Annual Report

2018

Nostra Terra

OIL & GAS COMPANY PLC


QUASAR

Contents

Who we are

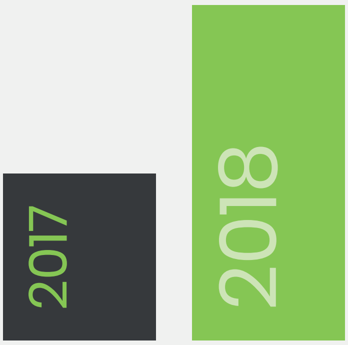
Nostra Terra is an oil and gas exploration and production company focused on established hydrocarbon provinces in the USA and Egypt.

Highlights

Revenue

$2,267,000

2017: $1,453,000
↑ 56%



Revenue less production costs

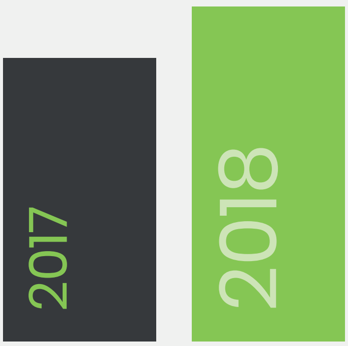
$942,000

2017: $180,000
↑ 423%

Sales Volume

37,384 BOE

2017: 30,703
↑ 22%

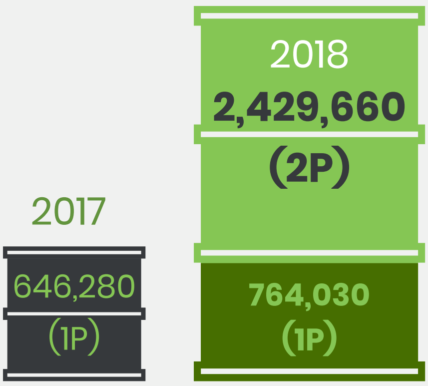


Reserves

NET PROVEN AND PROBABLE RESERVES (2P)

2,429,660 BOE

1P 18% ↑
2P 276% ↑



Highlights (cont.)

Nostra Terra Oil & Gas plc

Nostra Terra Oil and Gas is focused on achieving profitable, rapid and sustainable growth within established hydrocarbon provinces, such as the USA and Egypt. Our goal is to generate returns for our shareholders by acquiring and managing a growing portfolio of both new and mature oil and gas assets, to which we can add significant additional value through modern technology and commercial expertise.

Why Invest?

Established revenue generating producer at operating level

Risk/Reward metrics are attractive

Experienced team with significant knowledge in growing oil and gas portfolios globally

Increasing revenue proposition with ambitious targets for 2019 and beyond

Access to the latest technology in the US to extract further value from existing and potential new assets

Core strategy of establishing long-term revenue streams

Highlights

Revenue for the period increased 56% to $2,267,000 (2017: $1,453,080)

Production for the period increased 22% to 37,384 BOE (USA Only) (2017: 30,703)

2 new vertical wells drilled and put into production in the Permian Basin

- 1st well beat expectations, reaching 100% payback in year one
- 2nd well met expectations

Successful workovers at Pine Mills to increase production

276% increase in net 2P (Proved & Probable) reserves to 2,429,660 barrels of oil, up from 646,280 barrels of oil (1P at Pine Mills and Permian Basin from 2017)

- Total Proved & Probable Future Net Income ("FNI") estimated at $58.65 million
- Net Present Value at 9% discount ("NPV9") estimated at $23.93 million

Mesquite Asset acquisition in the Permian Basin

- Increased Permian Basin acreage by 308%

$5,000,000 Senior Lending Facility, with 4.75% interest rate with initial borrowing base of $1,200,000 increased to $1,950,000 at 31 December 2018, with a variable rate of the greater of 4.25% and WSS Rate plus 25 basis points

Net Proved reserves of 764,030 barrels of oil (1P)

- Increase primarily due to drilling and development of existing Permian Basin assets during H1 2018
- Total Proved FNI estimated at $14.96 million
- Total Proved NPV9 estimated at $7.54 million

Net Probable reserves of approximately 1,665,630 barrels of oil

- Increase attributable entirely to Mesquite
- Total Probable FNI estimated at $43.69 million
- Total Probable NPV9 estimated at $16.39 million

Cost of Sales as a percent of revenue decreased by 15%

Lifting costs per barrel decreased to $32.06 per barrel (2017: $38.72 per barrel)

Post Balance Sheet Highlights

Twin Well (Permian Basin) reached 100% payback in year one

Engineered Economics for Mesquite

Additional leasing expanded footprint at Mesquite

East Ghazalat, hearing held in London, in May, with conclusion anticipated during the second half of 2019

Placing raised additional £1,150,000 cornerstoned by institutional investor

Initiation of Research by Shard Capital Partners LLP

Strategic Report

Chairman’s Report

During 2018, the price of oil continued its overall upward trend, underpinning the recovery of the oil industry with an average price much higher than 2017, and although it dipped towards the end of the year, it has since recovered.

Nostra Terra was well positioned to benefit from this increase in the oil price. The Company’s production from the Pine Mill’s field in Texas has been stable to growing, having achieved rates well in excess of those on acquisition in 2017. This is currently the core cash flow asset for Nostra Terra and the stability, and potential to increase production, is not only a testament to the Company’s field operations but also the original acquisition itself.

In 2018, Nostra Terra successfully drilled two wells in the Permian Basin which had the benefit of diversifying and adding to the Company’s production base and revenue stream. The results from both these wells was in line with expectations.

It is worth reflecting on the above achievements as it represents the successful execution of Nostra Terra’s strategy through organic growth and acquisition to establish long-term revenue streams which contribute positively to the broader activities of the Company.

This success led to considering how greater growth rates could be achieved, which resulted in a pause in drilling activity in the latter half of 2018. The conclusion to this was the acquisition of the Mesquite asset in the Permian Basin. Following technical work undertaken by Trey Resources Inc., it was determined that a successful Mesquite well has the potential to add initial estimated production of 265 barrels of oil per day and would be immediately transformative for Nostra Terra. In addition, the wider Mesquite play and well locations that are in the Company’s inventory would allow for potential multiples of this to be achieved with further follow up drilling.

In Egypt, the Company’s interest in the East Ghazalat field is the subject of an arbitration process which is expected to be concluded in the second half of 2019.

The lifeblood of any producing oil company is its reserves as this represents the latent barrels which could be produced in the future. I am pleased to report that in early 2019 Nostra Terra increased its proven and probable reserves to 2,429,660 barrels of oil, a 276% increase, with a net present value using a 9% discount rate of $24 million, which bodes well for the future. This increase was not solely due to the addition of Mesquite resources but also an overall increase in the existing producing

assets, more than offsetting production.

In the early part of 2018, Nostra Terra concluded a $5 million Senior Lending Facility with Washington Federal Bank, at an initial interest rate of 4.75% and a starting borrowing base of $1.2 million. This then increased to $1,950,000, with a rate of 5.75%. This facility has provided financial flexibility allowing the Company to achieve the success that it has had during 2018 both through drilling and the acquisition of the Mesquite asset.

Nostra Terra now has the enviable challenge, which successful growing companies face, of funding and managing growth. Having a solid foundation of producing assets and a proven track record provides multiple options. A sign of this transformation is that funding is not now sought to cover overheads and the cost of the management team but directly into growing the Company and seeking material step changes in value, cash flow and profit.

The future of Nostra Terra has never looked brighter. We have continued to deliver on our strategy to build secure, long-term, profitable production. From this solid foundation, our intention is to build on this further with material organic growth from the Mesquite asset, whilst being ever vigilant for other opportunities consistent with the Company's strategy.

I would like to thank our shareholders for their continued support and look forward to reporting more progress in future.

Ewen Ainsworth
(Non-Executive) Chairman
28 June 2019

Chief Executive Officer's Report

Our goal in 2018 was to build a firm foundation based on producing assets that generate positive cashflow to support the plc, while adding new assets that allowed us the ability to take much larger, more meaningful steps in adding production and reserves. We continue to build the foundation and during the year acquired a new asset, the Mesquite Asset, which provides a significant opportunity.

Revenues for the year were $2,267,000 an increase of 56% from 2017. Revenue less production costs for the year were $942,000, and with the addition of the positive contribution of $227,000 from hedging, operations provided a total of $1,169,000 towards investment and administrative and finance expenses. This demonstrates the underlying cash generation and strength of the production led strategy that Nostra Terra has been pursuing and successfully implemented. The Company didn't undertake any placings during the year to raise additional funds, however, warrants were exercised, raising an additional £635,700 early in the year. Production and operations continued to perform strongly with highlights being:

- 22% increase in production to 37,384 bopd
- 15% reduction in cost of sales per barrel
- 17% reduction in lifting costs to $32.06

Continued growth in production rates is anticipated as workovers continue, which combined with managed operated costs provides a favourable environment for net cashflows from operations. With recent acquisitions and prudent operational management, we believe we can deliver a step change in materiality and multiples of current production and revenues.

United States

Pine Mills – Texas (100% Working Interest)

In the Pine Mills oil field during the second half of 2018, our operations team reactivated previously shut-in wells and performed workovers on several others. This intervention led to an increase in production (briefly >150 bopd from just four wells) which in turn has required an upgrade of facilities to handle the additional fluid volumes. This work is largely complete and we anticipate Pine Mills continuing to be a significant contributor to net cash flow in the short to medium term.

Permian Basin – Texas (50 – 75% Working Interest)

In prior years, we made three different acquisitions in the Permian Basin. These were leases that had existing, albeit nominal rates of, production. The reason for the acquisitions was to gain upside through additional drilling locations on the leases, in a proven oil field, and during a lower oil price environment.
In 2018, we brought two new wells into production. The first well paid out in under one year, meaning production rates were strong enough to generate a return of all our well costs in a rapid manner. The second well is performing to expectations. We have numerous other potential drilling locations that we keep in inventory to potentially drill in the future.

Mesquite – Permian Basin Texas (100% Working Interest)

In October 2018, we acquired the Mesquite Asset in the Permian Basin. The field is proven to produce from multiple stacked-pay reservoirs with long-established producing vertical wells that were drilled on 40 acre spacing. In recent years operators have successfully drilled wells with tighter spacing.

On this basis, the Mesquite Prospect has the potential to be developed with 35-70 vertical well locations dependent on spacing. Nostra Terra believes the Mesquite Prospect has much greater development potential if drilled horizontally. The target formations at the Mesquite Prospect are "tight", meaning the oil-bearing rock formations are of low permeability. As such, they have characteristics that make them ideal targets for horizontal drilling and have delivered substantial oil production in other nearby areas of the Permian Basin. This combination of multiple stacked pay targets and the potential uplift provided by drilling horizontally supports our view that the Company can provide multiples in terms of production and revenues from this acquisition.

Egypt

East Ghazalat – Western Desert (50% Working Interest)

This is a producing asset where Nostra Terra owns a non-operated interest in the asset. The asset has scope for increased production through workovers of existing wells, drilling new exploration and development wells, and development of the South Dabaa gas discovery. There is a dispute regarding the Joint Operating Agreement that is currently going through an arbitration process held at the London Court of International Arbitration. A hearing was held in May, with conclusion anticipated during the second half of 2019.

Senior Lending Facility

At the beginning of 2018, Nostra Terra secured a new $5 million Senior Lending Facility. The initial borrowing base was $1.2 million at a 4.75% interest rate, later increased to $1.95 million at the end of 2018 with a variable rate of the greater of 4.25% and WSS Rate plus 25 basis points. This flexible facility provides an attractive opportunity to use non-dilutive funds to grow the Company. During Q1 2019, we raised an additional £1,150,000, without a discount to the prevailing bid of Nostra Terra's share price, allowing us to bring a new institutional investor to the Company. I'm very pleased to welcome them as a shareholder as we begin to drill the Mesquite Asset. Shard Capital Partners were brought on as a new broker to the Company and managed the placing. In addition, Shard Capital initiated coverage in May 2019. We believe all these steps are very positive for a Company of our size.

Outlook

Nostra Terra is positioned for strong growth potential, in particular with the new Mesquite Asset. Our focus for 2019 is to get the initial wells drilled and producing on this asset, while also looking for further opportunities to expand our portfolio. We believe this can be the catalyst to deliver multiples in production and revenues for our shareholders. As always, I want to thank our shareholders for their support and look forward to updating shareholders throughout the year.

Matt Lofgran
Chief Executive Officer
28 June 2019

Strategic Report

The directors now present their Strategic Report with the financial statements of Nostra Terra Oil and Gas Company plc ("the company") and its subsidiaries (collectively "the group") for the year ended 31 December 2018.

Principal activity

The group's principal activity is the exploitation of hydrocarbon resources focusing at present in the USA and Egypt.

Review of business, future developments, trading outlook and future strategy

The results for the year and financial position of the company and the group are shown in the financial statements from page 46, and are noted in the Chairman's Report on page 12 and the Chief Executive Officer's Report on page 14.

Key performance indicators

At this stage in the Company's development, the directors regularly monitor key performance indicators associated with managing liquid resources, namely: cash flows and bank balances; general administrative expenses, which are tightly controlled; and the level of production. The directors also monitor the change in net production which in 2018 increased to 37,384 BOE (USA only).

Key risks and uncertainties

The key risk in exploration and production is the technical risk of not finding hydrocarbons when an exploration well is drilled. While the US mid-continent is a proven hydrocarbon region and is seeing resurgence through the application of new drilling and well completion technologies, there are environmental and economic risks, as there are in any hydrocarbon region. Further information relating to risk can be found on note 24 of these accounts

On behalf of the board:

M B Lofgran

Director

28 June 2019

Directors' Report

The directors present their report with the financial statements of Nostra Terra Oil and Gas Company plc ("the company") and its subsidiaries (collectively "the group") for the year ended 31 December 2018.

The directors' remuneration for the year is summarised as follows:

	Salaries $	Fees $	Share-Based Compensation $	Total $
M B Lofgran	250,000	-	1,442	251,442
K E Ainsworth	-	121,647	481	122,128
J Stafford	-	40,037	361	40,038
	250,000	161,684	2,284	413,968

The directors' remuneration for the year ended 31 December 2017 is summarised as follows:

	Salaries $	Fees $	Share-Based Compensation $	Total $
M B Lofgran	195,000	-	39,149	234,149
K E Ainsworth	-	65,642	13,420	79,062
J Stafford	-	35,420	7,928	43,348
	195,000	**101,062**	**60,497**	**356,559**

There were no benefit-in-kind payments during the year.

More detail on the Share options issued to Directors' during the year are disclosed within the share based payment note together with the outstanding options and warrants at the year end, please refer to note 22.

Directors

The following directors have held office since 1 January 2018:

M B Lofgran K E Ainsworth J Stafford

At 31 December 2018, the directors' beneficial interests in the company's issued share capital were as follows:

	31.12.18		31.12.17	
	No of ordinary shares of 0.1`p each	**Percentage of issued share capital**	**No of ordinary shares of 0.1p each**	**Percentage of issued share capital**
M B Lofgran	5,975,976	4.06	5,975,976	4.76
K E Ainsworth	3,079,267	2.09	2,502,063	1.99
J Stafford	-	-	-	-

Remuneration Committee and policy

The Remuneration Committee takes into account both group and individual performance, market value and sector conditions in determining directors' remuneration. The group's policy is to pay only minimum salaries compared with peer companies in the oil and gas sector, until the group has established a good position with acreage, assets, income and cash at hand. All current salaries are without pension benefits.

Substantial shareholders

As at 28 June 2019, the Company was aware of the following interests in its issued share capital:

	No of ordinary shares of 0.1p each	**Percentage of issued share capital**
JIM NOMINEES LIMITED	53,858,070	27.32
THE BANK OF NEW YORK (NOMINEES) LIMITED	19,791,666	10.04
INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED	15,281,941	7.75
BARCLAYS DIRECT INVESTING NOMINEES LIMITED	9,999,387	5.07%
HSDL NOMINEES LIMITED	9,793,738	4.97%
INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED	6,844,792	3.47%
JIM NOMINEES LIMITED	6,736,468	3.42%
HARGREAVES LANSDOWN (NOMINEES) LIMITED	6,214,520	3.15%
HARGREAVES LANSDOWN (NOMINEES) LIMITED	5,948,828	3.02

Results and dividends

The loss for the year was $930,000, which has been allocated against reserves. No dividends will be distributed for the year ended 31 December 2018.

Political and charitable contributions

The group made no political or charitable contributions during the year.

Events after the reporting period

Refer to note 25 for details.

Publication of accounts on company website

The company publishes financial statements on its website. The directors are responsible for the website's maintenance and integrity, and their 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. The group maintains 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 United States Dollars ($). The group maintains a natural hedge that minimises its foreign exchange exposure by matching foreign currency income

with foreign currency costs. For the time being, the group does not consider it necessary to enter into foreign exchange contracts to manage its foreign currency risk, given the nature of its business.

Listing

The Company's ordinary shares have been quoted on the AIM market of the London Stock Exchange since 20 July 2007. Strand Hanson Limited is the Company's nominated advisor and joint broker. Shard Capital Stockbrokers is the Company's joint broker.

The closing mid-market price at 31 December 2018 was 2.45p (2017: 4.35p).

Going concern

The directors believe that, based on the forecasts and projections they have prepared, the resources available will be sufficient for the Company and its subsidiaries to continue as a going concern for the foreseeable future when taking into account proceeds generated from production and the post year end share issue. Going concern is discussed more fully in Note 1 of the accounts

The Directors have concluded that this combination of circumstances should they not materialise represents uncertainty upon the Company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described and disclosed in note 1 of the accounts, above, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence

for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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 (IFRSs) 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 judgments 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; and
- 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 2006. 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 418 of the Companies Act 2006) 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

In accordance with Section 485 of the Companies Act 2006, a resolution that Jeffreys Henry LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

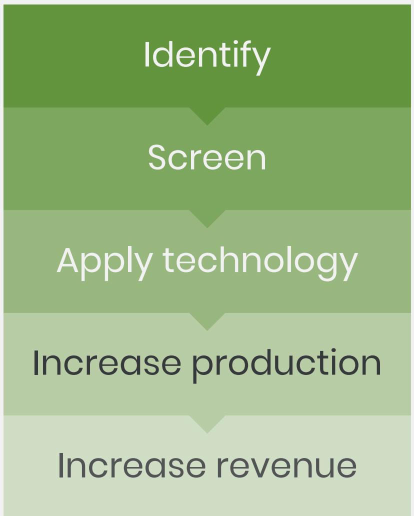
On behalf of the board:

M B Lofgran
Director
28 June 2019

Business Model

Nostra Terra Oil and Gas is focused on achieving profitable, rapid and sustainable growth within established hydrocarbon provinces, such as the USA and Egypt.

We see the scope for sustained profitable growth, throughout many well-established hydrocarbon systems, as virtually unlimited. Our business model is to continue upgrading our exploration and production portfolio by identifying, screening and investing in a diverse pipeline of upstream assets, targeting the most attractive established hydrocarbon areas. Most of them will be exploited by drilling and completing horizontal wells in formations where these techniques have not been widely applied, in order to achieve maximum value potential.



Strategy and KPIs

Our Strategy

1. **Grow Production and Reserves from Permian Basin and Pine Mills**
2. **Increase cashflow from production growth**
3. **Acquisitions when suitable**
4. **Use technological advancements to extract further value from maturing assets**
5. **Further develop strategic partnerships with potential farm-in partners and cornerstone investors**

KPIs

At this stage in the Company's development, the directors regularly monitor key performance indicators associated with managing liquid resources, namely: cash flows and bank balances; general administrative expenses, which are tightly controlled; and the level of production. The directors also monitor the change in net production which in 2018 increased by 22% to 37,384 BOE (USA only) as noted on page 14. Increase in production primarily reflects new wells drilled and put on production in the Permian Basin (West Texas).

Growth Opportunities

Nostra Terra is focused on the Permian Basin, such as the Mesquite Asset, which offers the Company much larger growth potential in both vertical and horizontal wells. The initial acquisition of the Mesquite Asset increased the Company's Permian Basin acreage by 308%, while also being a major contributor to the 276% increase in 2P reserves for the year.

Market Review

Energy Sector

2018 has been a clearly improving year for international E&Ps, as companies have strengthened their balance sheets, numerous projects have been brought into production and agendas have refocused on growth; however recent weakness in oil price will test the robustness of measures undertaken over the last few years to strengthen balance sheets.

Oil companies predominantly set 2018 budgets on a $50-55/bbl basis and hence overall capex levels have remained modest by historical standards.

The surge in the Brent price to +$80/bbl catalysed interest in the sector but a recent sharp correction has dissipated a degree of enthusiasm. The final quarter in 2018 has been problematic for global markets and stocks in the Oil and Gas sector. On average, IOC stocks went down nearly 12% in the quarter while E&Ps c.25% vs 13% for the S&P 500 and 33% for Brent.

However, during the meetings on 6-7 December 2018, OPEC decided to adjust OPEC overall production by 0.8mb/d (additional 0.4mb/d cuts from non-OPEC countries). We see OPEC+ continuing to remain focused on securing balance (not targeting a specific price) - cuts will also create an exacerbation of light heavy differentials. Therefore, short-term oil prices are likely to remain volatile.

Key Themes for 2019

- Continuing OPEC+ cuts: a more urgent imperative to get prices back on a firmer footing
- Doing more with less: investors are likely to pay attention to the type of spending - look for an increase in capital to be committed to short cycle, infrastructure-led opportunities
- Returning money to shareholders: a growing number of International E&P companies are typically paying a dividend – dominated by stocks with major shareholders
- IPO market: relatively full pipeline of private equity and other E&Ps targeting IPO in 2019-20

Managing Our Risk

Risk management is at the core of achieving our strategy and delivering long-term value to shareholders. The Board, its Committees and the executive team are actively engaged in setting the risk agenda, as well as managing both risks and opportunities to the Company.

Definition of Risk

Risk is defined as a potential future event that may influence the achievement of business objectives. This includes both "upside" (opportunity) and "downside" (threat) risks. Risks and opportunities can come from a variety of sources and can be directly related to the Company's operational and commercial activities and support functions, or they can arise externally: from third parties such as Joint Venture partners, suppliers, regulators, competitors; from the economic environment or political climate.

Risk Management

The Company is acutely aware of the risks associated with oil and gas activity. Such risks range from global commercial risks such as stock market volatility and commodity pricing to geopolitical risks in terms of market access, tariffs and contractual relationships through to operational risks ensuring the safety of our personnel and subcontracting staff and protecting the environment in which we work.

The management takes steps to identify and mitigate these risks wherever possible. Examples of this include the establishment of a hedging facility to protect the Company from oil price volatility and the early identification of leasing opportunities to hit the 'sweet spot' in terms of pricing versus activity level. The hedge secures 1,500 barrels per month at $60/bbl until the end of December 2018, providing a strong commercial basis for forward-looking projects, and, in terms of leasing, we continue to closely monitor activity and pricing to negotiate the lowest risk acreage at the cheapest rate possible, as evidenced by the recent Mesquite acquisition in the Permian Basin. The Board shall continue to address risk management on behalf of our shareholders.

Our Risks

Operational Risk

Drilling oil wells to depths of several thousand feet is an inherently risky activity. However, the Company is fully aware of these risks and takes steps to mitigate them where possible. These include but are not limited to the following;

- Submission and Board approval of a drilling programme prior to any well spud. This includes safety management in terms of pressure control and operating practices
- All wellsite staff are issued with breathing apparatus (a canary system) in case of accidental release of noxious gases
- All wellsites are bunded to contain any possible spill

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 the US mid-continent. Risks such as fluctuations in the global economy could disrupt the Group's ability to operate its business in the US mid-continent and could discourage foreign and local investment and spending, which could adversely affect its production.

Environmental risks

The Group faces environmental risks in conducting operations in the US mid-continent, which include but are not limited to:

- 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
- If during operations there was an accidental release of hydrocarbons or drilling fluid, this would incur additional costs to remedy and possibly expose the Company to legislation

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.

Managing Our Risk (cont.)

Foreign currency risk

The Group does not have formal policies on interest rate risk or foreign currency risk.

A significant share of overhead costs, such as listing and professional fees are in Pounds Sterling.

The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than Unitied States Dollars.

The foreign exchange rate affecting the Group is as follows:

	Income statement 2018	2017	Balance sheet 2018	2017
Group ($)	1.3345	1.2880	1.2763	1.3528
Pounds Sterling (£)	0.7493	0.7764	0.7835	0.7392

The 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. West Texas Intermediate ("WTI") oil prices ranged from $42.50 to $76.86 in 2018 and $33.97 to $60.46 in 2017.

Liquidity risk

The Group expects to fund its exploration and development programme, as well as its administrative and operating expenses throughout 2018, principally using existing working capital and expected proceeds from the sale of future crude oil production. The Group had a bank balance of approximately $72,000 as of 31 December 2018.

Our Governanace

Chairman's Corporate Governance Statement

As an AIM-quoted company, the Company is required to apply a recognised corporate governance code, demonstrating how the Group complies with such corporate governance code and where it departs from it.

The directors have formally taken the decision to apply the QCA Corporate Governance Code (the "QCA Code"). The Board recognises the principles of the QCA Code, which focus on the creation of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which small to medium sized companies, such as Nostra Terra, have been created.

The key governance related matter that occurred during the financial year ended 31 December 2018 was the formal adoption of the QCA Code.

Ewan Ainsworth

Non-Executive Chairman

28 June 2019

QCA Principles

The Board recognises the importance of corporate governance, and we therefore apply the QCA code.

QCA Code Principle	Disclosure	Nostra Terra Reference
1	Establish a strategy and business model which promote long-term value for shareholders.	See page 22 of this 2018 Annual Report
2	Seek to understand and meet shareholder needs and expectations.	See page 22, page 24 and page 36 of this 2018 Annual Report
3	Take into account wider stakeholder and social responsibilities and their implications for long term success.	Detailed within **AIM Rule 26**, available to view via www.ntog.co.uk
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	See page 24 of this 2018 Annual Report

5	Maintain the board as a well-functioning balanced team led by the Chair.	See page 36, page 34 and page 24 of this 2018 Annual Report
6	Ensure that between them the directors have the necessary up to date experience, skills and capabilities.	Detailed within **AIM Rule 26**, available to view via www.ntog.co.uk
7	Evaluate the Board performance based on clear and relevant objectives, seeking continuous improvement.	Nostra Terra's board is small and extremely focused on implementing the Company's strategy. However, given the size and nature of Nostra Terra, the Board does not consider it appropriate to have a formal performance evaluation procedure in place. As described and recommended in Principle 7 of the QCA Code, the board will closely monitor the situation as it grows.
8	Promote a corporate culture that is based on ethical values and behaviours.	Detailed within **AIM Rule 26**, available to view via www.ntog.co.uk
9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	Detailed within **AIM Rule 26**, available to view via www.ntog.co.uk
10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	See page 30 of this 2018 Annual Report

Our Team

Ewen Ainsworth

Non-Executive Chairman

Ewen Ainsworth (56) is a chartered management accountant and a fellow of the Institute of Petroleum who brings wide industry experience to his new role. He has worked in the industry for 30 years at various stages of the oil and gas life cycle from exploration to appraisal/development, production and de-commissioning.

Starting his career in the late 1980s at Conoco, Mr Ainsworth's career has included Financial Controller, Financial Director and CFO roles across various public and private companies, including six years as Financial Director of Gulf Keystone Petroleum Limited until 2014.

In his career he has been involved in companies with assets and operations across the UK, Europe, Russia, Azerbaijan, Iraq and North and West Africa.

Matt Lofgran

Chief Executive Officer

Matt Lofgran (43) has wide experience of business development in the energy, real estate and communications sectors. Prior to becoming CEO of Nostra Terra in July 2009, he was with Robson Energy, LLC, latterly as Vice President of International Business Development. In this capacity, he launched the oil and gas, field services and coal divisions, and was responsible for extending Robson Energy's activities into Mexico.

Mr Lofgran holds a Bachelor of Business Management degree from the University of Phoenix and a Global MBA from Thunderbird School of Global Management. Mr Lofgran is also a Director of Elephant Oil Limited and Atlas Oil & Gas Limited.

John Stafford

Non-Executive Technical Director

John Stafford (57) has 35 years' experience in the oil & gas industry. Vice President of Operations at Gulf Keystone (LSE: GKP) 2014–2017, oversaw 40,000 bopd, having joined that Company as Manager, Geology & Geophysics in early 2009. John is a geoscientist, with specialist expertise in oil field development and reserve certification and reporting.

Mr Stafford has worked with well-known companies in the oil and gas industry, such as ECL, Schlumberger and PGS, managing projects in integrated field management and all aspects of reserves certification and reporting. This includes the production of Competent Persons Reports.

John has further experience of fractured reservoir development and risk management.

Accountability

The Board of Directors

The board comprises one executive director and two non-executive directors. It 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:

- Management structure and appointments
- Consideration of strategy and policy
- Approval of major capital investments and transactions
- Significant financing matters

The board has Audit, Remuneration and Nomination Committees, the roles and responsibilities of which are discussed below.

Audit Committee

The Audit Committee comprises Ewen Ainsworth as Chairman, and John Stafford. Both have considerable and relevant financial experience.

The Audit Committee has terms of reference agreed by the board and meets at least twice a year.

The committee provides an opportunity for reporting by the Company's auditors, and 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, and the objectivity and effectiveness of the audit process, taking into consideration relevant UK and other 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, reappointment and removal of the external auditors and to approve the external auditors' remuneration and terms of engagement. Other responsibilities include considering annually whether there is a need for an internal audit function and making a recommendation to the board, and reviewing arrangements by which the Group's staff will be able to raise concerns about possible improprieties in matters of financial reporting or other matters related to the Group

Remuneration and Nomination Committees

The Remuneration and Nomination Committees, which meet at least twice a year, consist of Ewen Ainsworth as Chairman and John Stafford. 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 and other members it is designated to consider

- Setting the remuneration for all executive directors and the Company Secretary
- Recommending and monitoring the level and structure of remuneration for senior management
- Determining targets for any performance-related pay schemes operated by the Group
- Determining the policy and scope of pension arrangements for each executive director
- Ensuring that contractual terms on termination and any payments made are fair to the individual and the Company.

The Remuneration Committee determines 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, within the terms of the agreed policy, recommending the total individual remuneration package of any executive director including, where appropriate, bonuses, incentive payments and share options.

The Nomination Committee is responsible for ensuring all director appointments are considered by the Committee before their formal recommendation to the board for approval.

Shareholder Relations

Communications with shareholders are very important and are given a priority. The Company maintains a website, www.ntog.co.uk, to improve information flow to shareholders and potential investors. It contains inter alia information about the Company's activities, and annual and interim reports.

Shareholders are welcome to make enquiries on any matters relating to the business and to their shareholdings. The Company encourages shareholders to attend the Annual Meeting, at which they will be given the opportunity to put questions to the chairman and other members of the board.

All regulatory information is published via a Regulatory Information Service before anywhere else.

Internal Financial Control

The board is responsible for establishing and maintaining the Company's system of internal controls and for reviewing their effectiveness. They are designed to safeguard the Company's assets and to ensure the reliability of the financial information for both internal use and external publication. The controls that include 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 or 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 this time.

Independent Auditors' Report

The shareholders

Nostra Terra Oil and Gas Company plc

Opinion

We have audited the financial statements of Nostra Terra Oil & Gas Company Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards.

In our opinion, except for the effects of the matter described in Basis of qualified opinion paragraph below:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The scope of our work was limited as a result of the following matter. As disclosed in the Chairman and CEO statements, the ongoing dispute in relation to the operation of the group's 50 per cent interest in East Ghazalat production license, held indirectly through Independent Resources (Egypt) Ltd ("IRE), in which the company acquired full ownership in the year. The ongoing dispute between North Petroleum International S.A ("North"), the operator of East Ghazalat, and IRE with regards to cash calls raised against IRE, which have been rebutted by IRE. This issue is currently being arbitrated. Due to the breakdown in relations North refuses to furnish financial information to allow a proper determination of license costs and an audit of license revenues to be complete.

As a consequence of the lack of access to primary accounting information we have been unable to obtain sufficient appropriate audit evidence in relation to the group and company financial statements concerning:

- the carrying value of £Nil of the groups investment in the subsidiary as at 31 December 2018.
- The group's share of profit or loss attributable to the group's underlying interest in East Ghazalat licence for the period from 1 January 2018 to 31 December 2018

The lack of primary accounting information has led to IRE being excluded from the consolidated financial statements.

Conclusions relating to going concern

In forming our opinion on the financial statements, which has not been modified in respect of this matter, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of $930k during the year ended 31 December 2018 and, at that date, had net current liabilities of $532k with net liabilities of $295k. These conditions, along with the other matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Independent Auditors Report (cont.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Please note, the key audit matters do not include reference to the exclusion if IRE from the consolidated accounts as discussed in the basis for qualified opinion paragraphs.

Key audit matter

Carrying value of producing oil and gas assets –

The Group holds multiple leases over producing oil and gas assets (wells) which are recorded as both tangible and intangible assets. Carrying values at the year end are:

Intangibles: $1,873k (2017: $1,411k)

Tangibles: $536k (2017: $358k)

How our audit addressed the key audit matter

We have understood and assessed the methodology used in the capitalisation of these assets.

A review of the producing wells was undertaken with a view of identifying any indication of impairment. This entailed comparing oil reserves and net present values from the independent reserves report produced by APN Consultants LLC to the asset carrying values, and a detailed review of producing wells.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$70,000 (2017: $135,000).	$40,000 (2017: $75,000).
How we determined it	3% of turnover.	2% of gross assets.
Rationale for benchmark applied	The Group has invested heavily in leases and equipment in the past years to drive revenue growth. As such we believe that revenue is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	As the company is a holding company, we believe gross assets is the primary measure used by the shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $60,000 and $4,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $3,500 (2017: $2,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and holding companies.

Independent Auditors Report (cont.)

We performed audits of the complete financial information of Nostra Terra Oil & Gas Company Plc, New Horizons Energy Llc, Bucaneer Operating Llc, and Independent Resources (Egypt) Ltd, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). Please note that as discussed previously, we have not had access to the primary statements for Independent Resource (Egypt) Ltd. As such is was not possible to audit the financial information. The company was not included in the consolidation and so a qualified opinion has been given.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Other matters which we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Jeffreys Henry LLP prepares tax computations for the parent company based on the financial statements. A separate team is responsible for this work.

Our audit opinion is consistent with the additional report to the audit committee.

Sanjay Parmar
Senior Statutory Auditor

For and on behalf of Jeffreys Henry LLP,
Statutory Auditor

Finsgate, 5-7 Cranwood Street,
London EC1V 9EE

28 June 2019

Financial Statement

Consolidated Statement of Income

Consolidated Income Statement for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
REVENUE		2,267	1,453
COST OF SALES			
Production costs		(1,325)	(1,273)
Exploration		(298)	(5)
Well impairment		(32)	-
Depletion, depreciation, amortisation		(238)	(146)
Total cost of sales		(1,893)	(1,424)
GROSS PROFIT		**374**	**29**
Share based payment		(42)	(60)
Administrative expenses		(1,324)	(1,213)
Gain (loss) on sale		38	67
Foreign exchange gain (loss)		17	(50)
OPERATING LOSS	5	(937)	(1,227)
Finance expense	4	(207)	(258)
Other income	6	214	-
LOSS BEFORE TAX		(930)	(1,485)
Tax (expense) recovery	7	–	–
LOSS FOR THE YEAR		(930)	(1,485)
ATTRIBUTABLE TO:			
Owners of the company		(930)	(1,485)
EARNINGS PER SHARE EXPRESSED IN PENCE PER SHARE:			
Continued operations			
Basic and diluted (USD)	9	(0.0065)	(0.0130)

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

	2018 $000	2017 $000
LOSS FOR THE YEAR	(930)	(1,485)
OTHER COMPREHENSIVE INCOME:		
Currency translation differences	-	-
Total comprehensive income for the year	(930)	(1,485)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	(930)	(1,485)
Owners of the company		

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

	Share capital $000	Deferred shares $000	Share premium $000	Share options reserve $000	Translation reserves $000	Retained losses $000	Total $000
AS AT 1 JANUARY 2017	156	6,549	18,409	18	(676)	(24,072)	384
Shares issued	36	-	696	–	–	–	732
Loss after tax for the year	–	-	–	–	–	(1,485)	(1,485)
Share based payments	–	-	–	60	–	–	60
AS AT 31 DECEMBER 2017	192	6,549	19,105	78	(676)	(25,557)	(309)
Shares issued	29	-	873	–	–	–	902
Loss after tax for the year	–	-	–	–	–	(930)	(930)
Share based payments	–	-	–	42	–	–	42
AS AT 31 DECEMBER 2018	221	6,549	19,978	120	(676)	(26,487)	(295)

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

Retained loss represents the cumulative losses of the group attributable to owners of the company.

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.

Translation reserves arose due to the adoption of US dollars as the presentational currency at the start of the accounting period. Further information on the adjustment can be found in Note 1.

Share option reserve is a reserve used to recognise the cost and equity associated with the fair value of issues of options and warrants.

Company Statement of Changes in Equity

Company Statement of Changes in Equity for the year ended 31 December 2018

	Share capital $000	Deferred shares $000	Share premium $000	Share options reserve $000	Translation reserves $000	Retained losses $000	Total $000
AS AT 1 JANUARY 2017	156	6,549	18,409	18	(676)	(24,933)	(875)
Shares issued	36	–	696	–	–	–	732
Loss after tax for the year	–	–	–	–	–	(1,167)	(1,167)
Share based payments	–	–	–	60	–	–	60
AS AT 31 DECEMBER 2017	192	6,549	19,105	78	(676)	(26,100)	(852)
Shares issued	29	–	873	–	–	–	902
Loss after tax for the year	–	–	–	–	–	(1,125)	(1,125)
Share based payments	–	–	–	42	–	–	42
AS AT 31 DECEMBER 2018	221	6,549	19,978	120	(676)	(27,225)	(1033)

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

Retained loss represents the cumulative losses of the company attributable to owners of the company.

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.

Translation reserves arose due to the adoption of US dollars as the presentational currency at the start of the accounting period. Further information on the adjustment can be found in Note 1.

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
ASSETS			
NON-CURRENT ASSETS			
Other Intangibles	10	1,873	1,411
Property, Plant, and Equipment, Oil and Gas Assets	11	536	358
		2,409	**1,769**
CURRENT ASSETS			
Trade and other receivables	13	402	190
Deposits and prepayments		96	330
Other assets		263	-
Cash and cash equivalents	14	72	138
		833	**658**
LIABILITIES			
CURRENT LIABILITES			
Trade and other payables	15	642	827
Borrowings	16	723	1,740
		1,365	2,567
NET CURRENT ASSETS		(532)	(1,909)
NON-CURRENT LIABILITIES			
Decommissioning liabilities		217	169
Other loans	16	1,955	-
NET ASSETS		(295)	(309)

	Notes	2018 $000	2017 $000
EQUITY AND RESERVES			
Share capital	17	6,770	6,741
Share premium	18	19,978	19,105
Translation reserves	18	(676)	(676)
Share option reserve	18	120	78
Retained losses	18	(26,487)	(25,557)
		(295)	**(309)**

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019 and were signed on its behalf by:

M B Lofgran
Director
28 June 2019

Company registered number: 05338258

Company Statement of Financial Position

Company Statement of Financial Position for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
ASSETS			
NON-CURRENT ASSETS			
Fixed asset investments	12	-	-
CURRENT ASSETS			
Trade and other receivables	13	26	23
Cash and cash equivalents	14	30	78
		56	101
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	367	332
Borrowings	16	722	621
		1,089	953
NET CURRENT ASSETS		(1,033)	(852)
NON-CURRENT LIABILITIES			
Borrowings	16	-	-
		(1,033)	(852)
EQUITY AND RESERVES			
Share capital	17	6,770	6,741
Share premium	18	19,978	19,105
Translation reserves	18	(676)	(676)
Share option reserve	18	120	78
Retained losses	18	(27,225)	(26,100)
	-	**(1,033)**	**(852)**

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019 and were signed on its behalf by:

M B Lofgran
Director
Company registered number: 05338258

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated/(consumed) by operations		(996)	(1,187)
Interest paid		(41)	-
CASH GENERATED/(CONSUMED) BY OPERATIONS		(1,037)	(1,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles - new oil properties		(639)	(210)
Sale/(purchases) of plant and equipment		-	-
Purchase of investment		(271)	(176)
NET CASH FROM INVESTING ACTIVITIES		(910)	(386)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of shares		902	732
Net borrowing		979	767
NET CASH FROM FINANCING ACTIVITIES		1,881	1,499
Increase/(decrease) in cash and cash equivalents		(66)	(74)
Cash and cash equivalents at the beginning of the year	14	138	212
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		72	138
Represented by:			
Cash at bank	14	72	138

Note to the Consolidated Statement of Cash Flow

Note to the Consolidated Statement of Cash Flow for the year ended 31 December 2018

	2018 $000	2017 $000
LOSS FOR THE YEAR	(930)	(1,485)
ADJUSTMENTS FOR:		
Depreciation of property, plant, and equipment	93	67
Amortisation of intangibles	145	78
Well impairment	32	-
Share based payments	42	60
Share of results from joint venture		
Operating cash flows before movements in working capital	(618)	(1,280)
(Increase)/decrease in receivables	(212)	147
(Increase)/decrease in other assets	(263)	1
(Decrease)/increase in payables and other liabilities	(137)	20
(Increase)/decrease in deposits and prepayments	234	(75)
CASH GENERATED/(CONSUMED) BY OPERATIONS	**(996)**	**(1,187)**

Company Statement of Cash Flows

Company Statement of Cash Flows for the year ended 31 December 2018

	Notes	2018 $000	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated/(consumed) by operations		(1,051)	(1,042)
Interest paid		-	-
Cash generated/(consumed) by operations		(1,051)	(1,042)

	Notes	2018 $000	2017 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issue of shares		902	337
New borrowing		101	732
Net cash from financing activities		1,003	1,069
Increase/(decrease) in cash and cash equivalents		(48)	27
Cash and cash equivalents at the beginning of the year		78	51
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	30	78
REPRESENTED BY:			
Cash at bank		**30**	**78**

Note to the Company Statement of Cash Flows

Note to the Company Statement of Cash Flows for the year ended 31 December 2018

Reconciliation of operating loss to net cash generated from operations

	2018 $000	2017 $000
LOSS FOR THE YEAR	(1,125)	(1,167)
ADJUSTMENTS FOR:		
Share based payment	42	60
Operating cash flows before movements in working capital	(1,083)	(1,107)
(Increase)/decrease in receivables	(3)	37
(Decrease)/increase in payables	35	28
CASH GENERATED (CONSUMED) BY OPERATIONS	**(1,051)**	**(1,042)**

Notes to the Company Financial Statements

General Information

Nostra Terra Oil and Gas Company plc (Nostra Terra) 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 the company information page of this annual report. The principal activity of the group is described in the directors' report.

1| Accounting Policies

Going concern

The financial statements have been prepared on the assumption that the group is a going concern. When assessing the foreseeable future, the directors have looked at a period of 12 months from the date of approval of this report.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's report and Directors report. In addition, note 19 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the group should be able to operate within the level of its current cash resources. This takes into account the post year end share issue for £1.15m but does assume that the facility with Washington Federal bank is renewed in January 2020. The directors have no reason to believe this is not the case. One of the loan covenants is that a intercompany loan between the company and New Horizon Energy LLC is capitalised. This has yet to occur. The directors are aware of this and are taking steps to resolve this issue.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

New and amended standards adopted by the company

There are no IFRS or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the group.

Standards, interpretations and amendments to published standards that are not yet effective

The following new and amended IFRSs have been adopted during the year.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments and clarifications

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2018 and have not been early adopted.

The new standards include:

IFRS 3	Business Combinations[2]
IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IAS 1	Presentation of Financial Statements[2]
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
IAS 19	Employee Benefits (amendment)[1]
IAS 28	Investment in associates and joint ventures (amendment)[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

Improvements to IFRSs

Annual Improvements 2015-2017 Cycle1: Amendments to 2 IFRSs and 2 IASs

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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 by the group.

Associates

An associate undertaking ("associate") is an enterprise over whose financial and operating policies the group has the power to exercise significant influence and which is neither a subsidiary nor a joint venture of the group. The equity method of accounting for associates is adopted in the group financial statements, such that they include the group's share of operating profit or loss, exceptional items, interest, taxation and net assets of associates ("the equity method").

In applying the equity method, account is taken of the group's share of accumulated retained earnings and movements in reserves from the effective date on which an enterprise becomes an associate and up to the effective date of disposal. The share of associated retained earnings and reserves is generally determined from the associate's latest interim or final financial statements. Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil. Additional losses are only recognised to the extent that the group has incurred obligations or made payments outside the course of ordinary business on behalf of the associate.

Joint Venture

Investment in entities which constitute a joint venture in accordance with the definition in International Accounting Standard no. 28 Investments in Associates are accounted for using the equity method, with the group's share of profits or losses being adjusted against the original cost of the investment on an annual basis.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimated of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried art a revalued amount in which case the reversal of impairment loss is treated a revaluation increase.

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 asset's 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 – over 7 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each statement of financial position 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.

Investments

Investments are stated at cost less provision for any impairment value.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable in relation to the proceeds by the prospects which the company has a working interest in. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised when the oil and gas produced is despatched and received by the customers. The directors consider this the point when the Company's performance obligation is satisfied.

Nostra has elected to apply the 'modified retrospective' approach to transition permitted by IFRS 15 under which comparative financial information is not restated. Given the nature of Nostra's oil sales arrangements, with control passing to the customer upon transfer of physical possession, Nostra principally satisfies its performance obligations at a point in time as opposed to over a period of time. Therefore, the accounting of revenue under IFRS 15 did not have a material effect on the Group's financial statements as at 1 January 2018 and so no transition adjustment has been made. The Standard has not had a material impact on the Group's accounting policy in respect to revenue as previously disclosed in the 2017 financial statements.

The directors consider that revenue generation is exclusively for oil production in the US and so no further segmentation is required.

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 United States Dollars (US$). The financial statements are presented in United States Dollars (US$), which is the group's presentation currency. All consolidated entities are presented in US$ and so no translation is required on consolidation.

The directors elected to alter the presentational currency of both the Group and Company from Pound Sterling (£) to US$ at the start of the year to better reflect the functional currency of the Group and so provide more relevant information to the users of the accounts. This is classed as a change in accounting policy as per IAS 8 and so was implemented retrospectively. This required translation of historic balances as at the year ended 31 December 2016 which created a Translation Reserve, as well as translations of the balances for the year ended 31 December 2017.

(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

All consolidated entities are presented in US$ and so no translation is required on consolidation.

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 statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary arises from goodwill or from the initial recognition) other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

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 are 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
Financial assets and financial liabilities are initially classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit and loss when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows expire, or the group no longer retains the significant risks or rewards of ownership of the financial asset. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets are classified dependent on the group's business model for managing the financial and the cash flow characteristics of the asset. Financial liabilities are classified and measured at amortised cost except for trading liabilities, or where designated at original recognition to achieve more relevant presentation. The group classifies its financial assets and liabilities into the following categories:

Financial assets at amortised cost

The group's financial assets at amortised cost comprise trade and other receivables. These represent debt instruments with fixed or determinable payments that represent principal or interest and where the intention is to hold to collect these contractual cash flows. They are initially recognised at fair value, included in current and non-current assets, depending on the nature of the transaction, and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Impairment of trade and other receivables

In accordance with IFRS 9 an expected loss provisioning model is used to calculate an impairment provision. We have implemented the IFRS 9 simplified approach to measuring expected credit losses arising from trade and other receivables, being a lifetime expected credit loss. This is calculated based on an evaluation of our historic experience plus an adjustment based on our judgement of whether this historic experience is likely reflective of our view of the future at the balance sheet date. In the previous year the incurred loss model is used to calculate the impairment provision.

Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise finance lease obligations and trade and other payables. They are classified as current and non-current liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through profit and loss

The group holds a derivative against the price of oil held for operation purposes. These are recognised and measured at fair value using the most recent available market price with gains and losses recognised immediately in the profit and loss.

The fair value measurement of the group's financial and non- financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1 Quoted prices in active markets

Level 2 Observable direct or indirect inputs other than Level 1 inputs

Level 3 Inputs that are not based on observable market data

The group measures financial instruments relating to platform holdings at fair value using Level 1.

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.

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 statement of financial position 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.

The fair value of share-based payments recognised in the statement of comprehensive income is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarks against peer companies in the industry.

The Group does not operate any cash-settled share-based payments and as such are not affected by the amendments to IFRS 2 – Share-based payments.

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.

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 has 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.

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.

Decommission liability

Where a material liability for the removal of production facilities and site restoration at the end of the productive life of the assets exist, a provision for decommissioning liability is recognised. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An intangible asset of an amount equivalent to the provision is recognised and depreciated on a unit production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated intangible asset. Period changes in the present value arising from discounting are included in depletion, depreciation and amortisation cost in cost of sales.

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 judgments

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 judgments 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:

a Impairment of investments

Costs of investments 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 for each cash generating unit.

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 1 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 22. The fair value amounts used by the group have been derived by external consultants using standard recognised valuation techniques.

2 | Segmental Analysis

In the opinion of the directors, the group has one class of business, being the exploitation of hydrocarbon resources.

The group's primary reporting format is determined by geographical segment according to the location of the hydrocarbon assets. The group's reportable segments under IFRS 8 in the year are as follows:

United Kingdom being the head office.

US Mid-Continent properties at year end included the following:

1. Texas: 100% working interest in the Pine Mills Project Unit
2. Texas: 50-75% working interest in the Permian Basin
3. Texas: 100% working interest in the Mesquite assets in the Permian Basin

Egypt properties at year end included the following:

1. Egypt: 50% interest in the East Ghazalat concession

The chief operating decision maker's internal report for the year ended 31 December 2018 is based on the location of the oil properties as disclosed in the below table:

	US mid-continent 2018 $000	Head office 2018 $000	Total 2018 $000
SEGMENT RESULTS – 2018			
Revenue	2,267	-	2,267
Operating profit (loss) before depreciation, amortisation, well impairment, share-based payment charges, restructuring costs and gain (loss) on sale of assets and foreign exchange:	812	(1287)	(475)
Depreciation of tangibles	(93)	-	(93)
Amortisation of intangibles	(145)	-	(145)
Exploration	(289)	-	(289)
Well impairment	(32)	-	(32)
Share based payment	-	42	42
Realised exchange (loss)/gain	-	17	17
Gain from sale of assets	38	-	38
Operating loss	291	(1228)	(937)
Finance expense	(47)	(160)	(207)
Other income (expense)	226	(12)	214
Gain (loss) before taxation	195	(1,125)	(930)
SEGMENT ASSETS			
Property, plant and equipment	536	-	536
Intangible assets	1,873	-	1,873
Cash and cash equivalents	42	30	72
Trade and other receivables	376	26	402
Other assets	359	-	359
	3,186	**56**	**3,242**

	US mid-continent 2017 $000	Head office 2017 $000	Total 2017 $000
SEGMENT RESULTS – 2017			
Revenue	1,453	-	1,453
Operating profit (loss) before depreciation, amortisation, well impairment share-based payment charges and restructuring costs:	46	(1,079)	(1,033)
Depreciation of tangibles	(68)	-	(68)
Amortisation of intangibles	(78)	-	(78)
Well impairment	-	-	-
Exploration	(5)	-	(5)
Share of results of joint venture	-	-	-
Share based payment	-	(60)	(60)
Realised exchange (loss)/gain	-	(50)	(50)
Gain from sale of assets	13	54	67
Operating loss	(92)	(1,135)	(1,227)
Gain from extinguishment of debt	-	-	-
Finance expense	(226)	(32)	(258)
Tax	-	-	-
Gain (loss) before taxation	(318)	(1,167)	(1,485)
SEGMENT ASSETS			
Property, plant and equipment	358	-	358
Intangible assets	1,411	-	1,411
Cash and cash equivalents	60	78	138
Trade and other receivables	167	23	190
Investment in joint venture	-	-	-
Other assets	330	-	330
	2,326	**101**	**2,472**

3 | Employees and Directors

	2018 $000	2017 $000
Directors' fees	171	51
Directors' remuneration	250	195
Social security costs	-	14
	421	**260**

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

	2018 Number	2017 Number
Directors	3	3
	3	**3**

Directors' remuneration

Other than the directors, the group had no other employees. Total remuneration paid to directors during the year was as listed above.

The director's emoluments and other benefits for the years ended 31 December 2018 is as listed below:

	2018 $000	2017 $000
M B LOFGRAN	250	195

4 | Finance Income/Expense

For the year ended 31 December 2018

	2018 $000	2017 $000
On other receivables	-	(6)
Finance Expense	(207)	(252)
	(207)	**(258)**

5 | Operating Loss for the Year

The operating loss for the year ended 31 December is stated after charging/(crediting):

	2018 $000	2017 $000
(Company 2018: $30,000 – 2017: $29,000)	30	29
Depreciation of property, plant and equipment	93	68
Amortisation of intangibles	145	78
Exploration	298	5
Well impairment	32	-

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

	2018 $000	2017 $000
Directors' remuneration	250	195
Social security costs	-	14
Directors' fees	129	41
Travelling and entertaining	101	73
Accountancy fees	61	44
Legal and professional fees	487	541

Auditors' remuneration	30	29
Bad debt costs	18	92
Foreign exchange difference	-	-
Other expenses	248	184
	1,324	**1,213**

6 | Other Income

Other income is made up of the following:

	2018 $000	2017 $000
Gain on disposal of assets	38	67
Other income	214	-
	252	**67**

Other income relates to the aggregate recognised and unrecognised gain on a commodity swap.

7 | Income Tax Expense

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

	2018 $000	2017 $000
Current Tax:		
Corporation Tax	-	-
Overseas corporation tax/(recovery)	-	-
TOTAL	**-**	**-**

	2018 $000	2017 $000
Loss before tax	(930)	(1,485)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2017: 19%)	177	(297)
Effects of:	–	–
Non-deductible expenses		
Other tax adjustments	177	297
Foreign tax	–	–
	177	297
CURRENT TAX CHARGE	–	–

At 31 December 2018 the Company had an estimated excess management expenses to carry forward of $2,339,450 (2017: $1,149,010). The deferred tax asset at 19% (2017: 19%) on these tax losses of $444,496 (2017: $218,312) has not been recognised due to the uncertainty of recovery.

8 | Loss of Parent Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was $1,125,281 (2017: $1,166,670).

9 | 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 had 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 warrants granted to directors and one former adviser.

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

	2018	2017
EPS — LOSS		
Loss attributable to ordinary shareholders ($000)	(930)	(1,485)
Weighted average number of shares	143,112,345	113,850,132
CONTINUED OPERATIONS:		
BASIC AND DILUTED EPS – LOSS (USD)	**(0.0065)**	**(0.0130)**

The diluted loss per share is the same as the basic loss per share as the loss for the year has an antidilutive effect.

	2018 $000	2017 $000
Gross profit before depreciation, depletion, amortisation and impairment	942	180
EPS on gross profit before depreciation, depletion, amortisation and impairment (USD)	0.0066	0.0015

	2018 $000	2017 $000
RECONCILIATION FROM GROSS LOSS TO GROSS PROFIT BEFORE DEPLETION, DEPRECIATION, AMORTISATION AND IMPAIRMENT		
Gross (loss)/profit	374	29
ADD BACK:		
Exploration	289	5
Well impairment	32	-
Depletion, depreciation and amortisation	238	146
Gross profit before depreciation, depletion, amortisation and impairment	942	180

10 | Other Intangibles

Group	Licence $000	Exploration and evaluation assets $000	Development and production assets $000	Total $000
COST				
At 1 January 2017	524	1,951	1,983	4,458
Additions	–	-	119	119
Disposals	–	-	-	-
At 31 December 2017	524	1,951	2,102	4,577
Additions	–	-	639	639
Disposals	–	-	(363)	(363)
At 31 December 2018	524	1,951	2,378	4,853

PROVISION				
At 1 January 2017	492	1,951	645	3,088
Charge for the year	–	–	78	78
At 31 December 2017	492	1,951	723	3,166
Charge for the year	–	–	145	145
Impairment	32	-	–	32
Disposals	–	–	(363)	(363)
At 31 December 2018	524	1,951	505	2,980
CARRYING VALUE				
At 31 December 2018	-	-	1,873	1,873
At 31 December 2017	32	-	1,379	1,411

The group assesses at each reporting date whether there is an indication that the intangible assets may be impaired, by considering the net present value of discounted cash flows forecasts. If an indication exists an impairment review is carried out by reference to available engineering information. At the year end, the directors are of the opinion that an impairment of $32,000 (2017: $Nil) should be provided. Please note that there were no other intangible assets held at Company level.

Amortisation, impairment charges and any profit or loss on disposal of the capitalised intangible costs is included within cost of sales in the consolidated income statement.

11 | Property, Plant and Equipment

Group	Plant & equipment - oil and gas assets $000
COST	
At 1 January 2017	429
Additions	131
Disposals	-
At 31 December 2017	560
Additions	271
Disposals	(95)
At 31 December 2018	736
PROVISION	
At 1 January 2017	135
Charge for the year	67
At 31 December 2017	202
Charge for the year	93
Disposals	(95)
At 31 December 2018	200
CARRYING VALUE	
At 31 December 2018	536
At 31 December 2017	358

Depreciation charges are included within cost of sales in the Consolidated Income Statement.

In addition, the directors are of the opinion that no impairment should be provided.

Please note that there were no property plany and equipment assets held at Company level.

12 | Fixed Asset Investments

Company	Investment in subsidiary $000	Loan to subsidiaries $000	Loans to participating interests $000	Total $000
COST				
At 1 January 2017	1	15,147	157	15,305
Additions	–	517	-	517
Reduction	-	-	-	-
Transfers	-	157	(157)	-
At 31 December 2017	1	15,821	-	15,822
Additions	-	-	-	-
Reduction	-	(387)	-	(387)
Transfers	-	-	-	-
At 31 December 2018	1	15,434	-	15,535
PROVISION				
At 1 January 2017	-	(15,147)	(157)	(15,304)
Charge for the year	-	(517)	-	(517)
Reduction	-	-	-	-
Transfer	-	(157)	157	-
At 31 December 2017	-	(15,821)	-	(15,821)
Charge for the year	-	-	-	-
Reduction	-	387	-	387
Transfer	-	-	-	-
At 31 December 2018	-	(15,434)	-	(15,434)
CARRYING VALUE				
At 31 December 2018	1	-	-	1
At 31 December 2017	1	-	-	1

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 statement of financial position.

Historically, loans to participating interests are reported as in increase in the Company's investment in joint venture, but have been provided for. As the Group acquired 100% shareholding in the joint venture in 2017 this balance had been transferred to loan to subs.

Loan to participating interests are reported as in increase in the company's investment in joint venture, but have been provided for.

The details of the subsidiaries are as set out below:

	Shareholding	Country of Incorporation	Nature of Business
NEW HORIZON ENERGY 1 LLC ("NHE")	100%	USA	Oil and gas exploration in USA
BUCANNEER OPERATING, LLC ("BUCANNEER")	100%	USA	Oil and gas exploration in USA
INDEPENDENT RESOURCES (EGYPT) ("IRE")	100%	UK	Oil and gas exploration in Egypt

Due to a lack of primary financial information, the subsidiary has not been included in the consolidation. Full ownership was established in 2017, leading to the investments and loans in the joint venture to be reclassed to investments and loans to subsidiaries. At both Group and Company levels, these balances had been fully impaired.

The Group has acquired the remaining 50% interest in Independent Resources (Egypt) Limited (IRE), a company incorporated in England & Wales, whose purpose is to invest in the oil and gas exploration and production activities in the Arab Republic of Egypt, from Echo Energy Plc. As the company was fully owned at the year end the balance of the investment in the joint venture was transferred to investment in subsidiaries. The consideration for the remaining 50% interest is $100,000 with 2 tranches of contingent payments of $200,000 made if the East Ghazalat concession produces 800 and 1,000 BOPD for a fixed timeframe. Each payment can be satisfied in cash or in new ordinary shares in the Company of 0.1p at the Company's discretion. No provision has been included for contingent consideration as, based on the information available at the time of the purchase, the Company did not expect the milestones to be met.

In October 2015 the Company acquired a 50 per cent working interest in the East Ghazalat production licence located in the Western Desert, Egypt from TransGlobe Energy Corporation through the acquisition of the entire share capital of Trans Globe (GOS) Inc. a wholly-owned subsidiary of TransGlobe Energy Corporation ("TransGlobe"). In December 2015, the name of the acquired company was changed to Sahara Resources (GOS) Inc.

The total consideration for the transaction was $3.5 million of which $2.5 million has been deferred as a vendor loan repayable by the Joint Venture on 30 September 2017. The loan note accrues interest at 10 per cent annum payable semi-annually. Nostra Terra and Independent Resources plc were joint and severally liable for the repayment of the loan note.

The final loan note principal and semi-annual interest payable to Trans Globe there on remain subject to final determination in accordance with completion of working capital adjustment provisions in the sale and purchase agreement.

At 31 December 2015 the loan note principal was recorded based on Trans Globe's initial assessment of working capital at completion and interest on this estimated loan note principal had been accrued up to 31 December 2015.

The US dollar denominated loan liability all to TransGlobe was retranslated at the then prevailing year-end exchange rates.

As a non-monetary long-term asset, the consideration for acquiring the share capital of Trans Globe GOS Inc. has been recorded at the prevailing exchange rate at the time of completion of the acquisition but has not been retranslated at the prevailing year-end exchange rate.

TransGlobe accepted an early settlement of the loan note with a final settlement of $200,000, which has released TransGlobe of any potential warrant or indemnity claims, in exchange for forgoing the outstanding loan balance of $2,300,000 and any accrued interest since acquisition of the company.

In January 2016 the Joint Venture was served with notice of default in relation to cash calls raised by North Petroleum International S.A. ("North Petroleum") the operator of East Ghazalat.

The Joint Venture has rebutted the claims from North Petroleum but the current breakdown in relations has meant that operator North Petroleum has been unwilling to furnish financial information to allow a proper determination of licence costs and an audit of licence revenues to be completed.

In light of this lack of access to primary accounting records the results of the Company for the year ended 31 December 2017 and 31 December 2018 reflect the investment in Sahara Resources GOS Inc. at historical cost and the loan note consideration payable to Trans Globe and the accrued costs of completing the related acquisition but do not consolidate any share of profits or losses attributable to Sahara Resources GOS Inc. underlying interests in the East Ghazalat licence for the period since 1 July 2015, the effective date of the transaction. The investment is reported at estimated recoverable amount at the Company level.

13 | Trade and Other Receivables

	GROUP		COMPANY	
	2018 $000	2017 $000	2018 $000	2017 $000
CURRENT:				
Prepayments and other receivables	376	190	–	–
Other taxes and receivables	26	–	26	23
	402	**190**	**26**	**23**

The directors consider the carrying value of the receivables to approximate their fair value

14 | Cash and Cash Equivalents

	GROUP		COMPANY	
	2018 $000	2017 $000	2018 $000	2017 $000
Bank current accounts	**72**	**138**	**30**	**78**

15 | Trade and Other Payables

	GROUP		COMPANY	
	2018 $000	2017 $000	2018 $000	2017 $000
CURRENT:				
Trade payables	447	634	231	171
Accruals and deferred income	189	177	130	161
Other taxes payables	6	16	6	-
	642	**827**	**367**	**332**

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going expenses.

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

16 | Financial Liabilities - Borrowing

Maturity of the borrowings is as follows:

	GROUP		COMPANY	
	2018 $000	2017 $000	2018 $000	2017 $000
Current:				
Repayable within one year:				
Loan notes	723	1,740	722	621
Repayable after one year:				
Loan notes	1,955	-	-	-
	2,678	**1,740**	**722**	**621**

Borrowings include a facility where the loans are secured against the group's interest in its assets. At the year end the outstanding balance was $1,955k (2017: $Nil). Interest is charges for any day per annum at a variable rate equal to the higher of (i) the WSJ Rate plus 25 basis points or (ii) 4.25%. The facility expires in 2020.

Borrowings also include an unsecured loan with a balance at yearend of $235k (2017: $1,119k). Interest is charged at 12% per annum and loan is fully repayable within the year.

The group also has an loan agreement in place with related parties, with a total outstanding balance as at the year end of $487k (2017: $620k). Further details can be found in note 22.

17 | Called Up Share Capital

Number:	Class	Nominal value:	2018 $000	2017 $000
147 million (2017 – 126 million)	Ordinary	0.1p	221	192
4,110 million (2017 – 4,110 million)	Deferred	0.098p	6,549	6,549

During the year there were a number of issues:

- 9 January 2018 – 4,843,333 shares issued in respect of warrants issued in 2017. Please note that 3,410,000 shares had been called upon as at the end of the previous accounting period, but had not formally been issued.
- 31 January 2018 – 5,569,150 shares issued in respect of warrants issued in 2017.
- 1 March 2018 – 2,559,651 shares issued in respect of warrants issued in 2017.
- 18 April 2018 – 577,204 shares issued to E Ainsworth in respect of his annual director's and consultancy fee. Of these shares 384,794 had been issued to Discovery Energy Limited (a company controlled by E Ainsworth) and 192,411 to E Ainsworth directly.
- 18 April 2018 – 11,627,866 shares issued in respect of warrants issued in 2017.

18 | Reserves

Group	**Share translation reserve** $000	**Retained losses** $000	**Share premium** $000	**Share option reserves** $000	**Total**
At 1 January 2017	(676)	(24,072)	18,409	18	(6,321)
Shares issued in the year	–	–	696		696
Loss for the year	–	(1,485)	–		(1,485)
At 31 December 2017	(676)	(25,557)	19,105	78	(7,050)
Shares issued in the year	–	–	873		873
Loss for the year	–	(930)	–		(930)
At 31 December 2018	(676)	(26,487)	19,978	120	(7,065)

Company	**Share translation reserves** $000	**Retained losses** $000	**Share premium** $000	**Share option reserves** $000	**Total**
At 1 January 2017	(676)	(24,933)	18,409	18	(7,182)
Shares issued in the year		–	696		696
Share issue cost		–	–		–
Loss for the year		(1,167)	–		(1,167)
At 31 December 2017	(676)	(26,100)	19,105	78	(7,593)
Shares issued in the year		–	873		873
Share issue cost		–	–		–
Loss for the year		(1,125)	–		(1,125)
At 31 December 2018	(676)	(27,225)	19,978	118	(7,805)

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 US mid-continent, which include but are not limited to:

- Fluctuations in the global economy could disrupt the group's ability to operate its business in the US Mid-Continent and could discourage foreign and local investment and spending, which could adversely affect its production.

Environmental risks

The group faces environmental risks in conducting operations in the US Mid-Continent which include but are not limited to:

- 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.

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 does not have formal policies on interest rate risk or foreign currency risk.

The group reports its results in United States Dollars ($). Certain loan balances and cash accounts are denominated in Pounds Sterling. Any change in the relative exchange rates between Pounds Sterling and United States Dollars could positively or negatively affect the group's results.

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.

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. West Texas Intermediate ("WTI") oil prices ranged from $42.53 to $76.41 in 2018 and $33.97 to $60.46 in 2017. The group has entered into two commodity swap contracts securing the price of 1500 barrels of oil per month for a total of 21 months, 12 of which are post year end.

Liquidity risk

The group expects to fund its exploration and development programme, as well as its administrative and operating expenses throughout 2019, principally using existing working capital and expected proceeds from the sale of future crude oil production. The group had a bank balance of approximately $78,000 at 31 December 2018.

21 | Related Party Transactions

Group

No related party transactions other than those highlighted below.

20 | Financial Commitments

Operating lease commitments

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

Capital commitments

The group had no material capital commitments at the year end.

Company

During the year, the company advanced loans to its subsidiaries. The details of the transactions and the amount owed by the subsidiaries at the year-end were:

	2018		2017	
	Balance $000	Loan advance/ repayment $000	Balance $000	Loan advance/ repayment $000
New Horizon Energy 1 LLC		(666)	-	10,192
Independent Resources (Egypt) Ltd		(45)	-	(9)
Totals		**(711)**	-	**(10,201)**

The intercompany loans are unsecured and interest-free. The Company has fully impaired all intercompany balances.

As at the year end the Company owed E Ainsworth (a director) $19,854 and Discover Energy Ltd (a company controlled by E Ainsworth) $33,312. These balances are interest free and due within one year.

In addition, the Company has three loans outstanding with related parties:

Discovery Energy Ltd

Principal loan amount of $294k. Net repayment of principal made in the year of $Nil. Interest charged in the year of $22k. Net loan balance as at the year end is $303k.The loan is unsecured, bears interest at the rate of 7.50% per annum and is fully repayable within one year.

Discovery Energy Ltd

Principal loan amount of $166k. Funds advanced in 2018 $28k. Net repayment of principal made in the year of $69k. Interest charged in the year of $14k. Net loan balance as at the year end is $97k.The loan is unsecured, bears interest at the rate of 7.50% per annum and is fully repayable within one year.

John Stafford

Principal loan amount of $108k. Funds

advanced in 2018 $64k. Net repayment of principal made in the year of $22k. Interest charged in the year of $12k. Net loan balance as at the year end is $88k. The loan is unsecured, bears interest at the rate of 7.50% per annum and is fully repayable within one year.

22 | Share-Based Payments

The group has a share-ownership compensation scheme for senior executives of the group whereby senior executives may be granted options to purchase ordinary shares in company. The group has previously issued warrants to senior executives as a welcome incentive and additionally during the year issued warrants as detailed below to third parties as consideration for their services. A share based payment charge of $42,000 (2017: $60,000) was expensed during the year.

The details of options and warrants are as follows:

Date of Grant	At 31.12.17	Granted	Exercised	Forfeits	At 31.12.18	Exercise price	Exercise/vesting date	
							From	To
WARRANTS								
24/06/2015	1,000,000	–	–	–	1,000,000	8.77	24/06/2015	24/06/2020
07/02/2017	750,000	–	–	–	750,000	2.55	06/02/2017	06/02/2022
19/04/2017	21,590,000	–	21,190,000	400,000	–	2.55	19/04/2017	19/04/2018
OPTIONS								
29/10/2014	675,000	–	–	–	675,000	20	29/10/2014	28/10/2024
21/07/2017	2,666,666	–	–	–	2,666,666	3	21/07/2017	13/12/2022
21/07/2017	2,666,666	–	–	–	2,666,666	4.50	21/07/2017	13/12/2022
21/07/2017	2,666,666	–	–	–	2,666,666	6	21/07/2017	13/12/2022
04/06/2018	-	2,000,000	–	–	2,000,000	.05	04/06/2018	03/06/2020
04/06/2018	-	9,500,000	–	–	9,500,000	.05	04/06/2018	03/06/2025

The total options and warrants outstanding at 31 December 2018 and 31 December 2017 are as follows:

Total at 31.12.18 21,924,998

Total at 31.12.17 32,014,998

The numbers of options and warrants outstanding to the directors at the year end were as follows:

Director	Warrants		Options		Total	
	2018	2017	2018	2017	2018	2017
M B LOFGRAN	–	–	12,600,000	6,600,000	12,600,000	6,600,000
K E AINSWORTH	333,333	333,333	3,999,998	1,999,998	4,333,331	2,333,331
DISCOVERY ENERGY LTD	666,667	666,667	-	-	666,667	666,667
J STAFFORD	750,000	750,000	1,500,000	-	2,250,000	750,000
TOTALS	1,750,000	1,750,000	18,099,998	8,599,998	19,849,998	10,349,998

Options and warrants issued during the year:

On 4 June, 2018, 2,000,000 options were issued to service providers. The options are exercisable at 5p. The options vest one year from the date of the grant and expire two years from the date of the grant.

On 4 June 2018, 9,500,000 options were issued to the Group's directors, which vest if the share price exceeds 8p for 10 consecutive days The options expire five years from the date of the grant and are exercisable at 5p.

The estimated fair value of the warrants issued during the year was calculated by applying the Black-Scholes option pricing model. Expected volatility was originally stated at 30%. This has been revised to 50% because the volatility over the past year has been used rather than the past 5 years. The directors consider this is a more appropriate time scale due to a significant share price drop in 2008 which is attributable to a one-off event where work stopped during the opening of a well in Ukraine. The assumptions used in the calculation were as follows::

	4 June 2018 – Service provider	4 June 2018 - directors	7 Feb 2017	21 July 2017	21 July 2017
Share price at grant date	2.50p	2.50p	2.55p	1.55p	1.55p
Exercise price	5.00p	5.00p	2.55p	3.00p	4.50p
Option life in years	2 years	7 years	5 years	5.4 years	5.4 years
Risk free rate	1.30%	1.30%	1.30%	1.30%	1.30%
Expected volatility	50.00%	50.00%	73.10%	73.10%	73.10%
Expected dividend yield	0%	0%	0%	0%	0%
Fair value of option/warrant	0.26p	1.01p	1.22p	0.60p	0.50p

	21 July 2017	23 June 2015	23 June 2015	28 October 2014
Share price at grant date	1.55p	1.60p	1.60p	2.65p
Exercise price	6.00p	0.80p	1.80p	4.00p
Option life in years	5.4 years	5 years	5 years	3.5 years
Risk free rate	1.30%	1%	1%	1.50%
Expected volatility	73.10%	50%	50%	50%
Expected dividend yield	0%	0%	0%	0%
Fair value of option/warrant	0.42p	0.24p	0.24p	0.43p

23 | Contingent Liabilities and Guarantees

The group has no contingent liabilities in respect of legal claims arising from the ordinary course of business and it is not anticipated that any material liabilities will arise from contingent liabilities other than those provided for.

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.

25 | Events after the reporting period

The Group expended a significant amount of effort in the yearend to expand it's footprint in the Permian Basin. This has continued post year end with the securing of an option over a working interest of 75% on a 800 acre site, as well as ongoing discussions to acquire a further 180 acre lease.

On 13 March 2019 Nostra Terra raised £1,150,000 by way of a placement of 47,916,665 new ordinary shares of 0.1 pence each at a price of 2.4 pence per share.

On 10 April 2019 the Company issued 704,389 ordinary shares to E Ainsworth in respect of his annual director's and consultancy fee. Of these shares 469,581 had been issued to Discovery Energy Limited and 234,808 to E Ainsworth directly. A further 1,304,628 shares were issued to Trey Resources Inc in resect of equity settled fees.

The ongoing legal dispute between Nostra Terra's ultimate subsidiary, Sahara Resources (GOS) Inc and North Petroleum International Company SA, relating to the Company's Joint Venture at the East Ghazalat Concession Egypt, have been successfully been referred for arbitration. The arbitration process is underway, with a hearing having taken place in June 2019 at the London Courts of International Arbitration. The results of this arbitration have yet to be announced.

Company Information

Directors

Ewen Ainsworth (Non-Executive Chairman)

Matt Lofgran (Chief Executive Officer)

John Stafford (Non-Executive Technical Director)

Secretary

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