THALASSA

Interim report

Six months to 30 June 2016

DIRECTORS, SECRETARY AND ADVISERS

Directors	C Duncan Soukup, Chairman A Francis Smulders, Director Graham Cole FCA, FSI, Director David M Thomas, Director
Registered Office	Folio Chambers P.O. Box 800, Road Town, Tortola, VG1110 British Virgin Islands
Company Secretary	Julian Henley-Price
Nominated Adviser and Broker	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Solicitors to the Company (as to English Law)	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Solicitors to the Company (as to BVI Law)	Conyers Dill & Pearman Romasco Place, Wickhams Cay 1 PO Box 3140 Road Town, Tortola British Virgin Islands VG1110
Auditors	Moore Stephens LLP 150 Aldergate Street London EC1A 4AB
Registrars	Capita Asset Services 12 Castle Street St Helier Jersey JE2 3RT
Company websites	www.thalassaholdingsltd.com www.wgp-group.com www.autonomousroboticsltd.com

CONTENTS

HIGHLIGHTS FOR THE 6 MONTHS ENDED 30 JUNE 2016

GROUP RESULTS 1H 2016 VERSUS 1H 2015

• Revenue	US$5.2m vs. US$9.9m
• Gross Profit	$US2.9m vs. US$4.2m
• Gross Margin	56.7% vs. 42.2%
• Operating Profit before depreciation (EBITDA)	US$0.5m vs. US$1.5m
• Adjusted Group Net Profit*[1]	US$1.0m vs. US$0.7m
• Group Net Profit	US$0.8m vs. US$0.4m
• Adjusted Group Earnings Per Share (basic and diluted)*[1, 2]	US$0.04 (£0.03) vs. US$0.02 (£0.01)
• Group Earnings Per Share (basic and diluted)*[2]	US$0.03 (£0.02) vs. US$0.02 (£0.01)
• Book value per share	US$1.17 (£0.77) vs. US$1.61 (£1.02)
• Cash	US$13.2m vs. 1H15: US$14.4m
• Debt	US$ nil (1H15: US$ nil)

*1 excluding R&D costs at Autonomous Robotics Ltd of US$0.2m (IHI5: US$0.2m)

*2 based on weighted average number of shares in issue of 23,420,184 (1H15: 25,056,837)

SUBSEQUENT EVENTS

• Trade receivables as at 30 June 2016 received	US$5.5m
• Trade receivables as at 12 September 2016	US$0.0m
• Cash as at 12 September 2016*[3]	US$7.9m

*3 cash includes the purchase of 23.14% in the issued share capital of The Local Shopping REIT plc as announced 12 September 2016

(Refer to note 7 for full list of subsequent events)

OPERATIONAL HIGHLIGHTS

- WGP

  Completion of 2 surveys (Snorre and Grane) as part of the ongoing contract to provide seismic source services to Statoil's PRM activities in the North Sea

- ARL

  Redesign of Autonomous Node completed

  Prototype under construction

  Prototype initial testing targeted for Q4 2016

CHAIRMAN'S STATEMENT

"Just when you thought it was safe to go back into the water…"

Jaws 2, Peter Benchley

Like most sequels the Original is usually always better or in the case of Jaws, scarier; possibly because in the original movie, one didn't expect a Great White to come flying out of the water and into ones face. In the sequel Jaws 2, the entire movie was toned down as the original barely escaped an R rating. Nonetheless, in the tamed down sequel (less blood) the shark looked more vicious and still hunted and feasted on humans… but the audience wasn't scared! The movie simply lacked "Hitchcockian" tension or suspense!

Following the 2008 banking crisis, by comparison, the sequel is veritably boring or Jaws 2esque. The collapse in oil prices has, as I detail below, come close to equalling the losses incurred in the mortgage backed security markets which nearly brought the banking and insurance industries to their knees. Yet because far fewer individuals are affected, it would appear that far fewer care!

And yet I would argue that we should be much more fearful of current economic and financial market conditions than those that existed pre the 2008 banking crisis. Why? Because of "complacency"! In the aftermath of 2008 central banks around the World had ample ammunition, with which they flooded the financial markets, in order to avert a liquidity crisis (they feared that lending would dry up) and in order to stimulate Global economic activity and avoid a repeat of the Great Depression that followed the 1929 Stock market collapse.

It is now quite clear that central banks are virtually out of ammunition (not to mention ideas). The ECB's wonderfully named "Outright Monetary Transactions" policy or unlimited bond purchase program introduced in 2012 has now ballooned into an €80bn a month lottery game that has so far failed but which may now be followed by the even more bizarre prospect of "Helicopter Money" which could involve direct payments to individuals by central banks! Recently, ECB Board member Yves Mersch dismissed "extreme measures," which he warned would have unacceptable side effects and undermine trust in the single currency. "We cannot fulfil our mandate with mathematical equations, but only with instruments that maintain trust in the currency," Mr. Mersch said. Clearly, monetary policy alone is not the panacea to slow/no growth, no inflation environment that the Western World currently faces.

Pumping unlimited amounts of cash into the system may sound quite brilliant, but like most, if not every cunning plan, it is flawed and ultimately, in my opinion doomed to partial, if not complete failure. Somebody should have told the central bankers that giving commercial and investment bankers and hedge fund managers access to virtually unlimited free money is like giving drugs to drug addicts; they are not going to change their bad habits and lend or invest the money wisely!

In America the Fed Funds rate currently sits at 0.5%, in Europe the ECB has set its Main Refinancing Operations rate (MRO) at 0%, whilst in Japan the Japanese Prime Lending Rate is at -0.75%. And on 4 August 2016 the Bank of England cut the Bank Rate to 0.25%!

So given the lowest interest rate environment on record, why isn't global economic growth roaring? Probably because instead of investing in growth, banks are on the one hand in relatively bad shape because of non-performing loans so they are "hoarding". And probably because the companies they are lending to are becoming more efficient and investing in productivity, which, rather than creating jobs, results in job losses. A great case in point is Amazon; highly efficient in its delivery of goods and services, with a recent market cap of $366.9 billion run by a nice enough chap, Jeff Bezos, now the richest man in America, but a company, which is not only transforming an industry but replacing menial labour with less of the same and lots more automation. Don't get me wrong, I am not suggesting that Amazon is doing anything wrong, what I am suggesting is that the people who are being displaced by technological progress need to be retrained or they will land permanently on the pile of unemployed that is slowing economic recovery and future growth. 40%+ youth unemployment in the "PIGS" is simply an accident waiting to happen.

Blame the current phase of the recurring financial crisis, as the IMF and EU parliamentarians do, on Brexit if you will, but the reality, in my opinion, is far more sinister.

Political leaders are the first to take credit for success but are apparently never responsible for failure!

As Tacitius originally wrote,

Inquissima haec bellorum condicio est: prospera omnes sibi indicant, aduersa uni imputantur. (Tacitus, Agricola 27:1 (written ~ 98AD) [1])

"Success has many fathers, failure is an orphan".

One could be forgiven in thinking that Tacitius, in his book Agricola, was writing about a farmer or farming (Agriculture). Nothing could be further from the truth, Tacitus was an historian and Agricola is the story of his father in law, Gnaeus Julius Agricola, an eminent Roman General and Governor of Britain from AD 77/78 to 83/84…and is possibly one of Boris Johnson's favourite reads, or should be!

CHAIRMAN'S STATEMENT CONTINUED

Tacitus favourably contrasts the liberty of the native Britons to the corruption and tyranny of the (Roman) Empire; the book also contains eloquent and forceful polemics against the rapacity and greed of Rome (or was he writing about Brussels, Westminster or Washington?).

For Tacitus, Agricola served as an example of how, even under despotism, it was possible to behave correctly, avoiding the opposite extremes of servility and useless opposition.

My point, quite simply is that central bankers, ably supported by the Governments to whom they report, have sold the family silver, given the money to the same people (numpties?) who caused the initial problem and told them to have another go!

The 2008 Banking crisis bailout is estimated to have cost the US alone, $7.7 trillion!

"After the original $700 billion bailout, the ongoing bailout was kept very secret because Chairman Ben Bernanke, argued that revealing borrower details would create a stigma — investors and counterparties would shun firms that used the central bank as lender of last resort. In fact, $7.7 trillion of the secret emergency lending was only disclosed to the public after Congress forced a one-time audit of the Federal Reserve in November of 2011. After the audit the public found out the bailout was in trillions not billions; and that there were no requirements attached to the bailout money – the banks could use it for any purpose." *Mike Collins, Forbes*.

You would have thought that these "clowns" would have learnt something, anything from the near terminal meltdown? Not a chance.

6 years after the Banking crisis, the fragility of the World's financial system is again being laid bare.

Oil prices have collapsed, recovered and are again falling and, whether because of Brexit or simply because of a complete inability to address Italy's debt problem, the Italian banking system is at risk of imploding and eviscerating thousands of individual investors because neither the IMF nor the ECB or any other major institution is willing to share the burden of losses on their loans. Monte Paschi, the oldest bank in the World, has already raised $8 billion in capital over the past two years, all of which has been vaporized and is now seeking a further $5 billion to stave off bankruptcy. In a last minute deal 5 Banks (no not serious investors!) have agreed to underwrite a rescue issue. In other words these smart lads and ladettes have agreed to invest their "shareholders money" (NOT their own) in the biggest basket case in Europe in the event that they are unable to place shares with other misguided miscreants. The icing on the cake is even tastier, the transaction will no doubt generate generous fees (millions of $!), which will flow through the underwriters' P&Ls and boost earnings to help pay bonuses. Wahoo! Party time! In the meantime, the "investment" (punt?) will disappear into the balance sheets of the underwriting banks only to probably reappear at some point in the future in the Notes to the accounts as a write off!

The last time this disappearing act was performed with such aplomb was shortly before WEST LB Panmure Gordon went up in flames. I am sure that some may disagree with my understanding of the facts. However, the story goes something like this, ambitious banker joins small time player (Panmure) owned by Ignorant Parent Company ("IPC") (West LB). Small time player muscles its way into the big leagues by using IPC's pristine and very healthy balance sheet to underwrite (dump?) overpriced structured products (loans and convertible loans). IPC's balance sheet gets destroyed when in 2000 the market crashes and IPC's investments turn to dust. The really great (actually not so great!) part of the story is that Panmure generated millions of $ of virtual profits and paid out millions of €/£/$ in bonuses, which their executives kept whilst in 2002 West LB wrote off $2bn in bad debts.

Sadly, the board and management learned nothing from this near death experience and rolled the dice again but with disastrous success. When in 2008 the mortgage backed securities market in the US collapsed, West LB sustained such enormous losses that the Bank was ultimately wound up. In the ten years prior to its demise West LB generated €1.13bn in profits (in 3 of those years) and €7.21bn in losses (during the other 7 years)!

http://www.bloomberg.com/news/articles/2012-06-29/westlb-s-fall-from-grace-is-lesson-in-investment-bank-hazards

Which brings me back to oil…

All told, 69 North American oil and gas producers with $34.3 billion in cumulative secured and unsecured debt had gone under as of 30 June 2016 when I started writing…

Stop the presses! As at the end of July 2016, 90 companies involving $66.5 billion in secured and unsecured debt have filed for bankruptcy. Worse, since share prices peaked in 2014, the oil bust has wiped out about $1 trillion in energy company equity, with the Dow Jones U.S. Oil & Gas Index off 40%.

http://www.haynesboone.com/~/media/files/attorney%20publications/2016/energy_bankruptcy_monitor/oil_patch_bankruptcy_20160106.ashx

There's more to come. "Despite the modest recovery in energy prices, all indications suggest many more producer bankruptcy filings will occur during 2016," writes Haynes & Boone. According to Deloitte, about a third of global oil and gas companies, or about 175 of them, are at risk of insolvency. Bernstein Research estimates that by 2019 we'll see more than $70 billion in defaults amid more than $400 billion in high-yield energy debt — that would indicate that we're only halfway through the bankruptcies. (Christopher Helman, Forbes)

Sandridge Energy Inc.	$8.3 billion
Linn Energy	$6.1 billion
Breitburn operating LP	$5.8 billion
Pacific Exploration & Production	$5.3 billion
Samson Resources	$4.3 billion
Ultra Petroleum	$3.8 billion
Halcon Resources Corporation	$3.2 billion
Sabine Oil & Gas	$2.9 billion
Energy XXI	$2.8 billion
Quicksilver Resources	$2.1 billion
Midstates Petroleum	$2.1 billion
Chaparral Energy Inc.	$1.8 billion
Berry Petroleum Company LLC	$1.8 billion
Atlas Rescources Partners LP	$1.4 billion
Venoco	$1.3 billion
Penn Virginia Corp	$1.3 billion
Swift Energy	$1.2 billion
Energy & Exploration Partners	$1.2 billion
Magnum Hunter Resources	$1.1 billion
Milagro Oil & Gas	$1.0 billion
New Gulf Resources	$600 million
Goodrich Petroleum	$500 million
ERG Resources	$400 million

http://www.forbes.com/sites/christopherhelman/2016/05/09/the-15-biggest-oil-bankruptcies-so-far/#3961110f739b

And if these figures were not chilling enough, the collapse in the oil price, has, according to Malcolm Dickson at Wood MacKenzie resulted in a $1 trillion cut in Global upstream capital spend, which can only lead to massive price dislocation (spike) down the road.

"Global upstream capital spend from 2015 out to 2020 has been reduced by 22% or US$740 billion. When we include cuts to conventional exploration investment, the figure increases to just over US$1 trillion. The impact of the drop in oil prices on global upstream development spend has been enormous. Companies have responded to the fall by deferring or cancelling projects."

https://www.woodmac.com/analysis/global-upstream-investment-slashed-by-US1-trillion

Another "bizarre rambling statement" from yours truly? Without a doubt! Melodramatic. No! Fact, Yes! Relevant to a Mid-Year or Annual Report, absolutely, because the chaotic environment outlined above is the one in which we operate.

So, how should any company operate in an environment recently described by one US fund manager, "as one in which rational investment is currently impossible"?

Given a combined age of 250 years old, the board of Thalassa might on occasion appear more akin to Satler and Waldorf sitting in the balcony criticizing everyone and everything. I would, however, argue that a bit of grey hair right now probably represents a safer pair of hands than Shane Warne showed at the Oval in 2005 when he dropped Kevin Pietersen (and the Ashes!). Pietersen went on to score 158!

There is a time to be aggressive and a time to be defensive and we at Thalassa, if it is not apparent from my musings above, are still fearful of both the macro and micro economic environment in our areas of operation. This is reflected in our hedging strategy that has again, so far this year, generated sound profits for the Company. However, lets not forget, it is chaos that creates opportunity.

Were it not for zero or in some cases negative interest rates, we believe that stock prices would not currently be trading at or near their all time highs! With this in mind we continue to hedge with a negative bias.

Thalassa is a holding company, currently with two operating subsidiaries. For the past three years we have scoured various industries looking for appropriate (good value) acquisitions, without success. We believe that the environment is changing and we have recently identified a number of potentially interesting situations; a good sign but no guarantee that we will succeed in acquiring any of the companies that we have identified. I should make it clear that the three situations we have identified are not in the Energy Services sector. We will of course keep shareholders appraised as and when we have news to announce.

In closing, I would like to congratulate everyone at WGP and ARL for their hard work and dedication and on producing a set of exceptional results in seriously torrid conditions. I would also like to thank our clients for their trust and confidence in our ability to deliver against bigger, better funded competitors. Of course, I would also like to thank our shareholders for their continued support.

And lastly, to the host of City analysts, City Scribblers and Fund Managers who are obliged to read multiple Chairman's statements; trust me, it is more challenging (boring?) writing a Chairman's statement by far, than having to read one! Nevertheless, my thanks goes to those with the patience to have done so.

Duncan Soukup
Chairman

Post Report Events:

As announced in the Company's RNS of 2 September 2016 the Company has entered into an agreement to purchase 40,000,000 new shares in Papua Mining for £400,000. The Company will, upon closing of the transaction, appoint a Director to the Board of Papua and to work with the current Board to formulate a profitable, cash generative growth plan.

As announced in the Company's RNS of 12 September 2016, the Company is beneficially interested in 19,093,376 shares of The Local Shopping REIT plc ("LSR"), which represents 23.14 per cent of its issued share capital. The Board of Thalassa will be seeking to engage with the Board of LSR with a view to reviewing and changing LSR's investment policy approved in July 2013.

WGP OPERATIONAL REVIEW

As anticipated, 1H 2016 was as tough as predicted. Oil prices, whilst briefly recovering to ~US$50 per barrel, have not recovered to the levels that would trigger new exploration projects. In fact, increased stockpiles in the US, Iranian oil back on the open market, Saudi Arabia and other OPEC Members unwilling to curb production, a slow-down in the Chinese economy coupled with uncertainty caused by Brexit, have all conspired to cap oil prices at least for the time being. The net effect of the uncertainty in the Energy sector and lack of concerted policy or agreement amongst the World's largest producers has resulted in oil companies continuing a policy of cost cutting, and development of lower risk activity. Fortunately for us, Permenanent Reservoir Monitoring (Production enhancement) has benefitted whilst Capex on exploration has suffered badly.

To most of the seismic data acquisition contractors, the collapse in exploration related seismic will only really hit in the 3rd and 4th Quarter 2016 and into 2017. The lifeline of work that existed for the past 9 months as a result of prospective licence sales offshore Mexico (announced prior to the oil price slump) and Myanmar is starting to run dry, and mainstream contractors are scrambling to find work. Business is so slack that many (all?) contractors now appear willing to operate at or below cost just to try and stay in the game long enough for a turnaround. Such a strategy is needless to say ultimately self destructive and will lead to the accelerated potential bankruptcy of a number of US and EU players. To counter this, the acquisition contractors have nearly all developed their own speculative multi-client programs of work. In most cases they have tried to de-risk where possible by seeking pre-funding from the oil companies. At this stage in the macro oil cycle, E&P companies are much more willing to spend on multi-client surveys for new exploration as it keeps the data flowing in new provinces whilst limiting the dedicated resource and investment otherwise required to design, manage and fully fund a bespoke survey on their own. Of course, the multi-client model will only work if there are subsequent data sales, more often than not triggered by licence round announcements and subsequent awards. So the data sets will sit on the balance sheet in the hope there will be a recovery in the near future. This has two effects. The existing fleet of vessels will be deployed using a financial model based on 'the hope' of selling the data to multiple clients, however, the longer term effect is when the recovery starts there will be a lag in ramping up exploration as this spec. data will already be sitting on the shelf at knock down rates.

WGP took the strategic decision some years ago to invest in technology and focus its efforts on developing opportunities that would be funded out of production budgets rather than exploration; on the basis that the oil production sector is less cyclical and to therefore de-risk the downturns. Hence the focus on Permanent Reservoir Monitoring ("PRM") opportunities. Whilst the market has not grown at a pace that would have been expected, it is clear that oil companies will continue a strategy for Enhanced Oil Recovery ("EOR") in the near to long term future, whilst new exploration is deemed too high risk.

The significance of the Statoil and ConocoPhillips Scandinavia AS ("COPSAS" / "COP") contracts should not, therefore, be underestimated. A typical proprietary marine seismic survey may last 4 weeks, maybe longer in the case of a large multi-client type survey. The contracts that WGP has for PRM activity in the Norwegian Sector are multi-year and multi-survey. The barriers to entry are immense – as the whole premise of PRM is for absolute repeatability and elimination of all variances, wherever possible, on a survey-to-survey basis.

In terms of operational activity, in 1H 2016, WGP completed the sixth surveys for Statoil over Snorre and Grane, now into the third year of the PRM contract. I am happy to report that after a challenging start (deployment of new, bespoke, state of the art equipment) operational performance improvements are now reducing technical downtime and increasing operational productivity. Meanwhile, the Ekofisk PRM contract that was executed in December 2015 for COPSAS saw the final design and procurement stages of the fifth generation Portable Modular Source System ("PMSSTM"). The first survey for COPAS is scheduled to commence in September 2016, following assembly, shake down and testing of the equipment.

Whilst the pipeline of new exploration opportunities has all but dried-up, the company continues to receive new PRM enquiries and will remain resolute in securing these and maintaining its lead market position in this sector. As for exploration activity – it's truly a case of keeping one's ear to the ground and avoiding the economic suicide which some in the industry are currently engaged in such that they are losing money at the Gross Margin Level! Whilst we might be trundling along the bottom or near the bottom of the oil price curve, we are unlikely, in our opinion, to see any sustained recovery until mid-2017. By that time, there will have been little or no new exploration activity for 3 years or more. As stockpiles are consumed, and global demand outstrips global supply, there will inevitably be a race for new exploration.

Mark Burnett
CEO – WGP Exploration Ltd

AUTONOMOUS ROBOTICS LTD (ARL) OPERATIONAL REVIEW

SUMMARY

ARL continues to focus on the development of a Flying Nodes system for deep water Ocean Bottom Nodes seismic surveys. The Flying Nodes system concept illustrated by the animation at www.autonomousroboticsltd.com has been shown through survey modelling to offer a significant cost saving for Ocean Bottom Seismic (OBS) deep water surveys compared with alternative node OBS solutions. Continuing to address the highest risks associated with the system, ARL has prioritised the design and manufacture of the first prototype node for 2016 with targeted improvements in node efficiency and stability to be included in this first design. These design improvements have caused some delay to the programme but results of modelling have shown improvements have been achieved. Design and manufacture of the first prototype node will continue during the second half of 2016 and we anticipate that initial testing will commence by the end of the year.

MARKETING

After the successful launch of the new Flying Nodes concept in the USA at SEG in 2015 the system has been presented in Europe at EAGE 2016. Again, there was considerable interest in the Flying Nodes concept and the paper ARL presented at the EAGE conference was well received. Oil Majors continue to show interest in the development of Flying Nodes as a means of reducing operational costs for deep water seismic surveys and would like to see further development of the proposed equipment.

OPERATIONS

ARL continue to operate with a core level of staff from the WGP Eastleigh Court facility while being supported by a number of development partners and subcontractors. This allows ARL to ensure the highest technical risks of the Flying Nodes technology are investigated and solutions found to mitigate these risks while keeping costs at a minimum.

TECHNOLOGY DEVELOPMENT

The main focus of development effort has been on progressing towards a first operational prototype of the Flying Node. A significant level of work including Computational Fluid Dynamics (CFD) has been performed to assist in the improvement of efficiency and stability for the Flying Node. More effort than anticipated has been necessary to implement these improvements in the Flying Node design which has resulted in some delay to the planned programme but it was considered necessary to include this improved capability for the first prototype node.

The detailed design work for the first prototype node including the underwater pressure vessel and battery system is well advanced and will be completed in the third quarter. The immediate aim for the first prototype node is for completion of the detailed design, manufacture, assembly and bench tests. It is also expected first in water tests of the prototype node operating as an ROV with a tether will commence before the end of 2016.

OUTLOOK

The priority for the second half of 2016 will be the completion of the design and manufacture of the first prototype node. Some of the main activities will be as follows.

- Complete design and manufacture of the first prototype node
- Progress software solutions for the prototype node
- Develop a first stage testing programme for the prototype node
- Start testing the node in ROV (tethered) mode
- Review potential for further patent applications

Dave Grant
CEO - Autonomous Robotics Ltd

FINANCIAL REVIEW

Group results for the 6 months to 30 June 2016 showed revenue of US$5.2m versus US$9.9m in 1H15, a decrease of 47.8%. Revenue from Seismic Operations has been generated from the Spring surveys over the Snorre and Grane fields for Statoil. The additional revenue generated in 2015 from the project with TGS in the Barents Sea and late data sales for the 2014 multi-client data set were not repeated in 2016.

Cost of Sales decreased by 60.8% in 1H16 to US$2.3m (1H15: US$5.7m). Cost of Sales as a proportion of Revenue was 43.3% as compared to 57.8% in 1H15 and 49.9% for the whole of 2015.

Gross profit was US$2.9m, a decrease of 29.9% versus the same period last year of US$4.2m. Gross margin increased by 34.4% to 56.7% from 42.2% in 1H15 and 8.4% from the full year 2015 gross margin of 50.1%.

Administrative expenses for 1H16 were US$2.4m, 9.9% less than 1H15 of US$2.7m. ARL contributed costs of US$0.2m in 1H16 (1H15: US$0.2m).

Operating Profit before depreciation was US$0.5m versus US$1.5m in 1H15 with operating margin at 11.2%, from 15.2% in 1H15. Adjusted Operating Profit before depreciation (excluding R&D costs at ARL) was US$0.7m (1H15: US$1.8m).

Depreciation of US$0.4m (1H15: US$1.1m) reflects depreciation on the Group's equipment, the decrease due to the impact of write downs on equipment made at the end of 2015.

Operating Profit decreased to US$0.1m (1H15 US$0.4m). Adjusted operating Profit was US$0.3m (1H15: US$0.6m).

Net financial income of US$0.8m included foreign exchange gains and interest income in the period partially offset by interest and share option expense (1H15: US$0.1m).

Profit before tax, was US$0.9m versus US$0.5m in 1H15. Adjusted profit before tax was US$1.2m (1H15: US$0.8m).

Tax in the period of US$0.2m incorporates an estimate of the tax liability incurred from the Company's operations across its different regions (1H15 US$0.06m).

Net profit was US$0.8m compared to US$0.4m in 1H15. Adjusted net profit was US$1.0m (1H15: US$0.7m).

Net assets at 30 June 2016 amounted to US$26.4m (1H15: US$39.7m, 2015: US$26.4m) resulting in net assets per share of US$1.17 (£0.77) versus US$1.61 (£1.02) in 1H15 and US$1.12 (£0.79) at 31 December 2015, the decrease across comparative periods largely as a result of the exceptional write downs and the impact on net assets as at 31 December 2015.

The Company had **debt** of US$0.0m at the period end (1H15: US$0.0m, 2015: US$0.0m).

Trade Receivables was US$5.5m as at 30 June 2016, which has since been received in full.

Cash as at 30 June 2016 was US$13.2m (1H15: US$14.4m, 2015: US$20.3m).

Net cash outflow from operating activities amounted to US$(4.0)m as compared to cash outflow of US$(2.8)m in 1H15. The cash outflow of US$4.0m does not reflect the US$5.5m of outstanding trade receivables at 30 June 2016, all of which was subsequently received.

CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2016

	Note	Six months ended 30 Jun 16 Unaudited $	Six months ended 30 Jun 15 Unaudited $	Year ended 31 Dec 15 Audited $
Revenue		5,195,619	9,945,965	18,863,273
Cost of sales		(2,250,995)	(5,747,423)	(9,416,746)
Gross profit		**2,944,624**	**4,198,542**	**9,446,527**
Administrative expenses		(2,423,061)	(2,688,225)	(5,775,983)
Operating profit before depreciation and exceptional write downs		**521,563**	**1,510,317**	**3,670,544**
Depreciation		(389,225)	(1,119,157)	(2,226,645)
Operating profit before exceptional write downs		**132,338**	**391,160**	**1,443,899**
Exceptional write downs		-	-	(12,948,755)
Operating profit/(loss)		**132,338**	**391,160**	**(11,504,856)**
Net financial income/(expense)		806,406	114,696	(261,144)
Profit/(loss) before taxation		**938,744**	**505,856**	**(11,766,000)**
Taxation		(181,097)	(58,901)	(493,230)
Profit/(loss) for the financial period		**757,647**	**446,955**	**(12,259,230)**
Earnings per share - US$ (using weighted average number of shares)				
Basic and Diluted	3	0.03	0.02	(0.50)

The notes on pages 14 to 16 form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 Jun 16 Unaudited $	Six months ended 30 Jun 15 Unaudited $	Year ended 31 Dec 15 Audited $
Profit/(loss) for the financial period	**757,647**	**446,955**	**(12,259,230)**
Other comprehensive income:			
Exchange differences on re-translating foreign operations	(49,287)	21,612	43,460
Unrealised losses on available for sale investments[*1]	(24,800)	-	-
Total comprehensive income	**683,560**	**468,567**	**(12,215,770)**

The notes on pages 14 to 16 form an integral part of this consolidated interim financial information.

[*1] As at 5 September the "available for sale" investments referred to above were subsequently disposed of realising a gain of $36,216.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	30 Jun 16 Unaudited $	30 Jun 15 Unaudited $	31 Dec 15 Audited $
Assets				
Non-current assets				
Goodwill		368,525	368,525	368,525
Property, plant and equipment		9,642,600	12,697,943	8,023,557
Multi-client library		-	1,573,946	-
Loans	4	1,526,522	7,227,568	1,503,823
Total non-current assets		**11,537,647**	**21,867,982**	**9,895,905**
Current assets				
Inventories		372,325	331,765	391,035
Derivative financial asset		295,000	25,750	-
Trade and other receivables		6,128,395	7,599,847	811,728
Cash and cash equivalents		13,247,222	14,445,912	20,303,136
Total current assets		**20,042,942**	**22,403,274**	**21,505,899**
Liabilities				
Current liabilities				
Trade and other payables		5,217,842	4,590,652	5,012,720
Total current liabilities		**5,217,842**	**4,590,652**	**5,012,720**
Net current assets		**14,825,100**	**17,812,622**	**16,493,179**
Net assets		**26,362,747**	**39,680,604**	**26,389,084**
Shareholders' equity				
Share capital	6	250,675	250,675	250,675
Share premium	6	45,202,810	45,118,623	45,202,810
Treasury shares		(1,650,322)	(249,055)	(940,425)
Foreign exchange reserve		(83,520)	(56,081)	(34,233)
Accumulated losses		(17,356,896)	(5,383,558)	(18,089,743)
Total shareholders' equity		**26,362,747**	**39,680,604**	**26,389,084**
Total equity		**26,362,747**	**39,680,604**	**26,389,084**

The notes on pages 14 to 16 form an integral part of this consolidated interim financial information.

These condensed consolidated financial statements were approved by the board on 12 September 2016.

Signed on behalf of the board by:

C. Duncan Soukup

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 Jun 16 Unaudited $	Six months ended 30 Jun 15 Unaudited $	Year ended 31 Dec 15 Audited $
Cash flows from operating activities			
Profit/(Loss) for the period before taxation	**938,744**	**505,856**	**(11,766,000)**
Impairment of assets	-	-	13,374,071
Share option expense	-	84,188	168,375
Unrealised gain on FX option	-	40,813	66,563
Increase/(decrease) in inventories	18,710	11,466	(47,804)
Increase/(decrease) in trade and other receivables	(5,316,668)	(4,844,924)	1,943,195
Increase/(decrease) in trade and other payables	205,122	60,433	(975,750)
Net foreign exchange (gain)/loss	(49,288)	21,612	43,460
Accrued interest income	(22,699)	(102,920)	(212,082)
Taxation	(181,095)	(58,901)	(493,230)
Cash generated (used in)/by operations	**(4,407,174)**	**(4,282,377)**	**2,100,798**
Depreciation	389,225	1,119,157	2,226,645
Amortisation of multi-client library	-	315,747	430,336
Net cash flow (used in)/from operating activities	**(4,017,949)**	**(2,847,473)**	**4,757,779**
Cash flows from investing activities			
Purchase of available for sale investments	(319,800)	-	-
Purchase of property, plant and equipment	(2,008,268)	(185,634)	(1,242,292)
Net cash flow used in investing activities	**(2,328,068)**	**(185,634)**	**(1,242,292)**
Cash flows from financing activities			
Purchase of treasury shares	(709,897)	(249,055)	(940,425)
Net cash flow used in financing activities	**(709,897)**	**(249,055)**	**(940,425)**
Net (decrease)/increase in cash and cash equivalents	**(7,055,914)**	**(3,282,162)**	**2,575,062**
Cash and cash equivalents at the start of the period	20,303,136	17,728,074	17,728,074
Cash and cash equivalents at the end of the period	**13,247,222**	**14,445,912**	**20,303,136**

The notes on pages 14 to 16 form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Share Capital $	Share Premium $	Treasury Shares $	Foreign Exchange Reserve $	Accumulated Losses $	Total Shareholders Equity $
Balance as at 30 June 2015	**250,675**	**45,118,623**	**(249,055)**	**(56,081)**	**(5,383,558)**	**39,680,604**
Share option expense	-	84,187	-	-	-	84,187
Purchase of treasury shares	-	-	(691,370)	-	-	(691,370)
Total comprehensive income for the period	-	-	-	21,848	(12,706,185)	(12,684,337)
Balance as at 31 December 2015	**250,675**	**45,202,810**	**(940,425)**	**(34,233)**	**(18,089,743)**	**26,389,084**
Purchase of treasury shares	-	-	(709,897)	-	-	(709,897)
Total comprehensive income for the period	-	-	-	(49,287)	732,847	683,560
Balance as at 30 June 2016	**250,675**	**45,202,810**	**(1,650,322)**	**(83,520)**	**(17,356,896)**	**26,362,747**

The notes on pages 14 to 16 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 three directly owned subsidiaries, WGP Group Ltd ("WGP"), GO Science Group Ltd ("GO") and WGP Geosolutions Limited (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 Autonomous Underwater Vehicle ("AUV") research and development company with one subsidiary:

- Autonomous Robotics Limited ("ARL" – formerly GO Science 2013 Ltd)

WGP Geosolutions Limited is a wholly owned subsidiary of Thalassa which has an additional subsidiary, WGP Group AT GmbH, both currently non-operational.

The Group's interest in each of the subsidiaries is 100%.

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 for the year ended 31 December 2015.

2.1. BASIS OF PREPARATION

The condensed consolidated financial statement for the six months ended 30 June 2016 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 for the year ended 31 December 2015.

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

	30 Jun 2016 Unaudited	30 Jun 2015 Unaudited	31 Dec 2015 Audited
The calculation of earnings per share is based on the following loss and number of shares:			
Profit/(loss) for the period ($)	757,647	446,955	(12,259,230)
Weighted average number of shares of the Company	**23,420,184**	**25,056,837**	**24,656,136**
Earnings per share:			
Basic and Diluted (US$)	0.03	0.02	(0.50)

4. LOANS

	30 Jun 16 Unaudited $	30 Jun 15 Unaudited $	31 Dec 15 Audited $
Loans	1,526,522	7,227,568	1,503,823

Loans and receivables includes a loan of US$1,503,823 plus accrued interest of US$22,699 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.

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$323,913 for consultancy and administrative services provided to the Group. At 30 June 2016 the amount owed to this company was US$40,694 (1H15: US$0).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION CONTINUED

6. SHARE CAPITAL AND SHARE PREMIUM

	30 Jun 16 Unaudited $	31 Dec 15 Audited $
Authorised share capital:		
100,000,000 ordinary shares of $0.01 each	1,000,000	1,000,000
Allotted, issued and fully paid	250,675	250,675

	Number of shares	Number of Treasury shares	Treasury shares $
Number of shares outstanding at the period end:			
Balance as 31 December 2015	**23,608,865**	**1,458,657**	**940,425**
Shares purchased	(1,030,000)	1,030,000	709,897
Balance as 30 June 2016	**22,578,865**	**2,488,657**	**1,650,322**

7. SUBSEQUENT EVENTS

As announced on 12 July 2016, the Company purchased 100,000 of its shares at a price of 44 pence per share.

In the Consolidated Financial Statements for the year ended 31 December 2015 released on 5 April 2016, the Company referred to the outstanding trade receivable owed by Joint Stock Company "Sevmorgeo" ("SMG") to WGP Energy Services Ltd ("WGPES"), a wholly owned subsidiary of Thalassa, in respect of the provision of seismic equipment and related services in Ecuador. In Note 16 to the Consolidated Financial Statements, the Company confirmed that arbitral proceedings had been commenced in the London Court of International Arbitration against SMG to recover the outstanding trade receivable plus interest and costs (the "Claim"). As disclosed in Note 16, Duncan Soukup, the Company's Chairman, had paid the USD$1.1 million discount offered to SMG in January 2014 himself on a nonrecourse basis.

The Company announced on 12 August 2016 that WGPES had entered into an assignment agreement with Joint Stock Company "Rosgeologia" ("Rosgeo"), the parent of SMG, under which the rights to the Claim have been assigned to Rosgeo for a consideration of $750,000 payable to WGPES. As a result of this assignment, the Company is in a position to repay the Chairman that amount of the discount he paid, but not its entirety. WGPES has no further claim against SMG or Rosgeo and the Claim has been discontinued.

The Company announced on 2 September 2016 that it has agreed the terms of a conditional investment of £400,000 for 40,000,000 new ordinary shares of Papua Mining plc at a price of 1 pence per share. The issue of the shares is conditional upon approval by its shareholders at a general meeting to be convened by no later than 31 October 2016.

As announced on 9 September 2016, the Company acquired 10,438,376 ordinary shares in The Local Shopping REIT plc ("LSR") at an aggregate cost of approximately £3.6 million. As announced 12 September 2016, a further 6,225,000 ordinary shares in LSR were acquired at an aggregate cost of £2.05m. As a result, it is now beneficially interested in 19,093,376 LSR Shares, which represents 23.14 per cent of the issued share capital of LSR.

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 2016 and the related condensed 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 Accounting Standard 34 as adopted by the European Union.

Moore Stephens LLP
Chartered Accountants

150 Aldersgate Street
London
EC1A 4AB
12 September 2016

THALASSA

www.thalassaholdingsltd.com

WGP

www.wgp-group.com

Autonomous Robotics

www.autonomousroboticsltd.com