

Offshore Hydrocarbon Mapping plc

Interim Report and Financial Statements for the six months to 28 February 2006

Contents

Page:

2	Chairman's Statement
4	Consolidated Profit and Loss Account
5	Consolidated Balance Sheet
6	Consolidated Cash Flow Statement
7	Notes to the Interim Results
11	Independent Review Report

Directors

Dr Pierre Jean Marie Henri Jungels (Non-executive Chairman)
David Charles Newall Pratt (Chief Executive Officer)
Robert Ian Auckland (Chief Financial Officer) (Appointed February 8 2006)
Dr Lucy Margaret MacGregor (Chief Scientific Officer)
Landon Thomas Clay (Non-executive Director)
David Robert Norwood (Non-executive Director) (Resigned February 9 2006)
Dr Anthony Raven (Non-executive Director) (Resigned February 9 2006)
Professor Martin Clarebrough Sinha (Non-executive Director) (Resigned February 9 2006)
Gary Jones (Non-executive Director)
Keith Lough (Non-executive Director)

Secretary and Registered Office:

Robert Ian Auckland,
c/o Pinsent Masons
30 Aylesbury Street,
London
EC1R 0ER
Company Number 04329960

Chairman's Statement

Highlights

- Revenues of £5.9 million represent almost fourfold growth compared to last year's first half.
- Pre-tax loss reduced to £0.8 million, more than halving the comparable loss for last year.
- Cash positive
- Significant technological progress.
- Managing growth now a key driver.

Operations

Over the six months to 28 February 2006, our two crews conducted a number of successful surveys in Malaysia, Africa, the Falkland Islands and Norway. I am pleased to report that this increased activity was carried out safely and with the greatest care for the environment despite being undertaken in so many remote locations.

We see strong signals from industry that the value of Controlled Source Electro Magnetic Imaging (CSEMI) is now recognised as a key component of the explorer's toolkit. In the last six months this has been evidenced by our receipt of a rapidly growing number of enquiries for our services; the Norwegian licensing authority requiring CSEM surveys to be carried out as work commitments on recently awarded exploration licences; and crucially, the effective utilisation rate for our two crews exceeding 60% at the end of the period.

OHM is entering a new phase in its development where the challenges of managing growth are starting to become more relevant. This is significantly different from managing the start up and requires among other things, a focus on attracting and retaining high quality operational staff in an industry environment of high activity levels offshore.

Although our equipment utilisation is increasing steadily, the global distribution of our recent operations has meant that significant amounts of hardware and manpower time are allocated to mobilisation and demobilisation. With increasing adoption of the technique, we expect to see surveys clustered closer together, and ultimately a larger number of crews to address these surveys, resulting in a decrease in the percentage of our time allocated to mobilisation, and a correspondingly positive effect on margins.

Research and development

OHM's research and development effort is a critical building block of the company's strategy to lead a growing market for applications of EM technology. Over the last few months we have doubled the number of researchers working within the company and continue to partner with a number of vendors, technology consortia and universities worldwide. OHM has moved forward on technology and research on three fronts: better hardware, better acquisition techniques and more sophisticated imaging and data processing, both in deep and shallow waters. Progress on the integration of magnetic sensor data into our solutions is opening up exciting new applications for the technique as a valuable tool for mapping the base of basalt and salt layers, often invisible on seismic, in addition to our traditional applications

in hydrocarbon detection. This gives explorers valuable insight into the presence of potentially hydrocarbon bearing sedimentary sequences which have, to date, remained undetected.

Our intellectual property portfolio, measured in know how, work procedures, proprietary software and instrumentation, and awarded and pending patents, continues to grow strongly, and we have advanced the methodology to the stage where our premium products have developed far beyond the scope of the initial University of Southampton method patents.

We remain disappointed at the decision of the UK Patent Office to award a patent originally granted to the University of Southampton and licensed to OHM, to Statoil. After a thorough review of the position and taking into account the strides forward that OHM has made with the technology, the Board is confident that OHM's ability to operate worldwide will not be affected, even if the University of Southampton were to lose its patent dispute with Statoil in the Appeal Court in May.

Financial

The results for the accounting period to 28 February 2006 show revenue of £5.9 million (2005 - £1.5 million) and a net loss of £0.8 million, which is significantly lower than the net loss of £1.7 million reported for the comparable period in 2005. Cash inflow from operations was £0.7 million (2005 - £1.3 million outflow) and this was reduced to an inflow of £0.4 million (2005 - £2.9 million outflow) after interest received and capital expenditure. The Group's cash balance at 28 February 2006 was £4.7 million compared to a balance at the start of the half year of £4.3 million.

No interim dividend is declared.

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

Prospects

With a healthy order book, cash positive first half trading and the scientific advances created by our research team OHM is now managing for growth, which we intend to progress through recruiting and retaining high quality engineers, scientists and operational staff as well as putting in place the right strategy to broaden the offering to the industry.

In a move that reflects OHM's transition from start-up to a growing public company David Norwood, Professor Martin Sinha and Dr Tony Raven have retired as non-executive directors. I am grateful to them all for their advice and assistance in getting OHM off the ground.

We look forward to a busy second half to our financial year and to the prospects of further exciting advances and developments ahead.

Dr Pierre Jungels CBE
Chairman

Offshore Hydrocarbon Mapping plc

Unaudited Consolidated Profit and Loss Account

	Notes	Six months to 28 February 2006 (Unaudited) £'000	Six months to 28 February 2005 (Unaudited) £'000	Year to 31 August 2005 (Audited) £'000
Turnover		5,940	1,504	4,343
Cost of sales		(4,194)	(1,482)	(3,385)
Gross profit		1,746	22	958
Administrative expenses		(2,450)	(1,909)	(5,344)
Other operating income		-	2	-
Group operating loss		(704)	(1,885)	(4,386)
(Loss)/profit on disposal of fixed assets		(150)	-	277
Loss on ordinary activities before interest		(854)	(1,885)	(4,109)
Interest receivable		81	197	320
Loss on ordinary activities before taxation		(773)	(1,688)	(3,789)
Taxation on loss on ordinary activities	6	(25)	(21)	-
Loss on ordinary activities after taxation		(798)	(1,709)	(3,789)
Loss per share				
Basic	9	(2.65)p	(5.84)p	(12.77)p
Diluted	9	(2.65)p	(5.84)p	(12.77)p

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 28February 2006 (Unaudited) £'000	At 28February 2005 (Unaudited) £'000	At 31August 2005 (Audited) £'000
Fixed assets				
Intangible assets		495	94	458
Tangible assets		3,611	3,741	4,177
		<u>4,106</u>	<u>3,835</u>	<u>4,635</u>
Current assets				
Stock		167	-	194
Debtors		2,016	512	1,112
Cash at bank and in hand		4,708	7,045	4,357
		<u>6,891</u>	<u>7,557</u>	<u>5,663</u>
Creditors: amounts falling due within one year		<u>(3,189)</u>	<u>(718)</u>	<u>(1,692)</u>
Net current assets		<u>3,702</u>	<u>6,839</u>	<u>3,971</u>
Total assets less current liabilities		<u>7,808</u>	<u>10,674</u>	<u>8,606</u>
Capital and reserves				
Called up share capital	3	300	300	300
Share premium account	4	12,178	12,167	12,178
Profit and loss account	4	(4,670)	(1,793)	(3,872)
Equity shareholders' funds	5	<u>7,808</u>	<u>10,674</u>	<u>8,606</u>

Offshore Hydrocarbon Mapping plc

Unaudited Consolidated Cash Flow Statement

		Six months to 28 February 2006 (Unaudited) £'000	Six months to 28 February 2005 (Unaudited) £'000	Year ended 31 August 2005 (Audited) £'000
Net cash inflow/ (outflow) from operating activities	8 (a)	718	(1,343)	(2,958)
Returns on investments and servicing of finance				
Interest received		92	247	399
Net cash inflow from returns on investments and servicing of finance		92	247	399
Taxation				
Foreign tax paid		-	(21)	-
Capital expenditure and financial investment				
Purchase of intangible fixed assets		(63)	(38)	(393)
Purchase of tangible fixed assets		(442)	(1,819)	(3,102)
Proceeds from sale of fixed assets		46	-	381
Net cash outflow from capital expenditure and financial investment		(459)	(1,857)	(3,114)
Cash inflow/(outflow) before financing		351	(2,974)	(5,673)
Financing				
Issue of ordinary share capital		-	75	75
Share issue costs refunded		-	-	11
Cash inflow from financing		-	75	86
Increase/(decrease) in cash for the period	8 (b)	351	(2,899)	(5,587)

Offshore Hydrocarbon Mapping plc – Notes to the Interim Results

For the six months to 28 February 2006

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 2005 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 2005.

The transition to International Financial Reporting Standards (IFRS) is underway and OHM is on track to comply with the reporting requirements. The main measurement difference identified to date between UK GAAP and IFRS for OHM is likely to be in the recognition of intangible assets resulting from research and development.

Further details on the impact on OHM of complying with IFRS will be reported later in the year.

3. Called up share capital

	At 28 February 2006	At 28 February 2005	At 31 August 2005
Authorised			
43,000,000 (31 August 2005:43,000,000) ordinary shares of 1p each	£430,000	£430,000	£430,000
	<hr/>	<hr/>	<hr/>
Allotted, called up and fully paid			
30,049,652 (31 August 2005:30,049,652) ordinary shares of 1p each	£300,497	£300,497	£300,497
	<hr/>	<hr/>	<hr/>

4. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
As at 31 August 2005	12,178	(3,872)	8,306
Loss for the period	-	(798)	(798)
As at 28 February 2006	<u>12,178</u>	<u>(4,670)</u>	<u>7,508</u>

5. Reconciliation of movements in shareholders' funds

	At 28 February 2006 £'000	At 28 February 2005 £'000	At 31 August 2005 £'000
Total recognised gains and losses	(798)	(1,709)	(3,789)
New shares issued	-	10	11
Movement in share premium account	-	64	64
Share issue costs refund	-	-	11
Total movements during the period	<u>(798)</u>	<u>(1,635)</u>	<u>(3,703)</u>
Opening shareholders' funds	<u>8,606</u>	<u>12,309</u>	<u>12,309</u>
Closing shareholders' funds	<u>7,808</u>	<u>10,674</u>	<u>8,606</u>

6. Taxation

	Six months to 28 February 2006 £'000	Six months to 28 February 2005 £'000	Year to 31 August 2005 £'000
UK Corporation tax			
Current tax on results for the period	-	-	-
Adjustment in respect of previous periods	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Foreign tax			
Current tax on foreign income for the period	25	21	-
Total current tax	<u>25</u>	<u>21</u>	<u>-</u>

7. Post balance sheet events

There are no post balance sheet events.

8. a) Reconciliation of operating loss to net cash inflow from operating activities

	Six months to 28 February 2006 £'000	Six months to 28 February 2005 £'000	Year to 31 August 2005 £'000
Operating loss	(704)	(1,885)	(4,386)
Amortisation of intangible fixed assets	25	13	34
Depreciation of tangible fixed assets	811	598	1,312
Decrease/(increase) in stocks	27	-	(194)
(Increase)/decrease in debtors	(903)	657	27
Increase/(decrease) in creditors	1,462	(726)	249
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	718	(1,343)	(2,958)
	<hr/>	<hr/>	<hr/>

8. b) Reconciliation of net cash flow to movement in net funds

	Six months to 28 February 2006 £'000	Six months to 28 February 2005 £'000	Year to 31 August 2005 £'000
Increase / (decrease) in cash	351	(2,899)	(5,587)
	<hr/>	<hr/>	<hr/>
Movement in net funds	351	(2,899)	(5,587)
Net funds at the beginning of the period	4,357	9,944	9,944
	<hr/>	<hr/>	<hr/>
Net funds at the end of the period	4,708	7,045	4,357
	<hr/>	<hr/>	<hr/>

8. c) Analysis of net funds

	At 1 September 2005 £'000	Cash inflow £'000	At 28 February 2006 £'000
Period to 28 February 2006			
Cash at bank and in hand	4,357	351	4,708
	<hr/>	<hr/>	<hr/>

9. Loss per share

Loss per 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 is 30,049,652 (6 months to 28 February 2005: 29,283,667, Year to 31 August 2005: 29,669,808).

Earnings, being loss after tax, are £797,301 (6 months to 28 February 2005: loss of £1,709,137, Year to 31 August 2005: loss of £3,788,944).

Reconciliation of denominator for diluted EPS calculation

	Six months to 28 February 2006	Six months to 28 February 2005	Year to 31 August 2005
Number of shares used in calculation of Basic EPS	30,049,652	29,283,667	29,669,808
Dilutive potential ordinary shares held under share option schemes	-	-	-
Number of shares in calculation of Diluted EPS	<u>30,049,652</u>	<u>29,283,667</u>	<u>29,669,808</u>

In 2006 and 2005, the loss for each period has resulted in any potential ordinary shares held under share option schemes being anti-dilutive and, in accordance with FRS 22, have therefore been excluded from the calculation of Diluted EPS.

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 2006 on pages 4 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 2006.

BDO STOY HAYWARD LLP

Chartered Accountants

Glasgow

21 April 2006