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Thalassa Holdings: Contract Win puts Core Business Back on Track – Investment Appeal Now Apparent

The collapse in oil prices in late 2008 put the business plan of oilfield services group Thalassa on hold but a well planned cost control programme and a successful move into other investing activities during the downturn ensured the Company's survival and a contract win announced on 11th June showed that its core activity remains highly viable. The BVI based company was founded on 27th September 2007 and joined AIM on 29th July 2008 at 50p and with the shares now at 52p, trading at a 34% discount to net assets, there is clear investment appeal.

The company's original operating subsidiary Thalassa Energy Services Ltd is the owner of Portable Modular Source System (PMSS) equipment which can be installed on an oil service support vessel in order to provide the seismic energy source required for reservoir monitoring. Reservoir monitoring allows greater hydrocarbon extraction by enabling production activity (i.e. taking out oil) to be precisely targeted and managed. However when the oil price fell to as low as \$34 oil majors slashed capex, delayed the introduction of new projects and thus demand for the PMSS equipment, which is operated by Thalassa's partner WGP, was minimal.

Thalassa Chairman Duncan Soukup has stated that his faith in the core technology never diminished and hence the carrying value of the PMSS in the balance sheet was never written down. And this faith was vindicated on 11th June 2010 when a contract win for WGP/Thalassa was announced to provide seismic source for BP's Valhall oilfield Life of Field seismic survey. Essentially this is an ongoing project of 2 surveys a year to establish the correct drilling targets to minimize costs and maximise output from this large North Sea field. Although the value of the contract has not been disclosed it is clearly material and it

Key	Data
EPIC	THAL
Share Price	52p
Spread	50p – 54p
NMS	1,000
Total no of shares	8.5 million (including 2 million Treasury Shares)
Market Cap	£3.4 million
12 Month Range	51.5p – 52.5p
Net Debt	\$0.4 million
Market	AIM
Website	www.thalassaholdingsltd.com
Sector	Oil Services
Contact	Duncan Soukup Chairman +33 678 632 689

is hoped that other contracts will follow. Whilst the Company will not disclose contract specifics, the high gross margins on such work will have a material positive impact on the Group's profitability.

While waiting for Energy Services to deliver on its potential, Soukup loaned Thalassa circa. \$1.3 million in order to allow it to establish two further operating units: Thalassa Public Investments Ltd and Thalassa Private Investments Ltd. The former invests in publicly quoted investments, the latter in private companies. Among the British investments Thalassa made was a 27% stake in Bella Media, now called CityPoint Investments plc, (a delisted cash shell with £550,000 cash); Thalassa then worked in concert with CityPoint Holdings Ltd (a subsidiary of CityPoint Investments Ltd) to take a 29.8% stake in AIM listed Renewable Power & Light Plc (RPL) where shareholders then removed the board in order to stop excessive cash burn and to focus on value realisation.

This policy of aggressive value investing has worked. In 2009 the portfolio of public investments returned a gain of 108% although, only part of that was recognised in 2009, we expect further profits to be booked in 2010.

The Company had net debt of \$0.4 million as at 31st May 2010 which includes cash of approximately \$0.8 million, offset by Mr Soukup's loans. The Company has since sold investments in June and anticipates ending the half year with a net debt/cash position that is approximately flat.

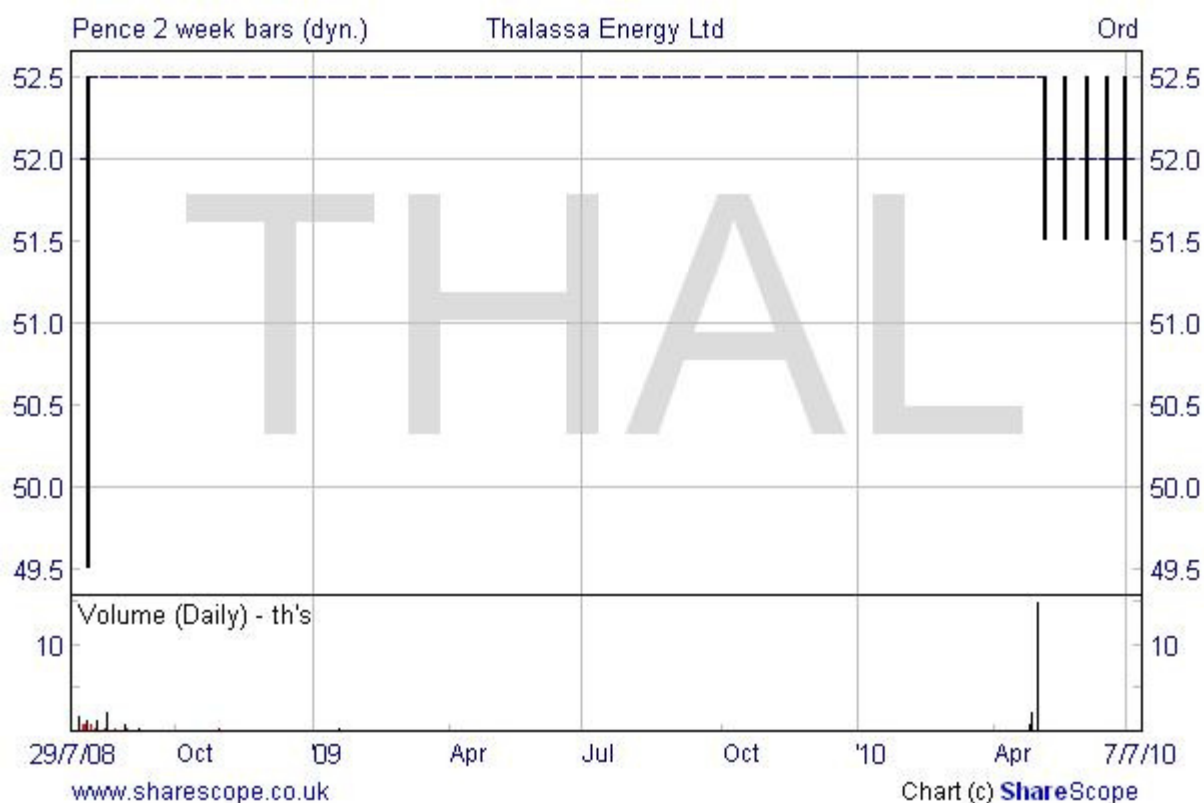
The Company's balance sheet showed net current assets of just over \$1 million (as at 31 May 2010, net of monies owed to Mr Soukup. The Net Asset Value at 31st May 2010 was \$6.8 million or £4.5 million which represents 32% premium to the market value. If further contracts can be won by Thalassa Energy Services Ltd, the Company intends to carve out the investment businesses and leave Thalassa, as originally conceived, as a dedicated Energy Services business.

Revenue and earnings for 2010 will for the first time reflect contribution from a shortened shooting program on the Valhall field in the second half of the year. On that basis for 2010, we are forecasting 30% top line growth and 60% bottom line growth. With the prospect of further contract gains and selling on a price to book value ratio of just 0.74 we view the shares as having a **clear investment appeal**.

Forecast Table

Year to 31 December	Sales (\$million)	Pre-Tax Profit (\$m)	Earnings Per Share (c)	Price Earnings Ratio (x)	Dividend (c)	Yield (%)
2008A*	0.000	(0.273)	(10.0)	NA	0.0	0.0
2009A	0.651	0.155	2.0	39	0.0	0.0
2010E	0.850	0.250	3.9	20	0.0	0.0

*Period from incorporation to 31st December 2008



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