



February 09, 2018

The Board of Directors
Geospace Technologies Corporation
7007 Pinemont Drive
Houston, Texas 77040

Dear Members of the Board of Directors:

Lemelson Capital Management LLC, as the beneficial owner of approximately 10 percent of Geospace Technologies ("Geospace") outstanding shares, is calling for the **immediate** removal, **for cause**, of Mr. Rick Wheeler, CEO and Mr. Tom McEntire, CFO. In addition, Lemelson Capital Management, LLC, urges the board to contemporaneously explore a sale of the company.

We do not undertake these recommendations lightly. We have been extremely troubled by the following conduct of Messrs. Wheeler and McEntire, including but not limited to:

1. Knowingly filing a materially misleading form 8-K with the Securities and Exchange Commission (SEC) on February 7, 2018;
2. Failure to design and maintain controls over the classification of inventory that has led to adverse audit opinions and material weakness in the Company's internal control over financial reporting;
3. The dysfunction and incompetence being exhibited in the process of maximizing stockholder value that the Board is purportedly "handling", and which has led to the loss of major contracts.

As a direct result of the failed management of Mr. Wheeler and Mr. McEntire, the stock price of Geospace has recently hit a new 52-week low, (plummeting nearly 90 percent since Mr. Wheeler took over as CEO in January 2014). This despite the extraordinary industry-wide recovery in the oil and gas sector which has led to the stock price of several of the company's immediate competitors achieving new 52-week highs—which suggests that the poor performance of the stock is not connected to any industry-wide factors but is specifically linked to the management of Geospace.



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We are disturbed but not surprised by this mismanagement given the recent history of strategic bungling by Mr. Wheeler and Mr. McEntire, which has been reported in our previous letters. This has led to the recent loss of two major PRM contracts with Statoil, a key long-standing customer. Moreover, those contracts were lost not to another industry leader but to Nokia, an obscure provider with limited experience in the energy industry. The loss of these contracts from Statoil (NYSE: STO), one of the world's oil and gas majors, underscores the failures of current management, and places at risk what should be a shoe-in win of the PRM contract for Petrobras' (NYSE: PBR) giant Roncador field expected in 2018¹.

We are not alone in our concerns. Other shareholders are now publicly questioning the integrity and ability of Wheeler and McEntire.

As significant shareholders who take our fiduciary duties to investors seriously, we cannot stand by silently as Geospace, a company with vast under-reported and unencumbered assets, including near-record cash and liquidity, engages in a campaign of cash preservation and cost cutting measures which make no business sense. Indeed, we can only conclude that such efforts serve only to entrench Mr. Wheeler and Mr. McEntire and the current board while massively disenfranchising public shareholders and permanently robbing us of the opportunity to unlock the value of our stake in the company².

As stewards of our assets you are charged with a duty to place stockholder interests above personal gain or other motives. To allay the legitimate concerns and uncertainty now flooding the marketplace and to provide much needed transparency, we ask that you immediately take the following actions:

1. Correct the recently filed form 8-K to reflect the accurate tally of votes and make public any correspondence or process in which Geospace invited or directed third parties to make motions or alter the vote count (the "process letters") at the most recent annual meeting.
2. Remove Mr. Wheeler and Mr. McEntire for clearly breaching their fiduciary responsibilities to shareholders and for violating securities laws and regulations by knowingly filing a false and materially misleading form 8-K on February 7, 2018.
3. Engage an investment bank to explore strategic alternatives for a sale of the company.

We assume that Geospace as part of its corporate governance process at its most recent annual meeting did not place any artificial restrictions on the proposals or voting rights that

¹ Given the divestiture of PGS's PRM business and the fact that Nokia is likely at full capacity, the loss of any of the 8 fields in the portfolio Petrobras has designated for PRM systems would be indefensible.

² See "Lemelson Capital Management announces 10 percent stake in Geospace Technologies (NASDAQ: GEOS), urges immediate share repurchase," December 1, 2017(click [here to access a copy](#)).



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the Geospace board was willing to consider, such as discouraging, or even prohibiting the accurate tally of votes cast at the meeting.

Of course, we appreciate the need for confidential correspondence, and therefore stockholders need not know at this point who received the Process Letters. However, stockholders do need to know that the board's actions are consistent with their chief duty to maximize stockholder value.

Additionally, Lemelson Capital does not seek and does not expect to receive material non-public information and thus requests that you file such letters publicly with the Securities and Exchange Commission via Form 8-K swiftly and deliberately.

Considering the serious concerns recently expressed by many Geospace stakeholders and interested parties, undertaking these proposed actions is the only responsible thing to do.

Sincerely,

+ *Emmanuel Lemelson*

Rev. Fr. Emmanuel Lemelson

Chief Investment Officer
Lemelson Capital Management, LLC



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