



Science behind the image

PRESS RELEASE

24 January 2008

Offshore Hydrocarbon Mapping plc (“OHM” or “the Company”)

Trading Update

Offshore Hydrocarbon Mapping plc presents the following trading update for the six months ending 29 February 2008 and full year to 31 August 2008.

It has become apparent to the Board that two issues are affecting our business at the moment: the lumpiness of market adoption and a pronounced seasonal imprint on the CSEM market. These issues mean that it is likely that the Company's performance will fall significantly short of the Board's expectations for the half year to 29 February and for the full year to 31 August 2008.

Market Adoption: Controlled Source Electromagnetic Imaging (CSEM) is becoming accepted as a mainstream exploration tool, however, as we move through the adoption curve, order flow is proving to be lumpy – the same happened in early stages of adoption of 3D seismic.

To date, CSEM technology has been used by predictable early-adopters and first-movers. There are good signs that the late majority will follow soon as significant budgets for CSEM are being created.

Seasonal bias: On a regional basis, driven by government acceptance of the technology in Norway and UK, oil companies are including CSEM in their planned work programs for new licenses and adoption is proceeding well. In other geographies, adoption has not yet moved at quite this pace which results in a significant seasonal bias to the overall CSEM market.

OHM had anticipated this seasonal downturn in demand for work and had planned to occupy its vessels on data library surveys, inter-leaved with our share of a number of significant planned proprietary surveys that we had identified and which were in negotiation.

Delays in getting permits for our South East Asian data library program resulted from the novelty of CSEM technology and cost recovery issues under Production Sharing Contracts has delayed this program until these are resolved. A number of large anticipated proprietary programs in the region have also been delayed contributing further to a gap in demand.

Anticipated proprietary work programs in West Africa have also been delayed and, in one case, cancelled. OHM Express's rapid transit-capability leaves it well placed to mobilise for these programs as they come to award and, until then, we are likely to continue creating future value in our Northern Hemisphere data library.

OHM currently has the capacity to field 2 crews with a 3rd planned to enter service in 2008.

While seasonal demand in the summer has been enough to keep OHM and its competitor's crews occupied, winter demand is predictably much less and accordingly there is currently significant over-supply of capacity.

We believe that the OHM business model is flexible and robust enough to accommodate both the pace of adoption and seasonal fluctuations. OHM operates with a mix of long-term and short-term chartered vessels in order to accommodate such potential fluctuations in the market. In addition, our long terms charters allow us to significantly reduce charter costs during periods of temporary inactivity.

We have demobilised the crew from Energy Miner and put the equipment into storage, significantly reducing costs. We are ready to remobilise this crew at short notice as soon as market conditions improve.

OHM intends to bring its third crew into service as planned in early June to take advantage of the expected upturn. The vessel, OHM Leader, is currently undergoing conversion at a shipyard in Scandinavia. Research effort into the advanced combination of CSEM and seismic data is also moving forward supported by a number of major oil companies.

Executive Chairman, Dave Pratt, commented:

"We expect activity levels to rise again in NW Europe in spring as we move back into the traditional operating season and we are promoting the exceptional weather capabilities of the OHM Express, which has advanced handling systems that enable safe equipment deployment in extremely rough seas, in an effort to persuade companies to bring work forward.

OHM's recent collaboration with CGGVeritas is expected to start to bear fruit over the next months. We are making progress on training their sales force allowing us to increase significantly our global sales footprint, and on identifying areas for future non-exclusive data collaboration.

We believe that the market will grow in the long-term and that our offering to clients is technically superior. Our cash position remains strong despite this setback and we still contemplate the introduction of our fourth crew. "

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Notes for editors:

Controlled Source Electro-Magnetic imaging (CSEM) is potentially the most important new technology in the field of offshore oil & gas exploration since the advent of 3D seismic some twenty years ago. CSEM is an innovative offshore geophysical technique, employing electromagnetic remote-sensing technology to detect the presence and extent of hydrocarbon accumulations below the seabed.

The CSEM survey uses a dipole source that is towed just above the seafloor to transmit an electromagnetic field into the earth. This field is modified by the presence of subsurface resistive layers and these changes are detected and logged by an array of receivers placed on the seabed. Because hydrocarbon-bearing formations are highly resistive compared with surrounding formations, a CSEM survey can indicate the presence of oil and gas in offshore situations.

CSEM imaging can significantly reduce the risk of drilling dry exploration wells creating considerable value for oil & gas explorers.

The technique was first used offshore Angola in 2000 and has since become a key deepwater exploration tool for the major oil companies. Very high success rates have been quoted by these companies, particularly when the results of a CSEM survey have been integrated with seismic interpretation.

Offshore Hydrocarbon Mapping plc listed on London Stock Exchange (AIM:OHM) in March 2004.