturing, sales and service
Calgary, Alberta, Canada	Owned	45,000	Manufacturing, sales and service
Luton, Bedfordshire, England	Owned	8,000	Sales and service
Beijing, China	Leased	1,000	Sales and service

In November 2012, we purchased a new facility located at 6410 Langfield Road in Houston, Texas (the "Langfield Facility"). The Langfield Facility includes a 30,000 square foot building located on 3.4 acres of land and the cost was approximately $2.5 million. In December 2012, we purchased a new facility in Bogota, Colombia (the "Bogota Facility"). The Bogota Facility includes a 19,000 warehouse and office building with a purchase price of approximately $1.6 million. We may acquire additional properties as needed to facilitate our increased business.

(1) This property is located at 7007 Pinemont Drive in Houston, Texas (the "Pinemont facility"). The Pinemont facility contains all manufacturing, engineering, selling, marketing and administrative activities for both the seismic and thermal solution segment of our company in the United States. The Pinemont facility also serves as our company headquarters.

(2) This property, located at 7334 N. Gessner in Houston, Texas (the "Gessner facility"), previously contained a manufacturing operation and certain support functions. In February 2006, we entered into a seven-year lease with a tenant whereby the tenant agreed to lease portions of the building up to August 15, 2008, and to lease the entire building from August 16, 2008 through August 31, 2013. The lease agreement was amended in 2009 to allow the tenant the option to lease the entire building through July 31, 2020.

Item 3. Legal Proceedings

We are involved in various pending or potential legal actions in the ordinary course of our business. Management is unable to predict the ultimate outcome of these actions, because of the inherent uncertainty of litigation. However, management believes that the most probable, ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

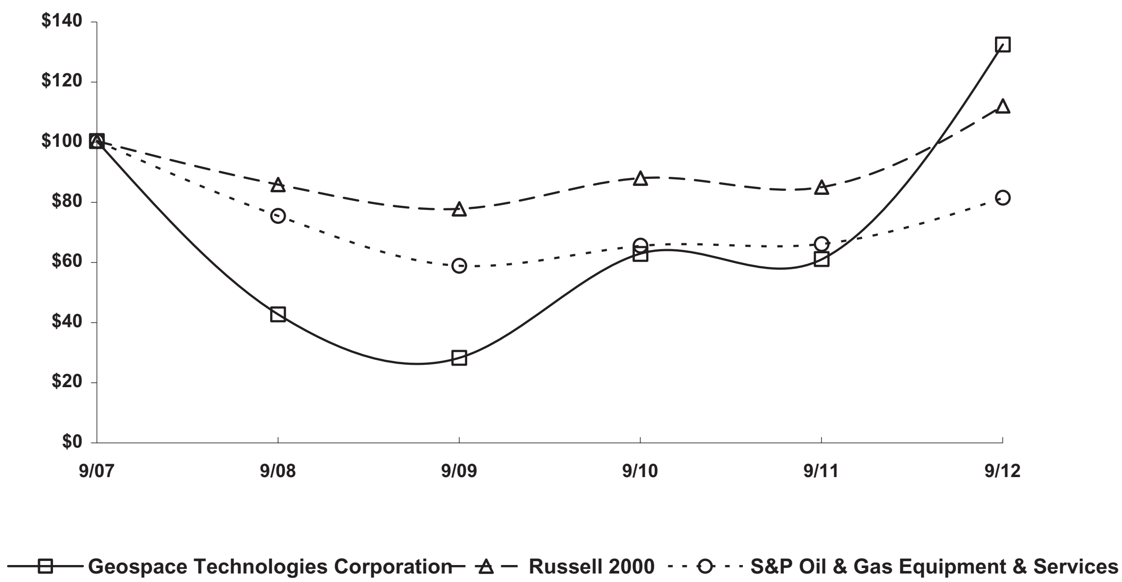
None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The following graph compares the performance of the Company's common stock with the performance of the Russell 2000 index and the Standard & Poor's Oil & Gas Equipment and Services index as of each of the dates indicated.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Geospace Technologies Corporation, the Russell 2000 Index,
and the S&P Oil & Gas Equipment & Services Index



* $100 invested on 9/30/07 in stock or index, including reinvestment of dividends. Fiscal year ending September 30.

The graph assumes $100 invested on September 30, 2007 (a) in the Company's common stock, (b) in the stocks comprising the Russell 2000 index on that day and (c) in the stocks comprising the Standard & Poor's Oil & Gas Equipment and Services index on that day. Reinvestment of all dividends on stocks comprising the two indices is assumed. The foregoing graphs are based on historical data and are not necessarily indicative of future performance. These graphs shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission or subject to the Regulations of 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act.

Our common stock is traded on The NASDAQ Global Market under the symbol "GEOS". On December 4, 2012, there were approximately 15 holders of record of our common stock, and the closing price per share on such date was $76.39 as quoted by The NASDAQ Global Market.

In October 2012, we implemented a 2-for-1 split of our common stock effected in the legal form of a stock dividend. Other than the disclosure of the authorized number of shares of our common stock, we have adjusted all share and per-share disclosures for all periods presented in our consolidated financial statements, and the high and low stock prices presented in the table below, to give effect to the stock split.

The following table shows the high and low per share sales prices for our common stock reported on The NASDAQ Global Market.

	Low	High
Year Ended September 30, 2012:		
Fourth Quarter	$41.87	$61.75
Third Quarter	40.31	58.92
Second Quarter	37.96	58.00
First Quarter	25.87	45.88
Year Ended September 30, 2011:		
Fourth Quarter	$27.54	$53.62
Third Quarter	41.00	50.31
Second Quarter	42.17	55.00
First Quarter	29.00	50.15

Since our initial public offering in 1997, we have not paid dividends, and we do not intend to pay cash dividends on our common stock in the foreseeable future. We presently intend to retain our earnings for use in our business, with any future decision to pay cash dividends dependent upon our growth, profitability, financial condition and other factors our Board of Directors may deem relevant. Our existing credit agreement also has covenants that materially limit our ability to pay dividends. For a discussion of our credit agreement, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation—Liquidity and Capital Resources" contained in this Annual Report on Form 10-K.

The following equity plan information is provided as of September 30, 2012:

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Security Holders (1)	245,356	$13.93	275,792
Equity Compensation Plans Not Approved by Security Holders	600	$ 4.25	38,000

(1) The securities are to be issued pursuant to the Company's 1999 Broad-Based Option Plan. A description of such plan is provided in Note 13 to the consolidated financial statements contained in this Annual Report on Form 10-K.

Item 6. Selected Consolidated Financial Data

The following table sets forth certain selected historical financial data on a consolidated basis. We have derived the selected consolidated financial information as of September 30, 2012 and 2011 and for fiscal years 2012, 2011 and 2010 from our audited consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K. We have derived the selected consolidated financial information as of September 30, 2010, 2009 and 2008 and for fiscal years 2009 and 2008 from audited consolidated formation not included herein. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in item 7 and our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

	Year Ended September 30,				
	2012	2011	2010	2009	2008
	(in thousands, except share and per share amounts)				
Statement of Operations Data:					
Sales	$ 191,664	$ 172,970	$ 128,533	$ 92,860	$ 134,495
Cost of sales	109,634	98,857	81,177	66,287	87,441
Gross profit	82,030	74,113	47,356	26,573	47,054
Operating expenses:					
Selling, general and administrative	18,914	18,051	16,618	14,572	16,913
Research and development	12,167	11,529	9,925	8,062	8,945
Bad debt expense (recovery)	118	128	(479)	318	1,615
Total operating expenses	31,199	29,708	26,064	22,952	27,473
Gain (loss) on disposal of equipment	34	—	(184)	(12)	604
Income from operations	50,865	44,405	21,108	3,609	20,185
Other income (expense), net	997	214	(206)	(298)	233
Income before income taxes	51,862	44,619	20,902	3,311	20,418
Income tax expense	16,744	14,908	6,820	1,551	6,266
Net income	$ 35,118	$ 29,711	$ 14,082	$ 1,760	$ 14,152
Net income per share:					
Basic (1)	$ 2.76	$ 2.39	$ 1.17	$ 0.15	$ 1.20
Diluted (1)	$ 2.74	$ 2.36	$ 1.14	$ 0.14	$ 1.16
Weighted average shares outstanding:					
Basic (1)	12,735,520	12,441,313	12,062,627	11,900,805	11,817,454
Diluted (1)	12,836,239	12,572,647	12,386,036	12,158,756	12,232,077
Other Financial Data:					
Depreciation, amortization and stock-based compensation	$ 10,349	$ 7,783	$ 5,629	$ 5,472	$ 4,598
Capital expenditures	35,729	20,144	6,117	1,709	9,796

	As of September 30,				
	2012	2011	2010	2009	2008
	(in thousands)				
Balance Sheet Data:					
Working capital	$ 146,036	$ 124,900	$ 91,577	$ 82,842	$ 82,475
Total assets	259,022	196,801	163,496	141,482	159,380
Short-term debt	—	—	440	728	709
Long-term debt	—	—	7,260	8,820	19,526
Stockholders' equity	214,987	177,013	136,586	118,658	117,363

We did not declare or pay any cash dividends during any of the periods noted in the above tables.

(1) In October 2012, we implemented a 2-for-1 split of our common stock effected in the legal form of a stock dividend. Other than the disclosure of the authorized number of shares of our common stock, we have adjusted all share and per-share disclosures for all periods presented in our consolidated financial statements, and the high and low stock prices presented in the table above, to give effect to the stock split.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of the major elements of our consolidated financial statements. You should read this discussion and analysis together with our consolidated financial statements, including the accompanying notes, and other detailed information appearing elsewhere in this Annual Report on Form 10-K, including under the heading "Risk Factors". The discussion of our financial condition and results of operations includes various forward-looking statements about our markets, the demand for our products and services and our future plans and results. These statements are based on assumptions that we consider to be reasonable, but that could prove to be incorrect. For more information regarding our assumptions, you should refer to the section entitled "—Forward-Looking Statements and Assumptions" contained in this Item 7 in this Annual Report on Form 10-K.

Background

We design and manufacture instruments and equipment used in the acquisition and processing of seismic data as well as in the characterization and monitoring of producing oil and gas reservoirs. We have been in the seismic instrument and equipment business since 1980 and market our products primarily to the oil and gas industry. We also design, manufacture and distribute thermal imaging equipment and thermal media products targeted at the screen print, point of sale, signage and textile market sectors. We have been manufacturing thermal imaging products in our Thermal Solutions segment since 1995. For a more detailed discussion of our business segments and products, see the information under the heading "Business" in this Annual Report on Form 10-K.

Consolidated Results of Operations

As we have reported in the past, our sales and operating profits have varied significantly from quarter-to-quarter, and even year-to-year, and are expected to continue that trend in the future, especially when our quarterly financial results are impacted by the presence or absence of relatively large, but somewhat erratic, shipments of seismic seabed, borehole reservoir characterization systems and/or wireless data acquisition systems. We have recently received two large orders for permanent seabed reservoir characterization systems. In February 2012, we received an order from Shell Brasil Petróleo Ltda for a $14.9 million system which is expected to be delivered in the second quarter of fiscal year 2013. In November 2012 we received the $160 million Statoil Order for two systems to be delivered over a three-year period through fiscal year 2015 with revenues and costs to be recognized on a percentage of completion basis. Utilizing the percentage of completion revenue recognition method, we currently expect to recognize approximately 45%, 40% and 15% of the Statoil Order revenues in fiscal years 2013, 2014 and 2015, respectively. As a result of these large orders, we expect our future revenues from the sale of seismic reservoir products to increase significantly compared to historical sales levels.

We report and evaluate financial information for two segments: Seismic and Thermal Solutions. Summary financial data by business segment follows (in thousands):

	Year Ended September 30,		
	2012	2011	2010
Seismic			
Traditional exploration product revenues	$ 66,849	$ 67,862	$ 66,556
Wireless exploration product revenues	82,646	63,753	23,221
Reservoir product revenues	15,426	15,998	14,600
Industrial product sales	13,300	11,040	10,397
Total seismic sales	178,221	158,653	114,774
Operating income	59,455	53,477	28,955
Thermal Solutions			
Net sales	12,642	13,519	12,955
Operating income (loss)	1,014	(37)	397
Corporate			
Net Sales	801	798	804
Operating loss	(9,604)	(9,035)	(8,244)
Consolidated Totals			
Net Sales	191,664	172,970	128,533
Operating income	50,865	44,405	21,108

Overview

Fiscal Year 2012 Compared to Fiscal Year 2011

Consolidated net sales for fiscal year 2012 increased $18.7 million, or 10.8%, from fiscal year 2011. The higher level of sales resulted from increased customer demand for our seismic products and particularly robust demand for sales and rentals of our land-based wireless (or nodal) data acquisition systems. The increased demand for our seismic products is being driven by strong oil and gas exploration activities throughout the world.

Consolidated gross profits for fiscal year 2012 increased by $7.9 million, or 10.7%, from fiscal year 2011. The increase in gross profits resulted from increased sales and rentals of our seismic products.

Consolidated operating expenses for fiscal year 2012 increased $1.5 million, or 5.0%, from fiscal year 2011. The increase in operating expenses resulted from expanded activities associated with our sales growth, and from increased incentive compensation expenses.

The U.S. statutory tax rate applicable to us for fiscal years 2012 and 2011 was 35.0%; however, our effective tax rate was 32.3% and 33.4% for fiscal years 2012 and 2011, respectively. The lower effective tax rate for both fiscal years resulted from (i) the impact of the manufacturers'/producers' deduction available in the United States, (ii) lower tax rates applicable to income earned in foreign tax jurisdictions and (iii) research and experimentation tax credits.

Fiscal Year 2011 Compared to Fiscal Year 2010

Consolidated net sales for fiscal year 2011 increased $44.4 million, or 34.6%, from fiscal year 2010. The higher level of sales resulted from increased customer demand for our seismic products and particularly robust demand for sales and rentals of our land-based wireless (or nodal) data acquisition systems. The increased demand for our seismic products is being driven by strong oil and gas exploration activities throughout the world.

Consolidated gross profits for fiscal year 2011 increased by $26.8 million, or 56.5%, from fiscal year 2010. The increase in gross profits resulted from (i) increased sales and rentals of seismic products, (ii) a more favorable product mix, and (iii) improved manufacturing productivity due to higher production output.

Consolidated operating expenses for fiscal year 2011 increased $3.6 million, or 14.0%, from fiscal year 2010. The increase in operating expenses resulted from (i) increased pretax earnings giving rise to $0.5 million of increased incentive compensation expenses, (ii) increased product development expenditures of $1.2 million relating to product enhancements and new product introductions, and (iii) a general increase in expenses associated with increased sales activities.

The U.S. statutory tax rate applicable to us for fiscal years 2011 and 2010 was 35.0%; however, our effective tax rate was 32.4% and 32.6% for fiscal years 2011 and 2010, respectively. The lower effective tax rate in fiscal year 2011 resulted from (i) the impact of the manufacturers'/producers' deduction available in the United States and (ii) an increase in research and experimentation tax credits resulting from United States Congress' renewal and extension of the tax credit program during fiscal year 2011 through December 2012. The lower effective tax rate in fiscal year 2010 resulted from (i) the impact of the manufacturers'/producers' deduction available in the United States, (ii) a revaluation of our United States net deferred tax assets from 34.0% to 35.0%, (iii) the revaluation of a tax loss carryback for our Canadian subsidiary, and (iv) a reduction in our contingent tax expenses.

Segment Results of Operations

Seismic Products

Fiscal Year 2012 Compared to Fiscal Year 2011

Net Sales

Sales of our seismic products for the fiscal year ended September 30, 2012 increased by $19.6 million, or 12.3%, from the prior fiscal year. The components of this increase include the following:

- *Traditional Product Sales and Rentals*—For the fiscal year ended September 30, 2012, revenues from our traditional products decreased $1.0 million, or 1.5%, from the corresponding period of the prior fiscal year. This decline in revenues primarily resulted from reduced shipments of marine products and was partially offset by increased sales of geophones and connectors.
- *Wireless Product Sales and Rentals*—For the fiscal year ended September 30, 2012, revenues from our wireless products increased by $18.9 million, or 29.6%, from the prior fiscal year. The increase in revenues resulted from the continued industry acceptance of our wireless systems in lieu of less efficient legacy cable-based systems.
- *Reservoir Product Sales, Rentals and Services*—For the fiscal year ended September 30, 2012, revenues from our reservoir products decreased $0.6 million, or 3.6%, from the prior fiscal year. Revenues from these products, which in recent years primarily include our seismic borehole tools, have historically been erratic. Due to the recent receipt of large orders for our permanent seabed reservoir monitoring systems, we expect revenues for our reservoir products to increase significantly in future years.
- *Industrial Product Sales*—For the fiscal year ended September 30, 2012, sales of our industrial, or non-seismic, products increased $2.3 million, or 20.5%, from the prior fiscal year. This increase was primarily driven by increased shipments of offshore cable products.

The rate of new customer orders for our seismic products, especially large orders for our wireless, marine, borehole and subsea reservoir products, generally occur irregularly thereby making it difficult for us to predict our sales and production levels each quarter. Furthermore, product shipping dates are generally determined by our customers and are not at our discretion. As a result, these factors have caused past sales of our seismic products to be unpredictable, or "lumpy," and we expect this trend to continue into the future.

Operating Income.

Operating income for fiscal year 2012 increased $6.0 million, or 11.2%, from fiscal year 2011. The higher level of operating income resulted primarily from increased sales and specifically sales and rentals of our wireless products.

Fiscal Year 2011 Compared to Fiscal Year 2010

Net Sales.

Sales of our seismic products for fiscal year 2011 increased $43.9 million, or 38.2%, from fiscal year 2010. The components of this increase include the following:

- *Traditional Product Sales and Rentals*—For the fiscal year ended September 30, 2011, revenues from our traditional products increased $1.3 million, or 2.0%, from the corresponding period of the prior fiscal year. This increase in revenues resulted from increased shipments of marine products, and was partially offset by a decrease in sales of geophones products.
- *Wireless Product Sales and Rentals*—For the fiscal year ended September 30, 2011, revenues from our wireless products increased by $40.5 million, or 174.5%, from the prior fiscal year. The increase in revenues resulted from the customer acceptance of our wireless systems to replace less efficient legacy cable-based systems.
- *Reservoir Product Sales, Rentals and Services*—For the fiscal year ended September 30, 2011, revenues from our reservoir products increased $1.4 million, or 9.6%, from the prior fiscal year. The increase in revenues resulted from increased sales of our seismic borehole tools.
- *Industrial Product Sales*—For the fiscal year ended September 30, 2011, sales of our industrial, or non-seismic, products increased $0.6 million, or 6.2%, from the prior fiscal year. This increase was primarily driven by increased shipments of industrial sensor and specialty cable products.

Operating Income.

Operating income for fiscal year 2011 increased $24.5 million, or 84.7%, from fiscal year 2010. The higher operating income resulted primarily from increased product sales and equipment rentals, improved factory productivity, and a more favorable product mix. These improvements in our operating income were partially offset by (i) additional charges for inventory obsolescence due to the aging of certain of our inventories, (ii) increased incentive compensation expenses due to a higher level of pretax income, and (iii) operating losses at our subsidiary in the Russian Federation due to competitive pricing pressures in its local market.

Thermal Solutions Products

Fiscal Year 2012 Compared to Fiscal Year 2011

Net Sales.

Sales of our thermal solutions products for fiscal year 2012 decreased $0.9 million, or 6.5%, from fiscal year 2011. We consider this decrease to be somewhat normal due to recurring fluctuations in product sales volume and not associated with any particular long-term trend.

Operating Income.

Our operating income from our thermal solutions products for fiscal year 2012 increased $1.1 million, or 2,840.5%, from fiscal year 2011. The increase in operating income resulted from improved gross profits due to lower material costs and lower levels of inventory obsolescence expense.

Fiscal Year 2011 Compared to Fiscal Year 2010

Net Sales.

Sales of our thermal solutions products for fiscal year 2011 increased $0.6 million, or 4.4%, from fiscal year 2010. Approximately $0.3 million of this increase resulted from growing sales to our Canadian customers. We consider the remaining increase to be somewhat normal due to recurring fluctuations in product sales volume and not associated with any long-term trend.

Operating Income.

Our operating income from our thermal solutions products for fiscal year 2011 decreased $0.4 million, or 109.3%, from fiscal year 2010. The decline in profitability resulted from (i) lower margins on product sales due to higher material costs for our film products, (ii) additional charges for inventory obsolescence expense due to the aging of certain inventories, and (iii) increased incentive compensation expenses relative to the improvement in our consolidated financial results.

Incentive Compensation Program

We adopted an incentive compensation program for fiscal year 2012 whereby most employees will be eligible to begin earning incentive compensation if the Company reaches a five percent pretax return on stockholders' equity, determined as of September 30, 2011. To be eligible to participate in this incentive compensation program, employees must participate in our Core Values Program. Based on our experience in prior years, we expect one hundred percent of our eligible employees to participate in the Core Values Program. The incentive compensation program does not apply to the employees of our subsidiary in the Russian Federation since such employees participate in a locally administered bonus program. Certain non-executive employees are required to achieve specific goals to earn a significant portion of their total incentive compensation award. Any bonus awards earned under this program in fiscal year 2012 will be paid out to eligible employees after the end of the fiscal year.

Upon reaching the five percent threshold under this proposed program, an incentive compensation accrual will be established equal to 15.3 percent of the amount of any consolidated pretax profits above the five percent pretax return threshold. The maximum aggregate bonus available under the program for fiscal year 2012 was originally $4.8 million; however, our board of directors subsequently increased the maximum bonus pool to $5.7 million based on the record earnings of the Company in fiscal year 2012. Under this program as modified, for the fiscal years ended September 30, 2012 and 2011, we had accrued $5.7 million and $4.2 million, respectively, of incentive compensation expense.

Liquidity and Capital Resources

At September 30, 2012, we had $50.8 million in cash and cash equivalents. In addition, we had $20.0 million of short-term investments at September 30, 2012. For fiscal year 2012, we generated approximately $43.2 million of cash from operating activities. The primary sources of cash generated in our operating activities resulted from net income of $35.1 million. Additional sources of cash included net non-cash charges of $13.3 million for deferred income tax expense, depreciation, amortization, stock-based compensation, inventory obsolescence and bad debts. Other sources of cash from operating activities included (i) a $12.2 million increase in accounts payable due to increased purchases of raw materials, (ii) a $7.9 million increase in deferred revenue resulting from an increase in the amount of advanced payments received from our customers, (iii) a $3.8 million decrease in trade accounts and notes receivable primarily resulting from improved cash receipts from customers during fiscal year 2012, and (iv) a $0.6 million increase in accrued expenses and other, including a $1.6 million increase in incentive compensation expenses due to increased consolidated pretax earnings. These sources of cash were offset by (i) a $15.6 million increase in inventories due to increasing levels of work-in-process resulting from known and anticipated product orders, rental equipment demands and the production of a permanent seabed acquisition for Shell Brasil Petróleo Ltda , (ii) a $10.0 million adjustment to transfer gross profits from rental equipment sales to investing activities since such transactions involve the sale of long-lived assets, and (iii) a $4.5 million increase in prepaid income taxes related to intercompany sales.

For fiscal year 2012, we used approximately $26.3 million of cash in investing activities. The uses of cash primarily resulted from (i) our investment of $31.7 million for rental equipment, (ii) $4.0 million of capital expenditures for property and equipment, and (iii) a $14.8 million net increase in our short-term investments. In addition, we transferred $2.0 million of inventories to our rental equipment during fiscal year 2011 which had a non-cash impact. The uses of cash outlined above were partially offset by $24.2 million of proceeds from the sale of used rental equipment. Due to strong customer demand for our wireless rental equipment in North America and the recent establishment of a branch office in Bogota, Colombia, we estimate that our capital expenditures for rental equipment in fiscal year 2013 could be approximately $40.0 million or more, including non-cash transfers from our inventory account. In addition, we estimate that other capital expenditures for property and equipment could be approximately $14.0 million, in part resulting from the need to expand our production capacity due to the recently received Statoil Order. Similar to fiscal year 2012, in fiscal year 2013 we expect to sell a significant amount of our rental equipment to customers and, therefore, we expect to generate sales proceeds to partially or fully offset our investment in rental equipment. Beyond this we expect to finance our capital expenditures in rental equipment and other property and equipment from our cash on hand, internal cash flow and/or from borrowings under our Credit Agreement.

For fiscal year 2012, we generated approximately $2.5 million of cash in the financing activities from the exercise of stock options and related tax benefits.

At September 30, 2011, we had $31.4 million in cash and cash equivalents. For fiscal year 2011, we generated approximately $1.1 million of cash in operating activities. Sources of cash generated in our operating activities resulted from net income of $29.7 million. Additional sources of cash included net non-cash charges of $11.8 million for deferred income tax benefit, depreciation, amortization, stock-based compensation, inventory obsolescence and bad debts. Other sources of cash included (i) a $2.0 million decrease in trade accounts and notes receivable primarily resulting from improved cash receipts from customers during fiscal year 2011, (ii) a $1.8 million increase in accrued expenses and other primarily resulting from an increase of $0.8 million for incentive compensation expenses due to increased consolidated pretax earnings, and a $0.7 million increase in warranty accruals due to increased potential warranty exposure resulting from increased product sales, and (iii) a $1.2 million increase in accounts payable due to increased purchases of raw materials. These sources of cash were offset by (i) a $29.5 million increase in inventories due to the replenishment of low levels of our wireless data acquisition system inventories, and increasing levels of work-in-process resulting from product orders and anticipated demand for wireless data acquisition system sales and rentals, (ii) a $11.2 million adjustment to transfer gross profits from rental equipment sales to investing activities since such transactions involve the sale of long-lived assets, (iii) a $2.5 million increase in other current assets resulting from the advanced payment of income taxes in certain tax jurisdictions, (iv) a $1.7 million decrease in income tax payable resulting from the payment of income taxes owed on our pretax profits and (v) a $0.6 million decrease in deferred revenue resulting from a reduction in the amount of advanced payments received from our customers.

For fiscal year 2011, we used approximately $5.2 million of cash in investing activities. The uses of cash primarily resulted from (i) our investment of $15.4 million for rental equipment, (ii) $4.7 million of capital expenditures for property and equipment, and (iii) a $4.9 million investment in short-term investments. In addition, we transferred $0.2 million of inventories to our rental equipment during fiscal year 2011 which had a non-cash impact. The uses of cash outlined above were partially offset by $19.9 million of proceeds from the sale of used rental equipment.

For fiscal year 2011, we generated approximately $2.0 million of cash in the financing activities of our operations. During fiscal year 2011, we generated $9.7 million of proceeds from the exercise of stock options and related tax benefits. Partially offsetting these proceeds was a $7.7 million cash payment to pay off a mortgage loan obligation.

At September 30, 2010, we had $33.5 million in cash and cash equivalents. For fiscal year 2010, we generated approximately $28.8 million of cash from our operating activities. Sources of cash generated in our operating activities include net income of $14.1 million. Additional sources of cash include net non-cash charges of $6.6 million for deferred income tax expense, depreciation, amortization, stock-based compensation, inventory obsolescence and bad debts. Other sources of cash included (i) a $6.7 million decrease in inventories due to improved management activities, (ii) a $5.0 million increase in accrued expenses primarily resulting from higher incentive compensation costs resulting from higher levels of pretax income and (iii) a $1.9 million increase in income taxes payable primarily resulting from the increase in taxable income. These sources of cash were offset by (i) a $2.7 million increase in accounts and notes receivable resulting from higher levels of sales, (ii) a $0.9 million decrease in accounts payable due to increases in purchases of raw materials and (iii) a $0.9 million decrease in prepaid expenses and other resulting from the timing of funding our payrolls.

For fiscal year 2010, we used approximately $4.9 million of cash in investing activities primarily resulting from our capital expenditures for rental equipment. In addition, we transferred $0.3 million of inventories to our rental equipment during fiscal year 2010 which had a non-cash impact.

For fiscal year 2010, we generated approximately $1.3 million of cash in the financing activities of our operations. Sources of cash included $3.3 million of proceeds from the exercise of stock options and related tax benefits. These sources of cash were offset by $1.8 million of principal payments under mortgage loans and a $0.1 million payment as a penalty for early extinguishment of debt.

On March 2, 2011, we entered into a new credit agreement (as amended, the “Credit Agreement”) with a bank. Under the Credit Agreement, we can borrow up to $25.0 million principally secured by our accounts receivable, inventories and equipment. In addition, certain of our domestic subsidiaries have guaranteed our obligations under the Credit Agreement and such subsidiaries have secured the obligations by the pledge of certain of the assets of such subsidiaries. The Credit Agreement expires on March 2, 2014. The Credit Agreement limits the incurrence of additional indebtedness, requires the maintenance of certain financial ratios, restricts us and our subsidiaries’ ability to pay cash dividends and contains other covenants customary in agreements of this type. The interest rate for borrowings under the Credit Agreement is a LIBOR based rate with a margin spread of 250-350 basis points depending upon the maintenance of certain ratios. At September 30, 2012, the interest rate was 2.7%. At September 30, 2012 and 2011, there were no borrowings under the Credit Agreement, standby letters of credit outstanding in the amount of $0.2 million and additional borrowings available of $24.8 million. Please see “Risk Factors” for more information about the restrictive covenants imposed on us by the Credit Agreement.

Off-Balance Sheet Arrangements

We do not have any obligations which meet the definition of an off-balance sheet arrangement and which have or are reasonably likely to have a current or future effect on our financial statements or the items contained therein that are material to investors.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. We consider many factors in selecting appropriate operational and financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these financial statements. We continually evaluate our estimates, including those related to bad debt reserves, inventory obsolescence reserves, self-insurance reserves for medical expenses, product warranty reserves, intangible assets, stock-based compensation and deferred income tax assets. We base our estimates on historical experience and various other factors, including the impact from the current economic conditions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different conditions or assumptions.

Our normal credit terms for trade receivables are 30 days. In certain situations, credit terms for trade receivables may be extended to 60 days or longer and such receivables generally do not require collateral. Additionally, we provide long-term financing in the form of promissory notes when competitive conditions require such financing and, in such cases, we may require collateral. We perform ongoing credit evaluations of our customers' accounts and notes receivable and allowances are recognized for potential credit losses.

Our long-lived assets are reviewed for impairment whenever an event or change in circumstances indicates the carrying amount of an asset or group of assets may not be recoverable. The impairment review, if necessary, includes a comparison of expected future cash flows (undiscounted and without interest charges) to be generated by an asset group with the associated carrying value of the related assets. If the carrying value of the asset group exceeds the expected future cash flows, an impairment loss is recognized to the extent that the carrying value of the asset group exceeds its fair value.

Management makes judgments regarding the interpretation of tax laws that might be challenged upon an audit and causes changes to previous estimates of tax liability. In addition, we operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions as well as by the Internal Revenue Service. In management's opinion, adequate provisions for income taxes have been made for all open tax years. The potential outcomes of examinations are regularly assessed in determining the adequacy of the provision for income taxes and income tax liabilities. Management believes that adequate provisions have been made for reasonable and foreseeable outcomes related to uncertain tax matters.

We record a write-down of our inventories when the cost basis of any manufactured product, including any estimated future costs to complete the manufacturing process, exceeds its net realizable value. Inventories are stated at the lower of cost or market value. Cost is determined on a first-in, first-out method, except that our subsidiary in the Russian Federation uses an average cost method to value its inventories.

We periodically review the composition of our inventories to determine if market demand, product modifications, technology changes, excessive quantities on-hand and other factors hinder our ability to recover its investment in such inventories. Management's assessment is based upon historical product demand, estimated future product demand and various other judgments and estimates. Inventory obsolescence reserves are recorded when such assessments reveal that portions or components of our inventory investment will not be realized in our operating activities.

We primarily derive revenue from the sale and short-term rental under operating leases, of products. Our products are produced in a standard manufacturing operation. We recognize revenue from product sales when (i) title passes to the customer, (ii) the customer assumes risks and rewards of ownership, (iii) the product sales price has been determined, (iv) collectability of the sales price is reasonably assured, and (v) product delivery occurs as directed by our customer. Our products are generally sold without any customer acceptance provisions and our standard terms of sale do not allow customers to return products for credit. We recognize rental revenues as earned over the rental period. Rentals of our equipment generally range from daily rentals to rental periods of up to six months or longer. Service revenues are recognized when services are rendered and are generally priced on a per day rate. Except for certain of our reservoir characterization products, our products are generally sold without any customer acceptance provisions and our standard terms of sale do not allow customers to return products for credit.

We expect to utilize the percentage-of-completion method (the "POC Method") to recognize revenues and costs on future contracts having the following characteristics:

- the contract requires significant custom designs for customer specific applications;
- the product design requires significant engineering efforts;
- the contract requires the customer to make progress payments during the contract term, and;
- the contract requires at least 90-days of engineering and manufacturing effort.

The POC Method will require our senior management to make estimates, at least quarterly, of the (i) total costs of the contract, (ii) manufacturing progress against the contract and (iii) the estimated cost to complete the contract. These estimates will impact the amount of revenue and gross profit we will recognize for each reporting period. Significant estimates that may affect future cost to complete a contract include the cost and availability of raw materials and component parts, engineering services, manufacturing equipment, labor, manufacturing capacity, factory productivity, contract penalties and disputes, product warranties and other contingent factors. The cumulative impact of periodic revisions to the future cost to complete a contract will be reflected in the period in which these changes become known, including, to the extent required, the recognition of losses at the time such losses are known and estimable on contracts in progress. Due to the various estimates inherent in the POC Method, actual results could differ from those estimates.

Most of our products do not require installation assistance or sophisticated instruction. We offer a standard product warranty, which obligates us to repair or replace equipment with manufacturing defects. We maintain a reserve for future warranty costs based on historical experience or, in the absence of historical experience, management estimates.

We record bill and hold arrangements consistent with guidance around bill and hold arrangements. As of September 30, 2012 and 2011, we had no sales under bill and hold arrangements.

Forward-Looking Statements and Assumptions

This Annual Report on Form 10-K and the documents incorporated by reference herein, if any, contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by terminology such as "may", "will", "should", "intend", "expect", "plan", "budget", "forecast", "anticipate", "believe", "estimate", "predict", "potential", "continue" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other forward-looking information. These forward-looking statements reflect our best judgment about future events and trends based on the information currently available to us. However, there may be events in the future that we are not able to predict or control. The factors listed under the caption "Risk Factors", as well as cautionary language in this Annual Report on Form 10-K, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of the events described in these risk factors and elsewhere in this Annual Report on Form 10-K could have a material adverse effect on our business, results of operations and financial position, and actual events and results of operations may vary materially from our current expectations.

Management's Current Outlook and Assumptions

Our estimates as to future results and industry trends, to the extent described in this document, are generally based on assumptions regarding the future level of seismic exploration activity, seismic reservoir monitoring projects, demand for offshore cable and other industrial products and demand for thermal imaging technologies, and in turn, their effect on the demand and pricing of our products and services. Our analysis of the market and its impact on us is based upon the following assumptions:

- Although crude oil prices have stabilized over the last two years, we believe the impact of the sovereign debt issues in Europe, slower economic growth in the U.S. and China and the resulting recessionary fears, combined with potentially volatile and unsteady energy commodity prices may constrain oil and gas exploration activities in North America and also in certain international markets. Furthermore, we believe many of our seismic customers relying on credit markets as the source of funds for their capital spending could be prohibited from purchasing new equipment until financial markets stabilize and demand for exploration activities increases. The uncertainty of these global economic matters and their ultimate impact on energy commodity prices, exploration activities and on our customers' ability to access credit markets may cause demand for our seismic exploration products to decrease.

- We believe the impact of political conditions and hostilities around the world, including those in North Africa and the Middle East, which may impact oil and gas commodity prices, will not cause a significant increase or decrease in demand for our seismic products for the foreseeable future.
- Some of our traditional seismic products are characterized as low margin commodity products with intense international competition. Sales levels for these products have been relatively flat since fiscal year 2010 and we do not expect sales levels for these lower margin products to grow during fiscal year 2013. As we focus our product development and production activities of higher margin specialty products and new technologies, especially our wireless and reservoir products, we expect sales of these lower margin traditional seismic products to decline in the future.
- In regards to our land and marine wireless product sales and rentals during fiscal year 2013, we expect sales and rental of our wireless products to increase over fiscal year 2012 levels. We believe this growth will come from new international customers and from existing customers.
- Seismic equipment rentals were approximately 9% of our fiscal year 2012 consolidated revenues. These equipment rentals primarily include wireless product rentals and, to a lesser extent, rentals of our traditional and reservoir products. We expect strong customer demand for rental equipment in fiscal year 2013 and, therefore, we plan to significantly expand our rental equipment fleet in both North and South America. As a result, we expect rental revenues from our seismic products to increase over fiscal year 2012 levels.
- Based upon recent orders received from Shell Brasil Petróleo Ltda and Statoil for our permanent seabed reservoir monitoring systems, we expect revenues for our reservoir products and services to increase significantly when compared to historical revenue levels for these products.
- We expect sales of our non-seismic products, including our industrial products, offshore cables and thermal printing equipment and film to increase over fiscal year 2012 levels.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We have some market risk relative to sensitive instruments entered into for trading purposes and have only very limited risk as to arrangements entered into other than for trading purposes. We do not engage in commodity or commodity derivative instrument purchase or sales transactions. Because of the inherent unpredictability of foreign currency rates and interest rates, as well as other factors, actual results could differ materially from those projected in this Item.

Short-Term Investment Risk

Our short-term investments consisting of corporate bonds, government bonds and other similar investments are classified for accounting purposes as available-for-sale. If these short-term investments are not held to maturity, the proceeds obtained when the instruments are sold will be impacted by the current interest rates at the time they are sold.

Foreign Currency and Operations Risk

One of our wholly-owned subsidiaries, Geospace Technologies Eurasia, is located in the Russian Federation. Therefore, our financial results may be affected by factors such as changes in foreign currency exchange rates, weak economic conditions in the Russian Federation or changes in its political climate. Our consolidated balance sheet at September 30, 2012 reflected approximately $6.3 million of net working capital related to Geospace Technologies Eurasia. For third-party transactions, Geospace Technologies Eurasia both receives its income and pays its expenses primarily in rubles. To the extent that transactions of Geospace Technologies Eurasia are settled in rubles, a devaluation of the ruble versus the U.S. dollar could reduce any contribution from Geospace Technologies Eurasia to our consolidated results of operations and total comprehensive income as reported in U.S. dollars. We do not hedge the market risk with respect to our operations in the Russian Federation; therefore, such risk is a general and unpredictable risk of future disruptions in the valuation of rubles versus U.S. dollars to the extent such disruptions result in any reduced valuation of Geospace Technologies Eurasia's net working capital or future contributions to our consolidated results of operations. At September 30, 2012, the foreign exchange rate of the U.S. dollar to the ruble was 1:32.4. If the U.S. dollar versus ruble exchange rate were to decline by ten percent, our working capital could decline by $0.6 million.

Foreign Currency Intercompany Accounts and Notes Receivable

From time to time, we provide access to capital to our foreign subsidiaries through U.S. dollar denominated interest bearing promissory notes. Such funds are generally used by our foreign subsidiaries to purchase capital assets and for general working capital needs. In addition, we sell products to our foreign subsidiaries in U.S. dollars on trade credit terms. Because U.S. dollar denominated intercompany debts are accounted for in the local currency of our foreign subsidiaries, any appreciation or devaluation of such foreign currencies against the U.S. dollar will result in a gain or loss, respectively, to our consolidated statement of operations. At September 30, 2012, we had outstanding intercompany accounts receivable of $29.8 million from our Canadian subsidiary. We have entered into an agreement with a Canadian bank to hedge $18.0 million of this foreign exchange exposure, resulting in a net U.S. dollar denominated intercompany accounts payable exposure to the Canadian dollar of $11.8 million. At September 30, 2012, the foreign exchange rate of the U.S. dollar to the Canadian dollar was 1:1.0. If the U.S. dollar exchange rate were to strengthen by ten percent against the Canadian dollar, we would recognize a foreign exchange loss of $1.2 million at our Canadian subsidiary. At September 30, 2012, we had outstanding accounts receivable of $2.7 million from our subsidiary in the Russian Federation, and the U.S. dollar to ruble exchange rate was 1:32.4. If the U.S. dollar exchange rate were to strengthen by ten percent against the Russian ruble, we would recognize a foreign exchange loss of $0.3 million at our Russian subsidiary.

Floating Interest Rate Risk

The New Credit Agreement contains a floating interest rate, which subjects us to the risk of increased interest costs associated with any upward movements in bank market interest rates. Under the New Credit Agreement our borrowing interest rate is a LIBOR based rate plus 250-350 basis points. As of September 30, 2012, we had no borrowings under the New Credit Agreement.

Item 8. Financial Statements and Supplementary Data

Our consolidated financial statements, including the reports thereon, the notes thereto and supplementary data begin at page F-1 of this Annual Report on Form 10-K and are incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under SEC's rules and forms, and that such information is accumulated and communicated to our management, including our

Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to report material information otherwise required to be set forth in the Company's reports.

In connection with the preparation of this Annual Report on Form 10-K, the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the CEO and CFO, as of September 30, 2012 of the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective as of September 30, 2012.

Management's Report on Internal Control Over Financial Reporting

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

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on this assessment, our management concluded that, as of September 30, 2012, our internal control over financial reporting is effective based on those criteria.

Our internal control over financial reporting as of September 30, 2012 has been audited by UHY LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ending September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is contained in our definitive Proxy Statement to be distributed in connection with our 2013 Annual Meeting of Stockholders under the captions "Election of Directors", "Executive Officers and Compensation," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Code of Ethics" and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item is contained in our definitive Proxy Statement to be distributed in connection with our 2013 Annual Meeting of Stockholders under the caption "Executive Officers and Compensation" and is incorporated herein by reference.

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

The information required by this Item is contained in our definitive Proxy Statement to be distributed in connection with our 2013 Annual Meeting of Stockholders under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference, and in Item 5, "Market for Registrant's Common Equity and Related Stockholder Matters," contained in Part II hereof.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is contained in our definitive Proxy Statement to be distributed in connection with our 2013 Annual Meeting of Stockholders under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item is contained in our definitive Proxy Statement to be distributed in connection with our 2013 Annual Meeting of Stockholders under the caption "Independent Public Accountants" and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Financial Statements and Financial Statement Schedules

The financial statements and financial statement schedules listed on the accompanying Index to Financial Statements (see page F-1) are filed as part of this Annual Report on Form 10-K.

Exhibits

Exhibit Number	Description of Documents
3.1	Restated Certificate of Incorporation of OYO Geospace Corporation (incorporated by reference to the Registrant's Registration Statement on Form S-1 filed September 30, 1997 (Registration No. 333-36727)).
3.2	Certificate of Ownership and Merger effective October 1, 2012 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed October 1, 2012)
3.3	Amended and Restated Bylaws of Geospace Technologies Corporation dated September 27, 2012 (Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed October 1, 2012)
4.1	Restated Certificate of Incorporation of OYO Geospace Corporation (incorporated by reference to the Registrant's Registration Statement on Form S-1 filed September 30, 1997 (Registration No. 333-36727))
4.2	Amended and Restated Bylaws of Geospace Technologies Corporation dated September 27, 2012 (Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed October 1, 2012)
10.1	Employment Agreement dated as of August 1, 1997, between the Company and Gary D. Owens (incorporated by reference to the Registrant's Registration Statement on Form S-1 filed September 30, 1997 (Registration No. 333-36727)).*
10.2	Employment Agreement dated as of August 1, 1997, between the Company and Michael J. Sheen (incorporated by reference to the Registrant's Registration Statement on Form S-1 filed September 30, 1997 (Registration No. 333-36727)).*
10.3	OYO Geospace Corporation 1997 Key Employee Stock Option Plan (incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed November 5, 1997 (Registration No. 333-36727)).*
10.4	Amendment No. 1 to OYO Geospace Corporation 1997 Key Employee Stock Option Plan, dated February 2, 1998 (incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended September 30, 1998).*
10.5	Amendment No. 2 to OYO Geospace Corporation 1997 Key Employee Stock Option Plan, dated November 16, 1998 (incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended September 30, 1998).*
10.6	Amendment No. 3 to OYO Geospace Corporation 1997 Key Employee Stock Option Plan, dated November 10, 2000 (incorporated by reference to the Registrant's Registration Statement on Form S-8 filed February 15, 2005. (Registration No. 333-122835)).*
10.7	Amendment No. 4 to OYO Geospace Corporation 1997 Key Employee Stock Option Plan, dated February 8, 2005 (incorporated by reference to the Registrant's Registration Statement on Form S-8 filed February 15, 2005. (Registration No. 333-122835)).*
10.8	OYO Geospace Corporation 1997 Non-Employee Director Plan (incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed November 5, 1997 (Registration No. 333-36727)).*
10.9	Amendment No. 1 to OYO Geospace Corporation 1997 Non-Employee Director Plan, dated February 8, 2005 (incorporated by reference to the Registrant's Registration Statement on Form S-8 filed February 15, 2005. (Registration No. 333-122835)).*

Exhibit Number	Description of Documents
10.10	Form of Director Indemnification Agreement (incorporated by reference to Amendment No. 2 to the Registrant's Registration Statement on Form S-1 filed November 18, 1997 (Registration No. 333-36727)).
10.11	Geospace Technologies Corporation Fiscal Year 2012 Bonus Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2011 filed February 2, 2012).*
10.12	First Amendment effective October 1, 2008 to Employment Agreement dated as of August 1, 1997, between the Company and Gary D. Owens (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2009, filed February 5, 2010).*
10.13	First Amendment effective October 1, 2008 to Employment Agreement dated as of August 1, 1997, between the Company and Michael J. Sheen (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2009, filed February 5, 2010).*
10.14	Loan Agreement dated as of March 2, 2011, by and among the Company, as borrower, certain subsidiaries of the Company, as guarantors, and The Frost National Bank, as lender (incorporated by reference to the registrant's Current Report on Form 8-K filed March 8, 2011).
10.15	First Amendment to Loan Agreement dated as of March 2, 2011, by and among the Company, as borrower, certain subsidiaries of the Company, as guarantors, and The Frost National Bank, as lender(incorporated by reference to the registrant's Current Report on Form 8-K filed March 8, 2011).
10.16	Promissory Note dated March 2, 2011, made by Geospace Technologies Corporation payable to The Frost National Bank (incorporated by reference to the registrant's Current Report on Form 8-K filed March 8, 2011).
10.17	Employment Agreement effective as of January 1, 2012, by and between OYO Geospace Corporation and Walter R. Wheeler (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed December 9, 2011)*
10.18	Employment Agreement effective as of January 1, 2012, by and between OYO Geospace Corporation and Robbin B. Adams (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed December 9, 2011)*
10.19	Employment Agreement effective as of January 1, 2012, by and between OYO Geospace Corporation and Thomas T. McEntire (incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed December 9, 2011)*
21.1	Subsidiaries of the Registrant**.
23.1	Consent of UHY LLP, Independent Registered Public Accounting Firm**.
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**.
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**.
32.1	Certification of the Company's Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**.
32.2	Certification of the Company's Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**.
101	Interactive data file.

* This exhibit is a management contract or a compensatory plan or arrangement.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GEOSPACE TECHNOLOGIES CORPORATION

By: /s/ GARY D. OWENS

Gary D. Owens, Chairman of the Board
President and Chief Executive Officer

December 12, 2012

Pursuant to the requirements of the Securities Exchange Act, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ GARY D. OWENS **Gary D. Owens**	Chairman of the Board President and Chief Executive Officer (Principal Executive Officer)	December 12, 2012
/s/ THOMAS T. MCENTIRE **Thomas T. McEntire**	Vice President Chief Financial Officer (Principal Financial Officer and Accounting Officer) and Secretary	December 12, 2012
/s/ WILLIAM H. MOODY **William H. Moody**	Director	December 12, 2012
/s/ TINA M. LANGTRY **Tina M. Langtry**	Director	December 12, 2012
/s/ MICHAEL J. SHEEN **Michael J. Sheen**	Director	December 12, 2012
/s/ THOMAS L. DAVIS **Thomas L. Davis**	Director	December 12, 2012
/s/ CHARLES H. STILL **Charles H. Still**	Director	December 12, 2012

GEOSPACE TECHNOLOGIES CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Geospace Technologies Corporation:

We have audited the accompanying consolidated balance sheets of Geospace Technologies Corporation and subsidiaries ("the Company") as of September 30, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three fiscal years in the period ended September 30, 2012. Our audits also included the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Geospace Technologies Corporation and subsidiaries as of September 30, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended September 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Geospace Technologies Corporation and subsidiaries' internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated December 12, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ UHY LLP

Houston, Texas
December 12, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Geospace Technologies Corporation:

We have audited Geospace Technologies Corporation and subsidiaries' ("the Company") internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Part II, Item 9A of this Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Geospace Technologies Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Geospace Technologies Corporation and subsidiaries as of September 30, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three fiscal years in the period ended September 30, 2012, and our report dated December 12, 2012 expressed an unqualified opinion on those consolidated financial statements.

/s/ UHY LLP

Houston, Texas
December 12, 2012

Geospace Technologies Corporation and Subsidiaries

Consolidated Balance Sheets
(In thousands, except share amounts)

	AS OF SEPTEMBER 30, 2012	AS OF SEPTEMBER 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 50,752	$ 31,388
Short-term investments	19,960	4,926
Trade accounts receivable, net of allowance of $280 and $411	16,229	19,761
Current portion of notes receivable	3,806	2,100
Inventories, net	83,894	72,390
Deferred income tax assets	6,689	6,356
Other current assets	5,898	5,660
Total current assets	187,228	142,581
Rental equipment, net	27,853	11,945
Property, plant and equipment, net	34,433	34,692
Patents, net of accumulated amortization of $3,507 and $3,268	80	319
Goodwill	1,843	1,843
Non-current deferred income tax assets	307	505
Non-current notes receivable	1,687	3,706
Prepaid income taxes	5,479	979
Other assets	112	231
Total assets	$259,022	$196,801
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable trade	$ 17,187	$ 5,042
Accrued expenses and other current liabilities	13,978	11,384
Deferred revenue	8,641	774
Deferred income tax liabilities	111	82
Income tax payable	1,275	399
Total current liabilities	41,192	17,681
Non-current deferred income tax liabilities	2,843	2,107
Total liabilities	44,035	19,788
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, 1,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.01 par value, 20,000,000 shares authorized, 12,802,160 and 12,702,516 shares issued and outstanding	128	128
Additional paid-in capital	60,633	57,382
Retained earnings	154,451	119,333
Accumulated other comprehensive income (loss)	(225)	170
Total stockholders' equity	214,987	177,013
Total liabilities and stockholders' equity	$259,022	$196,801

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

Geospace Technologies Corporation and Subsidiaries

Consolidated Statements of Operations
(In thousands, except share and per share amounts)

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Sales	$ 191,664	$ 172,970	$ 128,533
Cost of sales	109,634	98,857	81,177
Gross profit	82,030	74,113	47,356
Operating expenses:			
Selling, general and administrative expenses	18,914	18,051	16,618
Research and development expenses	12,167	11,529	9,925
Bad debt expense (recovery)	118	128	(479)
Total operating expenses	31,199	29,708	26,064
Gain (loss) on disposal of equipment	34	—	(184)
Income from operations	50,865	44,405	21,108
Other income (expense):			
Interest expense	(199)	(43)	(238)
Interest income	743	267	254
Foreign exchange gains (losses)	457	80	(52)
Other, net	(4)	(90)	(170)
Total other income (expense), net	997	214	(206)
Income before income taxes	51,862	44,619	20,902
Income tax expense	16,744	14,908	6,820
Net income	$ 35,118	$ 29,711	$ 14,082
Earnings per common share:			
Basic	$ 2.76	$ 2.39	$ 1.17
Diluted	$ 2.74	$ 2.36	$ 1.14
Weighted average common shares outstanding:			
Basic	12,735,520	12,441,313	12,062,627
Diluted	12,836,239	12,572,647	12,386,036

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

Geospace Technologies Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income
(In thousands)

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Net income	$35,118	$29,711	$14,082
Other comprehensive income (loss):			
Change in unrealized gains (losses) on available-for-sale securities (net of tax)	42	(12)	—
Foreign currency translation adjustments	(437)	338	86
Other comprehensive income (loss)	(395)	326	86
Total comprehensive income	$34,723	$30,037	$14,168

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

Geospace Technologies Corporation and Subsidiaries

Consolidated Statement of Stockholders' Equity
For the years ended September 30, 2012, 2011 and 2010
(In thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance at September 30, 2009	11,989,816	$120	$43,240	$ 75,540	$(242)	$118,658
Net income	—	—	—	14,082	—	14,082
Other comprehensive income	—	—	—	—	86	86
Excess tax benefit from share—based compensation		—	1,128	—	—	1,128
Issuance of common stock pursuant to exercise of options, net of tax	244,900	2	2,185	—	—	2,187
Stock-based compensation	—	—	445	—	—	445
Balance at September 30, 2010	12,234,716	122	46,998	89,622	(156)	136,586
Net income	—	—	—	29,711	—	29,711
Other comprehensive income	—	—	—	—	326	326
Excess tax benefit from share—based compensation		—	6,896	—	—	6,896
Issuance of common stock pursuant to exercise of options, net of tax	467,800	6	2,752	—	—	2,758
Stock-based compensation	—	—	736	—	—	736
Balance at September 30, 2011	12,702,516	128	57,382	119,333	170	177,013
Net income	—	—	—	35,118	—	35,118
Other comprehensive income	—	—	—	—	(395)	(395)
Excess tax benefit from share—based compensation		—	1,131	—	—	1,131
Issuance of common stock pursuant to exercise of options, net of tax	99,644	—	1,358	—	—	1,358
Stock-based compensation	—	—	762	—	—	762
Balance at September 30, 2012	12,802,160	$128	$60,633	$154,451	$(225)	$214,987

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

Geospace Technologies Corporation and Subsidiaries

Consolidated Statements of Cash Flows
(In thousands)

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Cash flows from operating activities:			
Net income	$ 35,118	$ 29,711	$14,082
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income tax expense (benefit)	808	(718)	(1,416)
Depreciation	9,348	6,769	4,921
Amortization	239	278	263
Accretion of discounts on short-term-investments	208	—	—
Stock-based compensation	762	736	445
Bad debt expense (recovery)	118	128	(479)
Inventory obsolescence expense	1,793	4,608	2,872
Gross profit from sale of used rental equipment	(9,992)	(11,165)	(385)
Loss on early extinguishment of debt	—	—	137
(Gain) loss on disposal of property, plant and equipment	(34)	—	184
Realized loss on short-term investments	1	27	—
Effects of changes in operating assets and liabilities:			
Trade accounts and notes receivable	3,781	2,006	(2,678)
Inventories	(15,630)	(29,528)	6,673
Other current assets	(293)	(2,539)	(855)
Accounts payable	12,151	1,227	(879)
Accrued expenses and other	576	787	4,157
Deferred revenue	7,897	(558)	948
Income taxes payable	873	(1,656)	1,898
Prepaid income taxes	(4,500)	1,023	(1,110)
Net cash provided by operating activities	43,224	1,136	28,778
Cash flows from investing activities:			
Purchase of property, plant and equipment	(4,013)	(4,730)	(2,224)
Proceeds from the sale of property, plant and equipment	17	1	11
Investment in rental equipment	(31,716)	(15,414)	(3,893)
Proceeds from the sale of used rental equipment	24,184	19,917	1,243
Purchases of short-term investments	(16,823)	(4,926)	—
Proceeds from the sale of short-term investments	2,030	—	—
Net cash used in investing activities	(26,321)	(5,152)	(4,863)
Cash flows from financing activities:			
Principal payments under mortgage loans	—	(7,700)	(1,848)
Penalty for early extinguishment of debt	—	—	(137)
Excess tax benefits from stock-based compensation	1,131	6,896	1,128
Proceeds from exercise of stock options and other	1,358	2,758	2,187
Net cash provided by financing activities	2,489	1,954	1,330
Effect of exchange rate changes on cash	(28)	(3)	(363)
Increase (decrease) in cash and cash equivalents	19,364	(2,065)	24,882
Cash and cash equivalents, beginning of fiscal year	31,388	33,453	8,571
Cash and cash equivalents, end of fiscal year	$ 50,752	$ 31,388	$33,453

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

1. Summary of Significant Accounting Policies:

The Company

Geospace Technologies Corporation ("Geospace"), formerly known as OYO Geospace Corporation, designs and manufactures instruments and equipment used in the acquisition and processing of seismic data as well as in the characterization and monitoring of producing oil and gas reservoirs. Geospace and its subsidiaries are referred to collectively as the "Company". The Company also manufactures and distributes thermal imaging equipment and dry thermal film products to a variety of markets including the screenprint, point of sale, signage and textile markets.

As of September 30, 2012 and 2011, OYO Corporation U.S.A. ("OYO USA") owned 0% and 20.3%, respectively, of Geospace's common stock. OYO USA is a wholly owned subsidiary of OYO Corporation, a Japanese corporation ("OYO Japan"). In February 2012, OYO USA sold their remaining ownership stake in Geospace and, subsequently, Geospace is no longer affiliated with OYO USA or OYO Japan. Effective October 1, 2012, the Company's name was changed from OYO Geospace Corporation to Geospace Technologies Corporation.

The significant accounting policies followed by the Company are summarized below.

Basis of Presentation

The accompanying financial statements present the consolidated financial position, results of operations and cash flows of the Company in accordance with U.S. generally accepted accounting principles. All intercompany balances and transactions have been eliminated.

Reclassifications

Certain amounts previously presented in the consolidated financial statements may have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net income, stockholders' equity or cash flows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company considers many factors in selecting appropriate operational and financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these financial statements. The Company continually evaluates its estimates, including those related to bad debt reserves, inventory obsolescence reserves, self-insurance reserves, product warranty reserves, long-lived assets, intangible assets and deferred income tax assets. The Company bases its estimates on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different conditions or assumptions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original or remaining maturity at the time of purchase of three months or less to be cash equivalents.

Short-term Investments

The Company classifies its short-term investments consisting of corporate bonds, government bonds and other such similar investments as available-for-sale securities. Available-for-sale securities are carried at fair market value with net unrealized holding gains and losses reported each period as a component of comprehensive income in stockholders' equity. The Company's short-term investments have contractual maturities ranging from October 2012 to May 2015. See note 2 for additional information.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts that, at times, exceed federally insured limits. Management of the Company believes that the financial strength of the financial institutions holding such deposits minimizes the credit risk of such deposits.

The Company sells products to customers throughout the United States and various foreign countries. The Company's normal credit terms for trade receivables are 30 days. In certain situations, credit terms may be extended to 60 days or longer. The Company performs ongoing credit evaluations of its customers and generally does not require collateral for its trade receivables. Additionally, the Company provides long-term financing in the form of promissory notes when competitive conditions require such financing. In such cases, the Company may require collateral. Allowances are recognized for potential credit losses. At September 30, 2012, the Company had one customer comprising 17.7% of the Company's trade accounts receivable. At September 30, 2011, the Company had two customers comprising 15.5% and 13.3%, respectively, of the Company's trade accounts receivable. The Company had two customers comprising 60.4% and 39.6% of its notes receivable balance at September 30, 2012. The Company had one customer comprising 88.3% of its notes receivable balance at September 30, 2011. One customer comprised 17.7% of the Company's revenues during fiscal year 2012. Two customers comprised 20.2% and 11.1% of the Company's revenues during fiscal year 2011. One customer comprised 13.2% of the Company's revenues during fiscal year 2010.

The Company has a subsidiary located in the Russian Federation. Therefore, the Company's financial results may be affected by factors such as changes in foreign currency exchange rates, weak economic conditions or changes in political climate within the Russian Federation. The Company's consolidated balance sheet at September 30, 2012 and 2011 reflected approximately $6.3 million and $6.4 million, respectively, of net working capital related to this subsidiary. This subsidiary receives a substantial portion of its revenues and pays its expenses primarily in rubles. During the fiscal years ended September 30, 2012 and 2011, this subsidiary received approximately $4.1 million and $5.2 million, respectively, of its revenues in U.S. dollars as a result of intercompany sales to the Company's subsidiary located in the United States. To the extent that transactions of this subsidiary are settled in rubles, a devaluation of the ruble versus the United States dollar could reduce any contribution from this subsidiary to its consolidated results of operations as reported in U.S. dollars. The Company does not hedge the market risk with respect to its operations in the Russian Federation; therefore, such risk is a general and unpredictable risk of future disruptions in the valuation of rubles versus U.S. dollars to the extent such disruptions result in any reduced valuation of the subsidiary's net working capital or future contributions to its consolidated results of operations.

Inventories

The Company records a write-down of its inventories when the cost basis of any manufactured product, including any estimated future costs to complete the manufacturing process, exceeds its net realizable value. Inventories are stated at the lower of cost or market value. Cost is determined on the first-in, first-out method, except that the Company's subsidiary in the Russian Federation uses an average cost method to value its inventories.

Property, Plant and Equipment and Rental Equipment

Property, plant and equipment and rental equipment are stated at cost. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

	Years
Rental equipment	3-10
Property, plant and equipment:	
Machinery and equipment	3-15
Buildings and building improvements	10-50
Other	5-10

Expenditures for renewals and betterments are capitalized. Repairs and maintenance expenditures are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any gain or loss thereon is reflected in the statement of operations.

Patents

Patents are amortized over the legal life of the patent or the estimated useful life of the patent, whichever is shorter. Patent amortization expense was approximately $0.2 million during each of fiscal years 2012, 2011 and 2010. Patent amortization expense is estimated to be approximately $80,000 for the fiscal year ending September 30, 2013.

Impairment of Long-lived Assets

The Company's long-lived assets are reviewed for impairment whenever an event or change in circumstances indicates the carrying amount of an asset or group of assets may not be recoverable. The impairment review, if necessary, includes a comparison of expected future cash flows (undiscounted and without interest charges) to be generated by an asset group with the associated carrying value of the related assets. If the carrying value of the asset group exceeds the expected future cash flows, an impairment loss is recognized to the extent that the carrying value of the asset group exceeds its fair value.

Goodwill

For the fiscal year ended September 30, 2012, the Company follows simplified procedures for analyzing goodwill impairment. The guidance on the testing of goodwill for impairment provides the option to first assess qualitative factors to determine if the annual two-step test of goodwill for impairment must be performed. If, based on the qualitative assessment of events or circumstances, an entity determines it is more likely than not that the goodwill fair value is more than its carrying amount then it is not necessary to perform the two-step impairment test. However, if an entity concludes otherwise, then the two-step impairment test must be performed to identify potential impairment and to measure the amount of goodwill impairment, if any. The Company determined that it is more likely than not that the fair value of its goodwill was more than its carrying amount and the two-step process was not necessary for the fiscal year ended September 30, 2012.

Revenue Recognition

The Company primarily derives revenue from the sale and short-term rental under operating leases, of products. The Company's products are produced in a standard manufacturing operation. The Company recognizes revenue from product sales when (i) title passes to the customer, (ii) the customer assumes risks and rewards of ownership, (iii) the product sales price has been determined, (iv) collectability of the sales price is reasonably assured, and (v) product delivery occurs as directed by our customer. The Company's products are generally sold without any customer acceptance provisions and our standard terms of sale do not allow customers to return products for credit. The Company recognizes rental revenues as earned over the rental period. Rentals of the Company's equipment generally range from daily rentals to rental periods of up to six months or longer. Service revenues are recognized when services are rendered and are generally priced on a per day rate. Except for certain of the Company's reservoir characterization products, our products are generally sold without any customer acceptance provisions and the Company's standard terms of sale do not allow customers to return products for credit.

The Company expects to utilize the percentage-of-completion method (the "POC Method") to recognize revenues and costs on future contracts having the following characteristics:

- the contract requires significant custom designs for customer specific applications;
- the product design requires significant engineering efforts;
- the contract requires the customer to make progress payments during the contract term, and;
- the contract requires at least 90-days of engineering and manufacturing effort.

The POC Method will require the Company's senior management to make estimates, at least quarterly, of the (i) total costs of the contract, (ii) manufacturing progress against the contract and (iii) the estimated cost to complete the contract. These estimates will impact the amount of revenue and gross profit the Company will recognize for each reporting period. Significant estimates that may affect future cost to complete a contract include the cost and availability of raw materials and component parts, engineering services, manufacturing equipment, labor, manufacturing capacity, factory productivity, contract penalties and disputes, product warranties and other contingent factors. The cumulative impact of periodic revisions to the future cost to complete a contract will be reflected in the period in which these changes become known, including, to the extent required, the recognition of losses at the time such losses are known and estimable on contracts in progress. Due to the various estimates inherent in the POC Method, actual results could differ from those estimates.

Most of the Company's products do not require installation assistance or sophisticated instruction. The Company offers a standard product warranty, which obligates it to repair or replace equipment with manufacturing defects. The Company maintains a reserve for future warranty costs based on historical experience or, in the absence of historical experience, management estimates.

The Company records bill and hold arrangements consistent with guidance around bill and hold arrangements. As of September 30, 2012 and 2011, the Company had no sales under bill and hold arrangements.

Deferred Revenue

The Company records deferred revenue when funds are received prior to the recognition of the associated revenue.

Research and Development Costs

The Company expenses research and development costs as incurred. Research and development costs include salaries, employee benefit costs, department supplies, direct project costs and other related costs.

Product Warranties

The Company offers a standard product warranty obligating it to repair or replace products with manufacturing defects. The Company maintains a reserve for future warranty costs based on historical experience or, in the absence of historical product experience, management's estimates. Changes in the warranty reserve are contained in the following table (in thousands):

Balance at October 1, 2010	$ 1,378
Accruals for warranties issued during the year	2,675
Settlements made (in cash or in kind) during the year	(1,930)
Balance at September 30, 2011	2,123
Accruals for warranties issued during the year	1,354
Settlements made (in cash or in kind) during the year	(1,169)
Balance at September 30, 2012	$ 2,308

Stock-Based Compensation

The Company expenses the grant date fair value of equity awards over the requisite service period. The Company uses the Black-Scholes model to value its new stock option grants. The share-based payment framework also requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation. In addition, the share-based payment framework requires the Company to reflect the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash inflow. The Company recorded stock-based compensation expense of $0.8 million, $0.7 million and $0.4 million for the fiscal years ended September 30, 2012, 2011 and 2010, respectively.

There were no stock options granted during fiscal years 2012 and 2011 and 126,000 stock options were granted during fiscal year 2010. The fair value of options granted during the fiscal year ended September 30, 2010 was estimated using the Black-Scholes option-pricing model using the following data:

Dividend yield rate	0%
Risk-free interest rate	2.4%
Expected volatility	56.6%
Expected option term	6.25 years

The computation of expected volatility was based on the historical volatility. Historical volatility was calculated from historical data for the time approximately equal to the expected term of the option award starting from the date of grant. The risk-free interest rate assumption is based upon the U.S. Treasury yield curve in effect at the time of grant for the period corresponding with the expected life of the option. The expected term of options granted is derived from the vesting period and historical information and represents the period of time that options granted are expected to be outstanding.

Foreign Currency Gains and Losses

The assets and liabilities of the Company's foreign subsidiaries have been translated into U.S. dollars using the exchange rates in effect at the balance sheet date. Results of operations have been translated using the average exchange rates during the year. Resulting translation adjustments have been recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity. Foreign currency transaction gains and losses are included in the statement of operations as they occur.

Shipping and Handling Costs

Amounts billed to a customer in a sales transaction related to reimbursable shipping and handling costs are included in revenues and the associated costs incurred by the Company for reimbursable shipping and handling expenses are reported in cost of sales. The Company had shipping and handling expenses of $1.0 million, $0.7 million and $0.7 million for each of the fiscal years ended September 30, 2012, 2011 and 2010, respectively.

Income Taxes

Income taxes are presented in accordance with FASB guidance for accounting for income taxes. The estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss and tax credit carrybacks and carryforwards are recorded. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities (temporary differences) and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company periodically reviews the recoverability of tax assets recorded on the balance sheet and provides valuation allowances if it is more likely than not that such assets will not be realized.

Subsequent Events

In November 2012, the Company purchased a new facility located at 6410 Langfield Road in Houston, Texas (the "Langfield Facility"). The Langfield Facility includes a 30,000 square foot building located on 3.4 acres of land and the cost was approximately $2.5 million. In December 2012, the Company purchased a new facility in Bogota, Colombia (the "Bogota Facility"). The Bogota Facility includes a 19,000 warehouse and office building with a purchase price of approximately $1.6 million. The purchase of the Bogota Facility is in connection with the Company's continued expansion into Colombia and the South American market during fiscal year 2013. The Company may acquire additional properties as needed to facilitate its increased business.

2. Short-term Investments

	As of September 30, 2012 (in thousands)			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate	$11,072	$37	$—	$11,109
Government	8,842	9	—	8,851
Total	$19,914	$46	$—	$19,960

	As of September 30, 2011 (in thousands)			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Short-term investments:				
Corporate	$3,890	$—	$ (18)	$3,872
Government	1,054	—	—	1,054
Total	$4,944	$—	$ (18)	$4,926

Accumulated other comprehensive income (loss) reflected on the balance sheet at September 30, 2012 and 2011 includes unrealized gains (net of tax) of $30,000 and unrealized losses (net of tax) of $12,000, respectively.

3. Fair Value of Financial Instruments

At September 30, 2012, the Company's financial instruments included cash and cash equivalents, short-term investments, trade and other receivables, other current assets, accounts payable and other current liabilities. Due to the short-term maturities of cash and cash equivalents, trade and other receivables, other current assets, accounts payable and other current liabilities, the carrying amounts approximate fair value on the respective balance sheet dates.

The Company measures short-term investments and derivatives at fair value on a recurring basis. The fair value measurement of the Company's short-term investments was determined using the following inputs:

	As of September 30, 2012 (in thousands)			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)
Short-term investments:				
Corporate bonds	$11,109	$11,109	$ —	$—
Government bonds	8,851	8,851	—	—
Foreign currency forward contract	(215)	—	(215)	—
Total	$19,745	$19,960	$(215)	$—

	As of September 30, 2011 (in thousands)			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)
Short-term investments:				
Corporate bonds	$3,872	$3,872	$—	$—
Government bonds	1,054	1,054	—	—
Total	$4,926	$4,926	$—	$—

4. Derivative Financial Instruments

The Company entered into foreign currency hedge arrangements during fiscal year ended September 30, 2012. At September 30, 2012, the Company's Canadian subsidiary had $29.7 million of U.S. dollar denominated intercompany accounts payable owed to the Company's U.S. subsidiaries. In order to mitigate its exposure to movements in foreign currency rates between the U.S. dollar and Canadian dollar, the Company entered into an $18.0 million foreign currency forward contract to hedge a portion of the Canadian subsidiary's U.S. dollar denominated debt. This contract reduces the impact on cash flows from movements in the Canadian dollar/U.S. dollar currency exchange rate. At September 30, 2012, the Company had accrued unrealized foreign exchange losses of $0.4 million under this contract.

The following table summarizes the gross fair value of all derivative instruments, which are not designated as hedging instruments and their location in the Consolidated Balance Sheets:

(In thousands) Liability Derivatives		
Derivative Instrument	Location	September 30, 2012
Foreign Currency Exchange Contracts	Accrued Expenses	215
		$215

The following table summarizes the impact of the Company's derivatives on the consolidated statements of operations for the years ended September 30, 2012:

(In thousands)
Amount of Loss Recognized in Income for the Year Ended

Derivative Instrument	Location	September 30, 2012
Foreign Currency Exchange Contracts	Other Income (loss)	(394)
		$(394)

5. Accumulated Other Comprehensive Income (Loss):

Accumulated other comprehensive income (loss) consisted of the following (in thousands):

	AS OF SEPTEMBER 30, 2012	AS OF SEPTEMBER 30, 2011
Change in unrealized gains (losses) on available- for-sale securities (net of tax)	$ 30	$ (12)
Foreign currency translation adjustments	(255)	182
	$(225)	$170

6. Inventories:

Inventories consisted of the following (in thousands):

	AS OF SEPTEMBER 30, 2012	AS OF SEPTEMBER 30, 2011
Finished goods and sub-assemblies	$32,845	$20,430
Work in progress	19,585	14,255
Raw materials	40,788	47,257
Obsolescence reserve	(9,324)	(9,552)
	$83,894	$72,390

Inventory obsolescence expense was approximately $1.8 million, $4.6 million and $2.9 million during fiscal years 2012, 2011 and 2010, respectively.

7. Accounts and Notes Receivable:

The Company's current trade accounts receivable consisted of the following (in thousands):

	AS OF SEPTEMBER 30, 2012	AS OF SEPTEMBER 30, 2011
Trade accounts receivable	$16,509	$20,172
Allowance for doubtful accounts	(280)	(411)
	$16,229	$19,761

The allowance for doubtful accounts represents the Company's best estimate of probable credit losses. The Company determines the allowance based upon historical experience and a review of its balances. Accounts receivable balances are charged off against the allowance whenever it is probable that the receivable will not be recoverable. The Company does not have any off-balance-sheet credit exposure related to its customers.

Notes receivable are reflected in the following table (in thousands):

	September 30, 2012	September 30, 2011
Notes receivable	$5,493	$5,806
Allowance for doubtful notes	—	—
	5,493	5,806
Less current portion	3,806	2,100
	$1,687	$3,706

Notes receivable are generally collateralized by the products sold, and bear interest at rates ranging up to 11.0% per year. The notes receivable of $5.5 million will be mature at various times through December 2015. The Company has, on occasion, extended or renewed notes receivable as they mature, but there is no obligation to do so.

8. Rental Equipment:

Rental equipment consisted of the following (in thousands):

	AS OF SEPTEMBER 30,	
	2012	2011
Rental equipment, primarily geophones and related products	$ 39,766	$21,250
Accumulated depreciation	(11,913)	(9,305)
	$ 27,853	$11,945

Rental equipment depreciation expense was $5.5 million, $2.8 million and $1.1 million in fiscal years 2012, 2011 and 2010, respectively. We transferred $2.0 million and $0.3 million of inventories to our rental equipment during fiscal years 2012 and 2011 which had a non-cash impact.

9. Property, Plant and Equipment:

Property, plant and equipment consisted of the following (in thousands):

	AS OF SEPTEMBER 30,	
	2012	2011
Land and land improvements	$ 3,261	$ 3,230
Buildings and building improvements	26,582	24,520
Machinery and equipment	37,067	33,723
Furniture and fixtures	1,237	1,059
Transportation equipment	30	30
Tools and molds	498	359
Construction in progress	1,100	3,595
	69,775	66,516
Accumulated depreciation	(35,342)	(31,824)
	$ 34,433	$ 34,692

Property, plant and equipment depreciation expense was $3.8 million, $3.9 million and $3.8 million in fiscal years 2012, 2011 and 2010, respectively.

10. Notes Payable and Long-Term Debt:

The Company did not have any outstanding notes payable or long-term debt at September 30, 2012 and 2011.

On March 2, 2011, the Company entered into a new credit agreement (as amended, the "Credit Agreement") with a bank. Under the Credit Agreement, the Company can borrow up to $25.0 million principally secured by its accounts receivable, inventories and equipment. In addition, certain domestic subsidiaries of the Company have guaranteed the obligations of the Company under the Credit Agreement and such subsidiaries have secured the obligations by the pledge of certain of the assets of such subsidiaries. The New Credit Agreement expires on March 2, 2014. The Credit Agreement limits the incurrence of additional indebtedness, requires the maintenance of certain financial ratios, restricts the Company and its subsidiaries' ability to pay cash dividends and contains other covenants customary in agreements of this type. The interest rate for borrowings under the New Credit Agreement is a LIBOR based rate with a margin spread of 250-350 basis points depending upon the maintenance of certain ratios. At September 30, 2012, the Company was in compliance with all covenants. At September 30, 2012 and 2011, there were no borrowings outstanding under the Credit Agreement, standby letters of credit outstanding in the amount of $0.2 million and additional borrowings available were $24.8 million.

11. Accrued Expenses and Other Current Liabilities:

Accrued expenses and other current liabilities consisted of the following (in thousands):

	AS OF SEPTEMBER 30,	
	2012	2011
Employee bonuses	$ 5,736	$ 4,167
Product warranty	2,308	2,123
Compensated absences	1,266	1,206
Legal and professional fees	502	475
Payroll	674	198
Property taxes	1,386	1,215
Medical claims	470	372
Other	1,636	1,628
	$13,978	$11,384

The Company is self-insured for certain losses related to employee medical claims. The Company has purchased stop-loss coverage for individual claims in excess of $150,000 per claimant per year in order to limit its exposure to any significant levels of employee medical claims. Self-insured losses are accrued based on the Company's historical experience and on estimates of aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry.

12. Employee Benefits:

The Company's employees are participants in the Geospace Technologies Corporation's Employee's 401(k) Retirement Plan (the "Plan"), which covers substantially all eligible employees in the United States. The Plan is a qualified salary reduction plan in which all eligible participants may elect to have a percentage of their compensation contributed to the Plan, subject to certain guidelines issued by the Internal Revenue Service. The Company's share of discretionary matching contributions was approximately $0.7 million, $0.6 million and $0.5 million in fiscal years 2012, 2011 and 2010, respectively.

The Company's stock incentive plans in which employees may participate are discussed in Note 13 to these Consolidated Financial Statements.

The Company's employees are also participants in the Geospace Technologies Corporation Fiscal Year 2012 Bonus Plan (the "Bonus Plan"). Every employee of the Company is eligible to participate in Tier I of the Bonus Plan except for its employees in the Russian Federation, who participate in a local plan. Under Tier I, employees share proportionally in the Company's profit based on each employee's relative payroll. The Tier I bonus pool is established by accruing 14.5% of consolidated pretax profits (before bonus) above a specified range. Selected employees are eligible to participate in Tier II of the Bonus Plan, which applies after Tier I is fully funded. The Tier II Bonus pool is established by accruing 14.5% of consolidated pretax profits (before bonus) within a specified range. Under Tier II, participants share in the bonus pool based on their respective working groups meeting predefined goals. The Company recorded bonus expense of $5.7 million, $4.2 million and $3.3 million for the fiscal years 2012, 2011 and 2010, respectively.

13. Stockholders' Equity:

In September 1997, the board of directors and stockholders approved the 1997 Key Employee Stock Option Plan (the "Employee Plan") and, following amendments thereto, there has been reserved an aggregate of 2,250,000 shares of common stock for issuance thereunder. In November 1997, the board of directors and stockholders approved the Company's 1997 Non-Employee Director Plan (the "Director Plan") and following an amendment thereto, there has been reserved an aggregate of 300,000 shares of common stock for issuance thereunder. At September 30, 2012, the shares of common stock available for grant under the Employee Plan and Director Plan were 183,350 and 91,442, respectively.

Under the Employee Plan, the Company is authorized to grant nonqualified and incentive stock options to purchase common stock and restricted stock awards of common stock to key employees of the Company. Options have a term not to exceed ten years, with the exception of incentive stock options granted to employees owning ten percent or more of the outstanding shares of common stock, which have a term not to exceed five years. The exercise price of any option may not be less than the fair market value of the common stock on the date of grant. In the case of incentive stock options granted to an employee owning ten percent or more of the outstanding shares of common stock, the exercise price of such option may not be less than 110% of the fair market value of the common stock on the date of grant. Options vest over a four-year period commencing on the date of grant in 25% annual increments. Under the Employee Plan, the Company may issue shares of restricted stock to employees for no payment by the employee or for a payment below the fair market value on the date of grant. The restricted stock is subject to certain restrictions described in the Employee Plan, with no restrictions continuing for more than ten years from the date of the award.

The Company has not issued any shares of restricted stock under the Employee Plan since August 1, 2001. All issued shares of restricted stock are fully vested; thus there are no outstanding shares of restricted stock. The prior issuances by the Company of restricted stock were recorded at the fair value of the stock subject to those awards and were recorded as a component of stockholders' equity, with a credit to additional paid-in capital. The Company recorded compensation expense based on the vesting criteria of the individual awards. The Company will account for future issuances of restricted stock awards in accordance with applicable guidelines, which require that stock-based awards be measured and recognized at fair value.

The Company established the Director Plan pursuant to which options to purchase shares of common stock are granted annually to non-employee directors and pursuant to which a portion of the annual fees paid for the services of such non-employee directors is payable in shares of common stock based on the fair market value thereof at the date of grant. However, as disclosed in our Current Report on Form 8-K filed with the Securities and Exchange Commission, on February 21, 2007, the Board of Directors of the Company approved a new compensation structure for non-employee directors, as recommended by the Board of Director's Compensation Committee. Pursuant to an amendment to the Director Plan adopted at the same meeting, the annual options to non-employee directors will no longer be granted. Options granted under the Director Plan prior to the adoption of this amendment have a term of ten years. The exercise price of each option granted is the fair market value of the common stock on the date of grant. Options vest over a one-year period commencing on the date of grant.

Effective November 5, 1999, the board of directors approved the Geospace Technologies Corporation 1999 Broad-Based Option Plan (the "Broad-Based Plan") and reserved an aggregate of 100,000 shares for issuance thereunder. Under the Broad-Based Plan, the Company is authorized to issue to all employees (except executive officers and employee directors) nonqualified stock options to purchase common stock of the Company. These options have a term not to exceed ten years. The exercise price of any broad-based option may not be less than the fair market value of the common stock on the date of grant. These options vest over a one-year period commencing on the date of grant. There were 38,000 shares available for grant under this plan at September 30, 2012.

A summary of the activity with respect to stock options is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at September 30, 2009	936,500	7.05
Granted	126,000	25.04
Exercised	(244,900)	8.93
Forfeited	(200)	5.63
Expired	—	—
Outstanding at September 30, 2010	817,400	9.26
Granted	—	—
Exercised	(467,800)	5.89
Forfeited	(4,000)	8.78
Expired	—	—
Outstanding at September 30, 2011	345,600	13.82
Granted	—	—
Exercised	(99,644)	13.63
Forfeited	—	—
Expired	—	—
Outstanding at September 30, 2012	245,956	13.90

The number of stock options vested during fiscal years 2012, 2011 and 2010 were 102,500, 104,500 and 75,500, respectively. The fair values of stock options vested during fiscal years 2012, 2011 and 2010 were $0.7 million, $0.3 million and $29,000, respectively.

The following table summarizes information about stock options outstanding and exercisable at September 30, 2012:

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Shares	Weighted Average Remaining Term (in years)	Weighted Average Exercise Price	Intrinsic Value	Shares	Weighted Average Remaining Term (in years)	Weighted Average Exercise Price	Intrinsic Value
$ 0 to $6.75	17,200	0.47	$ 4.30	$ 978,841	17,200	0.47	$ 4.30	$ 978,841
$6.76 to $9.99	144,756	6.2	8.78	7,588,833	73,756	6.2	8.78	3,866,658
$10.00 to $26.98	84,000	7.7	24.70	3,066,555	21,000	7.7	23.67	788,180
	245,956	6.3	13.90	11,634,229	111,956	5.6	10.88	5,633,679

The total intrinsic value of options exercised during fiscal years were 2012, 2011 and 2010 were $4.0 million, $20.8 million and $2.2 million, respectively. As of September 30, 2012 total unvested compensation expense associated with stock options amounted to $0.7 million and will be recognized over the next two fiscal years.

In October 2012, the Company implemented a 2-for-1 split of its common stock effected in the legal form of a stock dividend. Other than the disclosure of the authorized number of shares of the Company's common stock, all share and per-share disclosures have been adjusted for all periods presented in the consolidated financial statements to give effect to the stock split. Common stock and additional paid-in-capital at September 30, 2012, 2011 and 2010 has been adjusted to reflect the effect of the stock split.

14. Income Taxes:

Components of income before income taxes were as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
United States	$50,819	$43,414	$21,404
Foreign	1,043	1,205	(502)
	$51,862	$44,619	$20,902

The provision (benefit) for income taxes consisted of the following (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Current:			
Federal	$15,543	$15,281	$ 8,131
Foreign	24	66	(109)
State	369	279	214
	15,936	15,626	8,236
Deferred:			
Federal	413	(1,228)	(1,394)
Foreign	395	510	(22)
	808	(718)	(1,416)
	$16,744	$14,908	$ 6,820

Actual income tax expense (benefit) differs from income tax expense computed by applying the statutory federal tax rate of 35.0% for each of the fiscal years ended September 30, 2012, 2011 and 2010 as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Provision for U.S. federal income tax at statutory rate	$18,153	$15,617	$7,313
Effect of foreign income taxes	(140)	(244)	(19)
Manufacturers'/producers' deduction	(1,868)	(921)	(504)
Research and experimentation tax credits	(99)	(750)	(27)
State income taxes, net of federal income tax benefit	240	181	139
Nondeductible expenses	165	504	197
Resolution of prior years' tax matters	544	(116)	(121)
Contingency for uncertainty in income taxes	(335)	632	(123)
Other items	84	5	(35)
	$16,744	$14,908	$6,820
	32.3%	33.4%	32.6%

Deferred income taxes under the liability method reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income tax asset were as follows (in thousands):

	AS OF SEPTEMBER 30, 2012			AS OF SEPTEMBER 30, 2011		
	U. S.	Non U.S.	Total	U. S.	Non U.S.	Total
Deferred income tax assets:						
Allowance for doubtful accounts	$ 47	$ 3	$ 50	$ 97	$ 2	$ 99
Inventories	4,472	(28)	4,444	4,335	—	4,335
Capitalized research and development costs	89	—	89	355	—	355
Property, plant and equipment and other	—	1	1	—	71	71
Net operating loss carryforwards, tax credits and deferrals	—	393	393	—	433	433
Stock-based compensation	347	—	347	333	—	333
Accrued product warranty	787	12	799	723	11	734
Accrued compensated absences	443	—	443	408	—	408
Insurance and other reserves	938	27	965	788	31	819
	7,123	408	7,531	7,039	548	7,587
Deferred income tax liabilities:						
Allowance for doubtful accounts	—	(122)	(122)	—	(120)	(120)
Intangible assets	(144)	—	(144)	(58)	—	(58)
Comprehensive income	121	—	121	(92)	—	(92)
Property, plant and equipment and other	(3,056)	(201)	(3,257)	(2,645)	—	(2,645)
Subtotal deferred income tax asset	4,044	85	4,129	4,244	428	4,672
Valuation allowance	—	(87)	(87)	—	—	—
Net deferred income tax asset	$ 4,044	$ (2)	$ 4,042	$ 4,244	$ 428	$ 4,672

The Company has net operating losses of $2.0 million at its Russian subsidiary that can be carried forward six years. Such net operating losses will expire beginning after fiscal year 2015. The Company has a $0.1 million valuation allowance that applies to the net operating losses.

Deferred income taxes are reported as follows in the accompanying consolidated balance sheets (in thousands):

	AS OF SEPTEMBER 30, 2012	AS OF SEPTEMBER 30, 2011
Current deferred income tax asset	$ 6,689	$ 6,356
Noncurrent deferred income tax asset	307	505
Current deferred income tax liability	(111)	(82)
Noncurrent deferred income tax liability	(2,843)	(2,107)
	$ 4,042	$ 4,672

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. During the year ended September 30, 2012, a valuation allowance of $87,000 was established against certain deferred tax assets of the Company's subsidiary in the Russian Federation. Management believes that its remaining deductible temporary differences will reverse during periods in which the Company generates net taxable income or during periods in which losses can be carried back to offset prior year taxes. Therefore, management believes that the Company will realize the benefit of these remaining net deferred income tax assets, and no further valuation allowance is necessary.

The financial reporting bases of investments in foreign subsidiaries exceed their tax bases. A deferred tax liability is not recorded for this temporary difference because the investment is essentially permanent. A reversal of the Company's plans to permanently invest in these foreign operations would cause the excess to become taxable. At September 30, 2012 and 2011, the temporary difference related to undistributed earnings for which no deferred taxes have been provided was approximately $15.2 million and $14.6 million, respectively. The Company will need to reassess and reassert its ability and intent to indefinitely reinvest the remaining foreign earnings in order to continue the application of the exception under FASB guidelines.

From time to time the Company is the subject of audits by various tax authorities that can result in claims and assessments and additional tax payments, penalties and interest. The United States Internal Revenue Service ("IRS") is in the process of conducting an audit of the Company's United States Federal income tax return for fiscal year 2009. Management believes that the outcome of such audit will not have a material effect on the Company's financial position, results of operations or cash flows.

The Company follows the provisions of the FASB guidance for accounting for uncertainty in income taxes. The Company classifies interest and penalties associated with the payment of income taxes in the Other Income (Expense) section of its consolidated statements of operations. Tax return filings which are subject to review by local tax authorities by major jurisdiction are as follows:

- United States—fiscal years ended September 2007,2008, 2009, 2010, 2011 and 2012
- State of Texas—fiscal years ended September 2008, 2009, 2010, 2011 and 2012
- State of New York—fiscal years 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012
- Russian Federation—calendar years 2009, 2010, 2011 and 2012
- Canada—fiscal years ended September 2008, 2009, 2010, 2011 and 2012
- United Kingdom—fiscal years 2008, 2009, 2010, 2011 and 2012

The following table is a reconciliation of the total amounts of unrecognized tax benefits (in thousands):

Balance at October 1, 2009	$ 241
Change in prior year tax positions	(73)
Current tax positions	77
Lapse of statute of limitations	(25)
Balance at September 30, 2010	220
Change in prior year tax positions	581
Current tax positions	61
Lapse of statute of limitations	(10)
Balance at September 30, 2011	852
Change in prior year tax positions	(420)
Current tax positions	63
Settlements with taxing authorities	(145)
Lapse of statute of limitations	5
Balance at September 30, 2012	$ 355

The Company believes that is reasonably possible the unrecognized tax benefits could change within the next 12 months based on the resolution of on-going income tax audits. At this time it is not possible to determine the range of such changes. These unrecognized tax benefits would favorably affect the Company's effective tax rate in future periods if they are favorably resolved.

Management believes that adequate provisions for income taxes have been reflected in the financial statements and is not aware of any significant exposure items that have not been reflected in the financial statements. Amounts considered probable of settlement within one year have been included in the accrued expenses and other liabilities in the accompanying consolidated balance sheets.

15. Earnings Per Common Share:

Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined on the assumption that outstanding dilutive stock options have been exercised and the aggregate proceeds as defined were used to reacquire common stock using the average price of such common stock for the period. Other than the disclosure of the authorized number of shares of the Company's common stock, all share and per-share disclosures have been adjusted for all periods presented in the consolidated financial statements to give effect to the recent 2-for-1 stock split.

The following table summarizes the calculation of weighted average common shares and common equivalent shares outstanding for purposes of basic and diluted earnings per share (in thousands, except share and per share amounts):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Net income	$ 35,118	$ 29,711	$ 14,082
Weighted average common shares and common share equivalents:			
Common shares	12,735,520	12,441,313	12,062,627
Common share equivalents	100,719	131,334	323,409
Total weighted average common shares and common share equivalents	12,836,239	12,572,647	12,386,036
Earnings per share:			
Basic	$ 2.76	$ 2.39	$ 1.17
Diluted	$ 2.74	$ 2.36	$ 1.14

Options totaling zero, zero and 126,000 of common stock in fiscal years 2012, 2011 and 2010 respectively, were not included in the calculation of weighted average shares for diluted earnings per share because their effects were antidilutive.

16. Related Party Transactions:

In February 2012, OYO USA sold its remaining ownership stake in the Company and, subsequently, the Company is no longer affiliated with OYO USA or OYO Japan. In this regard, effective October 1, 2012, the Company changed its name from OYO Geospace Corporation to Geospace Technologies Corporation.

Sales to OYO Japan and other affiliated companies were $0.2 million (prior to the stock sale), $1.3 million and $0.8 million during fiscal years 2012, 2011 and 2010, respectively. Purchases of inventory from OYO Japan and other affiliated companies were $15,000 (prior to the stock sale), $0.2 million and $0.2 million in fiscal years 2012, 2011 and 2010, respectively.

17. Commitments and Contingencies:

Operating Leases

The Company only leases office space and certain equipment under short-term operating leases; therefore, the Company does not have future minimum rental commitments under long-term noncancelable operating leases. Rent expense was approximately $53,000, $10,000 and $18,000 during fiscal years 2012, 2011 and 2010, respectively.

Legal Proceedings

The Company is involved in various pending or potential legal actions in the ordinary course of our business. Management is unable to predict the ultimate outcome of these actions, because of the inherent uncertainty of litigation. However, management believes that the most probable, ultimate resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

18. Supplemental Cash Flow Information:

Supplemental cash flow information is as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Cash paid for:			
Interest	$ 10	$ 44	$ 253
Income taxes	14,068	12,966	5,289
Noncash investing and financing activities:			
Accrued capital expenditures	—	2	34
Inventory transferred to fixed assets	2,000	200	280

19. Segment and Geographic Information:

The Company evaluates financial performance based on two business segments: Seismic and Thermal Solutions. The Seismic product lines currently consist of geophones and hydrophones, including multi-component geophones and hydrophones, seismic leader wire, geophone string connectors, seismic telemetry cables, high definition reservoir characterization products and services, marine seismic cable retrieval devices, data acquisition systems, offshore cables and industrial products. Thermal Solutions products include thermal printers, thermal printheads and dry thermal film and other media. The Company sells these products to a variety of markets, including the screen print, point of sale, signage and textile markets. The Company also sells these Thermal Solutions products to its seismic customers.

The following tables summarize the Company's segment information:

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Net sales:			
Seismic	$178,221	$158,653	$114,774
Thermal Solutions	12,642	13,519	12,955
Corporate	801	798	804
Total	191,664	172,970	128,533
Income (loss) from operations:			
Seismic	59,455	53,477	28,955
Thermal Solutions	1,014	(37)	397
Corporate	(9,604)	(9,035)	(8,244)
Total	50,865	44,405	21,108
Depreciation, amortization and stock-based compensation:			
Seismic	8,533	5,990	3,995
Thermal Solutions	320	345	375
Corporate	1,496	1,448	1,259
Total	10,349	7,783	5,629
Interest income:			
Seismic	581	139	165
Thermal Solutions	5	—	—
Corporate	157	128	89
Total	743	267	254
Interest expense:			
Seismic	199	—	—
Thermal Solutions	—	—	—
Corporate	—	43	238
Total	199	43	238

* The Company's manufacturing operations for its Seismic and Thermal Solutions business segments are combined. Therefore, the Company does not segregate and report separate balance sheet accounts for these segments. As a result, the Company does not report business segment balance sheet information.

"Corporate" net sales consists of rental revenue earned from an operating lease of a surplus building located in Houston, Texas. "Corporate" loss from operations primarily consists of the Company's Houston headquarter general and administrative expenses.

The Company generates product sales and rentals from its subsidiaries in the United States, Canada, the Russian Federation and the United Kingdom. Sales information for the Company is as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
United States	$216,741	$155,781	$127,972
Canada	23,741	8,966	3,706
Russian Federation	9,837	10,144	7,973
United Kingdom	4,064	4,883	3,432
Eliminations	(62,719)	(6,804)	(14,550)
	$191,664	$172,970	$128,533

Summaries of net sales by geographic area for fiscal years 2012, 2011 and 2010 are as follows (in thousands):

	YEAR ENDED SEPTEMBER 30,		
	2012	2011	2010
Asia (excluding Middle East)	$ 10,753	$ 22,772	$ 11,684
Canada	59,602	13,158	6,011
Europe	3,043	34,278	13,375
Middle East	8,542	6,588	9,441
United States	102,378	92,368	85,423
Other	7,346	3,806	2,599
	$191,664	$172,970	$128,533

Net sales are attributed to countries based on the ultimate destination of the product sold, if known. If the ultimate destination is not known, net sales are attributed to countries based on the geographic location of the initial shipment.

Long-lived assets were as follows (in thousands):

	AS OF SEPTEMBER 30,	
	2012	2011
United States	$35,577	$43,992
Canada	29,696	5,135
Russian Federation	5,760	4,108
United Kingdom	442	471
China	11	8
	$71,486	$53,714

20. Selected Quarterly Information (Unaudited):

The following table represents summarized data for each of the quarters in fiscal years 2012 and 2011 (in thousands, except per share amounts):

	2012			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$36,949	$55,201	$56,233	$43,281
Gross profit	13,349	22,963	25,060	20,658
Income from operations	6,194	15,601	16,472	12,598
Other income (expense), net	326	(14)	351	334
Net income	4,266	10,736	11,431	8,685
Basic earnings per share	$ 0.33	$ 0.84	$ 0.90	$ 0.68
Diluted earnings per share	$ 0.33	$ 0.83	$ 0.89	$ 0.68

	2011			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$32,805	$46,368	$50,696	$43,101
Gross profit	12,780	20,556	21,684	19,093
Income from operations	6,049	13,511	13,048	11,797
Other income (expense), net	94	25	(44)	139
Net income	3,589	9,207	8,702	8,213
Basic earnings per share	$ 0.28	$ 0.74	$ 0.71	$ 0.67
Diluted earnings per share	$ 0.28	$ 0.72	$ 0.69	$ 0.65

Schedule II

Geospace Technologies Corporation and Subsidiaries
Valuation and Qualifying Accounts
(In Thousands)

	Balance at Beginning of Period	Charged to Costs And Expenses	Charged to Other Assets	(Deductions) And Additions	Balance at End of Period
Year ended September 30, 2012					
Allowance for doubtful accounts on accounts and notes receivable	$411	$ 118	$—	$(249)	$280
Year ended September 30, 2011					
Allowance for doubtful accounts on accounts and notes receivable	334	128	—	(51)	411
Year ended September 30, 2010					
Allowance for doubtful accounts on accounts and notes receivable	848	(479)	—	(35)	334

	Balance at Beginning of Period	Charged to Costs And Expenses	Charged to Other Assets	(Deductions) And Additions	Balance at End of Period
Year ended September 30, 2012					
Inventory obsolescence reserve	$9,552	$1,793	$—	$(2,021)	$9,324
Year ended September 30, 2011					
Inventory obsolescence reserve	6,645	4,608	—	(1,701)	9,552
Year ended September 30, 2010					
Inventory obsolescence reserve	4,613	2,872	—	(840)	6,645

Exhibit 21.1

Subsidiaries of
Geospace Technologies Corporation

GTC, Inc., a Texas corporation
Geospace Technologies Canada, Inc., an Alberta corporation
Geospace Technologies Corporation Azerbaijan Branch, an Azerbaijan company
Geospace Engineering Resources International, Inc., a Texas corporation
Geospace Finance Corp., a Texas corporation
GTC Inc. Beijing Representative Office, a Chinese company
Exile Technologies Corporation, a Texas Corporation
Exile Technologies Limited, a United Kingdom company
Geospace J.V., Inc., a Texas corporation
Geospace Technologies Eurasia, LLC, a Russian limited liability company
Geospace Technologies, Sucursal Sudamericana LLC, a Texas Limited Liability Company

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-40893, No. 333-80003, No. 333-122834 and No. 333-122835) and Form S-3 (No. 333-177964) of Geospace Technologies Corporation of our reports dated December 12, 2012, relating to the consolidated financial statements and financial statement schedule as of September 30, 2012 and 2011 and for each of the three fiscal years in the period ended September 30, 2012, and the effectiveness of internal control over financial reporting as of September 30, 2012, which appear in this Form 10-K.

/s/ UHY LLP

Houston, Texas
December 12, 2012

Exhibit 31.1

CERTIFICATIONS

I, Gary D. Owens, certify that:

1. I have reviewed this annual report on Form 10-K of Geospace Technologies Corporation;

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 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.

December 12, 2012

/s/ Gary D. Owens

Name: Gary D. Owens
Title: Chairman of the Board, President
and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Thomas T. McEntire, certify that:

1. I have reviewed this annual report on Form 10-K of Geospace Technologies Corporation;

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 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.

December 12, 2012

/s/ Thomas T. McEntire

Name: Thomas T. McEntire
Title: Vice President, Chief Financial Officer and Secretary

Exhibit 32.1

Informational Addendum to Annual Report on Form 10-K
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Not Filed Pursuant to the Securities Exchange Act of 1934

The undersigned Chairman of the Board, President and Chief Executive Officer of Geospace Technologies Corporation does hereby certify as follows:

> Solely for the purpose of meeting the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and solely to the extent this certification may be applicable to this Annual Report on Form 10-K, the undersigned hereby certifies that this Annual Report on Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Geospace Technologies Corporation.

/s/ Gary D. Owens

Name: Gary D. Owens
Title: Chairman of the Board, President
and Chief Executive Officer
December 12, 2012

Exhibit 32.2

Informational Addendum to Annual Report on Form 10-K
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Not Filed Pursuant to the Securities Exchange Act of 1934

The undersigned Chief Financial Officer and Secretary of Geospace Technologies Corporation does hereby certify as follows:

> Solely for the purpose of meeting the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and solely to the extent this certification may be applicable to this Annual Report on Form 10-K, the undersigned hereby certifies that this Annual Report on Form 10-K fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in this Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Geospace Technologies Corporation.

/s/ Thomas T. McEntire

Name: Thomas T. McEntire
Title: Vice President, Chief Financial Officer and Secretary
December 12, 2012

Officers and Directors

Officers

Gary D. Owens
Chairman of the Board
President & Chief Executive Officer

Michael J. Sheen
Senior Vice President
Chief Technical Officer

Thomas T. McEntire
Vice President, Secretary
& Chief Financial Officer

W. Richard Wheeler
Executive Vice President
& Chief Operating Officer

Robbin B. Adams
Executive Vice President
& Chief Project Engineer

Directors

Gary D. Owens
Chairman of the Board
President & Chief Executive Officer

Thomas L. Davis, Ph.D.
Professor of Geophysics
Colorado School of Mines

Tina M. Langtry
Retired Senior Manager
ConocoPhillips

William H. Moody
Retired Partner
KPMG

Michael J. Sheen
Senior Vice President
Chief Technical Officer

Charles H. Still
Retired Partner of Counsel
Fulbright & Jaworski, LLP

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Geospace Offshore
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EXILE Technologies Corporation
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Geospace Engineering Resources International, Inc.
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