THALASSA


# Interim report
Six months to 30 June 2014

# Directors, Secretary and Advisers

| | |
|---|---|
| **Directors** | C Duncan Soukup, *Chairman*<br>A Francis Smulders, *Director*<br>Graham Cole FCA, FSI, *Director*<br>David M Thomas, *Director*<br>Robert J Anderson, *Director* |
| **Registered Office** | Folio Chambers<br>P.O. Box 800, Road Town, Tortola, VG1110<br>British Virgin Islands |
| **Company Secretary** | Julian Henley-Price |
| **Nominated Adviser and Broker** | WH Ireland Limited<br>24 Martin Lane<br>London<br>EC4R 0DR |
| **Solicitors to the Company (as to English Law)** | Pinsent Masons LLP<br>30 Crown Place<br>Earl Street<br>London EC2A 4ES |
| **Solicitors to the Company (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>150 Aldergate Street<br>London EC1A 4AB |
| **Registrars** | Capita Asset Services<br>12 Castle Street<br>St Helier<br>Jersey JE2 3RT |
| **Company websites** | www.thalassaholdingsltd.com<br>www.wgp-group.com<br>www.autonomousroboticsltd.com |

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# Highlights for the 6 months ended 30 June 2014

  - Revenue from core Seismic Operations up 31% to US$9.3m from US$7.1m in 1H 2013
  - Manufacturing Revenue US$0.0m versus US$4.5m in 1H 2013 following conclusion of one-off Statoil manufacturing contract
- **Group Revenue US$9.3m versus US$11.6m in 1H 2013**
  - Gross Profit from Seismic Operations up 53.8% to US$4.0m from US$2.6m in 1H 2013
- **Group Gross Profit up 2.6% to US$4.0m from US$3.9m in 1H 2013**
- **Group Gross Margin increased by 30.4% to 43.7% from 33.5% in 1H 2013 due to change in revenue mix, improved equipment utilisation and increased pricing on seismic activities**
- **Group Net Profit US$0.7m versus US$1.0m in the same period a year ago**
  - Adjusted Group Net Profit US$1.2m versus US$1.0m in 1H 2013 (excluding R&D costs at Autonomous Robotics (previously GO Science) of US$0.5m)
- Group Earnings Per Share (diluted)* US$0.03 (£0.02) versus US$0.07 (£0.05) in 1H 2013
  - Adjusted Group Earnings Per Share (diluted) US$0.05 (£0.03) versus $0.07 (£0.05) in 1H 2013 (excluding impact of R&D costs at Autonomous Robotics of US$(0.02))
- Book value per share up 80.2% to US$2.09 (£1.23) versus US$1.17 (£0.76) in 1H 2013
- Debt US$ nil (1H 2013: US$ nil)
- Cash US$21.2m (1H 2013: US$16.8m)
- Contracted deployment in 2H 2014 on behalf of Russia's SMG increasingly unlikely
- Pipeline of order-enquiry and tenders submitted increased to US$175m, an increase of 23% over US$142m at 31 December 2013. Several of these tenders expected to impact 2H 2014.
- Significant interest in further sales of TGS Multi-Client data
- Final outcome for the year therefore heavily dependent on pipeline conversion, the scale of data sales and any SMG deployment

*based on weighted average number of shares in issue of 25,373,880 (1H 2013: 13,913,567)

### WGP Operations

- Multi-client contract with TGS commenced May 2014 to jointly acquire and own multi-client high resolution 3D (HR3D) seismic data using the newly assembled P-Cable system and mini-PMSS™. An initial R&D survey was undertaken on behalf of Lundin Petroleum followed by the survey on 10 blocks (approximately 500km$^2$) in the Barents Sea as a pre-cursor to the Norwegian 23rd Licensing Round which is due to be announced in Q4 2014. It is anticipated that the HR3D data sets will prove invaluable to oil company clients in being able to assess the hydrocarbon potential within the licence blocks. The programme, which has to date been pre-funded by advanced non-exclusive data sales to two oil majors, is likely to be extended by a further 200-300km$^2$ in the second half of 2014.
- Contract with SAExploration, Inc. ("SAE") on behalf of BP Alaska to provide shallow water source handling and deployment services for seismic acquisition projects in the North Prudhoe Bay, Alaska concluded August 2014. Conditions were extremely challenging from an environmental and logistical perspective which extented the boundaries of WGP's experience and capabilities. This has been followed by a further survey on behalf of SAE on the North Slope following which, the operation is expected to relocate elsewhere in Alaska until the end of the operating season.
- Continuation of the service contract with Statoil with mobilisation of the DPMSS™ for the Spring survey over the Snorre field in the Norwegian sector of the North Sea.
- Completion of LoFS 17 survey for BP over the Valhall field in the Norwegian sector of the North Sea.

### Autonomous Robotics Operations

- Business acquisition completed November 2013
- A change of name from GO Science to Autonomous Robotics Limited ("ARL") reflecting the market sector and expertise/ambitions of the company
- Implementation of detailed design and manufacture plan of the mobile sensor grid system, now at the latter part of the overall system concept stage
- Stakeholder requirements, concept of operations plans and risk assessment under review with QinetiQ plc and seismic industry experts in UK and USA
- Ongoing discussions with a number of suppliers/potential partners regarding the next stage – system definition and design

# Chairman's Statement

## Overview

I am pleased to report the Group's interim results for the six months to 30 June 2014.

The Group has made excellent progress on its core seismic activities from the solid foundations laid in 2013 with the addition of two new service contracts in 1H 2014 with SAExploration, Inc. and the TGS Multi-Client contract.

Improved profitability from seismic operations reflect the Group's focus on increasing both equipment utilisation and higher pricing.

The Group has increased investment in Operating Equipment, IT (a new ERP system), People and R&D:

- **Equipment:** Refurbishment and upgrade of existing equipment, purchase of new equipment including a mini-PMSS™ and high resolution 3D P-Cable system deployed on the multi-client project in the first half. A total of US$5.7m has been invested in operating assets in the first half of 2014
- **IT:** US$0.3m investment in new ERP system
- **People:** expansion of middle management both on and offshore to support business growth
- **R&D:** continued investment in next generation technology at ARL. Stakeholder requirements, concept of operations plan and risk assessment currently under review with QinetiQ plc and seismic industry experts

## Outlook

- Since the end of the 1H 2014, the Group has completed 2 additional seismic surveys for Statoil as part of R&D trials to test third party sensors
- In September 2014 the D-PMSS™ was deployed over Grane. The first survey is scheduled to run for three weeks, subject to weather, following which the D-PMSS™ will be deployed for a further 4 weeks over the Snorre field, subject to weather
- Anticipated extension to Multi-Client survey in the Barents Sea by a further 200-300km$^2$
- Completion of the SAE project in the North Prudhoe Bay, Alaska
- Contracted deployment in 2H 2014 on behalf of Russia's SMG is considered to be increasingly unlikely
- Pipeline of order-enquiry and tenders submitted increased to US$175m, an increase of 23% over US$142m at 31 December 2013. Several of these tenders expected to impact 2H 2014.

The Group's ability to convert some of this pipeline into 2014 Revenue has been jeopardised by the increased US/EU sanctions against Russia. Further, on 2 September 2014, the Russian State owned parent of Joint Stock Company Sevmorgeo ("SMG") announced the appointment of Andrew Zayonchek as its new CEO.

As a result, some US$10m of budgeted Russian revenue in 2H 2014 is unlikely to materialise in this period. We will not know whether the Ecuador project will be resurrected in 2014 or further work in the Arctic will resume in 2015 until we have met with new management at SMG and the impact of any further sanctions becomes clear.

In addition, under the terms of our contract, SMG is responsible for the demobilisation and repatriation of the Company's equipment, which is currently in storage in Ecuador. However, in a worst case scenario we may not recover the outstanding trade receivable or the repatriation costs which, in the aggregate, amount to approximately US$4.1m (a non-cash item of US$3.3m being the outstanding trade receivable, and a cash item of US$0.8m relating to repatriation costs).

WGP has a long history of working for the Russian Government and with Russian companies worldwide. I am confident that the current situation will blow over, however, I am less confident in predicting how long the current tensions will last.

We have approached the CEO of Rosgeo (SMG's parent company) to arrange an immediate meeting and look forward to the continuation of a 15 year mutually beneficial relationship.

On a positive note, both of the two Oil Majors who have invested in the Multi-Client High-Resolution project in the Barents Sea and our Operating Partner are impressed with the initial data results and we remain confident in securing additional revenue in 2H 2014 from Data Sales.

If, as we anticipate, final results in the Barents Sea are as successful as we hope, we believe that current on-going discussions regarding the deployment of the P-Cable and mini-PMSS™ system beyond the EU should also materialise.

Therefore, the final outcome for the year is heavily dependent on the scale of data sales, pipeline conversion and any SMG deployment.

Notwithstanding the current political situation, we continue to believe that the Group, with its strong position in niche markets, is very well placed to create significant shareholder value over the next few years.

**C. Duncan Soukup**
Chairman

15 September 2014

# Financial Review

Group results for the six months to 30 June 2014 showed an increase of 31% in revenue from core Seismic Operations to US$9.3m from US$7.1m in 1H 2013. 1H 2014 Revenue from Seismic Operations has been generated from the completion of the LoFS 17 survey on the Valhall field for BP, the survey over the Snorre field for Statoil, the commencement of the two new projects for SAExploration in Alaska and the Multi-Client project with TGS in the Barents Sea.

Manufacturing Revenue was US$0.0m versus US$4.5m in the comparative period, resulting in total Group Revenue of US$9.3m versus US$11.6m in 1H 2013. Manufacturing Revenue of US$4.5m in 1H 2013 reflected the non-recurring revenue recognised in relation to the manufacture and sale of equipment to Statoil.

Cost of Sales in relation to Seismic Operations increased by 13.0% in 1H 2014 to US$5.2m (1H 2013: US$4.6m) resulting in gross profit of US$4.0m, an increase of 53.8% versus the same period last year of US$2.6m. Total Group Gross Profit was US$4.0m compared to US$3.9m in 1H 2013 (including non-recurring manufacturing revenue and associated costs).

Gross margin in the first six months of 2014 has increased by 30.4% to 43.7% from 33.5% in 1H 2013. The increase in margin representing change in revenue mix and improved equipment utilisation and increased pricing on seismic activities.

Administrative expenses increased by 21.7% in 1H 2014 to US$2.8m (1H 2013: US$2.3m), largely due to investment in R&D related costs of ARL which has contributed costs of US$0.4m in the period as compared to US$0.0m in 1H 2014, and investment in personnel from the hiring of new staff.

Operating Profit from Seismic activity increased by 50.0% in 1H 2014 to US$1.2m (1H 2013: US$0.8m) reflecting an increase in Revenue and improved margins in the period with operating margin increasing by 10.1% to 13.1% from 11.9% in the prior period. The Group's total Operating profit of US$0.7m versus US$1.3m in 1H 2013 includes R&D costs at ARL that generated an operating loss of US$0.5m in the period (1H 2013: US$0.0m).

Depreciation and Amortisation of US$0.5m (1H 2013: US$0.3m) reflects depreciation on the Group's equipment of US$0.4m (1H 2013: US$0.3m), the increase reflecting depreciation on additions purchased during the period, and amortisation of US$0.1m on the intellectual property in ARL (1H 2013: US$0.0m).

Net financial income of US$0.2m included foreign exchange gains in the period partially offset by interest and share option charges (1H 2013: US$0.1m).

Group profit before tax, incorporating the R&D related costs of ARL of US$0.5m, was US$0.9m versus US$1.4m in 1H 2013.

Tax in the period of US$0.2m is an estimate of the tax liability incurred in the first half from the Group's operations across its different regions of activity.

Net profit on Seismic Operations increased by 140% to US$1.2m versus US$0.5m in 1H 2013 with an increase in net margin of 74.7% to 13.1% from 7.5% in the comparative period.

Group net profit, incorporating the R&D related costs of ARL, was US$0.7m versus US$1.0m in 1H 2013.

Net assets at 30 June 2014 amounted to US$52.4m (1H13: US$19.1m) resulting in net assets per share of US$2.09 (£1.23), an increase of 80.2% versus US$1.16 (£0.76) in 1H 2013.

The Company had debt of US$0.0m at the period end (1H 2013: US$0.0m).

Net cash flow from operating activities amounted to US$(0.2)m largely as a result of the increase in trade receivables balance of US$4.2m at the period end from activity in the first half of which US$4.1m has subsequently been received. This excludes balances due from SMG from 2013.

Net cash outflow from investing activities, excluding loans to the THAL Discretionary Trust, amounted to US$(5.9)m largely due to:

- capital expenditure of US$5.7m that includes the refurbishment and upgrade of existing equipment, and the purchase of new equipment including a mini-PMSS™ and high resoulution 3D P-Cable system deployed on the multi-client project in the Barents Sea.
- capital expenditure of US$0.3m on a new ERP system and implementation.

During the period further loans were made to the THAL Discretionary trust of US$4.9m.

# Consolidated Statement of Income

For the six months ended 30 June 2014

| Continuing operations | Note | Six months ended 30 Jun 2014 Unaudited US$ | Six months ended 30 Jun 2013 Unaudited US$ | Year ended 31 Dec 2013 Audited US$ |
|---|---|---|---|---|
| Revenue | | 9,259,239 | 11,643,218 | 30,551,967 |
| Cost of sales | | (5,209,706) | (7,737,486) | (21,259,292) |
| **Gross profit** | | **4,049,533** | **3,905,732** | **9,292,675** |
| Administrative expenses | | (2,794,382) | (2,293,916) | (4,366,937) |
| **Operating profit before depreciation** | | **1,255,151** | **1,611,816** | **4,925,738** |
| Depreciation | | (524,338) | (298,400) | (685,173) |
| **Operating profit** | | **730,813** | **1,313,416** | **4,240,565** |
| Net Financial Income | | 167,100 | 72,922 | 721,227 |
| **Profit before taxation** | | **897,913** | **1,386,338** | **4,961,792** |
| Taxation | | (160,233) | (358,632) | (575,722) |
| **Profit for the financial period** | | **737,680** | **1,027,706** | **4,386,070** |
| **Attributable to:** | | | | |
| Equity shareholders of the parent | | 737,680 | 1,027,706 | 4,285,931 |
| Non-controlling interest | | - | - | 100,139 |
| | | **737,680** | **1,027,706** | **4,386,070** |
| **Earnings per share - US$ (using weighted average number of shares** | | | | |
| Basic (US$) | *3* | **0.03** | **0.07** | **0.26** |
| Diluted (US$) | *3* | **0.03** | **0.07** | **0.26** |

The notes on pages 11 to 13 form an integral part of this consolidated interim financial information.

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

| | Six months ended 30 Jun 2014 Unaudited US$ | Six months ended 30 Jun 2013 Unaudited US$ | Year ended 31 Dec 2013 Audited US$ |
|---|---|---|---|
| **Profit for the financial period** | **737,680** | **1,027,706** | **4,386,070** |
| **Other comprehensive income:** | | | |
| Exchange differences on re-translation of foreign operations | 1,970 | (39,119) | 197.185 |
| Unrealised gains on available for sale investments | 19,828 | - | - |
| **Total comprehensive income** | **759,478** | **988,587** | **4,583,255** |
| | | | |
| **Attributable to:** | | | |
| Equity shareholders of the parent | 759,478 | 988,587 | 4,483,116 |
| Non-controlling interest | - | - | 100,139 |
| **Total comprehensive income** | **759,478** | **988,587** | **4,583,255** |

The notes on pages 11 to 13 form an integral part of this consolidated interim financial information.

# Consolidated Statement of Financial Position

At 30 June 2014

| | At 30 Jun 2014 Unaudited US$ | At 30 Jun 2013 Unaudited US$ | At 31 Dec 2013 Audited US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 368,525 | 368,525 | 368,525 |
| Intellectual Property | 2,907,572 | - | 2,870,043 |
| Property, plant and equipment | 13,382,023 | 7,591,232 | 8,153,119 |
| Computer Software | 254,089 | - | - |
| Multi-Client Library | 472,618 | - | - |
| Available for sale investments | 58,503 | 38,675 | 38,675 |
| **Total non-current assets** | **17,443,330** | **7,998,432** | **11,430,362** |
| **Current assets** | | | |
| Inventory | 877,928 | 1,446,000 | 690,008 |
| Loans | 7,256,904 | 763,000 | 1,885,583 |
| Trade and other receivables | 11,298,462 | 5,239,580 | 7,078,753 |
| Cash and cash equivalents | 21,213,030 | 16,837,567 | 32,235,155 |
| **Total current assets** | **40,646,324** | **24,286,147** | **41,889,499** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 5,561,221 | 3,787,841 | 2,084,595 |
| Deferred revenue | - | 9,369,196 | - |
| **Total current liabilities** | **5,561,221** | **13,157,037** | **2,084,595** |
| **Net current assets** | **35,085,103** | **11,129,110** | **39,804,904** |
| **Net assets** | **52,528,433** | **19,127,542** | **51,235,266** |
| **EQUITY** | | | |
| **Shareholders Equity** | | | |
| Share capital | 250,675 | 178,175 | 250,575 |
| Share premium | 44,866,060 | 16,332,196 | 44,668,608 |
| Treasury shares | - | (384,226) | (279,982) |
| Other reserves | 199,334 | (58,768) | 177,536 |
| Retained earnings | 7.066.020 | 3,013,960 | 6,272,185 |
| **Total Shareholders Equity** | **52,382,089** | **19,081,337** | **51,088,922** |
| Non-controlling interest | 146,344 | 46,205 | 146,344 |
| **Total Equity** | **52,528,433** | **19,127,542** | **51,235,266** |

The notes on pages 11 to 13 form an integral part of this consolidated interim financial information.
These financial statements were approved by the board on 15 September 2014.

**Signed on behalf of the board by:**

**C. Duncan Soukup**

# Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

| | Six months ended 30 Jun 2014 Unaudited US$ | Six months ended 30 Jun 2013 Unaudited US$ | Year ended 31 Dec 2013 Audited US$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Operating Profit for the period before depreciation** | **1,255,151** | **1,611,816** | **4,925,738** |
| Shares issued to Chairman[1] | - | 440,000 | - |
| Increase in inventory | (187,920) | (1,364,223) | (608,231) |
| Increase in trade and other receivables | (4,219,708) | (4,611,502) | (6,450,675) |
| Increase in trade and other payables | 3,739,342 | 2,991,998 | 2,623,293 |
| Increase in deferred revenue | - | 9,369,196 | - |
| Increase in multi client library | (472,619) | - | - |
| Net Foreign Exchange (gain) / loss | (131,358) | (188,998) | (1,109,570) |
| Taxation | (160,233) | (358,632) | (69,119) |
| **Cash (used in) / generated from operations** | **(177,345)** | **7,889,655** | **(688,564)** |
| Interest paid | (17,922) | (155,248) | (166,749) |
| **Net cash flow from operating activities** | **(195,267)** | **7,734,407** | **(855,313)** |
| **Cash flows from investing activities** | | | |
| Disposal of Assets | 3,883 | - | - |
| Acquisition of intellectual property | (37,529) | - | (2,913,201) |
| Interest received | 107,907 | 53 | 30,958 |
| Purchase of equipment | (5,753,242) | - | (941,278) |
| Purchase of computer software | (254,089) | (35,776) | - |
| Loan to THAL Discretionary Trust | (4,902,534) | - | (1,885,583) |
| **Net cash flow from investing activities** | **(10,835,604)** | **(35,723)** | **(5,709,104)** |
| **Cash flows from financing activities** | | | |
| Exercise of Options | 8,746 | 6,656,414 | 35,366,920 |
| Disposal of Treasury Shares | - | - | 950,183 |
| **Net cash flow from financing activities** | **8,746** | **6,656,414** | **36,317,103** |
| **Net (decrease) / increase in cash and cash equivalents** | **(11,022,125)** | **14,355,098** | **29,752,686** |
| Cash and cash equivalents at the start of the period | 32,235,155 | 2,482,469 | 2,482,469 |
| **Cash and cash equivalents at the end of the period** | **21,213,030** | **16,837,567** | **32,235,155** |

[1] Includes non cash transactions regarding the shares issued to the Chairman in 2013 in satisfaction of consultancy and administrative services.

The notes on pages 11 to 13 form an integral part of this consolidated interim financial information.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

| | Share Capital US$ | Share Premium US$ | Treasury shares US$ | Other Reserves US$ | Retained earnings/ (losses) US$ | Total Shareholders Equity US$ | Minority Interest US$ | Total Equity US$ |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2013** | **133,175** | **8,517,782** | **(384,226)** | **(19,649)** | **1,986,254** | **10,233,336** | **46,205** | **10,279,541** |
| Issue of Ordinary Share Capital | 45,000 | 8,181,429 | - | - | - | 8,226,429 | - | 8,226,429 |
| Placing fees | - | (367,015) | - | - | - | (367,015) | - | (367,015) |
| Total comprehensive income for the period | - | - | - | (39,119) | 1,027,706 | 988,587 | - | 988,587 |
| **Balance as at 30 June 2013** | **178,175** | **16,332,196** | **(384,226)** | **(58,768)** | **3,013,960** | **19,081,337** | **46,205** | **19,127,542** |
| Issue of Ordinary Share Capital | 72,400 | 27,490,473 | - | - | - | 27,562,873 | - | 27,562,873 |
| Placing fees | - | 845,939 | 104,244 | - | - | 950,183 | - | 950,183 |
| Total comprehensive income for the period | - | - | - | 236,304 | 3,258,225 | 3,494,529 | 100,139 | 3,594,668 |
| **Balance as at 31 December 2013** | **250,575** | **44,668,608** | **(279,982)** | **177,536** | **6,272,185** | **51,088,922** | **146,344** | **51,235,266** |
| Shares issued on exercise of options | 100 | 8,647 | - | - | - | 8,747 | - | 8,747 |
| Share Options Expense | - | - | - | - | 56,155 | 56,155 | - | 56,155 |
| Sale of Treasury Shares | - | 188,805 | 279,982 | - | - | 468,787 | - | 468,787 |
| Total comprehensive income for the period | - | - | - | 21,798 | 737,680 | 759,478 | - | 759,478 |
| **Balance as at 30 June 2014** | **250,675** | **44,866,060** | **-** | **199,334** | **7,066,020** | **52,382,089** | **146,344** | **52,528,433** |

The notes on pages 11 to 13 form an integral part of this consolidated interim financial information.

# Notes to the Consolidated Interim Financial Information

## 1. General information

Thalassa Holdings 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 two operating subsidiaries, WGP Group Ltd (“WGP”) and GO Science Group Ltd (“GO”)(together with Thalassa Holdings Ltd, the “Group”).

WGP Group Ltd is a wholly owned subsidiary of Thalassa which owns the seismic operating assets of the Thalassa Group and whose subsidiaries are:

- WGP Energy Services Ltd (“WESL”)
- WGP Exploration Ltd (“WGPE”)
- WGP Technical Services Ltd (“WGPT”)
- WGP Professional Services Ltd (“WGPP”)
- WGP Survey Ltd (“WGPS”)

GO Science Group Ltd is a wholly owned subsidiary of Thalassa and is an AUV research and development company with one subsidiary:

- Autonomous Robotics Limited (formally GO Science 2013 Ltd)

The Group’s interest in each of the subsidiaries is 100%, other than WGPS, where it owns 50%.

The Company also has a newly incorporated subsidiary, WGP Geosolutions Limited which has an additional subsidiary, WGP Group GmbH, both currently non-operational.

## 2. Significant Accounting policies

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

The accounting policies applied by the Company in this unaudited consolidated interim financial information are the same as those applied by the Company in its consolidated financial statements as at and for the period ended 31 December 2013 except for the following which are new for this period:

### Revenue Recognition

*Multi Client Library*

Pre-funded revenues from underwritten programmes are recognised as the seismic data is acquired. Where the Group has finished data sets ready for sale, revenue is recognised at the time of the transaction when the customer executes a valid license agreement and has the right to access the licensed portion of the Multi Client library.

### Intangible Assets

*Multi Client Library*

The Multi-Client library comprises completed surveys and surveys in progress that can be licensed to multiple customers. All direct costs related to data collection, processing and completion of seismic surveys are capitalised. The Multi-Client library is capitalised at cost less accumulated amortisation and impairment losses. The Company has a minimum amortisation policy whereby the carrying amount one year after completion of a survey is no more than 60% of cost. This maximum level is reduced on a straight-line basis by 20% points for each of the three subsequent years.

Estimated revenues are reviewed continuously and these may change to reflect market conditions. The amortisation expense of the Multi-Client library may fluctuate and be accelerated according to the level of revenue and revisions to estimated remaining revenues. Where amortisation expense is accelerated it is calculated as the proportion of the total cost of a survey calculated according to the proportion of cumulative revenues for the survey to the estimated total revenue for the survey. The costs of a survey are completely amortised when the estimated revenue has been reached.

## 2.1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with International Accounting Standard No. 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the period ended 31 December 2013.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## 2.2. Going concern

The financial information has been prepared on the going concern basis as management consider that the Group has sufficient cash to fund its current commitments for the foreseeable future.

## 3. Earnings per share

| | Six months ended 30 Jun 2014 Unaudited | Six months ended 30 Jun 2013 Unaudited | Year ended 31 Dec 2013 Audited |
|---|---|---|---|
| The calculation of earnings per share is based on the following profit and number of shares: | | | |
| Profit for the period (US$) | 737,680 | 1,027,706 | 4,285,931 |
| Weighted average number of shares of the Company: | | | |
| Basic | 25,040,757 | 13,730,522 | 16,352,316 |
| Share Options | 333,123 | 183,045 | 215,480 |
| Diluted | 25,373,880 | 13,913,567 | 16,567,796 |
| Earnings per share: | | | |
| Basic (US$) | 0.03 | 0.07 | 0,26 |
| Diluted (US$) | 0.03 | 0.07 | 0,26 |

## 4. Loans and receivables

| | 30 Jun 2014 Unaudited US$ | 30 Jun 2013 Unaudited US$ | 31 Dec 2013 Audited US$ |
|---|---|---|---|
| Loans and receivables | 7,256,904 | 763,000 | 1,885,583 |

Loans and receivables includes a loan of US$7,117,025 plus accrued interest of US$139,879 to the THAL Discretionary Trust. Interest is payable at 3% per annum (reviewed periodically to keep in line with market rates).

The THAL Discretionary Trust is a trust, independent of Thalassa, established for the benefit of individuals or parties to whom the Trustees wish to make awards at their discretion.

On January 8 2014, the Trust acquired:

- 1,000,000 ordinary shares in the Company at £2.70 per share,
- 1,078,667 ordinary shares in the Company at £0.264 per share.

The above transactions were financed by a loan from the Company.

## 5. Related party balances and transactions

Under the consultancy and administrative services agreement entered into on 23 July 2008 with a company in which the Chairman has a beneficial interest, the Group was invoiced US$220,000 for consultancy and administrative services provided to the Group including US$100,000 of consultancy fees. An additional US$2,000 of Director fees were also invoiced to the Group. At 30 June 2014 the amount owed to this company was US$148,517 (1H13: US$2,000).

As per the announcement on 8 January 2014, the Chairman sold 1,000,000 ordinary shares of US$0.01 each in the Company at a price of 270 pence per share to the THAL Discretionary Trust.

As per the announcement on 8 January 2014, the Company sold 1,078,667 Ordinary Shares out of treasury to the THAL Discretionary Trust at a price of £0.264 per ordinary share.

To finance these purchases by the THAL Discretionary Trust, the Company provided a loan of £3,054,768 to the THAL Discretionary Trust (US$5,201,659).

Under a consultancy agreement entered into on 6 November 2013, a company in which Mr Robert Anderson has a beneficial interest, invoiced the Group US$25,005 (1H 2013: US$nil) in relation to consultancy fees and expenses. The amount owed to this company as at 30 June 2014 was US$4,150 (1H 2013: US$nil).

## 6. Share capital and share premium

| | As at 30 Jun 2014 US$ | As at 31 Dec 2013 US$ |
|---|---|---|
| Authorised share capital: | | |
| 100,000,000 ordinary shares of $0.01 each | 1,000,000 | 1,000,000 |
| Allotted, issued and fully paid: | 250,575 | 250,575 |

| | Number of shares | Number of Treasury Shares | Treasury shares |
|---|---|---|---|
| Balance at 31 December 2013 | 25,057,522 | 1,078,667 | (279,982) |
| Shares issued | 10,000 | - | - |
| Shares sold | - | (1,078,667) | 279,982 |
| Balance at 30 June 2014 | 25,067,522 | - | - |

## 7. Post balance sheet events

No material events to report.

## 8. Copies of the Interim Report

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

# Independent Auditor's Review Report on Interim
Financial Information to Thalassa Holdings Ltd

## Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Thalassa Holdings Ltd at 30 June 2014 and the related consolidated interim statements of income, comprehensive 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 these 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 the 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 Holdings 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.

**Moore Stephens LLP**
Chartered Accountants

150 Aldersgate Street
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EC1A 4AB

15 September 2014