



Science behind the image

## Press Release

19 November 2007

### Offshore Hydrocarbon Mapping plc (“OHM” or “the Company”) Preliminary Results for the Year ended 31 August 2007

- Turnover increased by 70% to £17.7 million
- EBITDA of £0.3 million (2006: £0.1 million loss)
- Pre tax losses reduced to £1.0 million (2006: £1.6 million loss)
- Cash balance of £19 million
- Earnings per share (3.35)p (2006:5.54)p
- Strategic alliance with CGGVeritas and acquisition of Rock Solid Images
- Second dedicated vessel chartered

Offshore Hydrocarbon Mapping’s Chairman, Dr. Pierre Jungels, said:

“The year to 31 August 2007 will be seen in the future as a vintage year for the Company. Controlled Source ElectroMagnetic imaging became a mainstream exploration tool, the Group has emerged unscathed from patent disputes with a competitor, a strategic alliance was formed with CGGVeritas, and OHM made its first significant acquisition, of Rock Solid Images. All of these advances bode well for the future.

In June 2007, our first dedicated vessel, OHM Express, came into service in Northern Europe. OHM Express, specifically modified for CSEM operations has already improved our operational uptime. A second dedicated vessel the OHM Leader has now been chartered and is expected to come into service in June of 2008.

Our researchers are now developing our thinking in terms of the wider integration of CSEM with other geophysical data such as well log data, 3 and 4D seismic giving quantitative measurement of rock and fluid properties which will have immense benefits for reservoir characterisation and management. The acquisition of Rock Solid Images will contribute significantly to this effort.”

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## **Chairman's Statement**

The year to 31 August 2007 will be seen in the future as a vintage year for your Company. Controlled Source ElectroMagnetic (CSEM) imaging became a mainstream exploration tool, the Group has emerged unscathed from patent disputes with a competitor, a strategic alliance was formed with CGGVeritas, (the world's largest seismic contractor) and OHM made its first significant acquisition, of Rock Solid Images. All of these advances bode well for the future.

Revenue for the year increased by 70% over last year to £17.7 million, and the pre tax loss reduced to £1.0 million.

During the year we raised £24.4 million in three separate placings of new ordinary shares. The funds raised, including a substantial subscription by CGGVeritas, allowed us to finance the acquisition of Rock Solid Images and provide working capital to invest in building the business while continuing our important research and development efforts. Following the acquisition of Rock Solid Images, cash balances at the year end amounted to £19.0 million.

In June 2007 our first dedicated vessel, OHM Express, came into service in Northern Europe. OHM Express, specifically modified for CSEM operations, has already improved our operational uptime and even more pleasingly, operated at the highest levels of HSE performance. This was recognised by a major client awarding us an HSE safety award.

The performance of the OHM Express, the hard work of our other crew in the South Atlantic Basin, the continuous high level of data processing, modelling and interpretation, as well as some multi client library sales, together made for strong revenue growth, especially in the fourth quarter.

On the basis of that success, the Board has approved the capital expenditure and the long term charter commitment of a second vessel, the OHM Leader, which will also be modified specifically for CSEM operations. OHM Leader is expected to come into service during the second half of 2008.

When OHM listed on AiM in March 2004 we had two principal medium term objectives: market adoption of the CSEM technique and taking the science of CSEM further to add more commercial value to our offering to clients.

I believe that CSEM is now considered a mainstream exploration tool. It is already being included in exploration licence conditions and will in the next few years be included, as a matter of course, in corporate exploration budget cycles. This is ahead of the typical industry adoption curve.

Our newly formed alliance with CGGVeritas will allow us to access their global marketing strengths and capitalise on opportunities that we may have found difficult to access on our own. CGGVeritas has taken a 15% stake in the Company which I believe demonstrates a faith in the future value of CSEM. CGGVeritas's technical and technology expertise in marine acquisition, seismic processing and equipment design, is likely to open interesting avenues of joint research opportunities, in particular in the field of seismic and electromagnetic offerings to the industry.

On the science, we have also achieved much of what we originally set out to accomplish: integration of CSEM with seismic and the application of CSEM in shallow water or complex geological settings. Our researchers are now developing our thinking in terms of the wider integration of CSEM with other geophysical data such as well log data, 3 and 4D seismic giving quantitative measurement of rock and fluid properties which will have immense benefits for reservoir characterisation and management. The acquisition of Rock Solid Images will contribute significantly to this effort.

One of the greatest challenges facing the oil industry is to increase recovery of hydrocarbons from their reservoirs. Massive investment is being made in complex directional well drilling and smart completions. This infrastructure investment will be much more effective if the reservoir is properly monitored and characterised with enough precision and detail to enable these expensive completions to actually drain the hydrocarbons left behind by the initial development. We see this area as a future opportunity for OHM and, in a joint industry project with BP, the Department for Business, Enterprise and Regulatory Reform and the University of Southampton, we have embarked on a study of life of field CSEM monitoring solutions.

Looking forward, reflecting our recent and anticipated growth we are strengthening our senior management team with the appointments of David Flett (Regional Manager Asia Pacific) and Steve Hunt (Chief Operating Officer).

We intend to equip and train additional crews, charter further survey ships fit for OHM's purposes and increase our research and development spending, in particular in the domain of Seismic-EM integration, which we see as the next area of growth for your business.

The alliance with CGGVeritas and the purchase of RSI, added to the progress of OHM's own research and development, have transformed your Group into an entity capable of offering worldwide marketing reach, safe and efficient acquisition of CSEM data and ground breaking technologies of the very nature the oil and gas industry needs to explore, develop and produce cost effectively.

It is to the great credit of your management team that they pursued that vision to transform OHM into the Group that it is today.

At the Board level, we benefited from the wise counsel of Jeffrey Garner whilst he was a Director and I thank him for his contribution. Gary Jones, who has served as a non-executive Director for three years has due to his other business commitments, decided not to stand for re-election at the forthcoming AGM and accordingly will be resigning following the announcement of these results. I thank Gary for his loyal and valuable service to the Company and wish him well for the future.

The various committees of the Board were very busy during the year to deliver Corporate Governance of the highest standard whilst the Group was shifting gear. The Nomination Committee, recognising the changes in the Group's future, has begun a review of the Board composition, strength and skill matrix with the intention to support the Group with the appropriate oversight through its next generation of growth.

On behalf of the Board, I thank the whole OHM team of management, staff, strategic partners and suppliers for their sterling efforts in taking the Group forward during the last 12 months.

**Pierre Jungels**  
Chairman

## **Chief Executive's Review**

### **Introduction**

Offshore Hydrocarbon Mapping plc uses specialist remote sensing information to help our clients to understand the subsurface of the earth. The Company was formed to commercialise the controlled source electromagnetic (CSEM) technique which focused on providing information on the nature of electrically resistive bodies in the subsurface as an aid to oil and gas exploration and development. The acquisition of Rock Solid Images, during fiscal year 2007, has added key skills and capabilities to OHM which will allow the Group to lead the market in the integration of CSEM with the seismic and well logging information which oil companies traditionally use to examine their subsurface formations. Our research leads us to believe that there is immense value to be created in this combination.

The Company was founded in 2002 and was floated on the AiM market of the London Stock Exchange in 2004.

### **Science behind the image**

Offshore Hydrocarbon Mapping's unique capability is to use the Controlled Source ElectroMagnetic surveying technique, often in combination with other geophysical remote sensing techniques, to provide meaningful images of the structure of the earth which can be used in the search for and production of hydrocarbons.

In its simplest embodiment, CSEM can be used to detect anomalous responses associated with resistive bodies in the earth. Complex processing and analysis of these simple field responses is required to provide detailed images of the subsurface to discriminate between signals related to commercial hydrocarbon deposits and those from other geologic or topographic features of the subsurface. By using its unique techniques and software to identify resistive bodies in the earth that correlate in depth and extent to suspected hydrocarbon plays, and having resistivity values consistent with hydrocarbon saturated sediments, OHM are able to reduce significantly the risk of their clients drilling non-commercial wells.

### **Operating activity in 2007**

Since inception in 2002, OHM's CSEM equipment packages have been designed to be portable enabling us to mobilise them cost effectively to remote locations using commercial sea freight. Once they arrive in a port close to a client's work site, they are mobilised onto locally sourced vessels for the survey operations to be undertaken. Our skilled survey crews fly out to join these vessels and execute the surveys. As industry adoption has progressed, and our order visibility has become greater, it made sense for us to move to securing some dedicated tonnage to meet our offshore survey needs. Accordingly, we entered into a five year charter for OHM Express, our new flagship.

At 110 metres long, the OHM Express is a relatively large vessel and has a hull designed for voyages in higher attitude seas. This affords her excellent sea keeping capabilities and provided an excellent foundation for a purpose designed conversion that has resulted in a safe, comfortable operating platform for our CSEM surveys. The vessel entered service in June 2007 conducting surveys in the North Sea, northern Norway, and the North Atlantic. To date, the OHM Express has exceeded our expectations in terms of economy and efficiency.

Elsewhere, our crews performed work in West Africa and in the Falkland Islands. Our work programme in the Falkland Islands was hampered by extraordinarily bad weather during the southern hemisphere summer season. This caused the survey to be extended beyond the time for which we had the original vessel chartered. The changeover of vessel that this necessitated impacted on the profitability of that contract and without this our results for the year would have been even better.

Workloads for our data processing groups in Houston and Aberdeen have remained extremely high, working on data acquired by our own field crews as well as applying OHM's ever advancing processing and analysis techniques on a contract basis to clients who wish to enhance data acquired on earlier contracts or by other contractors.

Our recruitment and training programme has produced a good flow of qualified personnel to support both our offshore operations and onshore processing groups and we are particularly pleased with this achievement given the competition for personnel created by an overheated oil and gas industry.

### **Rock Solid Images**

Rock Solid images (RSI) joined the Group in the last weeks of our 2007 fiscal year and so made only the smallest of contributions to our 2007 results.

RSI is the industry leader in the application of rock-physics for integrating and calibrating seismic and borehole data to provide geologic insight and reservoir understanding at all stages of the oilfield lifecycle.

RSI was founded in November 1998 through the merger of The Discovery Bay Company, Seismic Research Corporation and PetroSoft, Inc. RSI offers a range of products and services including seismic and well data conditioning, seismic inversion for rock and fluid properties and software for rock-physics, seismic modelling and seismic attribute calculation and classification.

Unique to Rock Solid Images is our LFP (Lithology and Fluid Prediction) consortium. This consortium has been in continuous existence, under a variety of names, since early 1991. 2007 saw the launch of Phase II of our LFP project with 18 oil-industry sponsors supporting our research in rock-physics, seismic modelling and well-seismic integration.

In 2005, OHM and RSI commenced work together on the integration of CSEM and seismic data. We found that OHM and RSI have much in common; a similar culture of high quality science coupled with exceptional customer service. Initial joint research gave intriguing insight into the potential for total rock and fluid property measurement from the intelligent combination of CSEM and seismic data and led to some early patent applications. OHM's management believe that this combination will create new products with exciting application in reservoir management and enhanced recovery from our clients' oil and gas reservoirs. This is the justification for the strategic acquisition of Rock Solid Images.

We have announced to industry the launch of our WISE project (Well-driven Integration of Seismic and EM data) for the development of technology, products and services in this important new area and this has met with a high level of industry interest.

### **Safety and the environment**

The Group conducts operations offshore often in hostile and remote conditions. In order to control the risks associated with this activity, the Group has developed a comprehensive safety and environmental management system. This system is frequently reviewed and updated for new circumstances and to capture increasing experience and emerging best practice. Ownership of the system lies not just with the Group and its management but with the personnel operating "at the coalface" whose experience and knowledge are vitally important in the development and maintenance of safe working regimes.

It is a testament to the dedication of all that we have, for the sixth successive year, achieved our goal of conducting our operations without significant injury, lost time incidents or accidental damage to our environment. In 2007 we were also grateful to have received awards from some of our clients for our HSE performance.

### **Research and Development**

OHM's industry leading capabilities are driven by the Group's efforts in research and development. In Dr. Lucy MacGregor and her team we have assembled a group of the leading researchers in our field.

Our research efforts over the past years have focused on initiatives to improve the images of the earth that CSEM provides and to widen the application of the method to a wider set of geological environments. We lead the market in our ability to conduct CSEM operations in a full range of water depths and to produce images of complex resistive structures in complex basins.

This work goes on apace, but the addition of Rock Solid Images heralds an extra layer of research that will focus on the derivation and quantitative measurement of rock and fluid properties from surface geophysical measurements. Co-operations between the research groups of OHM and RSI over the last two years has already revealed exciting benefits from the intelligent combination of CSEM and seismic measurements of the same piece of the subsurface. Our joint industry research project with BP and the UK's Department for Business, Enterprise and Regulatory Reform is also contributing vital knowledge and understanding in this area, and is a guiding force in assisting us to prioritise research for the maximum commercial benefit.

Rock Solid Images have successfully attracted a number of leading oil companies to their Lithology and Fluid Prediction Consortium. This client involvement is a valuable tool in accelerating the adoption of new technology within oil companies whilst making a valuable contribution to the costs of research. We are widening this concept

with the launch of our WISE consortium which will focus on the role that integrated seismic and CSEM can play in developing understanding of subsurface rock and fluid properties.

All of this research has a valuable impact on our ability to provide enhanced subsurface understanding to our exploration clients. This will enable us to stay far ahead of those that seek to enter the CSEM market. The potentially bigger prize though is the possibility of developing a significant new market in applying CSEM, integrated with seismic, to reservoir monitoring and management. The oil industry produces only about one third of the oil and gas that it discovers. Studies to date have shown that reservoir monitoring and management strategies can significantly increase the recovery of reserves. The seismic technique has been used to provide time lapse images of reservoirs as they are produced, but we believe the integration of CSEM data into these studies will enable a significantly more complete understanding of the subsurface performance of the reservoir.

### **Intellectual Property**

The work conducted by OHM's researchers led to a number of patent filings in the course of the year adding to OHM's growing portfolio of intellectual property rights in the CSEM space. OHM's intellectual property strategy is to patent instrumentation, processes and applications that improve the effectiveness of the CSEM technique. A competitor has, for a number of years, pursued a general method patenting strategy in this area. OHM has always contended that these general method patent applications were flawed mainly due to the amount of information relating to the technique that was published by academics before the commercialisation phase began. The decision during the year by the European Patent Office to reject one of these applications seems to support OHM's viewpoint.

### **Financial review**

The growth trend that we saw in our 2006 fiscal year has continued through 2007. Our revenues for the second half of the year were £10.1 million, building on the £7.6 million of the first half year. This total revenue for OHM's traditional businesses of £17.6 million represents a 69% growth over the £10.4 million achieved in fiscal 2006. In addition, we had a revenue contribution of £0.1 million resulting from 9 days of trading at Rock Solid Images whose acquisition closed near the end of the fiscal year.

Strong performance in our proprietary, full service survey activities and advanced data processing groups compensated for a shortfall in data library sales driven by the postponement by the Norwegian authorities of the 20<sup>th</sup> Offshore Exploitation Licensing round. We anticipate that these sales will flow through now in fiscal 2008.

The gross profit contribution rose to £2.9 million for fiscal 2007 (from £1.4 million a year earlier) representing 17% of revenue (2006: 13% of revenue). Operating margins continued to remain under pressure from rising costs of chartering vessels on the spot market in a tight shipping market and were further impacted by the cost of sending an additional vessel to complete work in the Falkland Islands which overran due to unusually high weather downtime experienced during the southern hemisphere operating season. However, the introduction of the OHM Express on long term charter improved operating margins in our offshore operations considerably and contributed towards a second half gross profit of £2.2 million (22% of revenue) for the Group.

Overheads rose from £2.8 million to £4.0 million as the Group increased its investment in staff and geared up for further growth.

The progress made during fiscal 2007 has reduced the loss before tax to slightly under £1.0 million from £1.6 million in 2006 and we were pleased to see a net profit of £0.2 million in the second half of the year following the £1.2 million loss reported in our Interim Accounts.

The Group has adopted International Financial Reporting Standards, as approved for use by the European Union in preparing these Accounts and a reconciliation to the figures previously reported under UK GAAP has been included in note 32. The financial impact of adopting IFRS on the Group's Income Statement and Balance Sheet has not been significant. The main areas where adjustments have been made relate to the accounting for intangible assets, such as patent protection costs and internally generated software and accounting for share based payments (such as share options and awards) made to the Group's employees. The net impact of these conversion adjustments was to increase total shareholders' equity at 1 September 2006 by £0.2 million to £7.2 million.

The Group's cash balance was a healthy £19.0 million following successful fund raisings during the year. Some of this money is already committed to capital expenditure on equipment for our third data acquisition crew, which is currently under construction. We anticipate that we will bring this crew into service at the start of the North Sea

operating season in May of 2008 and are preparing for a fourth crew to follow closely behind if market demand continues to grow as anticipated. The Group should move to sustained profitability with the third crew in operation with profits growing as more crews are added thereafter.

### **Trading outlook**

The progressive adoption of our core CSEM technology by the exploration industry is leading us to change some of our business practices. In the early phases of technology adoption our customer base was a small number of technology focused oil companies, and we were able to focus on them with a small sales group. As industry adoption increases, the number of client companies that we have to address is growing significantly and we are expanding our sales force to cope with this. To boost further our sales efforts, we have entered into an alliance with CGGVeritas, a global provider of seismic services. Under this alliance, we have access to CGGVeritas' global sales and marketing reach together with a truly global logistics support network. More importantly, we will access their long term relationships with key clients including the prestigious national oil companies that we anticipate as being significant clients for the future.

Following our fund raising during the year, we are well advanced with building the equipment and training the personnel necessary to launch our third marine CSEM crew which we plan to bring into service at the start of the North Sea "season" in May 2008. Work is also scheduled to commence on the equipment for our fourth crew which will follow a few months behind by which time we hope to be seeing tangible benefits from our CGGVeritas relationship.

A number of companies have indicated a desire to enter the offshore electromagnetic market and we monitor this situation closely. We believe that the time and cost to develop industrial instrumentation together with the rarity of experienced EM practitioners represent extremely high barriers to entry. In addition, our research and development efforts continue to improve the quality of our offering, constantly raising the bar in industry requirements. Where appropriate, OHM applies for patent protection for this differentiation and our awarded patent portfolio continues to grow.

Rock Solid Images' traditional business area is seeing strong demand for its services, especially the inversion of seismic data. We are recruiting and training more staff in this area to meet this demand. Our research on the integration of EM data with seismic and well log data is creating exciting opportunities and we hope to see commercial products coming to market in this area within our 2008 fiscal year leading to further growth at RSI.

We seek in 2008 to continue the growth in revenues and improvements in profitability achieved over the last two years. We are fortunate in having a dedicated team of professional staff whose efforts have delivered our growth to date and who are eagerly anticipating the challenges ahead.

**Dave Pratt**

Chief Executive Officer

**Offshore Hydrocarbon Mapping plc**  
**Consolidated Group Income Statement**  
**For the year ended 31 August 2007**

	Note	2007	2006
		£'000	£'000
<b>Revenue</b>		17,731	10,422
Cost of sales		14,790	9,059
<b>Gross profit</b>		<u>2,941</u>	<u>1,363</u>
Administrative expenses		4,037	2,808
Other expenses – loss on disposal of fixed assets		47	301
<b>Group operating loss</b>	<b>3</b>	<u>(1,143)</u>	<u>(1,746)</u>
Finance income		154	168
Finance costs		(9)	-
<b>Loss before taxation</b>		<u>(998)</u>	<u>(1,578)</u>
Income tax expense		(59)	(88)
<b>Loss for the period</b>		<u>(1,057)</u>	<u>(1,666)</u>
<b>Loss per ordinary share</b>	<b>4</b>		
Basic		<u>(3.35)p</u>	(5.54)p
Diluted		<u>(3.35)p</u>	<u>(5.54)p</u>

All amounts relate to continuing activities

**Offshore Hydrocarbon Mapping plc**  
**Consolidated Group Balance Sheet**  
**At 31 August 2007**

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	10,229	-
Intangible assets - multi client data library	2,241	798
- software	2,089	147
- patent costs	746	176
- consortium fees	152	-
	<u>5,228</u>	<u>1,121</u>
Plant and equipment	2,435	2,791
	<u>17,892</u>	<u>3,912</u>
<b>Current assets</b>		
Inventories	634	152
Trade and other receivables	4,682	2,216
Cash and cash equivalents	18,968	3,439
	<u>24,284</u>	<u>5,807</u>
<b>Total assets</b>	<u>42,176</u>	<u>9,719</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	5,196	2,498
Current tax liabilities	102	60
Finance leases	73	-
	<u>5,371</u>	<u>2,558</u>
<b>Non current liabilities</b>		
Deferred tax liabilities	717	-
Finance leases	42	-
Other liabilities	89	-
	<u>848</u>	<u>-</u>
<b>Total liabilities</b>	<u>6,219</u>	<u>2,558</u>
<b>Net assets</b>	<u>35,957</u>	<u>7,161</u>
<b>Shareholders equity</b>		
Share capital	426	300
Share premium	36,447	12,178
Share based payments reserve	848	496
Merger reserve	5,355	-
Retained earnings	(6,905)	(5,813)
Cumulative translation reserve	(214)	-
<b>Total shareholders' equity</b>	<u>35,957</u>	<u>7,161</u>

The financial statements were approved by the board of directors and authorised for issue on 19 November 2007 and are signed on its behalf by:

D C N Pratt

**Director**

R I Auckland

**Director**

**Offshore Hydrocarbon Mapping plc**  
**Company Balance Sheet**  
**At 31 August 2007**

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Assets</b>		
<b>Non – current assets</b>		
Fixed asset investments	<u>5,780</u>	<u>1</u>
	<b>5,780</b>	<b>1</b>
<b>Current assets</b>		
Trade and other receivables	<u>36,443</u>	<u>12,577</u>
	<b>36,443</b>	<b>12,577</b>
<b>Total assets</b>	<u><b>42,223</b></u>	<u><b>12,578</b></u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	<u>41</u>	<u>-</u>
<b>Net assets</b>	<u><b>42,182</b></u>	<u><b>12,578</b></u>
<b>Shareholders equity</b>		
Share capital	426	300
Share premium	36,447	12,178
Merger reserve	5,355	-
Retained earnings	(46)	100
<b>Total shareholders' equity</b>	<u><b>42,182</b></u>	<u><b>12,578</b></u>

The financial statements were approved by the board of directors and authorised for issue on 19 November 2007 and are signed on its behalf by:

D C N Pratt  
**Director**

R I Auckland  
**Director**

**Offshore Hydrocarbon Mapping plc**  
**Consolidated Group Cashflow Statement**  
**Year ended 31 August 2007**

	<b>2007</b>	2006
	<b>£'000</b>	£'000
<b>Cash flow from operating activities</b>		
Loss before taxation	<b>(998)</b>	(1,578)
Adjustments for:		
Depreciation of plant and equipment	<b>1,437</b>	1,624
Amortisation of intangible fixed assets	<b>45</b>	6
Share based payments charge	<b>352</b>	246
Intangible asset transfer from balance sheet	<b>812</b>	-
Loss on disposal of plant and equipment	<b>47</b>	301
Financial income	<b>(154)</b>	(168)
Operating profit before changes in working capital and provisions	<b>1,541</b>	431
(Increase)/decrease in inventories	<b>(482)</b>	42
Increase in trade and other receivables	<b>(1,587)</b>	(1,100)
Increase in trade and other payables	<b>509</b>	865
Cash generated from operations	<b>(19)</b>	238
Foreign taxes paid	<b>(59)</b>	(88)
<b>Net cash flows from operating activities</b>	<b>(78)</b>	150
<b>Cash flow from investing activities</b>		
Payments to acquire multi client data library	<b>(1,528)</b>	(406)
Payments to acquire software	<b>(125)</b>	(152)
Payments to acquire patents	<b>(150)</b>	(70)
Payments to acquire equipment	<b>(753)</b>	(709)
Proceeds from sale of plant and equipment	<b>3</b>	81
Net cash outflow on acquisition of subsidiary	<b>(6,402)</b>	-
Interest received	<b>154</b>	188
<b>Net cash used in investing activities</b>	<b>(8,801)</b>	(1,068)
<b>Cash flow from financing activities</b>		
Proceeds from issue of ordinary share capital	<b>24,830</b>	-
Share issue expenses	<b>(454)</b>	-
Purchase of own shares	<b>(35)</b>	-
<b>Net cash from financing activities</b>	<b>24,341</b>	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,462</b>	(918)
<b>Opening cash and cash equivalents</b>	<b>3,439</b>	4,357
Effect of foreign exchange rate changes	<b>67</b>	-
<b>Closing cash and cash equivalents</b>	<b>18,968</b>	3,439

The Company has no cash flows during the year or in 2006 and consequently no Cashflow Statement for the Company has been presented. The Company has non cash movements relating to share issues, investments and inter company loans.

**Offshore Hydrocarbon Mapping plc**  
**Notes forming part of these preliminary statements**  
**For the year to 31 August 2007**

**1 General information**

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 August 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006, prepared in accordance with UK GAAP, have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237(2) or (3).

**2 Business and geographical segments**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. At 31 August 2007 the Group is organised into two reportable business segments - Controlled Source ElectroMagnetic (CSEM) business and Well and Surface Seismic (WSS) business.

Controlled Source ElectroMagnetic (CSEM)

The Group adds value by providing interpretations of data which lowers the client's risk of unsuccessful offshore exploration. Controlled Source ElectroMagnetic (CSEM) surveying detects the presence and extent of hydrocarbon accumulations before drilling. The Group has not divided financial information for its CSEM activities into further different segments as it offers only one CSEM product range to its clients who are international and state owned oil companies.

The risk and profitability of the Group's operations is similar in different geographical regions of the world. Most of the Group's plant and equipment is deployed on survey vessels and, as the CSEM surveys are executed worldwide with equipment often being relocated to meet capacity requirements, the Group is not able to allocate these assets specifically to any geographical region.

Well and Surface Seismic (WSS)

RDSP Acquisition, Inc is the parent company of Rock Solid Images (RSI), the industry leader in the integration of fundamental rock physics with well data and surface seismic in order to interpret geophysical signatures in terms of reservoir properties.

The acquisition, which took place shortly before the year end, will allow highly valuable information to be gained from the intelligent combination of CSEM and seismic data, calibrated by well log information. The Group considers that these two remote sensing measurements are completely complementary and, when properly combined, can lead to quantitative measurement of important rock and fluid properties such as permeability and hydrocarbon saturation.

As the acquisition took place nine days before the year end, the segment information relating to the Well and Surface Seismic business is not considered material, however additional information relating to the trading and assets of the Well and Surface Seismic business is detailed in note 5.

The following tables present revenue and gross profit, and certain asset and liability information regarding the Group's two business segments for the years ended 31 August 2007 and 2006.

	<b>CSEM</b>	<b>WSS</b> <b>(9 days only)</b>	<b>Total</b>	<b>CSEM</b>	<b>WSS</b>	<b>Total</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Continuing operation revenue</b>						
External revenue	<u>17,645</u>	<u>86</u>	<u>17,731</u>	<u>10,422</u>	<u>-</u>	<u>10,422</u>
<b>Segment gross profit</b>	<u>2,898</u>	<u>43</u>	<u>2,941</u>	<u>1,363</u>	<u>-</u>	<u>1,363</u>
Expenses			<u>4,084</u>			<u>3,109</u>

	<u>(1,143)</u>			<u>(1,746)</u>		
	CSEM	WSS	Total	CSEM	WSS	Total
	2007	2007	2007	2006	2006	2006
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net capital investment</b>						
Capital additions - multi client data library	1,528	740	2,268	472	-	472
- software	125	1,887	2,012	152	-	152
- patent costs	150	435	585	70	-	70
- consortium fees	-	155	155	-	-	-
- tangible fixed assets	753	458	1,211	707	-	707
	<u>2,556</u>	<u>3,675</u>	<u>6,231</u>	<u>1,401</u>	<u>-</u>	<u>1,401</u>
Depreciation and amortisation charges	<u>(1,545)</u>	<u>(9)</u>	<u>(1,554)</u>	<u>(1,694)</u>	<u>-</u>	<u>(1,694)</u>
	<u>1,011</u>	<u>3,666</u>	<u>4,677</u>	<u>(293)</u>	<u>-</u>	<u>(293)</u>
<b>Balance sheet</b>						
Segment assets	28,680	13,496	42,176	9,719	-	9,719
Segment liabilities	<u>(4,552)</u>	<u>(1,667)</u>	<u>(6,219)</u>	<u>(2,558)</u>	<u>-</u>	<u>(2,558)</u>
<b>Total net assets</b>	<u>24,128</u>	<u>11,829</u>	<u>35,957</u>	<u>7,161</u>	<u>-</u>	<u>7,161</u>

#### Secondary reporting format – geographical segments

The Group's operations are analysed between Europe, Africa, the Americas and Asia Pacific. The following table provides analysis of the Group's revenue by location of client, which is not always the same as the location of the contracted activity:

	Revenue	
	2007	2006
	£'000	£'000
Europe	13,861	4,671
Africa	-	4,185
Americas	1,540	82
Asia Pacific	2,330	1,484
	<u>17,731</u>	<u>10,422</u>

The following table is an analysis of the carrying amount of total assets, and additions to the property, plant and equipment and intangible assets, analysed by the location in which the assets are located:

	Total assets		Capital expenditure	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Europe	25,115	6,741	1,780	822
Africa	397	420	-	-
Americas	14,646	-	3,684	1
Asia Pacific	181	-	93	-
Unallocated – including plant and machinery on vessels	1,837	2,558	674	578
	<u>42,176</u>	<u>9,719</u>	<u>6,231</u>	<u>1,401</u>

The total assets located in Europe include £18,905,000 of cash equivalents (2006: £3,428,000).

### 3 Group operating loss

	2007 £'000	2006 £'000
The group operating loss is arrived at after charging/(crediting):		
Net foreign exchange losses	92	96
Research and development expenses	694	401
Depreciation of tangible fixed assets	1,437	1,624
Amortisation of intangible fixed assets	45	6
Operating lease rentals - property	86	53
- vessels, plant and equipment	6,470	2,733
Cost of inventories recognised as expense	888	364
Staff costs	3,477	2,185
Auditors' remuneration for audit services (see below)	67	21

Amounts payable to the auditors and their associates by their parent company and its UK subsidiary undertakings in respect of non-audit services were £8,000 (2006: £17,000).

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2007 £	2006 £
<b>Recurring remuneration</b>		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	20	6
Fees payable to the Company's auditors and their associates for other services to the Group including the audit of the Company's subsidiaries pursuant to legislation	<u>47</u> 67	<u>15</u> 21
<b>Further assurance services</b>		
- Tax services	-	3
- Other services	<u>8</u>	<u>14</u>
	<u>8</u>	<u>17</u>

### 4 Loss per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods.

The weighted average number of ordinary shares in issue for 2007 is 31,523,761 (2006: 30,049,652).

Losses after tax are £1,057,000 (2006: loss of £1,666,000).

	2007 Number	2006 Number
<b>Reconciliation of denominator for diluted EPS calculation</b>		
Number of shares used in calculation of basic EPS	31,523,761	30,049,652
Dilutive potential ordinary shares held under Share Option Plan and Share Award and Annual Bonus Plans	-	-
Number of shares used in calculation of diluted EPS	<u>31,523,761</u>	<u>30,049,652</u>

In, both 2007 and 2006, the loss for the periods has resulted in any potential ordinary shares held under Share Option plans and Share Award and Annual Bonus Plans being anti-dilutive and, in accordance with IAS 33 "Earnings per share", these shares have therefore been excluded from the calculation of diluted EPS. At 31 August 2007 there were 2,752,233 ordinary shares held under the Company's Share Option Plans and Share Award and Annual Bonus Plans which could potentially dilute the basic EPS in the future.

## 5 Acquisition of subsidiary

On 22 August 2007, the Group acquired Rock solid Images by purchasing 100% of the share capital of RDSP Acquisition, Inc, for £10.853million. RDSP Acquisition, Inc, is the holding company of a group of companies involved in providing data, technologies and expertise to maximise existing investment in oil and natural gas well and seismic data by transforming qualitative interpretations into quantitative results. This transaction has been accounted for by the purchase method of accounting.

	Book value	Fair value adjustment (provisional)	Fair value (provisional)
	£'000	£'000	£'000
<b>Net assets acquired</b>			
Property, plant and equipment	458	-	458
Goodwill	2,020	(2,020)	-
Multi client data library	-	740	740
Software	831	1,056	1,887
Patents	37	398	435
Consortium fees	-	155	155
Trade and other receivables	879	-	879
Cash and cash equivalents	142	-	142
Trade and other payables	(879)	-	(879)
Finance leases	(119)	-	(119)
Inter company loans	(1,446)	-	(1,446)
Deferred tax liability	-	(717)	(717)
	<u>1,923</u>	<u>(388)</u>	<u>1,535</u>
<b>Goodwill</b>			<u>10,422</u>
<b>Total consideration</b>			<u>11,957</u>
<b>Satisfied by:</b>			
Cash			6,266
Directly attributable costs			278
Fair value of shares issued in Offshore Hydrocarbon Mapping plc (see below)			5,413
			<u>11,957</u>
<b>Net cash outflow arising on acquisition</b>			
Purchase consideration			6,266
Directly attributable costs			278
Cash and cash equivalents acquired			(142)
			<u>6,402</u>

The goodwill is attributable to the anticipated profitability and the significant synergies expected to arise after the Group's acquisition of RDSP Acquisition, Inc. There is considerable potential for total rock and fluid property measurement from the intelligent combination of CSEM and seismic data. This combination should create new products with exciting application in reservoir management and enhanced recovery from client's oil and gas reserves.

The fair value of the shares issues was based on the closing market price of the 1,926,352 ordinary shares of 1p each on 22 August 2007 which was 281 pence.

The acquired business contributed revenues of £86,000 and a net loss of £4,000 to the Group for the period from 22 August 2007 to 31 August 2007. If the acquisition had occurred on 1 September 2006, Group revenue would have been £4,342,000 higher and Group loss attributable to equity holders of the parent would have been £2,069,000 higher, although this loss includes £2,687,000 of charges directly related to the acquisition. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 September 2006, together with the consequential tax effect.

## **6 Capital commitments**

Group capital commitments approved and committed as at 31 August 2007 were £305,000 (2006: £62,000).

The Company had no capital commitments as at 31 August 2007 (2006: £nil).

## **7 Post balance sheet events**

On the 17 September 2007, Mr. David Pratt, Chief Executive Officer, exercised 457,267 share options. There were no other events between the balance sheet date and the date the financial statements were authorised for issue that required disclosure.

## **8 Explanation of transition to IFRS**

This is the first year that the Group has presented its financial statement under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 August 2006 and the data transition to IFRS is therefore 1 September 2005

### **First-time adoption exemptions applied**

The requirements for the first-time adoption of IFRS are set out in IFRS 1 "First Time Adoption of International Financial Reporting Standards". In general, IFRS 1 requires that accounting policies be adopted that are compliant with IFRS and that these policies are applied retrospectively to all periods presented. However, under IFRS 1, a number of exemptions are permitted to be taken in preparing the balance sheet as at the date of transition. These exemptions are explained below:

- The Group has elected to apply the provisions of IFRS 2 "Share Based Payments" to all share options and share award grants made after 7 November 2002, but not vested at 1 September 2005.

### **Explanation of reconciling items between UK GAAP and IFRS**

#### **(a) Transition date and first time adoption of IFRS**

The Group's transition date to IFRS is 1 September 2005. All adjustments on first time adoption which related to periods prior to this date were recorded in shareholders' equity on the date of transition. There was no adjustment on first time adoption by the Company.

#### **(b) Intangible assets**

The costs of obtaining patents were capitalised by the Group under UK GAAP and amortised over their useful life from the date they were awarded. However under IAS 38 "Intangible Assets", the recognition criteria for intangibles has resulted in the recognition of more intangible assets and lower amortisation charged than under UK GAAP. The patents are amortised over their useful life which ranges from 10 to 15 years.

Costs in relation to those intangible assets and software that had not been recognised under UK GAAP, but now qualify for recognition in accordance with IAS 38 were previously written off to the Income Statement.

Software developed internally, which was previously expensed, has been capitalised under intangible assets as required under IFRS. This software is amortised over its useful life which ranges from three to ten years

### (c) Employee benefits (share based payments)

Under UK GAAP charges were based on the intrinsic value of awarded shares at grant date. Under IFRS 2 "Share Based Payments", the charge to the Income Statement is based on the fair value of all share based awards at grant date. The cost is calculated using option pricing models and, for equity settled awards, applies to all share options and share awards granted after 7 November 2002 and not vested at 1 September 2005. The cost is amortised through the Income Statement over the vesting period of the options and awards.

The accounting for share based payments has no net impact on total shareholders' equity for the periods under review.

### (d) Cashflow Statement

The Cashflow Statement has been prepared in conformity with IAS 7 "Cashflow Statements". There are no material differences between the Cashflow Statement presented under IFRS and the Cashflow Statement presented under UK GAAP. The only difference from UK GAAP is presentational.

### (e) Income tax

The Group does not currently recognise its deferred tax asset and accordingly, there are no recorded tax effects resulting from reconciling terms.

<b>Group Income Statement for the year ended 31 August 2006</b>	<b>UK GAAP in IFRS format</b>	<b>Re-classification</b>	<b>Effect of transition to IFRS</b>	<b>As reported under IFRS</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	10,422	-	-	<b>10,422</b>
Cost of sales	7,549	1,510	-	<b>9,059</b>
<b>Gross Profit</b>	<b>2,873</b>	<b>(1,510)</b>	-	<b>1,363</b>
Administrative Expenses	Note A 4,436	(1510)	(118)	<b>2,808</b>
Loss on disposal of fixed assets	301	-	-	<b>301</b>
<b>Group operating loss</b>	<b>(1,864)</b>	-	118	<b>(1,746)</b>
Finance income	168	-	-	<b>168</b>
<b>Loss before taxation</b>	<b>(1,696)</b>	-	118	<b>(1,578)</b>
Income tax expense	(88)	-	-	<b>(88)</b>
<b>Loss for the period</b>	<b>(1,784)</b>	-	118	<b>(1,666)</b>

The order and description of items presented as "UK GAAP in IFRS format" have been adjusted to ease the direct comparison with IFRS presentation. In particular the depreciation charge on plant and equipment deployed on offshore survey operations has been reclassified from administrative expenses to cost of sales.

	<b>Standard</b>	<b>£'000</b>
<b>Note A</b>		
Patents additions capitalised	<b>IAS 38</b>	(101)
Patents amortisation	<b>IAS 38</b>	1
Software additions capitalised	<b>IAS 38</b>	(152)
Software amortisation	<b>IAS 38</b>	5
Share based payments charge	<b>IFRS 2</b>	129
<b>Total IFRS adjustments to administrative expenses</b>		<b>(118)</b>

**Group Balance Sheet at 31 August 2006**

Effect of transition to IFRS on  
1 September 2005

	UK GAAP in IFRS format £'000	IAS 38 "Intangible Assets" £'000	IFRS 2 "Share based payments" £'000	As reported under IFRS £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets - multi client data library	798	-	-	798
- software	-	147	-	147
- patent costs	102	74	-	176
Plant and equipment	2,791	-	-	2,791
	<u>3,691</u>	<u>221</u>	<u>-</u>	<u>3,912</u>
<b>Current assets</b>				
Inventories	152	-	-	152
Trade and other receivables	2,216	-	-	2,216
Cash and cash equivalents	3,439	-	-	3,430
	<u>5,807</u>	<u>-</u>	<u>-</u>	<u>5,807</u>
<b>Total assets</b>	<u>9,498</u>	<u>221</u>	<u>-</u>	<u>9,719</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	2,558	-	-	2,558
<b>Net assets</b>	<u>6,940</u>	<u>221</u>	<u>-</u>	<u>7,161</u>
<b>Shareholders' equity</b>				
Share capital	300	-	-	300
Share premium	12,178	-	-	12,178
Share based payments reserve	117	-	379	496
Retained earnings	(5,655)	221	(379)	(5,813)
<b>Total shareholders' equity</b>	<u>6,940</u>	<u>221</u>	<u>-</u>	<u>7,161</u>

**Group Balance Sheet at 31 August  
2005**

	UK GAAP in IFRS format £'000	Effect of transition to IFRS on 1 September 2005 IAS 38 "Intangible Assets" £'000	<b>As reported under IFRS £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets - multi client data library	326	-	<b>326</b>
- software	-	-	-
- patent costs	131	(25)	<b>106</b>
Plant and equipment	4,177	-	<b>4,177</b>
	<u>4,634</u>	<u>(25)</u>	<u><b>4,609</b></u>
<b>Current assets</b>			
Inventories	194	-	<b>194</b>
Trade and other receivables	1,112	-	<b>1,112</b>
Cash and cash equivalents	4,357	-	<b>4,357</b>
	<u>5,663</u>	<u>-</u>	<u><b>5,663</b></u>
<b>Total assets</b>	<u>10,297</u>	<u>(25)</u>	<u><b>10,272</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	1,692	-	<b>1,692</b>
<b>Net assets</b>	<u>8,605</u>	<u>(25)</u>	<u><b>8,580</b></u>
<b>Shareholders' equity</b>			
Share capital	300	-	<b>300</b>
Share premium	12,178	-	<b>12,178</b>
Share based payments reserve	-	250	<b>250</b>
Retained earnings	(3,873)	(275)	<b>(4,148)</b>
<b>Total shareholders' equity</b>	<u>8,605</u>	<u>(25)</u>	<u><b>8,580</b></u>

The Company's AGM will take place at 12 noon on 19 December 2007 at the offices of KBC Peel Hunt, 111 Old Broad Street, London, EC2N 1PH.

Copies of the Company's Annual Report and Accounts will be sent to shareholders shortly following which they will be available on the company's website [www.ohmsurveys.com](http://www.ohmsurveys.com).