TomCo Energy Plc

Interim Report 2008

TomCo Energy Plc

TomCo Energy Plc is a forward-looking energy Company leveraging its expertise and extensive industry contacts to develop a conventional oil production profile. The Company has conventional oil assets in the USA and Israel and also owns oil shale reserve assets in the State of Utah, USA, estimated to contain some 230 million barrels of oil.

Highlights

- Acquisition of 50% interest in the Heletz-Kokhav-Bur License and 25% in the Iris License, two petroleum licenses onshore Israel.
- Raised £1.2 million in new equity and €1.0 million in convertible debt.
- Increase in net assets in period from £6.0 million to £6.8 million.

Chairman's statement

I am pleased to announce the results for TomCo Energy Plc ("TomCo" or the "Company") for the six months ended 31 March 2008. These financial results reflect the fundamental change by the Company into an active oil production and exploration company and the build up to our first major acquisition of interests in the Heletz-Kokhav-Brur License and Iris License in Israel ("Heletz Fields").

The £56,000 income shown in the accounts arises from our wells in the USA, averaging a net 12 barrels per day in the period, prior to the Heletz Fields acquisition. The loss before tax of £668,000 includes provision of £200,000 for the amortisation of the costs of our existing wells in the USA and £84,000 in regard to oil lease impairments, again for our wells in the USA.

Acquisition of a 50% interest in the Heletz-Kokhav-Brur License and a 25% interest in the Iris License, Israel

On 2 April 2008 TomCo announced that, with its wholly owned Israeli subsidiary, Luton-Kennedy Ltd ("LKL"), it had completed the acquisition ("Acquisition") of interests in two petroleum licenses, onshore Israel, from Avenue Group Inc (AVNU.OB), a New York based USA listed Oil & Gas Company ("Avenue"). The interests acquired are a 50% interest in the Heletz-Kokhav-Brur License and a 25% interest in the Iris License (the "Licenses"), which include the original Heletz-Kokhav-Brur oilfield opened in 1955 by BP ("Heletz"). The concessions, covering over 68,000 gross acres, were recently awarded to Avenue by the Israel Petroleum Commission and are extendable 3-year production and development licenses which can be extended to 30-year production leases once production from the fields has increased from the recent 60 to an estimated 300 barrels of oil per day ("bpd").

The Heletz Fields, located 55km south of Tel Aviv and 12km east of the Mediterranean coast, are Israel's only onshore producing oil fields. The fields have produced in excess of 17 million barrels of oil to date from Cretaceous sands, with peak production of 3,000 to 4,200bpd between 1959 and 1967. The original oil-in-place ("OOIP") for the fields is estimated to be 50.7 million barrels; the Israeli Government estimates that there are 2 million barrels of primary recoverable oil remaining, and studies suggest over 5 million barrels of secondary recovery potential may exist. A number of undrilled, deeper exploration prospects on the licenses have estimated potential in excess of 100 million barrels.

Avenue and the Company with LKL, are commissioning an independent determination of remaining reserves for the Heletz Fields, as one of the first steps in an active technical programme designed to identify well re-completion and infill well drilling targets, and to examine secondary recovery options. Production from the fields had declined to around 60bpd by 2007, although TomCo expects that the implementation of modern production and recovery methods and selected infill drilling will significantly increase production over the next two years, resulting in the granting of a 30-year production lease.

The completion terms of the Acquisition:

1. At completion TomCo paid a US$1 million fee to Avenue Group Inc ("Avenue") in respect to the transfer of the 50% and 25% interests in the Heletz oil fields from Avenue to LKL. Avenue and TomCo will now seek approval from the Israeli authorities of this transfer to LKL with a formula to provide TomCo with the effective benefit of the transfer in the event that no such approval is forthcoming.

2. TomCo has issued to Avenue 12,618,615 ordinary shares of 0.5p each in the Company ("TomCo Shares") valued at approximately US$500,000 at 2p per share with a one year sale restriction.

3. TomCo has paid US$107,000 to Avenue in respect to 50% of costs incurred to date in relation to the Licenses.

4. Over the three year Phase 1 period of the Licenses, TomCo and LKL will pay up to a maximum US$4.5 million of oil field development costs.

5. TomCo will pay a further US$1.5 million fee to Avenue at the time at which a 30-year production lease is issued, which is expected to be at the time production at the fields reaches 300bpd.

6. TomCo will pay a further US$5 million fee to Avenue in the event that gross recoverable reserves on the Licenses are declared by an independent, qualified assessor to be more than 10 million barrels.

Chairman's statement continued

Acquisition of a 50% interest in the Heletz-Kokhav-Brur License and a 25% interest in the Iris License, Israel continued

To finance the Acquisition, TomCo placed 80,799,999 shares at 1.5p per share raising a total of £1.2 million before expenses; 67,066,666 shares were admitted to AIM on 27 March 2008 and the remaining 13,333,333 shares on 3 April 2008. Each two shares placed has an attached warrant to subscribe for one new ordinary TomCo share at a strike price of 2.5p per share with a 13 months term and a further Warrant for one share at a strike price of 5p exercisable within 13 months of the date of exercise of the first warrant.

At completion of the Acquisition the Company issued a 24 month 8% Convertible Loan Note to Trafalgar Capital Specialized Investment Fund ("Trafalgar") for €1.0 million, with a minimum convertibility at 2p per share and repayments commencing in October at £50,000 per month. The Company has also issued to Trafalgar 7,000,000 warrants with a three year term and an exercise price of 1.63p. Additionally, TomCo paid a fee of €25,000 to Trafalgar which was satisfied by the issue of 1,179,562 ordinary shares of the Company at a price of 1.66p per share.

Following the issue of all these shares the Company's issued share capital now consists of 538,049,151 ordinary shares with voting rights.

Investments

During the period under review the Company maintained its interests in production wells in the USA, comprising two separate wells, "Flusche" and "Rock Crossing", and a 50% holding in the Mark III leases, "Saratoga and Abel" in Lubbock County, Texas, which have 8 producing wells and preliminary estimated Reserves of 28,960 barrels. In March 2008 the Flusche well ceased to produce and was plugged, but in Scurry County, Texas, Boone #2, a new well, started drilling and has encouraging oil shows.

Strategy

The Company's strategy remains the same going forward, firstly, to hold the oil shale assets in reserve until such time as their exploitation becomes commercially and economically practical. In this regard, we believe that meaningful production from oil shale in the USA will start within a six year time frame (as a result of the huge strategic and commercial pressures, together with present supply anxiety and exacerbated by the current increase in oil prices); indeed there has been a flurry of Oil Shale deals done this year in the USA, including an acquisition by IDT Energy Corporation and apparent oil shale land purchases by Shell Oil.

Secondly, the Company is utilising the expertise of Howard Crosby, our CEO, and John Ryan, our Commercial Director, in the search for further investment in oil wells and proven undeveloped acreage located in the USA and in special situations like the Heletz Licenses in Israel. This strategy is being implemented with caution and expert examination of suggested acquisitions with the intention to create a productive and potential investment portfolio of conventional American and Israeli based mostly shallow producing oil wells and proven undeveloped drilling locations, and to create a meaningful oil reserve. Meanwhile the Board in general continues to actively seek further investments, acquisitions and oil business associations.

Future Investment

Your Board is now also reviewing certain other investments where a clear advantage can be shown to exist to assist in improving the value of our shares.

Web Site

Shareholders can find detailed information on the Company's web site; www.tomcoenergy.com which, in accordance with AIM Rule 26, contains a summary of our current strategy, detailed information about US oil shale and oil shale related links to US Government sites, the Company's share price, documents, announcements, press releases and articles.

S A Komlósy
Chairman
27 June 2008

Consolidated income statement
For the six months ended 31 March 2008

	Unaudited six months ended 31 March 2008 £'000	Unaudited six months ended 31 March 2007 £'000	Audited year ended 30 September 2007 £'000
Revenue	56	—	68
Cost of sales	(31)	—	(36)
Gross profit	25	—	32
Administrative expenses	(693)	(204)	(1,274)
Operating loss	(668)	(204)	(1,242)
Financial income	—	5	30
Loss before taxation	(668)	(199)	(1,212)
Taxation	—	—	—
Loss for the year attributable to equity shareholders	(668)	(199)	(1,212)

Earnings per share	Unaudited six months ended 31 March 2008 pence per share	Unaudited six months ended 31 March 2007 pence per share	Audited year ended 30 September 2007 pence per share
Loss per share	(0.15)	(0.07)	(0.34)
Fully diluted loss per share	(0.15)	(0.07)	(0.34)

All amounts derive wholly from continuing activities. The financial information above may not be representative of future results.

Consolidated balance sheet

As at 31 March 2008

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2	6
Oil properties	6,682	5,181	5,892
Available for sale financial assets	50	94	49
	6,737	5,277	5,947
Current assets			
Trade and other receivables	60	54	54
Cash and cash equivalents	1,152	1,004	136
	1,212	1,058	190
LIABILITIES			
Current liabilities			
Trade and other payables	(328)	(62)	(93)
	(328)	(62)	(93)
Net current assets	884	996	97
Long term liabilities			
Convertible Loan Note	(772)	—	—
Net assets	6,849	6,273	6,044
SHAREHOLDERS' EQUITY			
Share capital	2,690	2,217	2,217
Share premium	6,495	5,057	5,593
Warrant reserve	360	—	272
Retained earnings	(2,696)	(1,001)	(2,038)
Total equity	6,849	6,273	6,044

Consolidated statement of changes in equity

For the six months ended 31 March 2008

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2007	2,217	5,593	272	(2,038)	6,044
Recognition of share-based payments	—	—	88	—	88
Loss for the financial period	—	—	—	(668)	(668)
Issue of share capital	473	902	—	—	1,375
Exchange differences	—	—	—	10	10
Balance at 31 March 2008	2,690	6,495	360	(2,696)	6,849

Consolidated statement of recognised income and expense

For the six months ended 31 March 2008

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
Currency translation differences	10	—	(24)
Net losses recognised directly in equity	10	—	(24)
Loss for the financial period	(668)	(199)	(1,212)
Total recognised expense for the year	(658)	(199)	(1,236)
Attributable to the equity shareholders of the Company	(658)	(199)	(1,236)

Consolidated cash flow statement

At 31 March 2008

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
Cash flows from operating activities			
Cash generated from operations	(187)	(157)	(540)
Net cash used in operating activities	(187)	(157)	(540)
Cash flows from investing activities			
Purchase of equipment	—	(1)	(5)
Purchase of oil leases	(769)	(168)	(703)
Purchase of available for sale financial assets	—	—	(49)
Finance income	—	5	30
Net cash used in investing activities	(769)	(164)	(727)
Cash flows from financing activities			
Net proceeds from issue of share capital	1,200	1,242	1,320
Issue of convertible loan note	772	—	—
Cash raised from financing activities	1,972	1,242	1,320
Net increase in cash and cash equivalents	1,016	921	53
Cash and cash equivalents at beginning of financial period	136	83	83
Cash and cash equivalents at end of financial period	1,152	1,004	136

Notes to the interim accounts

For the six months ended 31 March 2008

1. Financial information

The interim financial information has been prepared on the basis of the accounting policies as set out in the statutory financial statements for the year ended 30 September 2007. The financial information set out herein does not constitute statutory accounts.

2. Audit review

These interim results have not been subject to a full review by our Company auditors which is in accordance with our normal interim procedures.

3. Loss before taxation

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
The following items have been included in arriving at operating loss:			
Depreciation of property, plant and equipment	1	—	1
Amortisation	200	—	40
Oil lease impairment	84	—	337
Investment impairment	—	—	94
Directors' fees	87	8	137
Recognition of share-based payments	88	—	176
Auditors' remuneration:			
– Audit services	10	—	9
– Non-audit services	—	—	14
Rentals payable in respect of land and buildings	43	—	52
Net foreign exchange loss	—	—	24

4. Earnings per share

The loss per share calculations have been arrived at by reference to the following earnings and weighted average number of shares in issue during the period.

	Unaudited 31 March 2008 £'000	Unaudited 31 March 2007 £'000	Audited 30 September 2007 £'000
Basic EPS			
Earnings attributable to ordinary shareholders	(668)	(30)	(1,212)

	Number 000's	Number 000's	Number 000's
Weighted number of shares in issue	448,903	290,300	359,746

Company information

Isle of Man Company number
36210C

England and Wales Company number
FC022829

Country of incorporation
Isle of Man

Directors
Stephen Anton Komlósy
Chairman

Howard Mattes Crosby
Chief Executive

John Patrick Ryan
Commercial Director

Gerard Maurice Thompson
Director

John Joseph May
Finance Director

Paul Martyn Hughes
Non-executive Director

Secretary
John Joseph May

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