

## **Offshore Hydrocarbon Mapping plc**

### **Interim report and financial statements for the six months ended 28 February 2005**

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#### **Directors**

Dr. Pierre Jean Marie Henri Jungels (Non-executive Chairman)  
David Charles Newall Pratt (Chief Executive Officer)  
Garry Robert Allan (Finance Director)  
Dr Lucy Margaret MacGregor (Chief Scientific Officer)  
Landon Thomas Clay (Non-executive Director)  
David Robert Norwood (Non-executive Director)  
Dr Anthony Raven (Non-executive Director)  
Professor Martin Clarebrough Sinha (Non-executive Director)  
Gary Jones (Non-executive Director)  
Keith Lough (Non-executive Director)

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**Offshore Hydrocarbon Mapping plc**  
**Interim results for the half year ended 28 February 2005.**

Offshore Hydrocarbon Mapping plc (OHM), the electromagnetic remote sensing company, today announces its preliminary half year results for the period ended 28 February 2005.

**Highlights:**

- Half year revenues of £1.5 million (2004 £2.3 million);
- Half year pre tax losses of £ 1,688,000 ( 2004 profit £194,000);
- Capacity increased with mobilisation of second crew
- Significant progress in extending operating envelope into shallow water

## **Operations**

The Company continued to provide operations under a long term contract with a major international oil company through most of the half year, with this contract coming to a successful scheduled conclusion in January.

As reported in full year results in October, operations were impacted by the loss of the DASI III transmitter system in deep waters off Africa. Fortunately we were able to replace this rapidly with a new generation DASI IV system, limiting the impact on earnings which had been caused by lost time and the expenses of getting the replacement equipment to the vessel.

A second field crew comprising another DASI IV transmitter and a number of our latest generation electromagnetic receivers was mobilised and this crew was deployed on two research and development projects in the North Sea focused on extending the capabilities of the CSEMI technique into shallower water operating environments. Under our current accounting policy, the costs associated with these surveys have been largely expensed.

Demand for our data processing capabilities continues to grow and a number of orders for a range of oil companies were taken and begun within the reporting period.

Our new receivers, now in their third generation, have successfully undergone field trials meeting their design objectives, and have subsequently proved to be reliable and to provide data of the highest quality on recent surveys.

## **Research and development – Shallow Water**

The company's research efforts have been heavily focused on applying the CSEMI technique to shallower water conditions with a view to increasing the potential market for the technique.

The application of the CSEMI technique to water depths shallower than a few hundred metres has historically been problematic. OHM has devoted a significant amount of research effort to solving this problem in conjunction with the ITF, a Norwegian oil company, and a consortium of international oil companies. In the first half of 2005, two research surveys were conducted by OHM to gather data to examine some of the theoretical solutions to the problems identified by OHM's research work. Both surveys provided data that showed that it is possible, with amendments to our technique, to use the CSEMI technique to image resistivity structure in the earth in water depths of 100 metres or less. OHM now believes that with careful survey design and implementation, the CSEMI technique can be used as a hydrocarbon indicator in many shallow water situations. We anticipate that at least one major oil company will shortly be commissioning work in just such an area.

## **Financial**

The results for the accounting period up to the 28 February show revenues of £ 1.5 million and a net loss of £ 1.7 million. Cash flow from operations was £ 1.3 million and cash outflow after capital expenditure was £ 3.0 million. The Company's cash balance was £ 7.0 million.

No interim dividend is declared

The Company's auditors, BDO Stoy Hayward LLP, have produced an independent review of the interim accounts and notes.

## **Prospects**

As we stated in October's full year results, much of our focus this year has been on encouraging industry adoption of the CSEMI technique, and these efforts are beginning to bear fruit. We have taken orders from a number of companies for work in the second half of the year, and are pleased to note that we have potential new clients showing interest in the technique.

Early in our second half year, OHM undertook a significant contract for Dana Petroleum in Mauritania. Field operations have now been completed and went extremely well. Early indications are that data

quality is extremely high, and the data are currently undergoing advanced processing before being interpreted. It is extremely significant that successful, leading-edge exploration companies like Dana Petroleum are adopting the CSEMI technology and recognizing the value it can create for their businesses.

Industry interest in non-exclusive survey programs that we have proposed in Europe and Africa has been good and we expect to get good levels of support for at least one of these programs.

As more and more CSEMI surveys are done and the scale of the value created by our services becomes fully appreciated, we expect there to be a strong growth in demand. Much of management's current efforts are focused on ensuring that we are ready to supply this market and that we have the capacity to grow and the procedures to manage that growth.

In this period of transition towards wider adoption, forecasting of workflow can be difficult and equipment utilisation variable. We have also continued to invest significantly in research and development as we believe this is key to our future growth potential and competitive differentiation.

With increasing industry interest and positive responses to our work from existing clients we are confident of a swift return to good levels of profitability as we move beyond this phase in our development.

Dr Pierre Jungels CBE  
Chairman

## Offshore Hydrocarbon Mapping plc

### Unaudited Consolidated Profit and Loss Account

	Notes	Six Months to 28 February 2005 (Unaudited) £'000	Six Months to 29 February 2004 (Unaudited) £'000	Year to 31 August 2004 (Audited) £'000
<b>Turnover</b>		1,504	2,307	4,679
Cost of sales		(1,482)	(991)	(1,922)
<b>Gross profit</b>		22	1,316	2,757
Administrative expenses		(1,909)	(1,136)	(2,484)
		(1,887)	180	273
Other operating income		2	-	1
<b>Group operating (loss)/profit</b>		(1,885)	180	274
(Loss) on disposal of fixed assets		-	-	(94)
<b>(Loss) / Profit on ordinary activities before interest and other income</b>		(1,885)	180	180
Interest receivable and similar income		197	14	226
Interest payable and similar charges		-	-	(2)
<b>(Loss) / Profit on ordinary activities before taxation</b>		(1,688)	194	404
Tax on loss from ordinary activities	6	(21)	-	(38)
<b>Retained (Loss) / Profit for the period after taxation</b>		(1,709)	194	366

All amounts relate to continuing activities.

There are no recognised gains or losses other than those within the profit and loss account

## Offshore Hydrocarbon Mapping plc

### Unaudited Consolidated Balance Sheet

	At 28 February 2005 (Unaudited) £'000	At 29 February 2004 (Unaudited) £'000	At 31 August 2004 (Audited) £'000
<b>Fixed assets</b>			
Intangible assets	94	37	69
Tangible assets	3,741	981	2,520
	<u>3,835</u>	<u>1,018</u>	<u>2,589</u>
<b>Current assets</b>			
Debtors	512	1,216	1,219
Cash at bank and in hand	7,045	964	9,944
	<u>7,557</u>	<u>2,180</u>	<u>11,163</u>
<b>Creditors: amounts falling due within one year</b>	<u>(718)</u>	<u>(956)</u>	<u>(1,443)</u>
<b>Net current assets</b>	<u>6,839</u>	<u>1,224</u>	<u>9,720</u>
<b>Total assets less current liabilities</b>	<u><b>10,674</b></u>	<u><b>2,242</b></u>	<u><b>12,309</b></u>
<b>Capital and reserves</b>			
Called up share capital	300	227	290
Share premium account	12,167	2,271	12,103
Profit and loss account	(1,793)	(256)	(84)
	<u>10,674</u>	<u>2,242</u>	<u>12,309</u>
<b>Equity shareholders' funds</b>	<u><b>10,674</b></u>	<u><b>2,242</b></u>	<u><b>12,309</b></u>

## Offshore Hydrocarbon Mapping plc

### Unaudited Consolidated Cash Flow Statements

	Notes	Six Months to 28 February 2005 (Unaudited) £'000	Six Months to 29 February 2004 (Unaudited) £'000	Year ended 31 August 2004 (Audited) £'000
Net cash (outflow) / inflow from operating activities	8 (a)	(1,343)	349	1,409
<b>Returns on investments and servicing of finance</b>				
Interest received		247	14	103
Interest paid		-	-	(2)
		247	14	101
<b>Net cash inflow from returns on investments and servicing of Finance</b>		<b>247</b>	<b>14</b>	<b>101</b>
<b>Taxation</b>				
Corporation tax paid		(21)	-	(43)
<b>Capital expenditure and financial investment</b>				
Purchase of intangible fixed assets		(38)	(14)	(54)
Purchase of tangible fixed assets		(1,819)	(547)	(2,532)
		(1,857)	(561)	(2,586)
<b>Net cash (outflow) from capital expenditure</b>		<b>(1,857)</b>	<b>(561)</b>	<b>(2,586)</b>
<b>Cash (outflow) before financing</b>		<b>(2,974)</b>	<b>(198)</b>	<b>(1,119)</b>
<b>Financing</b>				
Issue of ordinary share capital		75	50	10,800
Share Issue expenses		-	-	(849)
		75	50	9,951
<b>Cash inflow from financing</b>		<b>75</b>	<b>50</b>	<b>9,951</b>
<b>(Decrease) / Increase in cash for the period</b>	8 (b)	<b>(2,899)</b>	<b>(148)</b>	<b>8,832</b>

## Offshore Hydrocarbon plc – Notes to the Interim Results

For the six months ended 28 February 2005

### 1. Basis of preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The interim financial statements are unaudited but have been reviewed in accordance with Auditing Practices Board Bulletin “Review of Interim Financial Information” by the auditors. The interim results do not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. The information presented for the year ended 31 August 2004 has been extracted from the company’s statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

### 2. Accounting policies

The accounting policies applied in the preparation of the interim results are consistent with those applied in the preparation of the audited financial statements for the year ended 31 August 2004.

### 3. Share Capital

	At 29 February 2005	At 28 February 2004	At 31 August 2004
<b>Authorised</b>			
43,000,000 (31 August 2004:43,000,000) ordinary shares of 1p each	£430,000	£227,116	£430,000
	<hr/>	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>			
30,049,652 (31 August 2004:28,997,939) ordinary shares of 1p each	£300,496	£226,744	£289,979
	<hr/>	<hr/>	<hr/>

#### *Period Ended 28 February 2005*

On 10<sup>th</sup> November 2004 228,633 shares were allotted to Mr David Pratt at a price of £0.071 per share under the terms of the Offshore Hydrocarbon Mapping plc Enterprise Management Incentive Option Scheme.

On 28<sup>th</sup> January 2005 411,540 shares were allotted to Mr Michael Stannard at a price of £0.071 per share under the terms of the Offshore Hydrocarbon Mapping plc Enterprise Management Incentive Option Scheme.

On 28<sup>th</sup> January 2005 411,540 shares were allotted to Mr Giles Edwards at a price of £0.071 per share under the terms of the Offshore Hydrocarbon Mapping plc Enterprise Management Incentive Option Scheme.

#### 4. Reserves

	<b>Share Premium account £'000</b>	<b>Profit and loss Account £'000</b>	<b>Total £'000</b>
<b>As at 1 September 2002</b>	100	(83)	17
Premium on shares issued	2,342	-	2,342
Loss for year	-	(367)	(367)
	<hr/>	<hr/>	<hr/>
<b>As at 31 August 2003</b>	2,442	(450)	1,992
Premium on shares issued	10,736	-	10,736
Share issue costs	(849)	-	(849)
Transferred to share capital on bonus issue	(226)	-	(226)
Profit for the year	-	366	366
	<hr/>	<hr/>	<hr/>
<b>As at 31 August 2004</b>	12,103	(84)	12,019
Premium on shares issued	64	-	64
Loss for the Period	-	(1,709)	(1,709)
	<hr/>	<hr/>	<hr/>
<b>As at 29 February 2005</b>	12,167	(1,793)	10,374
	<hr/>	<hr/>	<hr/>

#### 5. Reconciliation of movements in shareholders' funds

	<b>At 28 February 2005 £'000</b>	<b>At 29 February 2004 £'000</b>	<b>At 31 August 2004 £'000</b>
Total Recognised gains and losses	(1,709)	194	366
New shares issued	10	226	63
Movement in Share Premium Account	64	(171)	9,887
	<hr/>	<hr/>	<hr/>
Total movements during the period	(1,635)	249	10,316
Opening shareholders' funds	12,309	1,993	1,993
	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	10,674	2,242	12,309
	<hr/>	<hr/>	<hr/>

#### 6. Taxation

	<b>Six months to 28 February 2005 £'000</b>	<b>Six months to 29 February 2004 £'000</b>	<b>Year to 31 August 2004 £'000</b>
<b>UK Corporation Tax</b>			
Current tax on profits of the year	-	-	-
Adjustment in respect of previous periods	-	-	(5)
	<hr/>	<hr/>	<hr/>
	-	-	(5)
<b>Foreign Tax</b>			
Current tax on foreign income for the year	21	-	43
	<hr/>	<hr/>	<hr/>
<b>Total Current Tax</b>	21	-	38
	<hr/>	<hr/>	<hr/>

## 7. Post Balance Sheet Events

### 8. a) Reconciliation of operating (loss) / profit to net cash flow from operating activities

	Six Months to 28 February 2005 £'000	Six Months to 29 February 2004 £'000	Year to 31 August 2004 £'000
Operating (loss) /profit	(1,885)	180	180
Amortisation of intangible fixed assets	13	5	14
Depreciation	598	347	699
Loss on sale of tangible fixed assets	-	-	93
Decrease / (increase) in debtors	657	(846)	(727)
(Decrease) / increase in creditors	(726)	663	1,150
Net cash (outflow) / inflow from operating activities	<u>(1,343)</u>	<u>349</u>	<u>1,409</u>

### b) Reconciliation of net cash flow to movement in net funds

	Six months to 28 February 2005 £'000	Six Months to 29 February 2004 £'000	Year to 31 August 2004 £'000
Increase / (Decrease) in cash in the period	<u>(2,899)</u>	<u>(148)</u>	<u>8,832</u>
Movement in net funds in the period	(2,899)	(148)	8,832
Net funds at the beginning of the period	<u>9,944</u>	<u>1,112</u>	<u>1,112</u>
<b>Net funds at the end of the period</b>	<u><b>7,045</b></u>	<u><b>964</b></u>	<u><b>9,944</b></u>

### c) Analysis of Net Debt

	At start of the period £'000	Cash flow £'000	At the end of the period £'000
<b>Period to 28 February 2005</b>			
Cash, at bank and in hand	<u>9,944</u>	<u>(2,899)</u>	<u>7,045</u>

## **Independent review report to Offshore Hydrocarbon Mapping plc**

### *Introduction*

We have been instructed by the company to review the financial information for the six months ended 28 February 2005 on pages 3 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of 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.

### *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.

### *Review work performed*

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom by auditors of fully listed companies. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### *Review conclusion*

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2005

**BDO STOY HAYWARD LLP**

*Chartered Accountants*

**Glasgow**