

# **NOSTRA TERRA OIL & GAS COMPANY PLC**

## **CHAIRMAN'S STATEMENT**

### **Interim accounts for the six months to 30 June 2008**

As announced on 3 September 2008 the Company has stopped work on the opening of the Oktyabrskoe #24 well. Following the removal of the cement bridge plugs in March 2008, the well produced gas and minor amounts of oil and water. As early indications suggested, the oil content was gradually increasing and the well was fitted with a small pump and put on production. However the oil and water ratio remained constant at around 5%-10% of oil. Extensive work was then undertaken to isolate the oil bearing zones by re-working the bottom of the well and doubling the packers. Regrettably despite considerable effort the oil/water ratio has remained substantially unchanged, indicating that water is migrating into the perforated zones.

#### **Financial Overview**

Expenses incurred during the period relate to basic administration costs and as at the date of the balance sheet, the Company had net current assets of £227,000, with £124,000 held in cash. For the period a loss of £320,000 has been incurred, which on a weighted average equates to a basic and fully diluted loss of 0.084p pence per share; no dividend is being declared. The value of well #24 was written down by an amount of £98,000 to a residual value of £30,239.

#### **Review and Outlook**

The decision to cease activity on well #24 is clearly very disappointing and contrary to expectations following geophysical analysis and initial results earlier in the year. As a consequence the Board has begun the process of re-planning both the financial and operational objectives and is considering other strategic possibilities. The Ukraine operation continues to produce about 12-15 barrels of oil per day from Oktyabrskoe #1 which currently covers the majority of local operating expenditure. Despite the disappointing outcome from well #24 the Board is currently reviewing geological data with a view to re-opening well #10, which is in the same target zone and we are giving careful consideration to how to exploit the West Oktyabrskoe field licence. In each case however the Company will need to raise further working capital to meet the anticipated exploration and ongoing operating costs. We will report further to shareholders in due course.

**Sir Adrian Blennerhassett**  
**Chairman**

**29 September, 2008**

**Nostra Terra Oil & Gas Company Plc**  
**Income Statement**  
**for the six months ended 30 June 2008**

	Six months to 30 June 2008 Unaudited £'000s	Five months to 30 June 2007 Unaudited £'000s	Eleven months to 31 December 2007 audited £'000s
<b>Continuing operations</b>			
<b>Revenue</b>	37	-	30
Cost of Sales	<u>(35)</u>	<u>-</u>	<u>(16)</u>
<b>Gross Profit</b>	2	-	14
Exploration costs amortised	(98)	-	-
Administrative expenses	<u>(195)</u>	<u>(5)</u>	<u>(362)</u>
<b>Operating Loss</b>	(291)	(5)	(348)
Finance costs	(30)	-	(32)
Finance income	1	2	5
Finance costs	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss before tax</b>	(320)	(3)	(375)
Income tax charges	<u>-</u>	<u>-</u>	<u>(7)</u>
<b>Loss for the period from continuing operations attributable to shareholders</b>	<u><u>(320)</u></u>	<u><u>(3)</u></u>	<u><u>(382)</u></u>
<b>Loss per share</b>			
From continuing operations:			
	Pence	Pence	Pence
Basic and diluted	<u>(0.084p)</u>	<u>(0.004p)</u>	<u>(0.199p)</u>

The Company's turnover and operating loss arise from continuing operations.

There were no recognised gains or losses other than those recognised in the income statement above.

# Nostra Terra Oil & Gas Company Plc

## Balance Sheet as at 30 June 2008

	As at 30 June 2008 Unaudited £'000s	As at 30 June 2007 Unaudited £'000s	As at 31 December 2007 Audited £'000s
<b>Assets</b>			
<i>Non-current assets</i>			
Goodwill	4,211	-	4,211
Other intangibles	510	-	510
Property, plant and equipment	71		76
	<u>4,792</u>	<u>-</u>	<u>4,797</u>
<i>Current assets</i>			
Trade and other receivables	279	56	193
Cash and cash equivalents	124	96	153
	<u>403</u>	<u>152</u>	<u>346</u>
<i>Current liabilities</i>			
Trade and other payables	168	35	296
Tax payable	8	-	7
	<u>176</u>	<u>35</u>	<u>303</u>
<b>Net current assets</b>	<u>227</u>	<u>117</u>	<u>43</u>
<i>Non current liabilities</i>			
Other loans	1,480	-	1,480
<b>Net assets</b>	<u>3,539</u>	<u>117</u>	<u>3,360</u>
<b>Equity</b>			
<i>Capital and reserves</i>			
Share capital	424	63	346
Share premium account	3,927	167	3,506
Retained earnings	(812)	(113)	(492)
<b>Total equity</b>	<u>3,539</u>	<u>117</u>	<u>3,360</u>

**Nostra Terra Oil & Gas Company Plc**  
**Cash Flow Statement**

**For the six months ended 30 June 2008**

	Six months to 30 June 2008 Unaudited	Five months to 30 June 2007 Unaudited	Eleven months to 31 December 2007 audited
Note	£'000	£'000	£'000
<b>Cash flows from operating activities</b>	<b>3</b>		
Cash generated/(consumed) by operations	(299)	(57)	123
Finance costs	(30)	-	(32)
<b>Net cash from operating activities</b>	<b>(329)</b>	<b>(57)</b>	<b>91</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles	-	-	(510)
Purchases of plant and equipment	(100)	-	(76)
Acquisition of subsidiaries	-	-	(203)
Interest received	1	2	5
<b>Net cash from investing activities</b>	<b>(99)</b>	<b>2</b>	<b>(784)</b>
<b>Cash flows from financing activities</b>			
Proceeds on issue of shares	399	-	695
<b>Net cash outflow</b>	<b>(29)</b>	<b>(55)</b>	<b>2</b>
Cash and cash equivalents at the beginning of the period	153	151	151
Bank balances and cash	124	96	153

**Consolidated statement of changes in equity**

	As at 30 June 2008 £'000	As at 30 June 2007 £'000	As at 31 December 2007 £'000
As at beginning of period	3,360	120	120
Deficit for the period	(320)	(3)	(382)
Issue of share capital net of expenses	399	-	3,622
Conversion of loan notes	100	-	-
<b>As at end of period</b>	<b>3,539</b>	<b>117</b>	<b>3,360</b>

# Nostra Terra Oil & Gas Company Plc

## Notes to the Interim Report

### 1. Significant Accounting Policies

These interim results have been prepared in accordance with International Financial Reporting Standards and on the historical cost basis, using generally recognised accounting principles and using the accounting policies which are consistent with those set out in the Company Annual Report and Accounts for the eleven months to 31 December 2007.

This interim report for the six months to 30 June 2008, which complies with IAS34, was approved by the Board on 29 September 2008.

### 2. Loss per Share

	Six months to 30 June 2008 Unaudited	Five months to 30 June 2007 Unaudited	Eleven months to 31 December 2007 audited
Loss per ordinary share			
Basic and diluted	(0.084p)	(0.004p)	(0.199p)

The loss per ordinary share is based on the Company's loss for the period of £320,000 (30 June 2007 - £3,000; 31 December 2007 £382,000) and basic weighted average number of shares in issue of 379,256,131 (30 June 2007- 62,750,000; 31 December 2007- 191,848,170). Given the Company's loss for the period, the diluted loss per share is the same as the basic loss per share.

### 3. Reconciliation of operating loss to net cash outflow from operating activities.

	Six months to 30 June 2008 Unaudited £'000s	Five months to 30 June 2007 Unaudited £'000s	Eleven months to 31 December 2007 audited £'000s
<b>Loss for the period</b>	(291)	(5)	(348)
Adjustments for :			
Depreciation of property, plant and equipment	7	-	-
Amortisation of exploration costs	98	-	-
(Increase)/Decrease in receivables	(86)	(54)	246
(Decrease)/Increase in payables	(27)	2	225
<b>Net cash from operating activities</b>	<b>(299)</b>	<b>(57)</b>	<b>123</b>

# Nostra Terra Oil & Gas Company Plc

## Notes to the Interim Report

### 4. Called up Share Capital

The issued share capital as at 31 December 2007, per the audited accounts was 346,424,522 Ordinary Shares of 0.1p each. The shares issued in the period are noted below.

<b>Date</b>	<b>Number of ordinary shares of 0.1p</b>	<b>Issue price pence</b>	<b>Purpose</b>
29 January 2008	20,000,000	0.5	Draw down on convertible facility
22 February 2008	2,000,000	0.1	Exercise of warrants
13 May 2008	53,333,332	0.75	Placing
30 May 2008	2,258,695	1.15	Settlement of fees

5. The unaudited results for period ended 30 June 2008 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The comparative figures for the eleven months ended 31 December 2007 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

6. Copies of this interim statement are available from the Company at its registered office at Finsgate, 5-7 Cranwood Street, London EC1V 9EE. The interim statement will also be available on the Company's website [www.ntog.co.uk](http://www.ntog.co.uk).