ViaLogy PLC

Interim Report and Unaudited accounts for six months ended 30 September 2012

ViaLogy PLC

Chairman's statement for the six months ended 30 September 2012

The Interim Report covers the six-month period to 30 September 2012. The figures show a loss for the period of £2,839,110 which includes a non-cash loss of £1,611,829 for amortisation and depreciation. The amortisation charges relate to the value of ViaLogy's Intellectual Property and associated research and development which is amortised over a period of six years. The cash outflow from operations during the period was £1,177,164.

The period under review has been one of the most significant in ViaLogy's history. In the annual report published in July 2012, we were able to announce that we had signed three binding commercial contracts, the first with the Supermajor energy company Chevron, a second Supermajor which prefers to remain anonymous, and a third with the Indian national oil and natural gas company, ONGC. These are major steps in our strategy of making QuantumRD, our breakthrough seismic analysis software platform, a standard industry tool. After considerable 'show me' demonstrations and blind analysis exercises to overcome scepticism towards what is a new technology as far as the O&G industry is concerned, these three multi-national firms separately agreed to place their faith and their exploration funds in ViaLogy's QuantumRD technology.

Since these announcements, our team of geophysicists and mathematicians in Pasadena, CA, led by our founder and technical director, Dr. Sandeep Gulati, has been working diligently to fulfill the contract analysis delivery commitments. In conjunction with our clients' own expert staff and advisers we have applied QuantumRD to seismic data on a variety of offshore and onshore formations. Importantly, because our approach to seismic analysis is unique, we have been involved in detailed technical exchanges to explain how our technology improves the accuracy of prediction for porosity, fluid presence, and shale formations, all key hydrocarbon indicators. Our aim has always been to embed QuantumRD into accepted industry practices as a high leverage add-on to assist the overall drilling decision.

As our CEO, Dr. Robert W. Dean, made clear in his recently issued end-of-year overview, our efforts with all three of our major clients are proceeding positively. By the end of ViaLogy's fiscal year we will have delivered – as promised and on time – detailed QuantumRD results to all of them.

Specifically, our achievements during the period and to date are:

- Delivered to Chevron, QuantumRD seismic analysis demarcating potential hydrocarbon-bearing reservoirs in tight sandstone formations in the US Delaware Basin for orienting and positioning long-reach horizontals. Previous drilling by operators in the same field has yielded sub-optimal recovery as they have ended in highly water saturated zones. These deliverables are under review by the client's reservoir development teams. A successful technical assessment, expected in the near-term, would lead to more commercial work.

- As part of the milestone delivery, ViaLogy was given the additional responsibility of reprocessing vintage seismic acquired in 1996 to meet QuantumRD's requirements for data quality. ViaLogy's ability to provide high resolution areal and vertical mapping of porosity, compartmentalization, and fluid saturation using legacy seismic is attractive for operators as it eliminates expense and complexity of acquiring new surveys for high-grading prospects.

- For the first time in commercial contracts, QuantumRD demonstrated the ability to map hydrocarbon distribution for formations below seismic resolution of two different formations. Given its implications, this work continues to be evaluated.
- Jointly with Chevron geophysicists, at the 2012 American Association of Petroleum Geologists energy industry conference in Singapore, gave a presentation indicating how QuantumRD was able to identify porosity trends in tight dolomite carbonate formations to increase primary recovery of oil over currently achieved yields on a Permian prospect. QuantumRD was presented as a credible alternative for moving beyond drilling to grid-patterns.
- Implementing QuantumRD seismic analysis on a 100 sq km section in the Mumbai High Basin, India's largest offshore oilfield, to discover reservoirs missed by conventional seismic processing.
- Under contract to a Supermajor client QuantumRD is part of a major effort to discover and map sandstone reservoirs below several thousand feet of permafrost in the arctic.
- As announced, in one of our ongoing contracts the scope was increased to discover oil in unconventional shale formations. This means that QuantumRD's reach now covers both conventional and unconventional formations, another of the company's strategic objectives.
- Initiated work on a North Sea project for one of the world's largest geosciences companies. This project challenges ViaLogy's QuantumRD technology to discover and delineate producible hydrocarbon bearing sand bodies that have not been found with sufficient precision by other seismic processing techniques.
- Launched exploratory sales initiatives with major Chinese, Brazilian and West African exploration and production firms.

Finance

Revenue in the period under review was £84,691 (2011: £40,915), an increase of some 107 per cent. However, as the three contracts dominating our activities during the period under review are commercial arrangements charged in the conventional manner whereby invoices are submitted when analysis is completed and presented to the client, income for work done from May through to September is only partly reflected in the interim accounts. The majority of the income will be included in the next set of accounts for the 12 months to 31 March 2013. At that time we expect to announce financial results consistent with our three year business plan and in line with market expectations.

Terry Bond
Chairman
ViaLogy PLC

31 December 2012

ViaLogy PLC

Consolidated income statement for the six months ended 30 September 2012

	Notes	**Unaudited 6 months to 30 Sep 2012 £**	Unaudited 6 months to 30 Sep 2011 £	Audited Year to to 31 Mar 2012 £
Revenue	2	**84,691**	40,915	51,256
Cost of sales		**273,115**	209,393	437,298
Gross loss	2	**(188,424)**	(168,478)	(386,042)
Share based payments		**271,399**	118,626	195,285
Depreciation and amortisation		**1,611,829**	1,544,535	3,184,910
Other administrative expenses		**911,814**	798,654	1,627,134
Total administrative expenses		**2,795,042**	2,461,815	5,007,329
Loss from Operations		**(2,983,466)**	(2,630,293)	(5,393,371)
Finance income		**180**	139	342
Loss for the period/year before taxation		**(2,983,286)**	(2,630,154)	(5,393,029)
Taxation	3	**144,176**	241,058	489,634
Loss for the period/year attributable to equity holders of the parent	2	**(2,839,110)**	(2,389,096)	(4,903,395)
Loss per share				
Basic and diluted	4	**(0.316)p**	(0.330)p	(0.643)p

Consolidated statement of comprehensive income for the six months ended 30 September 2012

	Unaudited 6 months to 30 Sep 2012 £	Unaudited 6 months to 30 Sep 2011 £	Audited Year to to 31 Mar 2012 £
Loss after taxation	**(2,839,110)**	(2,389,096)	(4,903,395)
Other comprehensive income			
Exchange differences on translating foreign operations	**(10,759)**	83,884	8,512
Total other comprehensive (loss)/income for the period/year	**(10,759)**	83,884	8,512
Total comprehensive loss for the period/year attributable to the equity holders of the parent company	**(2,849,869)**	(2,305,212)	(4,894,883)

Consolidated statement of changes in equity for the six months ended 30 September 2012

Unaudited	Share capital £	Share premium £	Foreign exchange reserve £	Retained deficit £	Total £
At 1 April 2012	**8,519,551**	**21,475,505**	**1,614,934**	**(28,218,122)**	**3,391,868**
Total comprehensive (loss) recognised for the period	**–**	**–**	**(10,759)**	**(2,839,110)**	**(2,849,869)**
Issue of shares	**746,518**	**1,306,901**	**–**	**–**	**2,053,419**
Share issue expenses	**–**	**(50,450)**	**–**	**–**	**(50,450)**
Share options expense	**–**	**–**	**–**	**271,399**	**271,399**
Balance at 30 September 2012	**9,266,069**	**22,731,956**	**1,604,175**	**(30,785,833)**	**2,816,367**

Audited	Share capital £	Share premium £	Foreign exchange reserve £	Retained deficit £	Total £
At 1 April 2011	7,341,027	21,438,079	1,606,422	(23,510,012)	6,875,516
Total comprehensive income/(loss) recognised for the year	–	–	8,512	(4,903,395)	(4,894,883)
Issue of shares	1,178,524	52,021	–	–	1,230,545
Share issue expenses	–	(14,595)	–	–	(14,595)
Share options expense	–	–	–	195,285	195,285
Balance at 31 March 2012	8,519,551	21,475,505	1,614,934	(28,218,122)	3,391,868

Consolidated statement of financial position at 30 September 2012

	Notes	**Unaudited 30 Sep 2012 £**	Unaudited 30 Sep 2011 £	Audited 31 Mar 2012 £
Assets				
Non-current assets				
Property, plant and equipment		**374,268**	442,537	393,619
Intangible assets		**1,390,785**	4,180,010	2,775,501
		1,765,053	4,622,547	3,169,120
Current assets				
Trade and other receivables		**180,288**	269,874	157,131
Cash and cash equivalents		**1,150,073**	455,627	555,367
		1,330,361	725,501	712,498
Total Assets	2	**3,095,414**	5,348,048	3,881,618
Liabilities				
Current liabilities				
Trade and other payables		**138,010**	114,086	204,508
Non-current liabilities				
Deferred tax liability	3	**141,037**	541,987	285,242
Total liabilities	2	**279,047**	656,073	489,750
Capital and reserves attributable to equity holders of the Company				
Share capital		**9,266,069**	7,342,051	8,519,551
Share premium		**22,731,956**	21,440,100	21,475,505
Foreign exchange reserve		**1,604,175**	1,690,306	1,614,934
Retained deficit		**(30,785,833)**	(25,780,482)	(28,218,122)
Shareholders' funds		**2,816,367**	4,691,975	3,391,868
Total equity and liabilities		**3,095,414**	5,348,048	3,881,618

Consolidated statement of cash flows for six months ended 30 September 2012

	Unaudited 30 Sep 2012 £	Unaudited 30 Sep 2011 £	Audited 31 Mar 2012 £
Cash flows from operating activities			
Loss from operations before tax	**(2,983,286)**	(2,630,293)	(5,393,029)
Adjustments for:			
Finance income	**(180)**	(139)	(342)
Depreciation	**36,640**	44,636	96,025
Amortisation	**1,575,189**	1,499,899	3,088,885
Share option expense	**271,399**	118,626	195,285
Foreign exchange movements	**12,729**	3,717	23,975
Director's fees prepaid	**82,968**	–	110,624
Cashflows used in operating activities before changes in working capital	**(1,004,541)**	(963,554)	(1,878,577)
(Increase)/decrease in trade and other receivables	**(106,125)**	(1,773)	347
(Decrease)/increase in trade and other payables	**(66,498)**	(65,957)	24,465
Net cash flows from operating activities	**(1,177,164)**	(1,031,284)	(1,853,765)
Investing activities			
Internally generated intangible asset	**(191,671)**	(115,787)	(371,456)
Purchase of property, plant and equipment	**(21,284)**	(15,254)	(25,586)
Interest received	**180**	139	342
	(212,775)	(130,902)	(396,700)
Cash flows from financing activities			
Cash inflow from issue of new shares	**2,045,000**	–	1,230,545
Share issue costs	**(50,450)**	–	(14,595)
Cash inflow from exercise of options	**8,419**	3,045	–
	2,002,969	3,045	1,215,950
Increase/(Decrease) in cash and cash equivalents	**613,030**	(1,159,141)	(1,034,515)
Foreign exchange differences on translation of cash and cash equivalents.	**(18,324)**	(9,362)	(34,248)
Cash and cash equivalents at beginning of period /year	**555,367**	1,624,130	1,624,130
Cash and cash equivalents at end of period/year	**1,150,073**	455,627	555,367

Notes forming part of the unaudited consolidated accounts for the six months ended 30 September 2012

1 Accounting policies

Basis of preparation

The interim financial information has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. The interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial information for the year ended 31 March 2013.

The interim financial information for the period 1 April 2012 to 30 September 2012 is unaudited. In the opinion of the Directors the interim financial information for the period presents fairly the financial position, results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied. The interim financial information incorporates comparative figures for the interim period 1 April 2011 to 30 September 2011 and the audited financial year to 31 March 2012. The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. The comparatives for the full year ended 31 March 2012 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, but did include references to any matters to which the auditor drew attention by way of emphasis in respect of going concern, without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

Going concern

Following the signing of three significant contracts with international companies since the year end the directors are confident that the Group's pipeline of sales from current clients and potential new customers will help to fund the Group's development and working capital requirements. However additional funding will be required in order to support the Group until we begin to see the benefits from this pipeline of contracts. There can be no certainty that additional funding will be available given the current economic climate and the risks associated with the oil and gas industry. While the directors are confident that additional funding can be raised in order to meet its development and working capital requirements, and ViaLogy's capital development history demonstrates that this confidence is well founded, a significant uncertainty exists given the absence of any committed funding at the date of approval of these financial statements. This condition indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern.

The financial information does not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Notes forming part of the unaudited consolidated accounts for the six months ended 30 September 2012

2 Segmental analysis

The Group has two reportable segments:

- Head office – this segment is the head office of the Group.
- Operations – this segment is involved in sales and technology development in the USA.

The operating results of these segments are regularly reviewed by the Group's chief operating decision maker in order to make decisions about the allocation of resources and assess their performance.

30 September 2012 Reportable segment analysis – unaudited

	Operations £	Head Office £	Consolidated £
Revenue from external customers	84,691	–	84,691
Gross loss	(188,424)	–	(188,424)
Finance income	–	180	180
Tax credit	144,176	–	144,176
Loss for the year after taxation	(2,499,582)	(339,528)	(2,839,110)
Segment assets	1,918,134	1,177,280	3,095,414
Segment liabilities	234,466	44,581	279,047
Costs to acquire plant, property and equipment	21,284	–	21,284
Costs to acquire intangible assets	191,671	–	191,671
Depreciation and amortisation	1,608,860	2,969	1,611,829
Share based payments	232,835	38,564	271,399

Year ended 31 March 2012 Reportable segment analysis – audited

	Operations £	Head Office £	Consolidated £
Revenue from external customers	51,256	–	51,256
Gross loss	(386,042)	–	(386,042)
Finance income	–	342	342
Tax credit	489,634	–	489,634
Loss for the year after taxation	(4,253,514)	(649,881)	(4,903,395)
Segment assets	3,344,675	536,943	3,881,618
Segment liabilities	416,801	72,949	489,750
Costs to acquire plant, property and equipment	20,620	4,966	25,586
Costs to acquire intangible assets	371,456	–	371,456
Depreciation and amortisation	3,180,407	4,503	3,184,910
Share based payments charged	116,489	78,796	195,285

All material non-current assets are owned by the USA subsidiary and are located in the USA.

Notes forming part of the unaudited consolidated accounts for the six months ended 30 September 2012

3 Deferred Tax

	Unaudited Period to 30 Sep 2012 £	Unaudited Period to 30 Sep 2011 £
At 1 April	**285,242**	772,077
Credit to the income statement for the six months to 30 September	**(144,176)**	(241,058)
Foreign exchange translation	**(29)**	10,968
At 30 September	**141,037**	541,987

	Audited Year ended 31 March 2012 £
At 1 April	772,077
Credit to the income statement for the year	(489,634)
Foreign exchange translation	2,799
At 31 March	285,242

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 35%.

4 Loss per share

Basic

The calculation of loss per share is based on the loss for the period of £2,839,110 (2011 – loss £2,389,096, full year loss £4,903,395) and on 899,549,947, (2011 – 734,191,944, 2012 full year – 762,556,327) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Diluted

Diluted loss per share dilutes the basic loss per share to take into account share options and warrants.The calculation includes the weighted average number of ordinary shares that would have been issued on the conversion of all the dilutive share options and warrants into ordinary shares. 106,020,272 options and 1,193,654 warrants (2011 – 97,572,756 options and 1,193,654 warrants, 2012 full year 96,162,368 options and 1,193,654 warrants) have been excluded from this calculation as this would reduce the loss per share.

Notes forming part of the unaudited consolidated accounts for the six months ended 30 September 2012

5 Share capital – unaudited

	Allotted, called up and fully paid			
	2012	2011	**2012**	2011
	Number	Number	**£**	£
Ordinary Shares of 1p each				
At 1 April	**851,955,130**	734,102,725	**8,519,551**	7,341,027
Shares issued	**74,363,637**	–	**743,637**	–
Employee share options exercised	**288,144**	102,405	**2,881**	1,024
At 30 September	**926,606,911**	734,205,130	**9,266,069**	7,342,051

Year Ended 31 March 2012 Share capital - audited

	Allotted, called up and fully paid			
	2012	2011	**2012**	2011
	Number	Number	**£**	£
Ordinary shares of 1p each				
At 1 April	**734,102,725**	690,475,334	**7,341,027**	6,904,753
Shares issued	**117,852,405**	43,627,391	**1,178,524**	436,274
At 31 March	**851,955,130**	734,102,725	**8,519,551**	7,341,027

6 Post Reporting date events

There are no post reporting date events.

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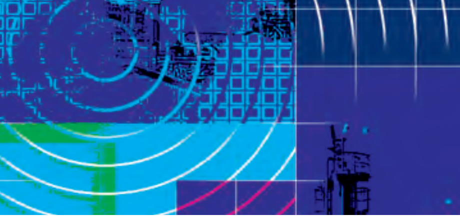

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