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## Regulatory Story

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<b>Company</b>	<a href="#">Thalassa Holdings Limited</a>
<b>TIDM</b>	THAL
<b>Headline</b>	Final Results - Year to 31 Dec 2011/Notice of AGM
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Thalassa Holdings Limited  
12 March 2012

Thalassa Holdings Ltd

(AIM: THAL)

("Thalassa" or the "Company")

### FINAL RESULTS

YEAR TO 31 DECEMBER 2011

AND NOTICE OF AGM

#### Highlights

- 2011 Revenue from continuing operations US\$ 2,427,985 versus US\$ 404,086 for 2010, an increase of 501%.
- 2011 Operating Profit after depreciation US\$ 344,712 versus a loss of US\$(190,751) for 2010.
- Net Profit for 2011 amounted to US\$ 355,675 versus a loss in 2010 of US\$(100,182) (excluding income from financial investment activities of US\$ 646,441).
- 2011 Earnings Per Share US\$ 0.04 versus a loss of US\$(0.01) (from operations, excluding gains on financial activities) for the same period in 2010 (2010: US\$ 0.06 including gains on financial activities).
- Book value as at 31 December 2011 increased to US\$ 9,009,709, an increase of 20.7% from US\$ 7,463,084 as at 31 December 2010.
- Both of Thalassa's portable modular source systems ("PMSS™") deployed during the period.
- Successful completion of thirteenth and fourteenth Life of Field Seismic ("LoFS") surveys over the

Valhall Field in the North Sea.

- Second seismic source deployed in the Arctic with ION Geophysical Corporation for the Russian Government.
- Acquisition of WGP Exploration Ltd completed in November 2011.

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Notes to Editor:

Thalassa Holdings Ltd, incorporated and registered in the BVI in 2007 and listed on AIM in July 2008, is a holding company with a focus on Marine Seismic operations.

### Chairman's Statement

I am pleased to report the Company's results for the year ended 31st December 2011. Results surpassed both our budgeted forecast as well as the expectations which we announced 13th October 2011. Thalassa's financial performance for 2011 benefitted from the deployment of both of the Company's source systems which resulted in increased operating activity both in the North Sea (LoFS) and the Arctic (Geophysical Mapping).

I am also pleased to announce that in November 2011 we completed the acquisition of WGP Exploration Ltd ("WGP") and that the integration of WGP has since progressed smoothly. I am hopeful that the merger of the two operations will now form a stable platform for future growth.

#### Outlook for 2012:

Year on year revenues for 2012 are anticipated to be significantly up on 2011 as the Group benefits from a full year of WGP's activities. Long term growth prospects for the enlarged group remain encouraging with record inquiries and a number of potential long term contracts.

Duncan Soukup, 9 March 2012

### Operational Overview

For the first time, the Group deployed both of its two Portable Modular Source Systems ("PMSS™") during the year. In both cases, the work was carried out in partnership with WGP, further strengthening the relationship between the two companies and ultimately leading to the strategic acquisition of WGP by Thalassa in November 2011.

The long term contract with BP Norge AS continued through 2011, providing seismic data acquisition (source) service for the world leading Valhall Life of Field Seismic ("LoFS") program. Two surveys were completed in March/April and August/September for LoFS 13 and 14 respectively. This constituted a significant proportion of Thalassa's revenue for 2011.

In June 2011, components of the PMSS™ were placed on-board the Arctic research vessel "Akademic Federov", which was supported by the nuclear powered ice breaker "Russiya". The project involved working for Ion Geophysical who had been engaged by the State Research Navigation and Hydrographic Institute of Russia working on their Exclusive Economic Zone in the High Arctic. WGP provided the seismic personnel and project management. Whilst the Arctic weather and ice conditions were inherently a challenge to operations, coupled with the duration and remoteness of the survey operations, the project was deemed a success with zero safety incidents, acquisition of nearly 6,000km of 2D seismic data including acquisition of data within 300km of the North Pole.

The year was concluded with the acquisition of WGP by Thalassa. WGP delivers a wide range of technologies and services throughout the global upstream oil and gas industry, including a range of unique seismic acquisition services with over 20 years of operational and management experience. The resulting synergies will marry WGP's track record, capability and

expertise with Thalassa's geophysical equipment pool, corporate knowhow and potential access to funding future development. It has created a strengthened team positioned to build on WGP's reputation for providing bespoke solutions and to increase activity in an improving market sector.

As well as the work with Thalassa, 2011 was an active period for WGP with important key clients engaging it in various consultancy roles and leading to a strengthening of WGP's client base. Hyundai Heavy Industries (HHI) has been contracted to build a new oceanographic vessel for the Geological Survey of India (GSI) for which WGP was retained to provide input and support for the geophysical capability and equipment required. More recently, WGP has been contracted by a prime Norwegian Energy Company to provide consultancy services for their long-term plans towards permanent reservoir monitoring ("PRM") in the North Sea.

Under contract to Surestream Petroleum, the procurement phase for the conversion of the "Tanganyika Explorer" commenced in Q3 2011, following completion of an extensive design and planning stages. The conversion works itself, to be undertaken in Kigoma (Tanzania) and Bujumbura (Burundi) on Lake Tanganyika will include marine upgrades and seismic systems outfitting, and are due to commence Q3 2012.

### **2012 Outlook**

The Directors believe that increasing global demand for oil will drive exploration in increasingly remote locations and challenging environments. At the same time, there will be greater pressure to maximise extraction from existing fields. The corporate strategy for the enlarged Group is "Exploration and Beyond". "Exploration" is focused on activity in frontier and challenging locations (e.g. Arctic, Central African Lake Systems), whilst "Beyond" focuses on production activity by looking to aggressively secure opportunities in the PRM market. Thus activity and focus will be dominated by projects in remote and challenging frontier locations, coupled with lower risk projects in mature producing regions.

The nature of the Group's business is based on a small number of large contracts, each of which has the potential to significantly affect the Group's results for the year. At the current time, the Group has around US\$ 2.6m of contracted revenue for 2012 and is in discussions on several significant opportunities for the year. Known and potential projects include:

- BP Valhall: Due to the extent of SIMOPS (simultaneous operations) planned to take place in and adjacent to the Valhall producing area through 2012, the number of LoFS surveys will be restricted to a single survey which is scheduled to be acquired between May and June 2012.
- 2012 Arctic Operations: WGP is due to sign a Letter of Intent with a Russian State Geophysical Organisation for a 2nd consecutive season of activity in the High Arctic. This will involve utilising components of the PMSS™ installed on an Arctic research vessel, accompanied by an ice-breaker vessel, to continue work to delineate and understand the Russian continental shelf.
- P-Cable Joint Venture: WGP is due to execute a joint venture agreement with P-Cable AS to provide 'Short Offset 3D' for high resolution, shallow target data acquisition. A Letter of Intent is due to be received from a Norwegian private Energy Company to complete a 2 month survey on its behalf in the Norwegian sector of the Barents Sea during Q2/3 2012. This will be the first commercial survey utilising the technology developed by P-Cable and will use WGP's vessel conversion and operational expertise and experience to provide a turnkey service to the Client.
- PRM Consultancy Services: WGP has been contracted by two major energy companies to provide consultancy services pertaining specifically to new PRM projects in the North Sea and offshore Brazil. The service, will look at both the feasibility of utilising PMSS™, and the permanent trenching of cables, respectively. Whilst early stages in these projects, it is encouraging that additional PRM activity is coming online. This could result in WGP being involved in 4 out of the 6 current and potential PRM projects.

Alongside the organic expansion of the Group, the Directors also believe that the current environment provides opportunities for acquisitive expansion in terms of both undervalued or distressed assets and bolt-on corporate acquisition to further broaden and strengthen existing operational capabilities.

### **Financial Review**

Group results for the year to 31 December 2011 show revenue of US\$ 2,427,985, an increase of 501% compared to 2010 (2010: US\$ 404,086). Operating profit (EBIT) was US\$ 344,712, an increase of US\$ 535,463 from a loss in 2010 of US\$ (190,751). Profit for the financial

period was US\$ 355,675, a decrease of 34.9% over the prior period (2010: US\$ 546,259) which included investment income of US\$ 646,441. All financial investing activity ceased at the end of 2010. On a comparable basis, excluding the income from financial investments, 2011 saw an increase in net profit of US\$ 455,857 from an adjusted loss in the prior period of US\$ (100,182).

Basic profit per share was US\$0.05 (£0.03) and diluted profit per share was US\$0.04 (£0.03) as compared to basic profit per share of US\$0.08 (£0.05) and diluted profit per share of US\$0.06 (£0.04) in the prior period.

Revenue of US\$ 2,427,985 generated from operations includes the completion of two 'shoots' in the LoFS surveys at BP's Valhall field in the North Sea, and from the survey completed for ION Geophysical Corporation as part of their Arctic exploration programme. WGP has contributed revenue of US\$ 174,994 since the acquisition in November 2011.

Cost of sales shows a credit balance of US\$ 31,275 (2010: debit of US\$ 82,546) which includes insurance and storage costs relating to the equipment of US\$ 10,697, offset by US\$ 41,972 from the release of equipment transportation costs accrued in 2010 to WGP but released in 2011 subsequent to the recent acquisition.

Administrative Expenses of US\$ 1,216,877 (2010: US\$ 485,771), increased by 150% largely due to the following:

- WGP's costs since acquisition of US\$ 259,714 included in administrative expenses, relate predominantly to personnel costs,
- Legal and advisory fees relating to the acquisition of WGP of US\$ 79,585,
- An increase in corporate costs of US\$ 194,484 that relate largely to consultancy fees and administrative fees paid to a company in which the Chairman has a beneficial interest. Fees of US\$ 200,000 and interest of US\$ 15,240 had been waived by the Chairman in 2010 while the equipment was not being fully utilised,
- An increase in contractor costs of US\$ 102,444 relating to legal, finance and administrative related consultancy fees.

Operating profit before depreciation was US\$ 1,242,383 compared to a loss of US\$ (164,231) for the comparative period.

The depreciation charge of US\$ 398,611 (2010: US\$ 26,520) in the period relates to the two PMSS™ units utilised in the period which are being depreciated on a straight line basis over 15 years (excluding the PMSS™ compressor which has yet to be utilised).

The Statement of Income includes an impairment charge of US\$499,060 on the PMSS™ equipment. An assessment of the equipment was undertaken in the period as part of the annual impairment review and a charge applied to write it down to its net realisable value (see note 9).

Net assets at 31 December 2011 amounted to US\$ 9,009,709 (2010: US\$ 7,463,084). The significant increase in net assets relates largely to the cash acquired as part of the acquisition of WGP and the earnings in the year (see note 19 Business Combinations). Net asset value per share was US\$ 0.93 (£0.60) in comparison to US\$ 1.04 (£0.67) for the prior period.

The Company had no debt at the period end having repaid, in full, the loan outstanding to the Chairman of US\$ 247,435 plus interest of US\$ 20,620.

2,688,707 ordinary shares of Thalassa Holdings Ltd shares were issued in the period as consideration for the net assets acquired of WGP of US\$ 911,730, which resulted in goodwill of US\$ 368,525.

162,000 ordinary shares were bought back in the period and placed in treasury leaving 9,726,707 shares in issue at 31 December 2011 (2010: 7,200,000).

Cash inflow for the period amounted to US\$ 1,465,836 which was largely from operational activity in the period and the cash acquired as part of the acquisition of WGP, leaving the Company with US\$ 1,970,825 of cash at the period end.

## Consolidated Statement of Income

## for the year ended 31 December 2011

		2011	2010
	Note	US\$	US\$
<b>Continuing operations</b>			
Revenue		2,427,985	404,086
Cost of sales		31,275	(82,546)
<b>Gross profit</b>		<b>2,459,260</b>	<b>321,540</b>
Administrative expenses		(1,216,877)	(485,771)
<b>Operating profit / (loss) before depreciation</b>	3	<b>1,242,383</b>	<b>(164,231)</b>
Depreciation		(398,611)	(26,520)
Impairment of fixed assets	9	(499,060)	-
<b>Operating profit / (loss)</b>		<b>344,712</b>	<b>(190,751)</b>
Interest income	4	1,688	15,822
Interest expense	5	(23,396)	(17,185)
Other gains - foreign currency gains		31,292	91,932
Investment income <sup>(1)</sup>		1,379	646,441
<b>Profit before taxation</b>		<b>355,675</b>	<b>546,259</b>
Taxation		-	-
<b>Profit for the financial period</b>		<b>355,675</b>	<b>546,259</b>
<b>Earnings per share</b>			
Basic	6	<b>US\$ 0.05</b>	<b>US\$ 0.08</b>
Diluted	6	<b>US\$ 0.04</b>	<b>US\$ 0.06</b>

(1): Income in 2010 from Financial Investing activities, of US\$ 646,441 has been reclassified from Revenue to Investment Income for the period to 31st December 2010. Revenue reflects operating activity only, since all non-core investing activities were curtailed at the start of the year.

**Consolidated Statement of Comprehensive Income**  
for the year ended 31 December 2011

	2011	2010
	US\$	US\$
<b>Profit / (loss) for the financial period</b>	<b>355,675</b>	<b>546,259</b>
<b>Other comprehensive income:</b>		
Financial assets - available-for-sale - fair value gains / (losses)	-	(510,208)
Exchange differences on re-translating foreign operations	(18,804)	-
<b>Total comprehensive income</b>	<b>336,871</b>	<b>36,051</b>

**Consolidated Statement of Financial Position**  
as at 31 December 2011

	Note	2011 US\$	2010 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	19.2	368,525	-
Tangible fixed assets	9	7,018,787	7,723,349
		<b>7,387,312</b>	<b>7,723,349</b>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Loans and receivables	11	-	21,268
Trade and other receivables	12	558,381	66,083
Cash and cash equivalents		1,970,825	504,989
<b>Total current assets</b>		<b>2,529,206</b>	<b>592,340</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	906,809	605,170
Loans	8	-	247,435
<b>Total current liabilities</b>		<b>906,809</b>	<b>852,605</b>
<b>Net current assets / (liabilities)</b>		<b>1,622,397</b>	<b>(260,265)</b>
<b>Net assets</b>		<b>9,009,709</b>	<b>7,463,084</b>
<b>Shareholders' equity</b>			
Share capital	14	111,887	85,000
Share premium	14	8,517,782	7,264,414
Treasury shares	14	(384,226)	(313,725)
Other reserves	14	(18,804)	-
Retained earnings		783,070	427,395
<b>Total shareholders' equity</b>		<b>9,009,709</b>	<b>7,463,084</b>

**Consolidated Statement of Cash Flows**  
for the year ended 31 December 2011

	<b>2011</b>	<b>2010</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from operating activities</b>		
<b>Operating profit / (loss) for the period before depreciation</b>	<b>1,242,383</b>	<b>(164,231)</b>
(Increase) / decrease in loans and receivables	21,268	211,724
(Increase) / decrease in trade and other receivables	535,433	151,026
Increase in trade and other payables	(1,605,796)	236,788
Net Foreign exchange gain	12,639	91,932
	<hr/>	<hr/>
<b>Cash used by operations</b>	<b>205,927</b>	<b>527,239</b>
Interest paid	(23,396)	(17,185)
	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	<b>182,531</b>	<b>510,054</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Acquisition of investments	-	(1,096,120)
Disposal of investments	-	2,406,518
Investment income	1,379	646,441
Interest received	1,688	15,822
Purchase of equipment	(180,008)	(1,967,106)
Acquisition of WGP	1,778,182	-
	<hr/>	<hr/>
<b>Net cash flow from investing activities</b>	<b>1,601,241</b>	<b>5,555</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Increase / (decrease) in Shareholder loans	(247,435)	(454,066)
Treasury shares	(70,501)	307,708
	<hr/>	<hr/>
<b>Net cash flow from financing activities</b>	<b>(317,936)</b>	<b>(146,358)</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>1,465,836</b>	<b>369,251</b>
Cash and cash equivalents at the start of the period	504,989	135,738
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,970,825</b>	<b>504,989</b>
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## Notes to the Consolidated Financial Statements

### 1. General information

Thalassa Holdings Ltd (the "Company") is a British Virgin Island ("BVI") International business company ("IBC"), incorporated and registered in the BVI on 26 September 2007. The Company was established as a holding company, and currently has two operating subsidiaries, WGP Exploration Ltd ("WGP") and Thalassa Energy Services Ltd ("TESL"), (together with Thalassa Holdings Ltd, the "Group"). On 17 January 2012, TESL changed its name to WGP Energy Services Ltd.

### 2. Accounting policies

The Group prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union. The consolidated financial statements have been prepared on the historical cost basis except for available for sale investments that have been measured at fair value.

The financial statements are expressed in US dollars, being the functional currency of the company and its subsidiaries other than WGP Exploration Ltd which has a functional currency of pound sterling.

The principal accounting policies are summarised below. They have been applied consistently throughout the period covered by these financial statements.

### **2.1. Measurement basis**

The measurement basis used in the preparation of the financial statements is the historical cost basis.

### **2.2. Accounting principles, amendments and interpretations not yet effective**

At the financial position date the following significant Standards and Interpretations, which are applicable to the company, were in issue but not yet effective:

IFRS 7 "Disclosures - Transfers of Financial Assets" is concerned with increased disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

IFRS 9 "Financial Instruments" is concerned with the classification and measurement of financial assets when determining whether financial assets should be recorded at amortised cost or at fair value, and the associated accounting treatment of embedded derivatives within financial assets. The standard is applicable for accounting periods beginning on or after 1 January 2015 but early adoption is allowed.

IFRS 13 "Fair Value Measurement" provides guidance on how to measure fair value when it is required or permitted by other IFRS's and contains extensive disclosure requirements to enable users of financial statements to assess the methods used by entities when developing fair value measurements and the effects of such measurements on financial results. The standard is applicable for accounting periods beginning on or after January 1, 2013 but early adoption is allowed.

The directors do not anticipate that the adoption of Standards and Interpretations in issue but not yet effective will have a material impact on the financial statements.

### **2.3. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

### **2.4. Judgement and estimates**

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the

judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The key judgement area relates to the carrying value of the plant and equipment. The carrying value of the PMSS™ units may significantly differ from their market value. It is affected by management's assessment of its fair value and indicators of impairment. If the carrying value of a PMSS™ exceeds the recoverable amount then an impairment charge is recognised.

## **2.5. Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Cost includes the purchase price, including import duties, non-refundable purchase taxes and directly attributable costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Cost also includes capitalised interest on borrowings, applied only during the period of construction.

Fixed assets are depreciated on a straight line basis over 15 years from the point at which the equipment is deployed and put into use.

## **2.6. Impairment of assets**

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

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

## **2.7. Investments**

Available for sale investments are initially measured at cost, including transaction costs. Gains and losses arising from changes in fair value of available for sale investments are recognised directly in other comprehensive income, until the security is disposed or is deemed to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income for the period.

## **2.8. Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue relates substantially to amounts invoiced in relation to the deployment of the PMSS™ equipment which is based on the number of days utilised in the period. It also includes revenue from contracts to provide services as part of WGP's contribution in the period from date of acquisition, recognised by reference to the stage of completion of the contract.

## **2.9. Taxation**

The Company is incorporated in the BVI as an IBC and as such is not subject to tax in the BVI.

WGP is incorporated in the UK and is therefore subject to UK tax regulations. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the income statement.

## **2.10. Foreign currency**

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each reporting

date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the financial position date. Exchange differences arising are included in the statement of comprehensive income for the period.

### 2.11. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets until such a time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period incurred.

### 2.12. Financial instruments and risk management

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

**Loans and receivables** are initially measured at fair value and are subsequently measured at amortised cost, plus accrued interest, and are reduced by appropriate provisions for estimated irrecoverable amounts. Such provisions are recognised in the statement of income.

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

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

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

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

Financial instruments require classification of fair value as determined by reference to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 2.13. Share Based Payments

The share options in Thalassa, issued to the non-executive directors and the share options in TESL issued to employees of WGP are measured at the intrinsic value at each reporting date.

The intrinsic value is calculated as the difference between the market price of the underlying shares (net asset value per share for the options in TESL as the underlying shares are unlisted) and the exercise price of the option.

The share options are measured at intrinsic value, initially at the date granted and subsequently at each reporting date until the corresponding options are exercised, forfeited or lapse. The effects of revaluations are recognised in the statement of income.

Refer to Note 16 for details of all share-based payments.

### 2.14. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are

recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

The policy described above is applied to all business combinations that take place on or after 1 January 2011.

### 2.15. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 2.14 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### 3. Operating profit for the year

The operating profit for the year is stated after charging:

	<b>2011</b>	<b>2010</b>
	<b>US\$</b>	<b>US\$</b>
Consultancy fees	202,912	111,721
Wages and salaries	164,204	-
Social security costs	15,826	-
Defined contribution pension costs	4,334	-
Audit fees	39,370	29,038

Included within consultancy fees / staff costs is US\$ 3,000 in relation to amounts paid for non-executive directors' remuneration (2010: US\$ 4,000).

Wages and salaries, social security costs and pension costs relate to costs incurred by WGP from the date of acquisition. The number of employees as at 31 December 2012 was 15.

**4. Interest income**

	<b>2011</b>	<b>2010</b>
	<b>US\$</b>	<b>US\$</b>
Interest on bank deposits	1,688	229
Interest on loans	-	15,593
	<b>1,688</b>	<b>15,822</b>

**5. Interest expense**

	<b>2011</b>	<b>2010</b>
	<b>US\$</b>	<b>US\$</b>
Bank interest payable	2,776	17,185
Loan interest payable	20,620	-
	<b>23,396</b>	<b>17,185</b>

**6. Earnings per share**

	<b>2011</b>	<b>2010</b>
The calculation of earnings per share is based on the following profit and number of shares:		
Profit for the period (US\$)	355,675	546,259
Weighted average number of shares of the Company:		
Basic	7,526,823	6,753,425
Diluted	9,794,344	9,133,425
Earnings per share:		
Basic (US\$)	0.05	0.08
Diluted (US\$)	0.04	0.06

Number of shares outstanding at the period end:

Basic	9,726,707	7,200,000
Diluted	11,851,707	9,580,000

The share options as detailed in note 16 are potentially dilutive in the future.

**7. Segment information**

The Group has a single operating segment being operations from geophysical project management and services. The "Other" segment represents administration that cannot be segmented. The previously reported segments, investments in publicly listed companies and investments in private companies are no longer active as all financial investing activity was curtailed at the end of 2010. These segments have been shown for comparative purposes to the prior period only.

**Information about reportable segments**

	<b>Publicly listed</b>	<b>Private</b>
--	----------------------------	----------------

	investments	investments	Operations	Other	Total
	2011	2011	2011	2011	2011
	US\$	US\$	US\$	US\$	US\$
<b>Revenue</b>					
Segment revenue	-	-	2,427,985	-	<b>2,427,985</b>
Cost of sales	-	-	31,275	-	<b>31,275</b>
<b>Other segment information</b>					
Administrative expenses	-	-	-	(1,216,877)	<b>(1,216,877)</b>
Impairment of fixed assets	-	-	(499,060)	-	<b>(499,060)</b>
Other gains and losses - foreign currency gains	-	-	-	31,292	<b>31,292</b>
Interest income	-	-	-	1,688	<b>1,688</b>
Finance expense	-	-	-	(23,396)	<b>(23,396)</b>
Investment Income	-	-	-	1,379	<b>1,379</b>
<b>Financial position</b>					
<b>Assets</b>					
Goodwill	-	-	368,525	-	<b>368,525</b>
Tangible fixed assets	-	-	7,018,787	-	<b>7,018,787</b>
Available for sale investments	-	-	-	-	-
Loans and receivables	-	-	-	-	-
Trade and other receivables	-	-	551,246	7,135	<b>558,381</b>
Cash and cash equivalents	-	-	1,588,252	382,573	<b>1,970,825</b>
<b>Liabilities</b>					
Trade and other payables	-	-	631,777	275,032	<b>906,809</b>

	Publicly listed investments	Private investments	Operations	Other	Total
	2010	2010	2010	2010	2010
	US\$	US\$	US\$	US\$	US\$
<b>Revenue</b>					
Segment revenue	646,441	-	404,086	-	<b>-1,050,527</b>
Cost of sales	-	-	(82,546)	-	<b>(82,546)</b>
<b>Other segment information</b>					
Administrative expenses	-	-	-	(512,291)	<b>(512,291)</b>
Other gains and losses - foreign currency gains	115	(11,191)	8,774	94,234	<b>91,932</b>
Interest income	-	15,593	-	229	<b>15,822</b>
Finance expense	-	-	(3,248)	(13,937)	<b>(17,185)</b>
<b>Financial position</b>					
<b>Assets</b>					
Tangible fixed assets	-	-	7,723,349	-	<b>-7,723,349</b>

Available for sale investments	-	-	-	-	-
Loans and receivables	-	21,268	-	-	<b>21,268</b>
Trade and other receivables	18,750	-	29,122	18,211	<b>66,083</b>
Cash and cash equivalents	-	-	719	504,270	<b>504,989</b>
<b>Liabilities</b>					
Trade and other payables	-	-	395,271	209,899	<b>605,170</b>
Loans	-	-	-	247,435	<b>247,435</b>

## 8. Related party transactions

During the period the Group entered into the following material related party transactions:

As announced on 11 November 2011, the Company has repaid the final balance of Mr Soukup's outstanding loan to the Company of US\$ 247,435 and accrued interest of US\$ 20,620. There are now no outstanding loans from Mr Soukup to the Company.

Also during the period, the Company was invoiced US\$ 444,000 of administrative fees from a company in which the Chairman has a beneficial interest. Such fees include consultancy and administrative services provided to the Company. At 31 December 2011, an amount of US\$ 22,230 in interest owed to this company was waived. As at 31 December 2011, the amount owed to this company was US\$ 125,138 (2010: US\$ 163,718).

## 9. Tangible fixed assets

	Plant and equipment	Plant and equipment
	2011	2010
	US\$	US\$
<b>Cost</b>		
Cost at 1 January	7,749,869	5,782,763
Assets acquired from the acquisition of WGP	13,252	-
Additions	180,008	1,967,106
<b>Cost at 31 December</b>	<b>7,943,129</b>	<b>7,749,869</b>
<b>Depreciation</b>		
Depreciation at 1 January	(26,520)	-
Exchange Adjustments	(151)	-
Charge for the period	(398,611)	(26,520)
Impairment during the period	(499,060)	-
<b>Depreciation at 31 December</b>	<b>(924,342)</b>	<b>(26,520)</b>
<b>Closing net book value at 31 December</b>	<b>7,018,787</b>	<b>7,723,349</b>

As outlined in note 2.6, an assessment is made at each financial position date of whether there is any indication of impairment of any asset. An impairment review of the equipment has been undertaken and a charge of US\$ 499,060 booked for the period that relates to the write down of certain items to their estimated net realisable value.

## 10. Investments - Available for sale investments

2011	2010
US\$	US\$

Unquoted investments - investment in associate	
At the beginning of the period	- 240,300
Acquisitions	- -
Disposals	- (240,300)
<b>At 31 December</b>	<b>- -</b>

### 11. Loans and receivables

	2011	2010
	US\$	US\$
Capital	-	18,583
Interest	-	2,685
<b>Total loans and receivables</b>	<b>-</b>	<b>21,268</b>

### 12. Trade and other receivables

	2011	2010
	US\$	US\$
Trade debtors	386,226	-
Other debtors	97,882	51,092
Prepayments	74,273	14,991
<b>Total trade and other receivables</b>	<b>558,381</b>	<b>66,083</b>

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Neither past due nor			30-90 days 90+ days	
	Total	impaired	0-30 days	US\$	US\$
	US\$	US\$	US\$	US\$	US\$
<b>2011</b>	386,226	256,545	106,008	-	23,673

### 13. Trade and other payables

	2011	2010
	US\$	US\$
Trade creditors	288,168	170,127
Other creditors	90,220	343,031
Corporation Tax payable	154,530	-
Accruals	373,891	92,012
<b>Total trade and other payables</b>	<b>906,809</b>	<b>605,170</b>

Corporation tax relates to amounts payable by WGP for their financial year to 31 October 2011 and was included as part of the net assets acquired on acquisition.

#### 14. Share capital and share premium

	2011	2010
	US\$	US\$
Authorised share capital:		
100,000,000 ordinary shares of \$0.01 each	1,000,000	1,000,000
Allotted, issued and fully paid:		
8,500,000 ordinary shares of \$0.01 each	85,000	85,000
2,688,707 ordinary shares of \$0.01 each issued during the period	26,887	-
11,188,700 ordinary shares of \$0.01 each	111,887	85,000

	Number of shares	Share capital US\$	Share premium US\$	Treasury shares US\$
Balance at 1 January 2011	8,500,000	85,000	7,264,414	(313,725)
Shares issued	2,688,707	26,887	1,253,368	-
Shares repurchased	-	-	-	(70,501)
<b>Balance at 31 December 2011</b>	<b>11,188,707</b>	<b>111,887</b>	<b>8,517,782</b>	<b>(384,226)</b>

Treasury shares represent the cost of the Company buying back its shares. There were 1,462,000 shares held in Treasury as at 31 December 2011.

Other reserves represents the exchange differences on translating foreign operations.

On 16 November 2011, the Company issued 2,688,707 shares as consideration for the acquisition of WGP Exploration Ltd.

The Company purchased the following number of ordinary shares in the period and transferred them into Treasury:

Date	Number of Shares	Price
23 November 2011	25,000	£ 0.30
28 November 2011	25,000	£ 0.30
1 December 2011	25,000	£ 0.29
19 December 2011	35,000	£ 0.26
22 December 2011	52,000	£ 0.25

The holders of issued shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### 15. Capital Management

The fair value of the financial assets and liabilities approximates the carrying values disclosed in the financial statements. The Group's capital comprises ordinary share capital, retained earnings and capital reserves, the group has no debt. The Group's objectives when managing

capital are to provide an optimum return to shareholders over the short to medium term through capital growth and income whilst ensuring the protection of its assets by minimising risk. The Group seeks to achieve its objectives by having available sufficient cash resources to meet capital expenditure and ongoing commitments.

At 31 December 2011, the Group had capital of US\$ 9,009,709 (2010: US\$ 7,463,084). The Group does not have any externally imposed capital requirements.

## 16. Share - based payments

### Thalassa Holdings Ltd share options

	Founding shareholder options	Non - Executive director share options
	16.1	16.2
Outstanding at 1 January 2011	<b>2,125,000</b>	<b>85,000</b>
Options granted	-	-
Options lapsed	-	(85,000)
Options exercised	-	-
Outstanding at 31 December 2011	<b>2,125,000</b>	-
<b>Exercise price</b>	US\$0.01	-

#### 16.1. Founding shareholder options

On 23 July 2008 Duncan Soukup was granted a five year option to subscribe for 2,125,000 shares at US\$0.01 per share. These options have no impact on reported profit or loss as they were issued in the capacity as a holder of equity shares in the Company and, as such, are not a share based payment transaction.

Duncan Soukup did not exercise any of his options during the year to 31 December 2011.

#### 16.2. Non-Executive Director share options

On 23 July 2011 the Non-Executive Director share options lapsed. The Directors did not exercise their options during the period.

#### 16.3. Share options in Thalassa Energy Services Ltd granted to employees of WGP

Thalassa Energy Services Ltd share options

	Employees of WGP share options
Outstanding at 1 January 2011	<b>91,000</b>
Options granted	-
Options lapsed	-
Options exercised	-
Outstanding at 31 December 2011	<b>91,000</b>

On 23 July 2008, certain employees of WGP were granted five year options in respect of a total of up to 100,000 ordinary shares of TESL at US\$1.00 per share.

None of the WGP employee options were exercised or lapsed during the year to 31 December 2011.

#### 16.4. Valuation of share options

Management believe that the fair value of the share options issued in the Company and TESL cannot be reliably estimated at the date the options were granted as volatility assumptions based on other listed entities are not appropriate as:

- The Group operates in a niche market
- The Group has no trading history and has no sales orders
- The shares in the Company are currently illiquid
- The current economic environment prevents reliable comparison

The Group has therefore valued the share options issued in the Company and TESL using the intrinsic value, i.e. the difference between the market price of the underlying shares (net asset value per share for the options in TESL as the underlying shares are unlisted) and the exercise price of the option.

As the exercise price of the share options in the Company at 31 December 2011 was in excess of the market price at 31 December 2011, the charge to the income statement for the period to 31 December 2011 is US\$ nil (31 December 2010: US\$ nil). The exercise price of the share options in the Company is US\$1.00. The sterling equivalent of the exercise price at 31 December 2011 was £0.65. The sterling equivalent of the average exercise price for the share options during the year to 31 December 2011 was £0.62.

As the exercise price of the share options in TESL at 31 December 2011 was in excess of the net asset value per share at 31 December 2011, the charge to the income statement for the period to 31 December 2011 is \$Nil.

#### 17. Investment in subsidiaries

Details of the Company's subsidiaries at the year end are as follows:

Name of subsidiary directly held by	Share holding		
		2011	2010
<b>Thalassa Holdings Ltd</b>	<b>Place of incorporation</b>		
Thalassa Energy Services Ltd	British Virgin Islands	100%	100%
WGP Exploration Limited	United Kingdom	100%	0%

#### 18. Financial instruments

The Group's financial instruments comprise cash and cash equivalents together with various items such as trade and other debtors and trade creditors etc, that arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

##### Interest rate risk

The Group does not undertake any hedging against interest rate risk. The Group finances its operations from the cash balances on the current and deposit accounts. The Group has no borrowings as at 31 December 2011.

##### Foreign exchange risk

The Group undertakes hedging activities from time to time for foreign exchange risk.

An increase in foreign exchange rates of 5% at 31 December 2011 would have increased the profit and net assets by US\$7,645. A decrease of 5% would have had an equal and opposite impact. The majority of the Group's balances are held in USD, with approximately 20% of cash held in GBP and 3% in EUR, and 34% of amounts owing to suppliers also held in GBP, 14% in NOK and 7% in EUR.

### Credit risk

The Company's exposure to credit risk is influenced mainly by individual characteristics of each customer rather than the industry or country in which the customers operate and therefore concentrations of credit risk primarily arise when the Company has significant exposure to individual customers. There is a concentration of credit risk in respect of amounts receivable due to the low volume, high value nature of the Company's contracts. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the year end date. The company's customers are large multinational oil and gas companies. The company has established procedures to minimise the risk of default on trade receivables.

At the end of the reporting period 28% (2010: 0%) of the total trade debtors was due from the Company's two largest customers.

### Liquidity risk

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. Based on current forecasts the Group has sufficient cash to meet future obligations.

## 19. Business Combinations

### 19.1 Details of Business Combinations

On 16 November 2011, the Company acquired 100 per cent of the outstanding ordinary shares of WGP, the Company's long term operating partner. The consideration was satisfied by the issue of 2,688,707 ordinary shares in the Company.

The two businesses have been working closely together since the Company's admission to AIM in July 2008. WGP have leading industry experience in 4-D seismic used in Permanent Reservoir Monitoring ("PRM") and with its experienced operational team, currently operate both of TESL's PMSS™ units: one in the life of field seismic surveys at BP's Valhall field in the North Sea and the second in the survey completed in the period for ION Geophysical Corporation as part of their Arctic exploration programme.

WGP delivers a wide range of technologies and services throughout the global upstream oil and gas industry, including a range of unique seismic acquisition services with over 20 years of operational and management experience. Combined with Thalassa's ownership of two PMSS™ units and WGP's operational experience, the enhanced Company will assist oil companies in maximizing oil recovery through reservoir management practice as well as assisting in the discovery of new reserves.

### 19.2 Goodwill

Goodwill of US\$ 368,525 has arisen from the acquisition.

### 19.3 Fair Value of Consideration

	US\$
Equity instruments (2,688,707 ordinary shares of Thalassa Holdings Ltd)	1,280,255
<b>Total consideration transferred</b>	<b>1,280,255</b>

The fair value of the 2,688,707 ordinary shares issued as the consideration paid for WGP was determined on the agreed price of the Company's ordinary shares of £0.30 per share.

### 19.4. Details of acquired receivables

The fair value of financial assets acquired includes receivables due under contracts of US\$ 867,027. This is all expected to be recoverable.

### 19.5. Details of assets acquired and liabilities assumed

Recognised amounts of identifiable assets acquired and liabilities assumed

	US\$
Property, plant and equipment	13,252
Financial Assets	2,805,912
Financial Liabilities	<u>(1,907,434)</u>

**Total identifiable net assets** 911,730

#### **19.6. Cashflow arising from business combinations**

The total cash acquired as part of the acquisition of WGP was US\$ 1,778,182. Included within the cash acquired is an amount of £100,000 which is pledged as a performance bond in relation to sales contracts with a particular customer.

#### **19.7. Details of transaction recognized separately**

Acquisition related costs (including selling, general and administrative expenses in the Company's statement of comprehensive income for the year ended 31 December 2011) amount to US\$ 79,585.

#### **19.8. Impact of acquiree on amounts reported in the statement of comprehensive Income**

The revenue included in the consolidated statement of comprehensive income since 16 November 2011 contributed by WGP was US\$ 173,994 and a net loss of US\$ (74,407) over the same period. Had WGP been consolidated from 1 January 2011, the consolidated statement of comprehensive income would have included revenue of US\$ 8,576,754 and profit after tax of US\$ 834,230.

#### **19.9. Financial commitments**

At 31 October, WGP had annual commitments in relation to land and buildings under non-cancellable operating leases, expiring within one year of £12,000 and in two to five years of £26,000.

#### **20. Subsequent events**

On 17 January 2012 TESL changed its name to WGP Energy Services Ltd.

On 19 January 2012 John Duncan was appointed as a director of the Company.

On 14 February 2012 WGP Group Ltd was incorporated as a BVI business company as a 100% owned subsidiary of Thalassa Holdings Ltd.

#### **21. Copies of the consolidated financial statements**

A copy of the Annual Report and Financial Statements has been posted to shareholders today. Further copies are also available on the Company's website: [www.thalassaholdingsltd.com](http://www.thalassaholdingsltd.com)

#### **22. AGM**

The Annual General Meeting will be held at Le Cabanon, Pointe des Douaniers, 06320 Cap d'Ail, France on 17 May 2012 at 12.00 noon. The Notice of AGM is contained within the Annual Report.

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