NOSTRA TERRA OIL AND GAS COMPANY PLC

(FORMERLY LHP INVESTMENT PLC)

ANNUAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2007

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

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for the period ended 31 December 2007

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Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Company Information
for the period ended 31 December 2007

DIRECTORS:	A M Blennerhassett (appointed 19 July 2007) B W Courtney(appointed 19 July 2007) G G MacNeil (appointed 19 July 2007) S V Oakes N D Smith (appointed 19 July 2007) L E Knifton (resigned 19 July 2007)
SECRETARY:	International Registrars Limited
REGISTERED OFFICE:	Finsgate 5 - 7 Cranwood Street London EC1V 9EE
NOMINATED ADVISER:	Blomfield Corporate Finance Limited 1- 3 College Hill London EC4R 2RA
BROKER:	Falcon Securities UK Limited 154 Bishopsgate London EC2M 4LN
SOLICITORS:	Pritchard Englefield 14 New Street London EC2M 4HE
BANKERS :	National Westminster Bank Plc P O Box 712 94 Moorgate London EC2M 6XT
REGISTRARS:	Share Registrars Ltd Craven House West Street Farnham Surrey GU9 7EN
REGISTERED NUMBER:	05338258 (England and Wales)
AUDITORS:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
WEBSITE:	www.ntog.co.uk

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Chairman's Statement
for the period ended 31 December 2007

It is a great pleasure to present our first annual report and accounts since the acquisition of Nostra Terra (Overseas) Limited and re-Admission of the ordinary shares on the AIM market of the London Stock Exchange ("AIM") in July 2007. It was a challenging and exciting period and one of significant progress for the Company. Our activities over the past year have laid the foundation for our future success.

Following admission the Company had issued share capital of 301,876,472 ordinary shares and held approximately £500,000 in liquid resources to meet working capital commitments and transaction expenses. During period the Company issued a further 40,000,000 shares to Power Elite Trading Inc. under its standby put/call credit agreement at 0.5 pence per share while recently we announced the issue of a further 53,333,333 shares to investors at 0.75 pence per share.

The results for the 12 months to 31 December 2007 show a loss of £382,000 or 0.2 pence per share. Such loss is a reflection of our expenditure in the period on progressing with the opening up of our wells and certain costs relating to the admission to AIM.

A detailed account on activities undertaken and progress made during 2007 is contained in the Chief Executive's report. We expect 2008 to be a year in which we will record substantial progress in the development of the Oktyabroske field. Simply put, our mission is to develop the Oktyabrskoe licence to its full potential and by extension, to develop Nostra Terra Oil and Gas Company plc into a successful, independent oil and gas businesses in the Ukraine. Ongoing production from Well 1 combined with recent results from Well 24 have underscored our confidence in this project and I look forward to updating shareholders further as the year progresses.

Sir Adrian Blennerhassett

Chairman

30 June 2008

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Chief Executive Officer's Statement
for the year ended 31 December 2007

The Oktyabroskoe Licence

The licence area contains two reservoir horizons- the Necomian and the Cenomianian, at depths of 1700 metres and 2,800 metres respectively. The licenxe area covers 154 square kilometres and contains 36 wells (19 in the Oktyabroskoe field and 17 in the West Oktyabroskoe Field). We believe that these wells were drilled by the exploration arm of the USSR between 1960 and 1991 and were subsequently capped prior to the break-up of the USSR. These wells were never placed on production because the field was never transferred to the production department of the USSR. The wells were subsequently shut in for safety and environmental reasons and have remained in that state up until today. The Company is in the process of re-entering and developing a selection of the wells using modern equipment and production techniques.

Following its admission to AIM, the Company commenced its work program on the licence area. Nostra Terra's initial objective is to re-open and develop 4 wells for the production of oil in the Oktyabrskoe licence area. Geological data had indicated that well #24 in this particular group offered interesting potential. Old geophysical data indicated a zone that had produced 17 cubic metres per day. Work commenced on this site in early September 2007. All-weather roads and electricity were completed and surface plumbing installed. The re-opening process commenced in October and involved the removal of a series of four cement plugs. Plugs were put in place at each level where the well bore had been perforated. We encountered some debris in the well bore and it took several weeks to remove. As reported earlier this year, this exercise not only confirmed the reservoir horizons identified in the original Soviet surveys, but also a second potential five metre pay zone one metre above the target pay zone at 1686 metres. Water tables were also encountered and further work was required to isolate these areas through the installation of a packer at 1650 metres. We are very pleased with these early results which appear to underscore the earlier Soviet analysis and the interpretation by Trimble Engineering Associates Limited, who prepared the CPR contained in the Company's AIM admission document. We anticipate that actual production from this well should commence shortly and we expect to update shareholders on progress over the coming weeks.

In February, the Company took back well #1 into the Joint Venture Agreement. As we have reported, this well continues to produce oil from natural pressure only at a rate of 13 bbls /day, which is being sold into the Ukrainian market. Production analysis shows actual oil production at flow rates as anticipated in the admission document and we expect to conduct further analysis in the coming months to determine the optimum strategy for this asset.

Looking forward to the immediate future, Nostra Terra's intention is to migrate operations across to well #10 - which is located some 400 metres away. Well #10 should have very similar geophysics and we expect a similar level of production to Well #24. Well #10 has never been perforated and consequently has only the large surface plug which needs to be removed. Work on well #10 will begin as soon as production has been stabilised from well #24.

Although work in the Ukraine has progressed more slowly than we had anticipated, we have gained useful experience over the last 10 months and we expect to be able to manage this process in a more timely manner going forward. Further out we will turn our attention to the West Oktyabrskoe field which is rich in condensate and natural gas.

Chief Executive Officer's Statement (Continued)
for the year ended 31 December 2007

In summary, while work has progressed more slowly than we had hoped for, all major difficulties have been overcome. Additionally, our work thus far has confirmed all assumptions regarding the productivity of well #24. We are now confident that well #24 will prove to be a success. In short, our field activities can be described as slower and more costly, but heading in the direction of producing a significantly better result than planned. Our relationship with our joint venture partner Nak Nadra Krymgeologia remains positive and as we gain experience working together we anticipate improved results over the remainder of the work plan.

Brian Courtney

CEO

30 June 2008

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Report of the Directors
for the period ended 31 December 2007

The directors present their report with the financial statements of the Company and the Group for the eleven month period ended 31 December 2007.

PRINCIPAL ACTIVITY
The principal activity of the Group is the exploitation of hydrocarbon resources in the Crimea region of Ukraine.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS
The results for the period and financial position of the Company and the Group are as shown in the annexed financial statements and noted in the Chairman's statement and CEO's statement.

KEY PERFORMANCE INDICATORS
The key performance indicators are the revenues, gross profit and production of hydro carbons. These are not relevant due to the stage in the Group development in the period.

KEY RISKS AND UNCERTAINTIES
The key risk in the exploration and production business is the technical risk of no hydro carbons being present when an exploration well is drilled. There are also political and environmental risks in Ukraine.

RESULTS AND DIVIDENDS
The loss for the period is £382,000, which has been transferred to reserves. No dividends will be distributed for the period ended 31 December 2007.

DIRECTORS
The following directors have held office since 1 February 2007:

A M Blennerhassett (appointed 19 July 2007)
B W Courtney(appointed 19 July 2007)
G G MacNeil (appointed 19 July 2007)
S V Oakes
N D Smith (appointed 19 July 2007)
L E Knifton (resigned 19 July 2007)

All of the directors who are eligible offer themselves for re-election at the forthcoming Annual General Meeting.

The beneficial interests of the directors holding office on 31 December 2007 in the issued share capital of the Company were as follows:

	31.12.07		**01.02.07**	
	No of Ordinary shares of 0.1p each	Percentage of issued share capital	No of Ordinary shares of 0.1p each	Percentage of issued share capital
A M Blennerhassett	-	-	-	-
B W Courtney	74,990,154	21.6%	-	-
G G MacNeil	17,932,428	5%	-	-
S V Oakes	8,333,333	2.4%	-	-
-				
N D Smith	79,372,343	22.9%	-	-

SUBSTANTIAL SHAREHOLDERS
As at 23 June 2008, the Company has been notified of the following interests in the issued share capital of the Company:

	Percentage of issued share capital
B W Courtney	17.8%
N D Smith	18..9%
BBHISL Nominees Limited	3.47%
G G MacNeil	4.25%
Pershing Nominees Limited	17.49%
HSBC Global Custody Nominee (UK) Limited	9.19%

COMPANY'S POLICY ON PAYMENT OF PAYABLES
It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. The payables days increased by 20 days to 176 (2007:156) days in the period under review.

PUBLICATION OF ACCOUNTS ON COMPANY WEBSITE
Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein.

INDEMNITY OF OFFICERS
The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action bought against its directors and officers.

FINANCIAL INSTRUMENTS
The Group does not have formal policies on interest rate risk or foreign currency risk. The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than pound sterling (£). The Group maintains a natural hedge that minimises the foreign exchange exposure by matching foreign currency income with foreign currency costs.

The Group does not consider it necessary to enter into foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from transactions denominated in foreign currency, given the nature of the business for the time being.

GOING CONCERN
After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that Year. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- to follow IFRS as adopted by the European Union

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, Jeffreys Henry LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985 in the Annual General Meeting.

ON BEHALF OF THE BOARD:

G G MacNeil - Director

30 June 2008

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Corporate Governance Report
for the period ended 31 December 2007

The directors recognise the importance of sound corporate governance to commensurate with The Group's size and the interests of shareholders. As the Group grows, policies and procedures that reflect the Principles of Good Governance and Code of Best Practice as published by the Committee on Corporate Governance (commonly known as the "Combined Code") will be developed. So far as is practicable and appropriate, taking into account the size and nature of the Company, the directors will take steps to comply with the Combined Code.

The Board of Directors

The Board is comprised of three executive directors and two non-executive directors. All of the directors were appointed during the year with the exception of S V Oakes. The directors' biographies are set out on page 11 and demonstrate a range of relevant experience.

The Board meets at least four times a year as issues arise which require Board attention. The Board has a formal schedule of matters specially referred to it for decision. The directors are responsible for the management structure and appointments, considering strategic and policy, approval of major capital investments and transactions, and responsible for significant financing matters.

The Board has established an Audit Committee and a Remuneration Committee which roles and responsibilities are discussed below.

Audit Committee

An Audit Committee has been established and currently comprises A Blennerhassett , S V Oakes and G G MacNeil. All have considerable and relevant financial experience.

The Audit Committee, which has Terms of Reference agreed by the Board meets at least twice a year and is responsible for ensuring that the integrity of the financial information reported to the shareholders and the systems of internal controls. This committee provides an opportunity for reporting by the Company 's auditors.

The Audit Committee is responsible for monitoring in discussion with the auditors the integrity of the financial statements and announcements of the Company; reviewing the Company's internal financial controls and risk management systems; reviewing and monitoring the external auditor's independence, objectivity and effectiveness of the audit process taking into consideration relevant UK and other relevant professional and regulatory requirements. The Audit Committee is also responsible for making recommendations to the Board to be put to shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor. Other responsibilities include reviewing the Company's internal audit function, and where there is no internal audit function and considering annually whether there is a need for an internal audit function and making recommendation to the Board, and to review arrangements by which the staff of the Group will be able to raise concerns about possible improprieties in matters of financial reporting or other matters related to the Group.

Corporate Governance Report (continued)
for the period ended 31 December 2007

Remuneration Committee

The Remuneration Committee, which meets at least twice a year, consists of A Blennerhassett, SV Oakes and B W Courtney. Based on the Terms of Reference approved by the Board, the Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of the Chief Executive Officer, the Chairman and other members as it is designated to consider. It is also responsible for setting the remuneration for all executive directors, the Chairman and the Company Secretary; to recommend and monitor the level and structure of remuneration for senior management; and determining targets for any performance-related pay schemes operated by the Group. The Remuneration Committee is also responsible for determining the policy and scope of pension arrangements for each executive director and for ensuring that contractual terms on termination and any payments made are fair to the individual and the Company. The Remuneration Committee will determine the terms and conditions of service of executive directors. This includes, agreeing the policy for authorising claims for expenses from the Chief Executive Officer and the Chairman, and within the terms of the agreed policy, recommending the total individual remuneration package of each executive director including, where appropriate bonuses, incentive payments and share options.

Relations with shareholders

Communications with shareholders are very important and therefore are given a priority. The Company maintains a website www.ntog.co.uk for the purpose of improving information flow to shareholders as well as potential investors. It contains the information about the Company's activities and the interim report. Shareholders are welcomed to ask any enquiries on the matter relating the business and their shareholdings. The Company encourages the shareholders to attend the Annual Meeting, which they will be given the opportunity to put questions to the Chairman and other members of the Board.

Internal financial control

The Board is responsible for establishing and maintaining the Company's system of internal controls and for reviewing its effectiveness. They are designated to safeguard the assets of the Company and to ensure the reliability of the financial information for both internal use and external publication. The controls that include inter alia financial, operational and compliance matters and management are reviewed on an ongoing basis. A system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected of that risk of failure to achieve business objectives is eliminated. The Board has considered the need for an internal audit function but because of the size and nature of its operations does not consider it necessary at the current time.

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Profile of Directors
for the period ended 31 December 2007

Sir Adrian Blennerhassett, aged 68, Non-Executive Chairman

Sir Adrian holds a Master's Degree of Geology from Imperial College, London and an MBA from Cranfield School of Business Management. Sir Adrian has previously held positions as general manager for Claremount Oil & Gas Ltd and has acted as technical director at Peninsula Petroleum Ltd. He has experience of corporate finance and securities activities and more recently had eleven years experience in corporate finance including mergers and acquisitions with Anglo European Amalgamations Limited and Chesham Amalgamations and Investments Limited.

Brian Courtney, aged 66, Chief Executive Officer

Mr. Courtney has been actively investing in the oil and gas business for over thirty years, first working with Mr. Smith on the Ingoldsby 10-12 horizontal well, and most recently by serving as the Chairman and CEO of Ucoco Energy, Inc. In addition Mr. Courtney has held many senior executive positions and public company directorships including being founding president and former VP of America's Oracle Corporation Canada and director of EFT Canada Inc. Mr. Courtney served as CEO of Global Election Systems Inc., an American Stock Exchange listed company, and as chairman and CEO of Patent Enforcement and Royalties Limited, a TSX Venture Exchange listed company. Mr. Courtney has been investing in Ukraine for four years through Ucoco Energy and Ucoco Cyprus. Mr. Courtney is a graduate of the University of Manitoba (B.Comm.).

Neville Desmond Smith, aged 55, Chief Operating Officer

Mr. Smith is a geologist who has worked in the oil and gas business for over thirty years and is an honours graduate in geology from the University of British Columbia. Mr. Smith has held several senior executive positions with upstream oil and gas international companies including companies in Canada, the USA, Azerbaijan and Ukraine. He was president and CEO of Tai Energy Corporation, formerly a public Canadian oil and gas company and COO of A&B Geoscience Corporation (Arawak Energy Corp.). Mr. Smith has been working in the former Soviet Union since 1995 and in Ukraine for the last six years.

Glenn MacNeil, aged 48, Chief Financial Officer

Mr. MacNeil has been actively investing in the oil and gas business for over fifteen years and is a director of Hegco Canada, Inc. a Toronto Stock Exchange junior oil and gas company. Mr MacNeil holds a Bachelor of Business Administration degree (B.B.A.) and is also a Chartered Accountant (Canada), a Certified Management Accountant (Canada) and a Certified Public Accountant (USA). Mr MacNeil has also held a number of international senior executive positions with various publicly traded insurance companies over the past twenty years. In addition, he worked in public accounting with Deloitte and Touche. He is also a director of three FSA regulated companies and has been a director of a financial services company - Lancaster Sierra Capital Corporation, which trades on the Toronto Stock Exchange.

Stephen Vaughan Oakes, aged 52, Director, Non-Executive Director

Stephen Oakes has over 30 years experience in financial markets and is a Fellow of the Securities Institute. He begun his career with stockbrockers Vickers da Costa Ltd, becoming a Member of the Stock Exchange in 1984. In 1985 he joined the then James Capel & Co (now HSBC Investment Bank plc) as a portfolio manager. Increasing management responsibility culminated in the position of Chief Executive Officer, HSBC Investment Management, firstly in respect of the international business and subsequently as acting CEO of the combined UK and international operations. He left HSBC in December 2002 and in October 2003 he joined Alfred Henry Corporate Finance Limited. He is currently a director of Alltrue Investments Plc and Chief Executive Officer of Falcon Securities (UK) Ltd. He is also Chairman of Timestrip plc whose shares are traded on AIM.

Report of the Independent Auditors to the Shareholders of Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

We have audited the financial statements of Nostra Terra Oil and Gas Company plc for the period ended 31 December 2007, which comprise the consolidated income statement, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flows and the related notes on pages 22 to 45. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on page eight.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and as regard group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Director’s Report includes that specific information mentioned in the Chairman’s statement and Chief Executive’s statement that is cross referred from the Review of the Business and future Developments sections of the Directors’ Report.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors’ Report, the Chairman’s Statement, Corporate Governance Statement and Chief Executive Officer’s Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the Independent Auditors to the Shareholders of Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the state of affairs of the Company and the Group as at 31 December 2007 and of its loss and cash flows of the Group for the period then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRS's as adopted by the European Union as applied in accordance with provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regard the group financial statements, article 4 of the IAS regulation; and

- the information given in the Report of the Directors is consistent with the financial statements.

Jeffreys Henry LLP
Chartered Accountants and Registered Auditors

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

30 June 2008

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Consolidated Income Statement
for the period ended 31 December 2007

	Notes	11 Months to 31 December 2007 £000	Year ended 31 January 2007 £000
Revenue		30	1
Cost of sales		(16)	-
GROSS PROFIT		14	1
Administrative expenses		(362)	(77)
OPERATING LOSS	5	**(348)**	**(76)**
Finance costs	4	(32)	-
Finance income	4	5	4
LOSS BEFORE TAX		**(375)**	**(72)**
Tax expense	6	(7)	-
LOSS FOR THE PERIOD		**(382)**	**(72)**
Attributable to:			
Equity holders of the Company		(382)	(72)
Earnings per share expressed in pence per share:			
Basic and diluted (pence)	8	0.20	0.12

The notes form part of these financial statements

Included above is the loss of the subsidiary since the date of acquisition:

	2007
	£000
Subsidiary	
Nostra Terra Overseas Limited	(122)

Below are the combined revenues and profit of the enlarged Group from 1 January 2007 to 31 December 2007:

	2007
	£000
Revenue	30
Loss for the period	122

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Consolidated Statement of Changes in Equity
for the period ended 31 December 2007

	Share Capital £000	Share Premium £000	Accumulated deficit £000	Total £000
As at 1 February 2006	**63**	**170**	**(38)**	**195**
Shares issued	-	-	-	-
Loss after tax for the year	-	(3)	(72)	(75)
As at 31 January 2007	**63**	**167**	**(110)**	**120**
Shares issued	283	3,339	-	3,622
Loss after tax for the period	-	-	(382)	(382)
Equity to be issued	-	-	-	-
As at 31 December 2007	**346**	**3,506**	**(492)**	**3,360**

Share capital is the amount subscribed for share at nominal value.

Accumulated deficit represents the cumulative losses of the Company attributable to equity shareholders.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses. Share issue expenses in the year comprise costs incurred in respect of the issue of new shares on the London Stock Exchange's AIM market.

The notes form part of these financial statements

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Consolidated Balance Sheet
31 December 2007

	Notes	31 December 2007 £000	31 January 2007 £000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	9	4,211	-
Intangibles	10	510	-
Property, plant and equipment	11	76	-
		4,797	-
CURRENT ASSETS			
Trade and other receivables	13	193	2
Cash and cash equivalents	14	153	151
		346	153
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	296	33
Tax payable		7	-
		303	33
NET CURRENT ASSETS		43	120
NON-CURRENT LIABILTIIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	1,480	-
NET ASSETS		3,360	120
EQUITY AND RESERVES			
Called up share capital	17	346	63
Share premium	18	3,506	167
Retained earnings	18	(492)	(110)
		3,360	120

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2008 and were signed on its behalf by:

B W Courtney

30 June 2008

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Company Balance Sheet
31 December 2007

	Notes	31 December 2007 £000	31January 2007 £000
ASSETS			
NON-CURRENT ASSETS			
Fixed asset investments	12	4,839	-
		4,839	-
CURRENT ASSETS			
Trade and other receivables	13	54	2
Cash and cash equivalents	14	57	151
		111	153
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	288	33
		288	33
NET CURRENT ASSETS		(177)	120
NON-CURRENT LIABILITIES			
Financial liabilities – borrowings			
Interest bearing loans and borrowings	16	1,180	-
NET ASSETS		3,482	120
EQUITY AND RESERVES			
Called up share capital	17	346	63
Share premium	18	3,506	167
Retained earnings	18	(492)	(110)
Total shareholders' equity		3,482	120

The financial statements were approved and authorised for issue by the Board of Directors on 30 June 2008 and were signed on its behalf by:

B W Courtney - Director

30 June 2008

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc

Consolidated Cash Flow Statement
for the period ended 31 December 2007

	Notes	11 Months to 31 December 2007	Year ended 31 January 2007
		£000	£000
Cash flows from operating activities			
Cash generated/(consumed) by operations	1	123	(46)
Finance costs		(32)	-
Net cash from operating activities		91	(46)
Cash flows from investing activities			
Purchase of intangibles		(510)	-
Purchase of plant and equipment		(76)	-
Acquisition of subsidiaries		(203)	-
Interest received		5	4
Net cash from investing activities		(784)	4
Cash flows from financing activities			
Issue of new shares		695	(3)
Net cash from financing activities		695	(3)
Increase/(Decrease) in cash and cash equivalents		2	(45)
Cash and cash equivalents at beginning of period		151	196
Cash and cash equivalents at end of period		153	151
Represented by:			
Cash at bank		153	151

The notes form part of these financial statements

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Notes to the Group Cash Flow Statement
for the period ended 31 December 2007

1 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	11 Months to 31 December 2007	Year ended 31 January 2007
	£000	**£000**
Operating loss for the period	(348)	(76)
Operating cash flows before movements in working capital	(348)	(76)
Decrease in receivables	246	4
Increase in payables	225	26
Cash generated from operations	123	(46)

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Company Cash Flow Statement
for the period ended 31 December 2007

	Notes	11 Months to 31 December 2007	Year ended 31 January 2007
		£000	£000
Cash generated from operations	1	(161)	(46)
Finance costs		-	-
Net cash from operating activities		(161)	(46)
Cash flows from investing activities			
Acquisition of subsidiaries		(203)	-
Interest received		5	4
Net cash from investing activities		(198)	4
Cash flows from financing activities			
Intercompany loan advanced		(430)	-
Issue of new shares		695	(3)
Net cash from financing activities		265	(3)
(Decrease) in cash and cash equivalents		(94)	(45)
Cash and cash equivalents at beginning of period		151	196
Cash and cash equivalents at end of period		57	151
Represented by:			
Cash at bank		57	151

Nostra Terra Oil and Gas Company plc (formerly LHP Investment Plc)

Notes to the Company Cash Flow Statement
for the period ended 31 December 2007

1 **RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS**

	11 Months to 31 December 2007	Year ended 31 January 2007
	£000	£000
Operating loss for the period	(260)	(76)
(Increase)/Decrease in receivables	(52)	4
(Decrease)/Increase in payables	151	26
Cash consumed by operations	(161)	(46)

GENERAL INFORMATION

Nostra Terra Oil and Gas Company plc is a company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 1 of the financial statements. The principal activity of the Group is described on page 5. The Company changed to its present name on 19 July 2007 upon the successful acquisition of Nostra Terra (Overseas) Limited.

1. ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Group's financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (GAAP) until 31 January 2007. UK GAAP differs in some areas from IFRS. In preparing the Group and Company financial statements, management has considered certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with IFRS. The comparative figures in respect of 2007 were restated to reflect these adjustments, except as described in the accounting policies. Reconciliations and descriptions of the effect of the transition from GAAP to IFRS on the Group's equity and its net income and cash flows are provided in Note 24.

(a) Standards, amendment and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation, trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim Year on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards, amendment and interpretations effective in 2006

IFRS 1 (Amendment), First Time Adoption of International Financial Reporting Standards;
IAS 21 (Amendment), Net Investment in a Foreign Operation;
IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intercompany transactions;
IAS 39 (Amendment), The Fair Value Option; and
IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;

1. ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

(c) Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting Years beginning on or after 1 January 2006 but are not relevant to the Group's operations:
IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
IFRS 6, Exploration for and Evaluation of Mineral Resources;
IFRIC 4, Determining whether an Arrangement contains a Lease;
IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
IFRIC 6, Liabilities arising from Participating in a Specific Market waste Electrical and Electronic Equipment;

(d) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting Years beginning on or after 1 January 2007 but they are not relevant to the Group's operations:
IFRS 4, 'Insurance contracts';
IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies';
IFRIC 9, 'Re-assessment of embedded derivatives', and
IFRIC 11, 'IFRS 2 – Group and treasury share transactions'

(e) Interpretations to existing standards that are not yet effective and have not been adopted early by the Group.

The following interpretations to existing standards have been published and are mandatory for the Group's accounting years beginning on or after 1 January 2008 or later years but the Group has not adopted them:

IFRS 8, 'Operating segments '(effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to Groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

Notes to the Financial Statements (Continued)
for the period ended 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

(f) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting years beginning on or after 1 January 2008 or later years but are not relevant for the Group's operations:

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial Year of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. IAS 23 (Amended) is not relevant to the Group as there are no qualifying assets.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because the Group does not provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because the Group does not operate any loyalty programmes.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. IFRIC 14 is not relevant to the Group, as it does not have pension scheme in place.

Consolidation

Subsidiaries
Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

1. ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted the Group.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment
Tangible non-current assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and Machinery	-20% on cost

The asset's residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of Hydrocarbons and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Functional currency translation

i) Functional and presentation currency
Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is mainly Ukraine Hryvnia. The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency.

ii) Transactions and balances
Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii) Group companies
The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

1. ACCOUNTING POLICIES (CONTINUED)

iii) Group companies

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differed from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Operating leases
Rental leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement.

Segment reporting
A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

1. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments is considered indicators that the trade receivable is impaired.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the balance sheet date approximated their fair values, due to relatively short term nature of these financial instruments.

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

1. ACCOUNTING POLICIES (CONTINUED)

Share-based compensation
The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Oil and Gas assets
The Group applies the successful efforts method of accounting for oil and gas assets and has adopted IFRS 6 Exploration for and Evaluation of Mineral Resources.

Exploration and evaluation ("E&E") assets
Under the successful efforts method of accounting, all licence acquisition, exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate, pending determination. Expenditure incurred during the various exploration and appraisal phases is then written off unless commercial reserves have been established or the determination process has not been completed.

Pre-licence costs
Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation ("E&E") costs
Costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group's drilling rigs, seismic equipment and other property, plant and equipment used by the Company's exploration function) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property, plant and equipment utilised in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

E&E costs are not amortised prior to the conclusion of appraisal activities.

1. ACCOUNTING POLICIES (CONTINUED)

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets relating to each exploration licence/prospect are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves are discovered the carrying value, after any impairment loss of the relevant E&E assets, is then reclassified as development and production assets. If, however, commercial reserves are not found, the capitalised costs are charged to expense after conclusion of appraisal activities.

Development and production assets

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads and the cost of recognising provisions for future restoration and decommissioning.

(i) Depletion, amortisation and impairment of oil and gas assets

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs to access the related commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in an oil and gas asset, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the income statement as additional depletion and amortisation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

Notes to the Financial Statements (Continued)
for the period ended 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

(a) Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

(b) Impairment of property, plant and equipment
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

(c) Recoverability of exploration and evaluation costs
E&E assets are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to (i) the likely future commerciality of the asset and when such commerciality should be determined, and (ii) future revenues and costs pertaining to the asset in question, and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

(d) Share based payments
Note 2 sets out the Group's accounting policy on share based payments, specifically in relation to the share options and warrants that the Company has granted. The key assumptions underlying the fair value of such share based payments are discussed in note 27. The fair value amounts used by the Group have been derived by external consultants using standard recognised valuation techniques.

Going concern
After making appropriate enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

2. SEGMENTAL ANALYSIS

In the opinion of the directors, the operations of the Group comprise one class of business, being oil and gas exploration, development and production and the sale of hydrocarbons and related activities; and in only one geographical area, the Ukraine.

The revenues in 2007 derive from fees charged .

3. EMPLOYEES AND DIRECTORS

	11 Months to 31 December 2007	Year ended 31 January 2007
	£000	**£000**
Wages and salaries	20	-
Social security costs	117	-
	137	-

The average monthly number of employees (including directors) during the year was as follows:

	Number	Number
Directors	5	3
Operations	4	-
	9	3

	£000	£000
Directors' fees	117	-

4. NET FINANCE COSTS

	11 Months to 31 December 2007	Year ended 31 January 2007
	£000	**£000**
Finance income:		
Deposit account interest	5	4
Finance costs:		
Loan interest	32	-
Net finance costs	27	4

5. OPERATING PROFIT FOR THE PERIOD

The operating profit for the period is stated after charging/(crediting):

	11 Months to 31 December 2007 £000	Year ended 31 January 2007 £000
Auditors' remuneration	15	6
Non –audit fees - Corporate finance services	80	19
Foreign exchange differences	10	-

The analysis of administrative expenses in the consolidated income statement by nature of expense:

	11 Months to 31 December 2007 £000	Year ended 31 January 2007 £000
Employment costs	20	-
Directors fees	117	-
Consultancy fees	14	
Travelling and entertaining	14	-
Legal and Professional Fees	81	-
Establishment costs	38	64
Other expenses	66	13
	362	77

6. INCOME TAX EXPENSE

The tax charge on the profit for the year was as follows:

	11 months to 31 December 2007 £000	Year ended 31 January 2007 £000
Current tax:		
Corporation tax	-	-
Overseas Corporation tax	7	-
Total	7	-
Loss before tax	(375)	(72)

6. INCOME TAX EXPENSE (Continued)

	11 Months to 31 December 2007 £000	Year ended 31 January 2007 £000
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2007 - 30%)	(112)	(22)
Effects of:		
Non deductible expenses	30	-
Other tax adjustments	82	22
Foreign tax	7	-
	119	-
Current tax charge	7	-

At 31 December 2007 the Group had excess management expenses to carry forward of £369,500 (31 January 2007 - £111,000) and trading losses of £185,000. The deferred tax asset on these tax losses of £150,000 (31 January 2007 - £21,000) has not been recognised due to the uncertainty of recovery.

7. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period was £260,000 (31 January 2007 - £72,000).

8. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares being those share options granted to employees and suppliers where the exercise price is less than the average market price of the Group’s ordinary shares during the year and Convertible loans.

Details of the adjusted earnings per share are set out below:

	11 Months to 31 December 2007 £000	Year ended 31 January 2007 £000
Basic EPS		
Earnings attributable to ordinary shareholders (£)	(382)	(72)
Weighted average number of shares	191,848,170	62,750,000
Weighted average number of shares on diluted basis	146,379,299	110,893,607
Basic and diluted EPS (pence)	**0.20**	**0.12**

9. GOODWILL

Group

	£000
COST	
Additions	4,211
At 31 December 2007	4,211
CARRYING AMOUNT	
At 31 December 2007	4,211
At 31 January 2007	-

Goodwill additions in 2007 arose on the acquisition of Nostra Terra (Overseas) Limited.

The Group assesses at each reporting date whether there is an indication that the goodwill may be impaired, by considering the net present value of discounted cash flows forecasts. If an indication exists an impairment review is carried out. At the year end, there was no indication of impairment of the value of goodwill.

The fair value of consideration and net assets acquired for Nostra Terra (Overseas) Limited is as follows:

	£000
Investments	
Consideration –Loan notes	1,279
Consideration – shares	2,927
Legal and professional fees	203
	4,409
Fair value of net assets acquired	
Receivables	437
Payables	(239)
Net liabilities	198
Goodwill	4,211

10. INTANGIBLES

Group

	Totals £000
COST	
Additions	510
At 31 December 2007	510
AMORTISATION	
Amortisation for the period	-
At 31 December 2007	-
CARRYING VALUE	
At 31 December 2007	510
At 31 January 2007	-

Exploration and evaluation assets are assessed for impairment when circumstances suggest that the carrying value may exceed its recoverable value.

The intangible asset above represents the purchase of 25% interest in the Oktyabroske field Licence for US1,012,500 from Anglo Crimean Oil Company, the vendor of Nostra Terra (Overseas) Limited.

Oktyabroske field Licence

An agreement between the State Geological Enterprise Krymgeologia" and the Nostra Terra (Overseas) Limited representation dated 27 January 2001, as amended pursuant to which the parties agreed jointly to explore and exploit the hydrocarbon fields included in the Tatyanovskoe Licence, Oktyabrskoe Licence and Kovylnenskaya Licence (together the "Licences") including drilling of new wells as well as completion of wells, along with production, transportation and sale by both parties. The Joint activity arrangement is managed by a management committee, which approves the work programme and budgets. Fulfilment of the programme is to be subcontracted to Krymgeologia and the financing provided by the representation.

The parties have the right to obtain their share of the production either in natural or in monetary form. Earnings derived from the hydrocarbons extracted under the license(s), after payment of taxes and all other fees, are to be used sixty per cent. to recover the capital expenses of the Representative and Krymgeologia in proportion to their investment; and the remaining forty per cent. to be distributed before recovery of capital expenses as seventy per cent. to the Representative and thirty per cent. to Krymgeologia and after recovery sixty per cent. to the Representative and forty per cent. to Krymgeologia.

The JAA is for the term of 25 years from the date of execution on 27 January 2001.

11. PROPERTY, PLANT AND EQUIPMENT

Group

COST	Plant and equipment £000	Totals £000
Additions	76	76
Acquisition of subsidiary	72	72
At 31 December 2007	148	148
DEPRECIATION		
Charge for the period	-	-
Acquisition of subsidiary	72	72
At 31 December 2007	72	72
CARRYING VALUE		
At 31 December 2007	76	76
At 31 January 2007	-	-

12. FIXED ASSET INVESTMENTS

Company

COST	Shares £000	Loans £000	Total £000
Additions	4,409	430	4,839
At 31 December 2007	4,409	430	4,839

In the opinion of the directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

The details of the subsidiaries are as set out below:

	Country of incorporation	Nature of business
Nosta Terra (Overseas) Limited	Cyprus	Oil and Gas exploration

12. FIXED ASSET INVESTMENTS

The Company acquired the whole issued share capital of Nostra Terra (Overseas) Limited on 20 June 2007 for a total consideration of £4,409,000.

The consideration was satisfied by the issue of 149,126,472 ordinary shares of 0.1p each at a fair value of 2p and the issue of promissory notes of £1,278,714. The legal and professional fees on the acquisition totaled £203,000.

The results of the subsidiary as at 31 December 2007 are as follows:

	£000
Aggregate capital and reserves	94
Loss for the year	(122)

13. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	31 December 2007 £000	**31 January 2007 £000**	**31 December 2007 £000**	**31 January 2007 £000**
Current:				
Trade receivables	-	2	-	2
Other receivables	106	-	-	-
Other taxes receivables	87	-	54	-
	193	2	54	2

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	31 December 2007 £000	**31 January 2007 £000**	**31 December 2007 £000**	**31 January 2007 £000**
Bank current accounts	153	151	57	151

Notes to the Financial Statements (Continued)
for the period ended 31 December 2007

15. TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2007 £000	31 January 2007 £000	31 December 2007 £000	31 January 2007 £000
Current:				
Trade payables	175	-	175	-
Social security and other taxes	7	-	-	-
Accruals and deferred income	115	33	107	33
Other payables	6	-	6	-
	303	33	288	33

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing expenses.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

16. FINANCIAL LIABILITIES - BORROWINGS

Maturity of the borrowings is as follows:

	Group		Company	
	31 December 2007 £000	31 January 2007 £000	31 December 2007 £000	31 January 2007 £000
Repayable within one year on demand	-	-	-	-
	-	-	-	-
Repayable between one and five years:				
Loan notes	1,480	-	1,204	-
	1,480	-	1,204	-

On 25 June 2007 the Company issued pursuant to the Share Purchase Agreement a promissory note in the sum of US$1,838,928 to be issued to the Vendors of Nostra Terra (Overseas) Limited.

The Company will be obliged to repay the sums due under the terms of the promissory note quarterly in arrears based on the group's cashflow from all of its Wells which have been producing for at least 30 days for the most recently completed quarter. No repayments shall be made until the net income from such Wells exceeds US$225,000 for the relevant quarter.

16. FINANCIAL LIABILITIES - BORROWINGS

On 25 June 2007 the Company issued £327,679.38 of zero coupon Creditors Convertible Loan Stock 2008 to the Nostra Terra (Overseas) Limited Vendors. The principal amount of the Creditors Convertible Loan Stock is convertible at the rate of one Ordinary Share for each 2p of the principal amount of the Stock in the period to 25 June 2008. The stock is to be repaid on or before 31 December 2008. The Company may give notice at any time to convert any stock at 120 per cent. of its nominal value.

On 25 June 2007 the Company issued £88,483 of zero coupon Creditors Non-convertible Loan Stock 2008, to be issued to the Vendor under the Acquisition Agreement. The Redeemable Loan Stock may be redeemed at any time by the Company and is repayable on or before 31 December 2008.

Loan notes issued by Nostra Terra (Overseas) Limited

On 25 May 2007 a promissory note was issued in the sum of US$436,460 which bears interest at 4.9% per annum.

Repayment of the sums due under the terms of this promissory note is to be quarterly in arrears based on cashflow from the group's Wells which have been producing for at least 30 days for the most recently completed quarter. No repayments shall be made until the net income from such Wells exceeds US$225,000 for the relevant quarter.

On 10 May 2006 a promissory note in the sum of US$159,744.50 was issued.

17. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	**31 December 2007** £000	**31 January 2007** £000
1,500 million /1,000 million	Ordinary	0.1p	1,500	1,000

Allotted, called up and fully paid:

Number:	Class:	Nominal value:	**31 December 2007** £000	**31 January 2007** £000
346,424,522/62,750,000	Ordinary	0.1p	346	63

On 19 July 2007, the Company increased its authorised share capital to £1.5 million by the creation of 500 million ordinary shares of 0.1p each

The share issues in the period and after the period are noted below.

Notes to the Financial Statements (Continued)
for the period ended 31 December 2007

17. CALLED UP SHARE CAPITAL

Date	Number of ordinary shares of 0.1p	Issue price pence	Purpose
19 July 2007	149,126,472	2.0	Acquisition of subsidiary
19 July 2007	70,000,000	0.5	Placing
19 July 2007	20,000,000	0.1	Fee for convertible loan facility
23 August 2007	1,673,050	2.0	Debt settlement
11 September 2007	20,000,000	0.5	Draw down on convertible facility
24 September 2007	2,875,000	2.0	Debt settlement
28 November 2007	20,000,000	0.5	Draw down on convertible facility
29 January 2008	20,000,000	0.5	Draw down on convertible facility
22 February 2008	20,000,000	0.1	Exercise of warrants
13 May 2008	53,333,332	0.75	Placing

18. RESERVES

Group	Retained earnings £000	Share premium £000	Totals £000
At 1 February 2007	(110)	167	57
Shares issued in the period	-	3,339	3,339
Loss for the period	(382)	-	(382)
At 31 December 2007	(492)	3,506	3,014

Company	Retained earnings £000	Share premium £000	Totals £000
At 1 February 2007	(110)	167	57
Shares issued in the period	-	3,339	3,339
Loss for the period	(260)	-	(260)
At 31 December 2007	(370)	3,506	3,014

19. RISK AND SENSITIVITY ANALYSIS

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, foreign currency risk, capital risk and credit risk. The Group's activities also expose it to non-financial risks: market, legal and environment risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Capital risk
The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Market risk

The Group also faces risks in conducting operations in Ukraine which include but are not limited to:

- The political situation in Ukraine could adversely affect the Group and its business could be harmed if governmental instability recurs.
- Economic instability in Ukraine could adversely affect the Group's business.
- Fluctuations in the global or Ukraine economies could disrupt the Group's ability to operate its business in Ukraine and could discourage foreign and local investment and spending, which could adversely affect its production.
- Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity.

Legal and environmental risk in Russia

The Group faces legal and environmental risks in conducting operations in Ukraine which include but are not limited to:

- The Ukraine government can mandate deliveries of oil and refined products at less than market prices, adversely affecting the Group's revenue and relationships with other customers.
- Unlawful, selective or arbitrary government action may have an adverse effect on the Group's business .
- Ukraine's developing legal system creates a number of uncertainties for the Group's business.
- If the Group is found not to be in compliance with applicable laws or regulations, it could be exposed to additional costs, which might hinder the Group's ability to operate its business.
- Ukraine's unpredictable federal and local tax system gives rise to significant uncertainties and risks that complicate the Group's tax planning and business decisions.
- Ukraine's legislation may not adequately protect against expropriation and nationalisation.

19. RISK AND SENSITIVITY ANALYSIS (continued)

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Foreign currency risk
The Group reports its results in Pounds Sterling. A significant share of the exploration and development costs and the local operating costs are in are in Ukraine Hryvnia. Any change in the relative exchange rates between Pounds Sterling, and the Ukraine Hryvnia could positively or negatively affect the Group's results.

The fund raising in 2007 was in Pounds Sterling.

Volatility of crude oil prices
A material part of the Group's revenue will be derived from the sale of oil that it expects to produce. A substantial or extended decline in prices for crude oil and refined products could adversely affect the Group's revenues, cash flows, profitability and ability to finance its planned capital expenditure. In addition, the Group intends to sell a portion of its crude oil in the Ukraine market, and although these prices have improved recently, prices for crude oil in the Ukraine market have historically been lower than in the international market.

Liquidity risk
The Group expects to fund its exploration and development program, as well as its administrative and operating expenses throughout 2008 principally, using a combination of the proceeds from the fundraising on Admission, existing working capital, expected proceeds from the sale of future crude oil production, and the anticipated exercise of outstanding share warrants.

20. FINANCIAL COMMITMENTS

Operating lease commitments
There are no significant operating lease obligations at the year end.

Capital commitments

There was no capital expenditure contracted for at the balance sheet dates but not yet incurred.

21. RELATED PARTY TRANSACTIONS

The Group had at 31 December 2007 advanced a loan of £106,000 to the JAA (see note 10) and charged management fees of £76,000.

L E V Knifton and S V Oakes had guaranteed a convertible loan facility of £300,000 during the year.

The Company had advanced its subsidiary an amount of £430,000 which was still outstanding at the year end.

22. SHARE-BASED PAYMENTS

There is no charge for share-based payments as the fair values at the date of grant were below the exercise prices:
The details of the warrants are as follows:

	Issue Date	end date	Exercise price	No of warrants	No of Warrants
'A' Warrants					
Falcon Securities	02/02/2005	23/02/2012	2p	2,500,000	2,500,000
Founders Warrants					
Karin Haugen	02/02/2005	01/02/2008	0.1p	500,000	500,000
GCIT Foundation	02/02/2005	01/02/2008	0.1p	500,000	500,000
Leo Knifton	02/02/2005	01/02/2008	0.1p	333,334	333,334
Stephen Oakes	02/02/2005	01/02/2008	0.1p	333,333	333,333
Nigel Weller	02/02/2005	01/02/2008	0.1p	333,333	333,333
				2,000,000	
'B' Warrants					
Cairns Investment Holdings Ltd	25/06/2007	19/07/2008	1.5p	400,000	
Kerry Knoll	25/06/2007	19/07/2008	1.5p	160,000	
				560,000	
'C' Warrants					
Blomfield Corporate Finance	25/06/2007	30/04/2012	2p	4,000,000	
Falcon Securities Limited	25/06/2007	30/04/2012	2p	5,000,000	
				9,000,000	
				14,060,000	**4,500,000**

	Issue Date	end date	Exercise price	No of warrants	No of Warrants
'A' Warrants					
Falcon Securities	02/02/2005	23/02/2012	2p	2,500,000	2,500,000
Founders Warrants					

The fair values of the options granted have been calculated using Black-Scholes model assuming the inputs shown below:

Share price at grant date	1.5p
Exercise price	As above
Option life in years	As above
Risk free rate	4.4%
Expected volatility	10%
Expected dividend yield	0%
Fair value of option	0p

23. EXPLANATION OF TRANSITION TO IFRS

There have been no adjustments or restatements to the reported financial position, financial performance and cash flows of the group and the Company resulting from the transition to IFRS from UK GAAP with effect from 1 February 2007.

24. ULTIMATE CONTROLLING PARTY

The Company is quoted on the AIM market of the London Stock Exchange. At the date of the annual report there was no one controlling party.