# Thalassa Energy Ltd

# Interim Report

# Six months to 30 June 2008

Registered Number: 1433759

## Directors, Secretary and Advisers

| | |
|---|---|
| **Directors** | C Duncan Soukup, *Executive Chairman*<br>Graham Cole FCA, FSI, *Non-executive Director*<br>James H Grossman, *Non-executive Director*<br>David M Thomas, *Non-executive Director* |
| **Registered Office** | Folio Chambers<br>Road Town, Tortola<br>British Virgin Islands |
| **Company Secretary** | Christopher J Langrick ACA |
| **Nominated Adviser** | Dowgate Capital Advisers Limited<br>46 Worship Street<br>London EC2A 2EA |
| **Broker** | Ocean Equities Limited<br>3 Copthall Avenue<br>London EC2R 7BH |
| **Solicitors to the Company**<br>(as to English Law) | Lawrence Graham LLP<br>4 More London Riverside<br>London SE1 2AU |
| **Solicitors to the Company**<br>(as to BVI Law) | Conyers Dill & Pearman<br>Romasco Place, Wickhams Cay 1<br>PO Box 3140<br>Road Town, Tortola<br>British Virgin Islands VG1110 |
| **Auditors** | Moore Stephens LLP<br>St Paul's House<br>Warwick Lane<br>London EC4M 7BP |
| **Registrars** | Capita IRG Trustees Ltd<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |
| **Company website** | www.thalassaenergyltd.com |

**Contents** **Page**

Chairman's Statement........................................................................................ 1

Consolidated Interim Income Statement ................................................................ 3

Consolidated Interim Balance Sheet ...................................................................... 4

Consolidated Interim Statement of Cash Flows...................................................... 5

Consolidated Interim Statement of Changes in Equity .......................................... 6

Notes to the Consolidated Interim Financial Information ...................................... 7

Pro–forma consolidated interim balance sheet at 30 June 2008 to reflect the placement of 6,189,073 new ordinary shares and admission to trading on AIM on 29 July 2008 ......................................................................................................... 14

Independent Auditors' Review Report on Interim Financial Information to Thalassa Energy Ltd ......................................................................................................... 16

## Chairman's Statement

### Overview:

I am pleased to report the Thalassa Energy Group's half-year results for the period for the six months ended 30 June 2008 and the successful admission of the Company's shares to trading on AIM of the London Stock Exchange, particularly at a time when many public companies have found it difficult to raise money. We are now actively implementing the business strategy.

### Financial review:

The consolidated financial information has been prepared in accordance with the accounting policies which will be adopted in presenting the full year annual report and accounts. The full year annual report and accounts will be prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Group results for the six months to 30 June 2008 show a loss of US$219,813. Loss per share, basic and diluted, was US$22.0. I am happy to report that the results for the period are an improvement on budget which forecast a loss of US$300,000 or US$30 per share.

Net assets at the end of the period under review amounted to US$2,211,537.

No cash was generated from trading in the six months to 30 June 2008. The share placing in July 2008 raised US$6,189,073 before expenses. The total expenses of the share placing and admission are estimated to be US$1,300,000.

### Dividend:

No dividend has been proposed.

### Placing and Admission to AIM:

On 22 July 2008, the loan advanced to the company in my capacity as sole shareholder to fund costs of incorporation, capital expenditure, and placing fees amounting to US$2,300,927 was partially settled by the subscription of 2,300,927, US$1.00 ordinary shares.

On 29 July 2008, the Company successfully completed the placing of 6,189,073 ordinary shares at US$1.00 per share (£0.502 per share) resulting in gross proceeds of US$6,189,073 which after deduction of direct transaction fees of US$864,729, resulted in net cash proceeds of US$5,324,344.

Total capital and reserves of the Company attributable to equity holders following the placing of 6,189,073 ordinary shares and admission to trading on AIM on 29 July 2008 was US$6,999,220.

We have included in this interim report a pro-forma consolidated interim balance sheet to reflect the transactions performed after the period end relating to the capital changes and the admission to AIM.

**Prospects:**

During the past 9 months the Company's independent marketing consultant and the team from WGP Projects Limited have been in direct contact with various potential clients. Whilst to-date no operating contracts have resulted from these leads, the Company's planned introduction of its initial PMSS™ unit has resulted in widespread interest among potential customers and has been extensively covered in the Upstream trade press.

I am confident that the hard work that has gone into the development and marketing of the PMSS™ will, in due course, result in meaningful business.

C. Duncan Soukup
Chairman

25 September 2008

## Consolidated Interim Income Statement

| | Note | Six months ended 30 June 2008 Unaudited $ |
|---|---|---|
| **Continuing operations** | | |
| Revenue | | - |
| Cost of sales | | - |
| **Gross profit** | | - |
| Administrative expenses | | (201,490) |
| **Operating loss** | | **(201,490)** |
| Finance expense | | (18,323) |
| **Loss before taxation** | | **(219,813)** |
| Taxation | | - |
| **Loss for the financial period** | | **(219,813)** |
| | | |
| **Loss per share** | | |
| Basic and diluted | 3 | **(22.0)** |

The notes on pages 7 to 13 form an integral part of this consolidated interim financial information.

## Consolidated Interim Balance Sheet

| | Note | At 30 June 2008 Unaudited $ | At 31 December 2007 Unaudited $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 6 | 3,021,911 | 389,154 |
| | | **3,021,911** | **389,154** |
| **Current assets** | | | |
| Deferred placing fees | | 848,446 | - |
| Other debtors | | 8,021 | 100 |
| **Total current assets** | | **856,467** | **100** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other creditors | | 1,517,434 | - |
| Accrued expenditure | | 149,407 | - |
| **Total current liabilities** | | **1,666,841** | - |
| **Net current liabilities** | | **(810,374)** | **100** |
| **Net assets** | | **2,211,537** | **389,254** |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 7 | 100 | 100 |
| Retained earnings / (losses) | | (224,196) | (4,384) |
| **Total equity attributable to owners of the parent** | | **(224,096)** | **(4,284)** |
| Shareholders loan | 8 | 2,435,633 | 393,538 |
| **Total equity and shareholders loan** | | **2,211,537** | **389,254** |

The comparative information for the period from incorporation (26 September 2007) to 31 December 2007, as presented above, is shown in the Company's Admission Document dated 23 July 2008. However, the balance sheet presented in the Company's Admission document is rounded to the nearest thousand (US$ 000).

Note: On 29 July 2008 the Company completed a placement of 6,189,073 ordinary shares at US$1.00 per share. As a result of the placing (less than a month after 30 June 2008, the close of this period) the Group balance sheet was materially different to the balance sheet as presented above, therefore, a pro-forma balance sheet at 30 June 2008 has been presented on page 14.

The notes on pages 7 to 13 form an integral part of this consolidated interim financial information.

These financial statements were approved by the board on 11 September 2008.
**Signed on behalf of the board by:**

**C. Duncan Soukup**

## Consolidated Interim Statement of Cash Flows

| | Note | Six months ended 30 June 2008 Unaudited $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| **Operating loss for the period** | | **(201,490)** |
| Increase in trade and other receivables | | (7,921) |
| Increase in trade and other payables | | 109,008 |
| Depreciation | 6 | 2,036 |
| **Net cash flow from operating activities** | | **(98,367)** |
| **Cash flows from financing activities** | | |
| Increase in Founding shareholder loan account re operating activities | | 98,367 |
| **Net cash flow from financing activities** | | **98,367** |
| **Net (decrease) / increase in cash and cash equivalents** | | - |
| Cash and cash equivalents at the start of the period | | - |
| **Cash and cash equivalents at the end of the period** | | - |

Note: At 30 June 2008, the sole "Founding" Shareholder had paid $2,435,633 on behalf of the Company, of which US$102,751 related to operating activities (less US$4,384 brought forward results in movement for the period to 30 June 2008 of US$98,367), US$1,883,115 related to capital expenditure, US$431,786 related to Placing fees and US$17,981 related to interest.

The notes on pages 7 to 13 form an integral part of this consolidated interim financial information.

## Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June 2008 (unaudited)

| | Note | Share Capital | Retained earnings / (losses) | Shareholders Loan | Total Equity |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Balance as at 1 January 2008 | | 100 | (4,383) | 393,537 | 389,254 |
| Total recognised income and expense | | - | (219,813) | - | (219,813) |
| Shareholder's loan | 8 | - | - | 2,042,096 | 2,042,096 |
| **Balance as at 30 June 2008** | | **100** | **(224,196)** | **2,435,633** | **2,211,537** |

The notes on pages 7 to 13 form an integral part of this consolidated interim financial information.

## Notes to the Consolidated Interim Financial Information

### 1. General information

Thalassa Energy Ltd (the "Company") is a British Virgin Island ("BVI") International business company ("IBC"), incorporated and registered in the BVI on 26 September 2007. The Company was established as a holding company, and currently has one operating subsidiary, Thalassa Energy Services Ltd. ("TESL") (together with Thalassa Energy Ltd, the "Group"). The group was established to acquire marine seismic equipment, specifically a Portable Modular Source System ("PMSS™"). The PMSS™ is equipment which can be installed on a vessel in order to provide the seismic (sound) source to allow exploration and production companies to perform reservoir monitoring.

WGP Projects Limited ("WGP") and TESL have entered into an Operations Management Agreement under which WGP will provide procurement, assembly and operational management services in relation to the PMSS™. WGP is an established independent British seismic research contracting company which currently provides a wide range of geophysical services to the oil and gas industry.

The assembly of the PMSS™ is scheduled to be complete by the fourth quarter of 2008. As such, the Group will not start to generate revenues until the PMSS™ is operational and a contract for its use has been secured.

As the Company was incorporated on 26 September 2007, no comparative information is available for the interim period to 30 June 2008.

On 29 July 2008, the Company placed 6,189,073 new ordinary shares at US$1.00 per share and was admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange and since that date, the Company's shares have been quoted on that market under ticker symbol 'THAL'.

The consolidated interim financial information was approved for issue by the Company's Board of Directors on 11 September 2008. This financial information is unaudited but has been reviewed by the Company's auditors.

### 2. Accounting policies

The Group prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the EU.

The principal accounting policies are summarised below. They have been applied consistently throughout the period covered by this interim report and are set out below.

#### 2.1. Basis of preparation

This consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard No. 34, 'Interim financial reporting'.

Accounting policies consistent with those used in the Company's Admission Document dated 23 July 2008 have been applied in this interim report.

**2.2. Recent accounting and financial reporting pronouncements**

The following standards, revisions and interpretations were in issue, but not in force at 30 June 2008:

| | |
|---|---|
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| IFRS 2 Amendment | Share-based payment – vesting conditions and cancellations |
| IFRS 1 and IAS 27 Amendments | Cost of an investment in a subsidiary, jointly controlled entity or associate |
| IAS 23 Revision | Borrowing Costs |

The Directors do not expect the new standards and interpretations, or the revision of existing standards, to have any significant impact on the Company's results of operations and financial position.

**2.3. Going concern**

The financial information has been prepared on the going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The applicability of the going concern basis is based on the company having raised $6,189,073 by way of a share placing pursuant to admission to AIM on 29 July 2008.

**2.4. Basis of consolidation**

The consolidated accounts include the assets, liabilities and results of the Company together with its wholly owned subsidiary Thalassa Energy Services Ltd from the date of its formation. All significant intercompany transactions and balances within the group are eliminated in the preparation of the consolidated financial information.

**2.5. Judgement and estimates**

The preparation of financial statements in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key judgement area relates to the carrying value of the property, plant and equipment.

**2.6. Tangible Fixed assets**

Tangible fixed assets are stated at cost less depreciation and any provision for impairment.

Cost includes the purchase price, including import duties, non-refundable purchase taxes and directly attributable costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Cost also includes capitalised interest on borrowings.

Depreciation is provided at rates calculated to write off the cost of the tangible fixed assets over their estimated useful economic life, less estimated residual values, once the equipment is deployed and is in use, as follows:

- Plant and equipment: 5 to 15 years
- Office equipment: 3 to 5 years

**2.7. Impairment of assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in a prior period may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the Income statement in the period in which it arises. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation / amortisation), had no impairment loss been recognised for the asset in a prior period. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

**2.8. Investments**

Investments in subsidiaries held by the Company as fixed assets are stated at cost less any provision for permanent diminution in value.

**2.9. Taxation**

Thalassa Energy Ltd is incorporated in the BVI as an International business company (IBC) and as such is not subject to tax in the BVI.

**2.10. Foreign currency**

The individual financial statements of each Group company are maintained in the currency of the primary economic environment in which it operates (its functional currency), which is US dollars. The presentational currency for the consolidated financial statements is also US dollars.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising are included in the income statement for the period.

**2.11. Financial instruments and risk management**

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

***Trade receivables*** are initially measured at fair value and are subsequently measured at amortised cost, do not carry any interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the income statement.

***Cash and cash equivalents*** comprise cash in hand and demand deposits and other short-term highly liquid investments with maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

***Trade payables*** are not interest-bearing and are initially valued at their fair value and are subsequently measured at amortised cost.

***Equity instruments*** are recorded at fair value, being the proceeds received, net of direct issue costs.

**3. Earning / (Loss) per share**

| | Six months ended 30 June 2008 Unaudited |
|---|---|
| The calculation of earnings per share is based on the following loss and number of shares: | |
| Loss for the period (US$) | (219,813) |
| Weighted average number of shares of the Company: | |
| Basic and diluted | 10,000 |
| Loss per share: | |
| Basic and diluted (US$) | (22.0) |

**4. Segment information**

Once trading commences, the Group anticipates having only one material reportable business segment.

**5. Related party balances and transactions**

During the period, the sole "Founding" Shareholder entered into the following related party transactions with the company:

**5.1.** Provided an unsecured loan to the Company in the amount of US$2,435,633 to fund capital expenditure, costs of incorporation and AIM admission costs. This loan bears interest at 10 percent per annum and has no fixed terms of payment. Interest charged on the loan to 30 June 2008 amounted to US$74,776.

**5.2.** Invoiced the Company £150,000 (US$ equivalent of US$299,070) in relation to costs incurred in forming the Company.

**5.3.** Invoiced the Company $58,286 of administrative fees from a company in which the sole "Founding" Shareholder has a beneficial interest.

## 6. Tangible fixed assets

| | Plant and equipment $ | Office equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2008 | 389,154 | - | 389,154 |
| Additions | 2,620,497 | 14,296 | 2,634,793 |
| **Cost at 30 June 2008** | **3,009,651** | **14,296** | **3,023,947** |
| **Depreciation** | | | |
| Charge for the period | - | (2,036) | (2,036) |
| **Depreciation at 30 June 2008** | - | **(2,036)** | **(2,036)** |
| **Closing net book value at 30 June 2008** | **3,009,651** | **12,260** | **3,021,911** |

**6.1.** The opening cost was included in the AIM Admission document as a prepayment, representing the first instalment on the equipment. The amount has been reclassified to conform to the current presentation.

**6.2.** Plant and equipment principally represents the key elements of the PMSS which are currently in the course of construction. Details of the remaining commitments and the estimated final cost are set out in note 9.

**6.3.** Included within plant and equipment additions is capitalised interest of US$56,795.

## 7. Share capital

| **Authorised** | **Note** | **Number of shares** | **Nominal value** |
|---|---|---|---|
| At 1 January 2008 | | 50,000,000 | $1.00 |
| 2 April 2008: sub division | 6.1 | 5,000,000,000 | $0.01 |
| 2 April 2008: cancellation | 6.2 | (4,900,000,000) | $0.01 |
| **At 30 June 2008** | | **100,000,000** | **$0.01** |

| **Allotted, called up and fully paid** | **Note** | **Number of shares** | **Nominal value** | **Share capital** |
|---|---|---|---|---|
| At 1 January 2008 | | 100 | $1.00 | 100 |
| 2 April 2008: sub division | 6.1 | 10,000 | $0.01 | 100 |

**Note 7.1:** On 2 April 2008, each of the issued and unissued ordinary shares of US$1.00 par value of the Company was subdivided into one hundred new ordinary shares of US$0.01 par value increasing the number of issued and unissued ordinary shares from 50,000,000 to 5,000,000,000.

**Note 7.2:** On 2 April 2008, 4,900,000,000 of the authorised but unissued ordinary shares existing at that time were cancelled such that the Company was authorised to issue 100,000,000 ordinary shares of US$0.01 par value each.

**8. Shareholder's Loan**

| | Total |
|---|---|
| | $ |
| As at 1 January 2008 | 393,538 |
| Movement | 2,042,095 |
| **As at 30 June 2008** | **2,435,633** |

The amount due to the sole "Founding" Shareholder is unsecured, bears interest at 10 percent per annum and has no fixed terms of repayment.

On 22 July 2008, $2,300,927 of the loan was satisfied by the issue of 2,300,927 new ordinary shares of the Company at a price of US$1.00 per ordinary share.

**9. Capital commitments**

As at 30 June 2008, Thalassa Energy Services Ltd had entered into commitments to acquire the elements necessary to assemble the PMSS. The aggregate value of the commitment, based on the period end exchange rates, amounted to US$5.3 million. At the balance sheet date US$2.9 million was included in fixed assets leaving a remaining commitment of US$2.4 million. The commitment is split between a number of currencies, including US$, but the group also has exposure to £, € and NOK.

A further US$0.4 million was committed after the balance sheet date bringing the total cost to US$5.7 million and the remaining commitment to US$2.8m.

**10. Post balance sheet events**

**10.1.** On 22 July 2008, a total of 2,300,927 new ordinary shares of the Company were allotted and issued to the sole "Founding" Shareholder by way of capitalisation of monies advanced to the Company at a price of US$1.00 per ordinary share.

**10.2.** On 22 July 2008, 6,189,073 Ordinary Shares, of which 528,894 were issued to the sole "Founding" Shareholder and his family members, were allotted and issued pursuant to the placing on AIM by way of subscription in cash at a price of US$1.00 per ordinary share.

**10.3.** On 23 July 2008, the Company granted an option to the sole "Founding" Shareholder to subscribe for 2,125,000 Ordinary Shares, representing 20 per cent. of the increased issued share capital of the Company as at 29 July 2008 at a price of US$0.01 per share, exercisable in part or in full at any time within five years following AIM admission.

**10.4.** On 23 July 2008, the Company granted options to each of the non-executive directors to subscribe for up to 85,000 ordinary shares at the placing price of US$1.00 per share, exercisable upon certain conditions during a period of three years from admission to AIM.

**10.5.** On 23 July 2008, Thalassa Energy Services Limited ("TESL") granted options (a) to Mr Martin Smith (Marketing Consultant) to subscribe at a price per share that is equal to (i) the aggregate of all amounts paid or advanced to or for the benefit of TESL by the Company at or about the date of admission to AIM; divided by (ii) the number of TESL shares in issue immediately following admission to AIM and any TESL shares issued in respect of any such payment or advance; for up to 350,000 new ordinary shares of TESL (contingent on the achievement by TESL of budgeted revenues in each of the current and the next succeeding four financial years) and (b) to several employees of the WGP group to subscribe for up to 100,000 ordinary shares in aggregate at a price of US$1.00 per share, exercisable at any time during the five years following Admission.

**10.6.** The Company successfully listed on AIM on 29 July 2008, the gross proceeds from the issue amounted to US$6,189,073, The net proceeds, after provision for placing fees were US$5,324,344.

## 11. Copies of the Interim Report

The interim report is available on the Company's website: www.thalassaenergyltd.com

## Pro–forma consolidated interim balance sheet at 30 June 2008 to reflect the placement of 6,189,073 new ordinary shares and admission to trading on AIM on 29 July 2008

As the Group balance sheet was materially different to the consolidated interim balance sheet as presented on page 4 following the placing of 6,189,073 new ordinary shares and admission to trading on AIM on 29 July 2008, a pro-forma balance sheet at 30 June 2008 reflecting this transaction has been prepared.

| | Six months ended 30-Jun-08 Unaudited | Capitalisation of Founding Shareholder Loan | Charge of Placing fees | Proceeds from AIM Admission | Placing fees payable on Admission | Pro-forma Balance Sheet at 30-Jun-08 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| | | Note 12.1 | Note 12.2 | Note 12.3 | Note 12.4 | |
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 3,021,911 | - | - | - | - | 3,021,911 |
| | **3,021,911** | - | - | - | - | **3,021,911** |
| **Current assets** | | | | | | |
| Deferred Placing fees | 848,446 | - | (848,446) | - | - | - |
| Other debtors | 8,021 | - | - | - | - | 8,021 |
| Cash and cash equivalents | - | - | - | 6,189,073 | - | 6,189,073 |
| **Total current assets** | **856,467** | - | **(848,446)** | **6,189,073** | - | **6,197,094** |
| **LIABILITIES** | | | | | | |
| **Current liabilities** | | | | | | |
| Trade creditors | 1,517,434 | - | - | - | 418,238 | 1,935,672 |
| Accrued expenditure | 149,407 | - | - | - | - | 149,407 |
| **Total current liabilities** | **1,666,841** | - | - | - | **418,238** | **2,085,079** |
| **Net current liabilities** | **(810,374)** | - | **(848,446)** | **6,189,073** | **(418,238)** | **4,112,015** |
| **Net assets** | **2,211,537** | - | **(848,446)** | **6,189,073** | **(418,238)** | **7,133,926** |
| **EQUITY** | | | | | | |
| **Equity attributable to owners of the parent** | | | | | | |
| Share capital | 100 | 23,009 | - | 61,891 | - | 85,000 |
| Share premium account | - | 2,277,918 | (848,446) | 6,127,182 | (418,238) | 7,138,416 |
| Retained earnings / (losses) | (224,196) | - | - | - | - | (224,196) |
| **Total equity attributable to owners of the parent** | **(224,096)** | **2,300,927** | **(848,446)** | **6,189,073** | **(418,238)** | **6,999,220** |
| Shareholders loan | 2,435,633 | (2,300,927) | - | - | - | 134,706 |
| **Total equity and shareholders loan** | **2,211,537** | - | **(848,446)** | **6,189,073** | **(418,238)** | **7,133,926** |

## Notes to the Pro–forma consolidated interim balance sheet at 30 June 2008 to reflect the placement of 6,189,073 new ordinary shares and admission to trading on AIM on 29 July 2008

**Note 12.1:** On 22 July 2008, a total of 2,300,927 new ordinary shares of the Company were allotted and issued to the sole "Founding" Shareholder in settlement of amounts advanced at a price of US$1.00 per ordinary share.

**Note 12.2:** On Admission, accrued Placing fees were charged to share premium.

**Note 12.3:** On 29 July 2008, the Company placed 6,189,073 new $0.01 ordinary shares at a price of $1.00 and was admitted to trading on AIM. The Placing raised gross proceeds of US$6,189,073.

**Note 12.4:** Accrued Placing fees at 30 June 2008 amounted to US$848,446. Following admission to AIM on 29 July 2008, total Placing fees have been estimated at US$1,266,684, reflecting additional fees payable of US$418,238. For illustrative purposes the additional US$418,238 has been added to creditors.

## Independent Auditors' Review Report on Interim Financial Information to Thalassa Energy Ltd

*Introduction*

We have reviewed the accompanying consolidated interim balance sheet of Thalassa Energy Ltd at 30 June 2008 and the related consolidated interim statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

This report is made to you in accordance with the terms of our engagement. Our work has been undertaken so that we might review the consolidated financial statements that we have been engaged to review, report to you that we have done so, and state those matters that we have agreed to state to you in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Thalassa Energy Ltd, for our work or for this report.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review Of Interim Financial Information Performed By The Independent Auditor Of The Entity". A review of interim financial information consists of making inquiries, 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 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 accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the European Union.

25 SEP 2008

Moore Stephens LLP

St Paul's House
Warwick Lane
London
EC4M 7BP

**Moore Stephens LLP**
Chartered Accountants