

**Offshore Hydrocarbon Mapping plc**

**Interim Report and Condensed Financial Statements  
for the six months ended 28 February 2009**

# **Offshore Hydrocarbon Mapping plc Interim Report and Condensed Financial Statements For the six months ended 28 February 2009**

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### **Directors:**

David Charles Newall Pratt (Executive Chairman)

Robert Ian Auckland (Chief Financial Officer)

Dr Lucy Margaret MacGregor (Chief Scientific Officer)

Keith Lough (Non-executive Director)

Thierry Joseph Marie Le Roux (Non-executive Director)

Alan Kennedy Faichney (Non-executive Director)

(appointed on 1 April 2009)

### **Secretary and Registered Office:**

Robert Ian Auckland,  
c/o Pinsent Masons  
30 Aylesbury Street,  
London  
EC1R 0ER

Company Number 04329960

## **Offshore Hydrocarbon Mapping plc Chairman's Statement**

The oil service industry is currently experiencing a deeply challenging period. The global economic crisis has impacted dramatically on the world's financial markets making it difficult for companies to raise money both through debt and equity offerings. For many of our clients this has meant that the cash they need to fund their exploration and development programs is diminished and indeed, for some, this has resulted in them ceasing trading or being sold off in consolidation with other players.

The price that our clients achieve for their produced oil and gas has seen a significant decrease from the highs of 2008. This has prompted many of them to cut exploration and production spending or to delay planned projects. Even those who have strong cash positions and take long term industry views, or even invest counter cyclically, find it difficult to fully execute on these strategies when their partner Group members in individual projects seek to reduce expenditures.

This environment has mixed impacts on our business lines. Oil companies seeking to reduce overall spending may choose to invest more in their existing data to further de-risk their decision making in place of new data acquisition programs. This plays well for our Rock Solid Images business line, which is experiencing historically strong order backlog.

Conversely, CSEM technology related expenditures, being at an early stage of industry adoption, are not so embedded in our clients' workflows and accordingly may be more easily curtailed or delayed. However, on a more positive note I am pleased to note recent publication of exploration successes supported by CSEM results, like Ophir's recent Fortuna discovery in Equatorial Guinea where OHM's advanced data processing revealed a resistive body associated with the gas reservoir.

Like many other companies the turmoil on the financial markets has also adversely impacted OHM's share price. There has been an overall reduction in valuation multiples in oil service stocks. Together with this, a number of funds that were invested in OHM are facing difficulties and redemption calls. With many funds moving to bigger and more liquid companies, demand for OHM's shares is much reduced. This has resulted in a current market capitalisation for the OHM Group, of less than one tenth of the shareholders equity position on our balance sheet. This is despite improved trading from Rock Solid Images since we acquired them less than two years ago and significant progress by the Group in the integration of seismic and CSEM data to give advanced insights into rock and fluid properties in the subsurface. The economic environment will eventually recover a measure of stability and this should drive an improved trading environment which will hopefully reward shareholders patience for persevering with us during these trying times.

### ***Reacting to prevailing market conditions - restructuring of cost base***

In my Chairman's report, at the end of Financial Year 2008, I highlighted that prevailing market conditions could impact on the Group's future business plans, and that OHM would need to achieve a dramatic upturn in its trading position, and/or deal with vessel capacity costs and/ or raise additional finance to ensure continuing viability.

The Board subsequently instigated a number of initiatives to improve the Group's viability. Given the uncertain climate that prevails in the industry, we have completed a review of the Group's cost structure resulting in significant reductions in the Group's fixed costs. Charter terms for OHM's chartered vessels OHM Leader and OHM Express have been renegotiated and a number of staff, at all levels in the Group, have been made redundant. Remaining members of senior management have also taken material salary cuts.

On an annualised basis, Group fixed costs should reduce by an estimated £13 million. Going forward these cost adjustments will allow the Group to become cash positive at a significantly lower revenue level than would previously have been required and which can be expected in this depressed market. These cuts have been carefully crafted to reduce only capacity and not quality or capability. We have strived to preserve the essential core of knowledge from which we can re-grow when market demand for CSEM gets back on its growth track.

## **Offshore Hydrocarbon Mapping plc Chairman's Statement (continued)**

Our restructuring has not been all about cost saving. Importantly, we have also been building multidisciplinary teams of geologists, geophysicists and petrophysicists uniquely giving us the architecture necessary to deliver on the benefits we will reap from the close integration of seismic and CSEM measurements.

Following the restructuring, Richard Cooper is Group President with responsibility for the running of the Group's businesses. Bob Auckland remains Chief Financial Officer and Dr. Lucy Macgregor Chief Scientist. Dr Anthony Greer is promoted to manage OHM Ltd, taking on responsibility for the day to day running of the CSEM business line.

These changes materially improve the Group's financial position although, like any other business, we rely on an inflow of orders from our clients to continue to be able to generate cash flows. In this respect we are hopeful that we will receive a number of key orders which will enable adequate CSEM revenues to be generated in the summer operating season to give the required boost to the cash position of our OHM Ltd subsidiary. In this respect, we are actively negotiating a number of projects which would deliver this revenue generation. The situation is better at Rock Solid Images where their order book gives encouraging visibility.

### ***Review of operations***

We have seen an increase in demand for CSEM services and products over the same period last year, driven by a comparatively extended season of work in the North Sea, and some key pilot program work done in the winter months. Data library sales were also robust in response to the Norwegian 20<sup>th</sup> licensing round. Early sales from the WISE product line, the Group's products arising from the close integration of CSEM and seismic, made a small contribution to revenues. Although these revenues are welcome, they are more significant as a commercial proof of concept for industry's appetite for this service.

There has been continuing exploration success by the group of oil companies that operates the Mahogany / Jubilee field in Ghana, where Rock Solid Images are playing a key role in mapping the individual hydrocarbon bearing sands in complex fan setting. This has been a catalyst for demand growth for Rock Solid Images' seismic inversion workflows which are underpinned by proprietary seismic data conditioning tools and rock physics capabilities. This increase in seismic inversion throughput has resulted in a significant change in product mix within Rock Solid Images which has driven both increased revenues and margins over the comparable period in 2008.

Revenues for the first half year of the year to February 28<sup>th</sup> 2009 were £6.2 million, an increase of 31% over the corresponding period last year. This growth results both from the increase in demand for CSEM services and data and by strong growth in the rock physics driven seismic inversion services.

Significant cost base reductions will not take full effect until the second half of FY2009 though there are exceptional costs of the order of four hundred thousand pounds associated with this restructuring which are recognised in the first half accounts. Accordingly, the Group made a loss before tax, after restructuring costs, of £5.6 million for the first half of the current financial year. The Group's cash balance at the 28<sup>th</sup> of February was £2.3 million and the Group's borrowing facilities amounting to US\$3 million remain untouched.

### ***Research and Development***

Our commercial research and development goals are little changed. We seek to widen the geological settings in which we can apply our core technologies and to enhance the value of the information that these technologies provide to our clients. What has changed over the years is our insight into the power of data integration as an enabler for these objectives. A good deal of our leading edge research is now focused on the benefits that arise from such data integration and with gaining new insights into lithology and fluid prediction from geophysical measurements.

## **Offshore Hydrocarbon Mapping plc Chairman's Statement (continued)**

Our business model of having such research underwritten by industry consortia allows us to continue to invest in research and development in these troubled times while allowing our consortia members to gain insights into emerging capabilities that allow them to accelerate adoption and implementation of our results.

### ***Trading outlook***

Demand for CSEM work is depressed compared to the levels seen in 2007. Based on a review of our clients' budgets, we see hope for an improvement in demand in 2009, but clients' caution and cash preservation could very likely delay this spending.

The Rock Solid Images business line which undertakes advanced analysis of seismic and well log data continues to perform well with a strong backlog extending well into the Group's second half year. Recently introduced workflows which are designed to provide information to allow increased production from unconventional shale plays are now creating industry interest adding to the Group's backlog.

In difficult market conditions, positive progress has been made in CSEM adoption with five new clients added within the half year period. WISE, the Group's latest product which enhances CSEM data through advanced combination with seismic information to provide insights into rock and fluid properties has also just completed its first commercial project. Industry support for this initiative continues to grow with oil company support remaining high for the WISE research consortium.

We have extremely encouraging results from CSEM pilot programs conducted over the last twelve months in reservoir settings that are technically challenging for the CSEM technology highlighting the rapid improvements in capability that are resulting from OHM's research and development effort. We have reasonable expectations that these pilot programs will lead to some larger commercial programs in the summer of 2009.

We also anticipate further data library sales from our existing data sets triggered by the award of licences related to the Norwegian 20<sup>th</sup> licensing round.

The ongoing success of our CSEM acquisition business line is heavily dependent on securing orders in these areas and the management and sales teams are actively pursuing the opportunities that will deliver this success.

The fundamentals of the oil industry remain very clear and very simple. Hydrocarbons are a finite essential resource on which global energy and materials businesses are dependant. Existing reserves are being steadily depleted, and the industry is not finding new resources fast enough to meet forecast long term demands. Economies will recover and hydrocarbon consumption will accelerate once again. The easy to find hydrocarbons have been found and the easy to produce have been produced. OHM's technologies provide new insights that will drive exploration success and enhance recovery of reserves. We continue to focus on prevailing in the challenging conditions we face, and on growing our order book to secure our place in these exciting markets to come.

**David Pratt**  
*Executive Chairman*

**Offshore Hydrocarbon Mapping plc**  
**Condensed Group Income Statement**  
**For the six months ended 28 February 2009**

	Note	Six months to 28 February 2009 (Unaudited) £'000	Six months to 29 February 2008 (Unaudited) £'000	Year to 31 August 2008 (Audited) £'000
<b>Revenue</b>		6,221	4,744	10,795
Cost of sales		8,569	5,113	13,046
<b>Gross profit</b>		<b>(2,348)</b>	(369)	(2,251)
Administrative expenses		3,353	4,153	7,253
<b>Group operating loss</b>		<b>(5,701)</b>	(4,522)	(9,504)
Finance income		73	507	777
Finance costs		(8)	(10)	(17)
<b>Loss before taxation</b>		<b>(5,636)</b>	(4,025)	(8,744)
Income tax expense	4	(162)	(28)	47
<b>Loss for the period</b>		<b>(5,798)</b>	(4,053)	(8,697)
<b>Loss per ordinary share</b>				
Basic	5	(13.42) p	(9.40) p	(20.17) p
Diluted	5	(13.42) p	(9.40) p	(20.17) p

No dividends were declared in any period disclosed.

**Offshore Hydrocarbon Mapping plc**  
**Condensed Group Balance Sheet**  
**At 28 February 2009**

	Note	At 28 February 2009 (Unaudited) £'000	At 29 February 2008 (Unaudited) £'000	At 31 August 2008 (Audited) '000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets - goodwill		14,345	10,408	11,414
- multi client data library		3,325	3,423	3,560
- software		2,926	2,062	2,349
- patent costs		1,193	825	981
- consortium fees		189	147	154
	6	<u>21,978</u>	<u>16,865</u>	<u>18,458</u>
Plant and equipment	7	<u>4,821</u>	<u>3,493</u>	<u>5,029</u>
		<b>26,799</b>	<b>20,358</b>	<b>23,487</b>
<b>Current assets</b>				
Inventories		642	652	745
Trade and other receivables	8	1,672	2,716	3,919
Cash and cash equivalents	9	2,297	14,452	8,222
		<u>4,611</u>	<u>17,820</u>	<u>12,886</u>
<b>Total assets</b>		<u><b>31,410</b></u>	<u><b>38,178</b></u>	<u><b>36,373</b></u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	10	3,128	4,646	6,345
Current tax liabilities		92	93	102
Finance leases		28	52	42
		<u>3,248</u>	<u>4,791</u>	<u>6,489</u>
<b>Non current liabilities</b>				
Deferred tax liabilities		899	728	724
Finance leases		1	21	8
		<u>900</u>	<u>749</u>	<u>732</u>
<b>Total liabilities</b>		<u><b>4,148</b></u>	<u><b>5,540</b></u>	<u><b>7,221</b></u>
<b>Net assets</b>		<u><b>27,262</b></u>	<u><b>32,638</b></u>	<u><b>29,152</b></u>
<b>Shareholders' equity</b>				
Share capital	11	434	432	432
Share premium		36,668	36,668	36,668
Share based payments reserve		1,230	1,177	1,107
Merger reserve		5,355	5,355	5,355
Retained earnings		(21,497)	(10,958)	(15,699)
Cumulative translation reserve		5,072	(36)	1,289
<b>Total shareholders' equity</b>		<u><b>27,262</b></u>	<u><b>32,638</b></u>	<u><b>29,152</b></u>

# Offshore Hydrocarbon Mapping plc

## Condensed Group Statement of Changes in Equity

### For the six months ended 28 February 2009

#### Attributable to equity holders of the parent company

	Share capital (Unaudited) £'000	Share premium account (Unaudited) £'000	Share based payments reserve (Unaudited) £'000	Merger reserve (Unaudited) £'000	Retained earnings (Unaudited) £'000	Translation reserve (Unaudited) £'000	Total equity (Unaudited) £'000
<b>At 1 September 2007</b>	<b>426</b>	<b>36,447</b>	<b>848</b>	<b>5,355</b>	<b>(6,905)</b>	<b>(214)</b>	<b>35,957</b>
Foreign currency translation difference arising on consolidation of subsidiaries	-	-	-	-	-	178	178
Loss for the period	-	-	-	-	(4,053)	-	(4,053)
Total recognised income and expense	-	-	-	-	(4,053)	178	(3,875)
Share based payments	-	-	425	-	-	-	425
Purchase of own shares	-	-	(96)	-	-	-	(96)
Share issues	6	221	-	-	-	-	227
<b>At 29 February 2008</b>	<b>432</b>	<b>36,668</b>	<b>1,177</b>	<b>5,355</b>	<b>(10,958)</b>	<b>(36)</b>	<b>32,638</b>
Foreign currency translation difference arising on consolidation of subsidiaries	-	-	-	-	-	1,325	1,325
Loss for the period	-	-	-	-	(4,644)	-	(4,644)
Total recognised income and expense	-	-	-	-	(4,644)	1,325	(3,319)
Share based payments	-	-	(166)	-	-	-	(166)
Other adjustments	-	-	96	-	(97)	-	(1)
<b>At 31 August 2008</b>	<b>432</b>	<b>36,668</b>	<b>1,107</b>	<b>5,355</b>	<b>(15,699)</b>	<b>1,289</b>	<b>29,152</b>
Foreign currency translation difference arising on consolidation of subsidiaries	-	-	-	-	-	3,783	3,783
Loss for the period	-	-	-	-	(5,798)	-	(5,798)
Total recognised income and expense	-	-	-	-	(5,798)	3,783	(2,015)
Share based payments	-	-	123	-	-	-	123
Share issues	2	-	-	-	-	-	2
<b>At 28 February 2009</b>	<b>434</b>	<b>36,668</b>	<b>1,230</b>	<b>5,355</b>	<b>(21,497)</b>	<b>5,072</b>	<b>27,262</b>

The movements in the share based payments reserve represents the fair value of the shares to be awarded under the Group's Share Option Plans and Share Award and Bonus Plans together with treasury share transactions which satisfy these obligations. Corresponding amounts for the share based payments charges are included in the loss for the relevant periods with the consequence that the Company's accounting for share based payments has no net impact on total equity.

The merger reserve represents the excess of the fair value of the shares issued over the nominal value which is recorded when shares are issued in exchange for shares to effect an investment in an undertaking.

Retained earnings comprise net gains and losses recognised in the Income Statement. The translation reserve comprises gains and losses arising on the translation of the net assets of overseas operations.

**Offshore Hydrocarbon Mapping plc**  
**Condensed Group Cashflow Statement**  
**For the six months ended 28 February 2009**

	Note	Six months to 29 February 2008 (Unaudited) £'000	Six months to 29 February 2008 (Unaudited) £'000	Year to 31 August 2008 (Audited) £'000
<b>Cash flow from operating activities</b>				
Loss before taxation		(5,636)	(4,025)	(8,744)
Adjustments for:				
Depreciation of tangible fixed assets		440	830	1,339
Amortisation of intangible fixed assets		618	330	1,023
Share based payments charge		123	425	259
Intangible asset transfer from balance sheet		53	706	1,903
Loss on disposal of plant and equipment		36	3	30
Finance income		(73)	(507)	(777)
Finance cost		8	10	-
<b>Operating loss before changes in working capital and provisions</b>		<b>(4,431)</b>	<b>(2,228)</b>	<b>(4,967)</b>
Decrease/(increase) in inventories		103	(18)	(111)
Decrease in trade and other receivables		2,247	1,966	763
(Decrease)/increase in trade and other payables		<b>(3,241)</b>	<b>(598)</b>	<b>1,150</b>
Cash absorbed by operations		<b>(5,322)</b>	<b>(878)</b>	<b>(3,165)</b>
Interest paid		<b>(8)</b>	<b>(10)</b>	<b>-</b>
Foreign taxes paid		-	<b>(28)</b>	<b>(29)</b>
<b>Net cash flows from operating activities</b>		<b>(5,330)</b>	<b>(916)</b>	<b>(3,194)</b>
<b>Cash flows from investing activities</b>				
Payments to acquire multi-client data library		<b>(12)</b>	<b>(2,012)</b>	<b>(3,861)</b>
Payments to acquire software		<b>(179)</b>	<b>(106)</b>	<b>(284)</b>
Payments to acquire patents		<b>(106)</b>	<b>(97)</b>	<b>(229)</b>
Payments to acquire plant and equipment		<b>(326)</b>	<b>(1,885)</b>	<b>(3,892)</b>
Proceeds from sale of tangible assets		11	4	-
Net cash outflow on acquisition of subsidiary		-	<b>(20)</b>	<b>(20)</b>
Interest received		<b>73</b>	<b>507</b>	<b>777</b>
<b>Net cash used in investing activities</b>		<b>(539)</b>	<b>(3,609)</b>	<b>(7,509)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary share capital		<b>2</b>	<b>227</b>	<b>226</b>
Line of Credit		-	<b>(89)</b>	<b>(89)</b>
Capital lease obligation		<b>(21)</b>	<b>(41)</b>	<b>(66)</b>
Other adjustments		-	<b>(96)</b>	<b>(97)</b>
<b>Net cash (used in)/ from financing activities</b>		<b>(19)</b>	<b>1</b>	<b>(26)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(5,888)</b>	<b>(4,524)</b>	<b>(10,729)</b>
<b>Opening cash and cash equivalents</b>		<b>8,222</b>	<b>18,968</b>	<b>18,968</b>
Effect of foreign exchange rate changes		<b>(37)</b>	<b>8</b>	<b>(17)</b>
<b>Closing cash and cash equivalents</b>	<b>9</b>	<b>2,297</b>	<b>14,452</b>	<b>8,222</b>

# Offshore Hydrocarbon Mapping plc

## Notes to the Condensed Interim Financial Statements

### For the six months ended 28 February 2009

#### 1 Basis of preparation and accounting policies

The interim condensed financial statements for the six months ended 28 February 2009 have been prepared using the recognition and measurement principles of IFRS and in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

The accounting policies used in the preparation of these condensed financial statements are set out in the statutory financial statements for the year ended 31 August 2008. There have been no changes in accounting policies so these policies are expected to be applicable at 31 August 2009.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 August 2009, but have no material impact on the Group:

<b>Title</b>	<b>Implementation</b>	<b>Effect on the Group</b>
<i>Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments</i>	Financial year ending 31 August 2009	None
IFRIC 12: Service Concession Arrangements	Financial year ending 31 August 2009	None
IFRIC 13: Customer Loyalty Programmes	Financial year ending 31 August 2009	None
IFRIC 14: IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Financial year ending 31 August 2009	None

#### Future accounting developments

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 August 2009 and have not been adopted early:

<b>Title</b>	<b>Implementation</b>	<b>Anticipated effect on the Group</b>
IAS 1 (Revised 2007): Presentation of Financial Statements	Annual periods beginning on or after 1 January 2009	One key impact on the Group is that the revised IAS 1 will require changes to the presentation of the Income Statement. It will require a statement of comprehensive income including all gains and losses taken to equity, or an Income Statement and a separate Statement of Comprehensive Income which deals with other gains and losses taken to equity.
Amendments to IAS 1 and IAS 32: Financial Instruments (Puttable Instruments and Obligations Arising on Liquidation)	Annual periods beginning on or after 1 January 2009	None
IAS 23: Borrowing Costs (Revised)	Annual periods beginning on or after 1 January 2009	None
Amendments to IFRS 2: Share-based Payment (Vesting Conditions and Cancellations)	Annual periods beginning on or after 1 January 2009	None
IFRS 3 (Revised 2008): Business Combinations and complementary amendments to IAS 27: Consolidated and Separate Financial Statements	Annual periods beginning on or after 1 July 2009 (*)	None
IFRS 8: Operating Segments	Annual periods beginning on or after 1 January 2009	Additional disclosures only

# Offshore Hydrocarbon Mapping plc

## Notes to the Condensed Interim Financial Statements

### For the six months ended 28 February 2009 (continued)

#### 1 Basis of preparation and accounting policies (continued)

Amendments to IFRS 7: Improving Disclosures about Financial Instruments	Annual periods beginning on or after 1 January 2009 (*)	Additional disclosures only
Amendment to IAS 39: Financial Instruments – Recognition and Measurement - Eligible Hedging Items	Annual periods beginning on or after 1 July 2009 (*)	None
Embedded Derivatives – amendments to IFRIC 9 and IAS 39	Annual periods ending on or after 30 June 2009 (*)	None
Improvements to IFRSs	Annual periods beginning on or after 1 January 2009	None
Improvements to IFRSs	Annual periods beginning on or after 1 January 2010	Additional disclosures
IFRIC 15: Agreements for the Construction of Real Estate	Annual periods beginning on or after 1 January 2009 (*)	None
IFRIC 16: Hedges of a Net Investment in a Foreign Operation	Annual periods beginning on or after 1 October 2008 (*)	None
IFRIC 17: Distributions of Non-Cash Assets to Owners	Annual periods beginning on or after 1 July 2009 (*)	None
IFRIC 18: Transfer of Assets from Customers	Annual periods beginning on or after 1 July 2009 (*)	None

(\*) – These standards and interpretations are not presently endorsed for use in the European Union.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect.

The results for the half-year are unaudited. The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section s434 of the Companies Act 2006.

The comparative financial information for the year ended 31 August 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Offshore Hydrocarbon Mapping plc for the year ended 31 August 2008 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies.

The report of the auditors was unqualified, but it did include an emphasis of matter paragraph with regard to the going concern position. The auditor's report did not contain statements under Section 237(2) or 272(3) of the Companies Act 1985.

#### Going concern assumption

The Group has reported a loss before taxation of £5,636,000 for the six months to 28 February 2009 (loss before taxation of £8,744,000 for the year to 31 August 2008 and a loss before taxation of £4,025,000 for the six months to 29 February 2008).

The directors are committed to returning the Group to profitability and have taken, or are in the process of taking, a number of initiatives which should lead to a financial and operational turnaround of the Group.

A review of the Group's cost structure has recently been completed resulting in significant reductions in the Group's fixed costs. Charter terms for the Group's chartered vessels OHM Leader and OHM Express have been renegotiated and a number of staff, at all levels in the Group, have been made redundant. Remaining members of senior management have also taken material salary cuts.

# Offshore Hydrocarbon Mapping plc

## Notes to the Condensed Interim Financial Statements

### For the six months ended 28 February 2009 (continued)

#### Going concern assumption (continued)

On an annualised basis, Group fixed costs should reduce by an estimated £13 million. These cost adjustments should allow the Group to become cash positive at significantly lower revenue levels than would previously have been required and which can be expected in this depressed market. In addition, the Group is committed to tight management of overheads, working capital and capital expenditure and, as a consequence, has introduced additional internal control and reporting procedures.

These changes materially improve the Group's financial position although, like any other business, it relies on an inflow of orders from its clients to continue to be able to generate cash flows. In this respect the directors are optimistic that adequate CSEM revenues will be generated in the summer operating season, whilst Rock Solid Images' order book gives encouraging visibility. Demand for CSEM work is depressed compared to the levels seen in 2007, but based on a review of the Group's clients' budgets, the directors see hope for an improvement in demand in 2009, but clients' caution and cash preservation could very likely delay this spending.

It is therefore acknowledged that additional funding may be required in the event that the cost cutting measures referred to above, in tandem with an improvement in the Group's revenue performance, fail to improve the Group's financial position. The directors are therefore considering a number of refinancing options, should such a course of action become necessary during the second half of the financial year (or later, if required).

The directors believe that there are reasonable prospects that a refinancing could be successfully concluded by the end of fiscal year 2009 (ending 31 August 2009) if it were to be considered necessary. However, any failure to successfully conclude a refinancing initiative, which for the reasons set out above is not currently anticipated, would result in significant doubt over the Group's ability to continue as a going concern.

Taking all the above into account, the directors believe that it continues to be appropriate to prepare these Condensed Interim Financial Statements on a going concern basis.

## 2 Seasonality of operations

Due to the seasonal nature of the Controlled Source ElectroMagnetic (CSEM) business, higher revenues and operating profits are usually expected in the second half of the year than in the first six months. Higher revenues during the summer period are mainly attributed to the increase in demand for data acquisition services in the North Sea and North Atlantic where there is a higher level of adoption of the CSEM technology.

## 3 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. At 28 February 2009 the Group is organised into two reportable business segments - Controlled Source ElectroMagnetic (CSEM) business and Well and Surface Seismic (WSS) business.

#### Controlled Source ElectroMagnetic (CSEM)

The Group adds value by providing interpretations of data which lowers the client's risk of unsuccessful offshore exploration. Controlled Source ElectroMagnetic (CSEM) surveying detects resistivity variations which can be linked to the presence and extent of hydrocarbon accumulations before drilling. The Group has not divided financial information for its CSEM activities into further different segments as it offers only one CSEM product range to its clients who are international and state owned oil companies.

# Offshore Hydrocarbon Mapping plc

## Notes to the Condensed Interim Financial Statements

### For the six months ended 28 February 2009 (continued)

#### 3 Segmental reporting (continued)

The risk and profitability of the Group's operations is similar in different geographical regions of the world. Most of the Group's plant and equipment is deployed on survey vessels and, as the CSEM surveys are executed worldwide with equipment often being relocated to meet capacity requirements, the Group is not able to allocate these assets specifically to any geographical region.

#### Well and Surface Seismic (WSS)

Rock Solid Images (RSI) is the industry leader in the integration of fundamental rock physics with well data and surface seismic in order to interpret geophysical signatures in terms of reservoir properties.

The acquisition of Rock Solid Images, which took place in August 2007, will allow highly valuable information to be gained from the intelligent combination of CSEM and seismic data, calibrated by well log information. The Group considers that these two remote sensing measurements are completely complementary and, when properly combined, can lead to quantitative measurement of important rock and fluid properties such as permeability and hydrocarbon saturation.

#### Segment results

	Revenues			Operating profit/( loss)		
	Six months to 28 February 2009 £'000	Six months to 29 February 2008 £'000	Year ended 31 August 2008 £'000	Six months to 28 February 2009 £'000	Six months to 29 February 2008 £'000	Year ended 31 August 2008 £'000
CSEM	3,955	3,237	8,124	(5,840)	(3,510)	(7,894)
WSS	2,266	1,507	2,671	139	(1,012)	(1,610)
<b>Total</b>	<b>6,221</b>	<b>4,744</b>	<b>10,795</b>	<b>(5,701)</b>	<b>(4,522)</b>	<b>(9,504)</b>

#### 4 Income tax expense

	Six months to 28 February 2009 (Unaudited) £'000	Six months to 29 February 2008 (Unaudited) £'000	Year to 31 August 2008 (Audited) £'000
<i>UK Corporation tax</i>			
Corporation tax	-	-	-
<i>Foreign tax</i>			
Current tax on foreign income for the period	(200)	(28)	(29)
<i>Deferred tax</i>			
Relating to the origination and reversal of temporary differences	38	-	76
Income tax expense as reported in the Condensed Group Income Statement	<b>(162)</b>	<b>(28)</b>	<b>47</b>

#### 5 Loss per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods.

The weighted average number of ordinary shares in issue for the six months to 28 February 2009 was 43,193,357 (six months to 29 February 2008: 43,114,072, year to 31 August 2008: 43,124,180).

Losses after tax are £5,798,000 (Six months to 29 February 2008: loss of £4,053,000, year to 31 August 2008: loss of £8,697,000).

**Offshore Hydrocarbon Mapping plc**  
**Notes to the Condensed Interim Financial Statements**  
**For the six months ended 28 February 2009 (continued)**

**5 Loss per share (continued)**

	<b>Six months to 28 February 2009 (Unaudited) Shares</b>	Six months to 29 February 2008 (Unaudited) Shares	Year to 31 August 2008 (Audited) Shares
<b>Reconciliation of denominator for diluted EPS calculation</b>			
Number of shares used in calculation of basic EPS	43,193,357	43,114,072	43,124,180
Dilutive potential ordinary shares held under Share Option Plan and Share Award and Annual Bonus Plans	-	-	-
Number of shares used in calculation of diluted EPS	<u>43,193,357</u>	<u>43,114,072</u>	<u>43,124,180</u>

In both 2009 and 2008, the loss for the periods has resulted in any potential ordinary shares held under Share Option Plans and Share Award and Annual Bonus Plans being anti-dilutive and, in accordance with IAS 33 "Earnings per share", these shares have therefore been excluded from the calculation of diluted EPS. At 28 February 2009 there were 2,821,179 ordinary shares (at 29 February 2008: 2,617,554 ordinary shares, at 31 August 2008: 2,823,016 ordinary shares) held under the Company's Share Option Plans and Share Award and Annual Bonus Plans which could potentially dilute the basic EPS in the future.

**6 Intangible assets**

	<b>Six months to 28 February 2009 (Unaudited) £'000</b>	Six months to 29 February 2008 (Unaudited) £'000	Year to 31 August 2008 (Audited) £'000
<b>Opening balance</b>	18,458	15,457	15,457
Additions	297	2,235	4,374
Transfer to Condensed Group Income Statement	(53)	(706)	(1,903)
Amortisation	(618)	(330)	(1,023)
Foreign exchange differences	3,894	209	1,553
<b>Closing balance</b>	<u>21,978</u>	<u>16,865</u>	<u>18,458</u>

Goodwill and fair valuation adjustments to intangible assets arising from the acquisition of the overseas operation, Rock Solid Images, in August 2007 are denominated in US Dollars. The retranslation of these balances at the closing exchange rates has resulted in exchange differences which go directly to the translation reserve. These exchange differences were particularly significant during the six month period to 28 February 2009 when the opening and closing US Dollar translation rate used reflected a strengthening of approximately 21% of the US Dollar against the Group's functional currency which is Sterling. In the comparative six month period to 29 February 2008 the US Dollar strengthened by approximately 2%.

**Offshore Hydrocarbon Mapping plc**  
**Notes to the Condensed Interim Financial Statements**  
**For the six months ended 28 February 2009 (continued)**

**7 Fixed assets**

<b>Plant and equipment</b>	<b>Six months to 28 February 2009 (Unaudited) £'000</b>	<b>Six months to 29 February 2008 (Unaudited) £'000</b>	<b>Year to 31 August 2008 (Audited) £'000</b>
<b>Opening balance</b>	<b>5,029</b>	2,435	2,435
Additions	326	1,901	3,892
Disposals	(194)	(16)	(6)
Depreciation	(440)	(838)	(1,339)
Foreign exchange differences	100	11	47
<b>Closing balance</b>	<b>4,821</b>	<b>3,493</b>	<b>5,029</b>

**Capital expenditure**

Capital expenditure during the six month period amounted to £326,000 (29 February 2008: £1,901,000, 31 August 2008: £3,892,000) and mainly related to costs associated with the third spread of offshore survey equipment and IT equipment.

**8 Trade and other receivables**

	<b>At 28 February 2009 (Unaudited) £'000</b>	<b>At 29 February 2008 (Unaudited) £'000</b>	<b>At 31 August 2008 (Audited) £'000</b>
Trade receivables	917	1,215	3,304
Less provision for impairment of trade receivables	(22)	-	(37)
	<b>895</b>	1,215	3,267
Other receivables	383	519	77
Prepayments and accrued income	394	982	575
	<b>1,672</b>	<b>2,716</b>	<b>3,919</b>

All amounts shown fall due for payment within one year.

**9 Cash and cash equivalents**

	<b>At 28 February 2009 (Unaudited) £'000</b>	<b>At 29 February 2008 (Unaudited) £'000</b>	<b>At 31 August 2008 (Audited) £'000</b>
Cash at bank and on hand	2,297	6,452	3,367
Short-term bank deposits	-	8,000	4,855
Cash and cash equivalents	<b>2,297</b>	14,452	8,222
Bank overdraft repayable on demand	-	-	-
	<b>2,297</b>	<b>14,452</b>	<b>8,222</b>

Short-term bank deposits have original maturity of 3 months or less.

**Offshore Hydrocarbon Mapping plc**  
**Condensed Group Interim Statement**  
**For the six months ended 28 February 2009 (continued)**

**10 Trade and other payables**

	At 28 February 2009 (Unaudited) £'000	At 29 February 2008 (Unaudited) £'000	At 31 August 2008 (Audited) £'000
Trade creditors	728	2,084	2,466
Accruals and deferred income	<u>2,400</u>	<u>2,562</u>	<u>3,879</u>
	<b><u>3,128</u></b>	<b><u>4,646</u></b>	<b><u>6,345</u></b>

**11 Share capital**

	At 28 February 2009 (Unaudited) £'000	At 29 February 2008 (Unaudited) £'000	At 31 August 2008 (Audited) £'000
<b>Authorised</b> 60,000,000 (29 February 2008: 50,000,000, 31 August 2008: 50,000,000) ordinary shares of 1p each	<u>600</u>	<u>500</u>	<u>500</u>
<b>Allotted, called up and fully paid</b> 43,369,382 (29 February 2008: 43,175,110, 31 August 2008: 43,175,110) ordinary shares of 1p each	<u>434</u>	<u>432</u>	<u>432</u>
	<b>Amount raised £'000</b>	<b>Ordinary shares of 1p each Number</b>	
<b>Share capital in issue at 1 September 2008</b>		43,175,110	432
Issued on 12 February 2009	2	194,272	2
<b>Share capital in issue at 28 February 2009</b>		<b><u>43,369,382</u></b>	<b><u>434</u></b>

**12 Capital commitments**

At 28 February 2009 the Group had capital commitments of £13,000 (29 February 2008: £1,059,000, 31 August 2008: £229,000).

**13 Related party transactions**

During the period the Group had transactions with various operating subsidiaries of its strategic partner Compagnie Generale de Geophysique – Veritas S.A. These transactions were in the normal course of business and comprised charges of £58,000 (2008: £nil) and receipts of £246,000 (2008: £nil). At the period end there was a balance of £58,000 (2008: £nil) due to the Group.

# Independent Review Report to Offshore Hydrocarbon Mapping plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2009 which comprises Condensed Group Income Statement, Condensed Group Balance Sheet, Condensed Group Statement of Changes in Equity, Condensed Group Cash Flow Statement and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 28 February 2009 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

## Emphasis of matter – going concern

In arriving at our Review Conclusion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 within the Interim Report and Condensed Financial Statements concerning the Group's ability to continue as a going concern. The Company requires the successful conclusion of certain initiatives and may also require additional funding to provide it with adequate financial resources to facilitate an operational and financial turnaround of the Group. These conditions, along with other matters disclosed in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Condensed Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

## **BDO Stoy Hayward LLP**

*Chartered Accountants and Registered Auditors*

*Glasgow*

23 April 2009