

• April 2016

Cyprus Stock Exchange

Nicosia

C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED - APPROVAL OF 2015 ANNUAL FINANCIAL STATEMENTS

We wish to inform you that the Board of Directors of C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED (the “Company”) resolved today 21 April 2016 and examined and approved the financial statements for the year ended December 31st, 2015. The results are attached.

Full copies are available from the Company’s registered office at 13 Karaiskakis Str, P.C. 3032, Limassol, Cyprus and the CSE website www.cse.com.cy.

**C.O. Cyprus Opportunity Energy Public
Company Limited**

FINANCIAL STATEMENTS

31 December 2015

C.O. Cyprus Opportunity Energy Public Company Ltd

FINANCIAL STATEMENTS

Year ended to 31 December 2015

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C.O. Cyprus Opportunity Energy Public Company Ltd

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors

Rony Halman, Chairman of the Board of Directors (appointed 10 February 2012)

Uri Aldubi, Executive Director (appointed 10 February 2012)

Charalambos Christodoulides, Non Executive Director (appointed 10 February 2012)

Maya Gottdenker-Firon, Non Executive Director (appointed 10 February 2015)

Company Secretary

Cyproservus Co Limited

284 Arch. Makarios C Avenue

Fortuna Court, Block B

3rd Floor, Apt. 32

Limassol, 3105

Cyprus

Registered office

13 Karaiskakis Street

Limassol, 3032

Cyprus

Legal Advisors

Chrysses Demetriades & Co LLC

Auditors

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Jean Nouvel Tower

6 Stasinos Avenue

P.O. Box 21656

1511 Nicosia, Cyprus

C.O. Cyprus Opportunity Energy Public Company Ltd

**STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND
OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE FINANCIAL
STATEMENTS**

In accordance with Article 140(1) of the Laws and Regulations of the Cyprus Stock Exchange, we the members of the Board of Directors and the other responsible persons for the financial statements of C.O. Cyprus Opportunity Energy Public Company Ltd for the year ended 31 December 2015 confirm that, to the best of our knowledge:

- (a) the annual financial statements that are presented on pages 14 to 32:
 - (i) were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of C.O. Cyprus Opportunity Energy Public Company Ltd, and
- (b) the directors' report gives a fair view of the developments and the performance of the business as well as the financial position of C.O. Cyprus Opportunity Energy Public Company Ltd, together with a description of the principal risks and uncertainties faced by the Company.

Members of the Board of Directors:

Rony Haiman – Chairman of the board

Uri Aldubi - Executive Director

Charalambos Christodoulides / Non Executive Director

Maya Gottdenker-Firon - Non Executive Director

Limassol
21 April 2016

C.O. Cyprus Opportunity Energy Public Company Ltd

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE FINANCIAL STATEMENTS

In accordance with Article 140(1) of the Laws and Regulations of the Cyprus Stock Exchange, we the members of the Board of Directors and the other responsible persons for the financial statements of C.O. Cyprus Opportunity Energy Public Company Ltd for the year ended 31 December 2015 confirm that, to the best of our knowledge:

- (a) the annual financial statements that are presented on pages 14 to 32:
 - (i) were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of C.O. Cyprus Opportunity Energy Public Company Ltd, and
- (b) the directors' report gives a fair view of the developments and the performance of the business as well as the financial position of C.O. Cyprus Opportunity Energy Public Company Ltd, together with a description of the principal risks and uncertainties faced by the Company.

Members of the Board of Directors:

Rony Halman – Chairman of the board

Uri Aldubi - Executive Director

Charalambos Christodoulides - Non Executive Director

Maya Gottdenker-Firon - Non Executive Director



Limassol
21 April 2016

C.O. Cyprus Opportunity Energy Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its annual report and audited financial statements of C.O. Cyprus Opportunity Energy Public Company Ltd for the year ended 31 December 2015. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the requirements of Cyprus Companies Law, Cap, 113.

Incorporation

C.O. Cyprus Opportunity Energy Public Company Ltd (the "Company") was incorporated in Cyprus on 10 February 2012 as a limited liability company under the Cyprus Companies Law, Cap. 113. On 17 July 2012, the Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange.

Principal activities

The primary intention of the Company is to participate in oil and/or gas exploration and upstream activities in the exclusive economic zone of Cyprus. The Company's upstream activities refer to the searching for and the recovery and production of oil and natural gas. Such activities involve the searching for potential underground or underwater oil and gas fields, drilling of exploratory wells, and subsequently drilling and operating the wells that recover and bring the raw oil and natural gas to the surface. In Plan B the Company's management will leverage its strong business network in the oil and gas upstream field to pursue participation in other projects in the exclusive economic zone of Cyprus and potentially in oil and gas projects around the world.

Review of current position, future developments and significant risks

Current Position

On 11 May 2012, the Company as part of a Consortium with AGR Energy AS ("AGR") (collectively "the Consortium") submitted to the Cypriot Government applications for two off-shore licenses through the process of the 2nd Licensing Round of offshore Hydrocarbon licenses, namely for exploration plots 2 and 8.

On 30 October 2012, the Ministers Council of the Cyprus Government decided the preliminary granting of four offshore deep water oil and gas exploration licenses, blocks 2, 3, 9 and 11. In December 2012, the Ministers of Council of the Cyprus Government also granted the license for block 10. The license for block 2 was not granted to the consortium of the Company but to another consortium.

On 31 October 2012 an extension of the validity period of the applications submitted by the Consortium was requested by the Ministry of Commerce, Industry and Tourism until 26 May 2013.

On 1 November 2012 the Consortium approved this above mentioned extension.

On 5 February 2013 the Ministry of Energy, Commerce, Industry and Tourism notified the Consortium that the proceedings for block 2 have concluded and that the license for this block was granted to another applicant.

On 25 April 2013 the Company and AGR have entered into a Memorandum of Understanding ("MOU") with a member of the Paraskevaides Group ("PG") for a joint venture with the Consortium regarding block 8 ("the License"). Subject to obtaining all the required approvals by the Ministry of Commerce, Industry and Tourism of Cyprus, if the actions contemplated under the MOU shall be consummated, the holdings in the License will be as follows: the Company will hold 50% of the License, AGR will hold 30% of the License, and PG will hold 20% of the License.

On 24 May 2013 the Consortium has been notified by a letter from the Ministry of Energy, Commerce, Industry and Tourism that its application for block 8 has been rejected due to certain technical deficiencies in the forms of the application as mentioned therein.

C.O. Cyprus Opportunity Energy Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS (continued)

Review of current position, future developments and significant risks (continued)

The period of the second licensing round ended on 26 May 2013. However, according to the Consortium the second licensing round has not been completed with respect to block 8 and on 17 July 2013 the consortium has submitted a recourse to the Cypriot Supreme Court with respect to this issue. Several submissions and procedural discussions were held in the Supreme Court, however, no substantial decision with respect to the recourse has yet been taken. On 24 March 2016 the Republic of Cyprus announced the commencement of the 3rd Licensing Round for offshore exploration Blocks 6, 8 and 10 in its Exclusive Economic Zone.

On 28 September 2014 the Company together with Zerah Oil and Gas Explorations - Limited Partnership ("Zerah Partnership"), Ginko Oil Exploration - Limited Partnership ("Ginko Partnership"), Israeli Opportunity - Energy Resources - Limited Partnership ("Israeli Opportunity Partnership"), Dr. E. Rosenberg & Co. Company Ltd ("Rosenberg & Co") and Ashtrom Group Ltd ("Ashtrom") entered into a Memorandum of Understandings ("MOU") for the submission of a joint application to the Petroleum Commissioner at the Ministry of National Infrastructures, Energy and Water of Israel ("the Commissioner") for a licence "Hatrurim" for petroleum exploration and for its production on land in the Halamish District in Israel. The shares of the Parties in the Application and in the License are as follows: Zerah Partnership - 28.75%, Ginko Partnership - 28.75%, Israeli Opportunity Partnership - 25%, Ashtrom - 10%, The Company - 5%, Rosenberg and Co. - 2.5%. With respect to the Hatrurim application the Commissioner published on 1 January 2015 the joint application of the Company and its partners for the Hatrurim license for petroleum exploration onshore in the Halamish District in Israel (the "Licence"), after it was determined that the application met the minimum requirements. The License was awarded by the Commissioner to the Company and its partners according to the above mentioned share for the period between October 27th 2015 and up to October 26th 2018.

Principal Risks and Uncertainties

The main risk that the Company faces, relates to the possibility of failing to obtain an offshore exploration license from the Republic of Cyprus. The Company applied for 2 out of the available 12 concessions in the 2nd Licensing Round (one of which has been granted to another consortium and the second has been rejected but the legal proceeding is currently pending, as discussed above).

As part of the application process, the Company acquired 2D seismic data to which it has already performed preliminary analysis which formed part of its business strategy. Should the Company fail to obtain the license for block 8, the Company has a Plan B and intends to create joint ventures with third parties for the exploration and production of other offshore licenses. Should the Company not succeed in securing a licence for oil and/or gas exploration in the exclusive economic zone of Cyprus or be part of a joint venture with other licence holders, the Company's Plan C is to invest in securities of oil and gas exploration companies in the Levant Basin.

Investment in the Company is highly speculative and depends on the successful outcome of a series of events and actions beyond the Company's control. Prospective investors must carefully consider whether an investment in the Company is suitable and is in accordance with their investment profile. The risk factors together with all other information included in the Admission Document of the Company dated 17 July 2012, must be read and considered carefully and thoroughly by any prospective investor. If any of the events described in this Admission Document occurs, the Company, its prospects or the expected results of its operations could be adversely and materially affected and, accordingly, the value and market price of the Company's ordinary shares may drop, resulting in a loss of all or part of any investment in Company's ordinary shares. Investment in the Company should be considered of high risk and should be taken on by investors whose profile supports such investment in the context of a wide spread diversified portfolio.

The main financial risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 16 to the financial statements.

C.O. Cyprus Opportunity Energy Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS (continued)

Review of current position, future developments and significant risks (continued)

Future Developments

The Board of Directors is awaiting progress with the Cypriot Supreme Court, with respect to the Company's application for Block 8, for which the Company had applied for. Should the Company fail to obtain the license and/or decides to abandon a license/s in the future, then the Company's strategy is to join as a partner to other license holders and/or purchase shares of another entity which is involved in activity of oil and gas exploration. In addition, the Company maintains as its objective to perform and/or participate in other projects dealing with exploration, production and marketing of oil and gas, to be defined from time to time. However, the Company may fail in obtaining the abovementioned strategy and objectives. The business plan of the Company, assumes that the Company will be successful in entering the upstream oil and gas industry in which it is currently not a part of (since it is not part of the value chain).

Results and Dividends

The Company's results for the period are set out on page 14. Since its establishment and until today the Company has not paid any dividends. In the future, the Board of Directors of the Company intends to follow a stable dividend policy, taking into consideration the Company's financial position, the need to raise funds to expand its operations as well as the prevailing market conditions.

Share capital

Authorized share capital

On 20 August 2013 the authorised share capital of the Company was increased from 12.000.000 ordinary shares of €0,01 each (€120.000), to 37.000.000 ordinary shares of €0,01 each (€370.000).

On 13 August 2014 the authorised share capital of the Company was decreased from 37.000.000 ordinary shares of €0,01 each (€370.000) to 36.950.000 ordinary shares of €0,01 each (€369.500).

Issued share capital

As at the date hereof, the issued share capital of the Company is set at 34.006.000 ordinary shares of nominal value €0,01 each.

The issued share capital of the Company has evolved during the year as follows:

On 10 February 2015 the Board of Directors approved two service agreements with Jenny Orlov (an employee of Israel Opportunity Oil & Gas Exploration Ltd) and Maya Gottdenker-Firon, a director of the Company. These agreements are effective as of 1 January 2015. Included as consideration for the relevant services as per the agreement with Maya Gottdenker-Firon and Jenny Orlov, includes the issue of 200.000 shares and 100.000 shares respectively with nominal value of €0,01 each.

On 9 March 2015 the Company approved the service agreement with a third party consultant for financial consulting services to be provided to the Company as of 1 January 2015. The consideration for these services will be the issuance of 30.000 shares in the Company, with nominal value of €0,01 each.

On 7 April 2015 the EGM has approved the authorisation for the Directors to take all requisite actions to issue and allot 330.000 shares to Maya Gottdenker-Firon, Jenny Orlov and the third party consultant at a value of €0,01 each. For such allocation the right of pre-emption according to the Articles of Association of the Company will not apply.

C.O. Cyprus Opportunity Energy Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS (continued)

Issued share capital (continued)

The issued share capital of the Company has evolved during the year as follows (continued)

On 20 April 2015 the Board approved the completion of the first phase of the third private placement for the amount of €50.050 (US\$55.525). In total, 286.000 shares of €0,01 nominal value each were issued for the subscription price of €0,175 per share. On the same date the issue of 330.000 shares to the service providers as describe above, were issued. The 330.000 shares were provided to the service providers for €0,01 per share, which was not settled by the service providers by the year end. The issue of the above shares have increased the issued number of shares to 34.006.000 shares. The service providers will not transfer, trade or sell the issued shares to any third party as of the date of the grant for two consecutive years. Notwithstanding the foregoing the issued shares will be released from the abovementioned restrictions over the period of two years as of the date of grant as follows: 50% of the issued shares shall be released upon the first anniversary of the date of grant, and the remaining 50% of the issued shares shall be released upon the second anniversary of the date of grant. Should the engagement with the service provider be terminated during the next two years following the grant date, the Company shall have the right to purchase from the service providers, the shares which are still under the abovementioned restrictions at the date of termination, at a price of €0,01 per share and any other consent of the service provider, is not required.

On 12 January 2016 the Board of Directors approved a service agreement with Gil Sultan (a service provider of Israel Opportunity Oil & Gas Exploration Ltd). This agreement is effective as of 1 July 2015. Included as consideration for the relevant services as per the agreement with Gil Sultan, includes the issue of 50.000 shares of €0,01 nominal value each. For such allocation the right of pre-emption according to the Articles of Association of the Company will not apply.

According to the Company's Articles of Association and the Companies Law, Cap 113 (as amended), unless authority to do so has been given by the members pursuant to the Articles of the Company, the Company shall not allot shares to any person for cash unless it shall first have made an offer on a pre-emptive basis to each holder of shares who, at the date of the offer, are entitled to receive notices from the Company to allot to such holder on the same terms a proportion of those offered shares which is as nearly as practical equal to the proportion in nominal value of the shares held by each such holder on the record date for any such allotment of the aggregate of all such shares.

The role of the Board of Directors

The Company is managed by its Board of Directors. The Board sets the strategic objectives and ensures that the necessary resources are in place to enable these objectives to be met. The Board is fully involved in decision making in the Company's business and conducts regular reviews of the Company's operational and financial performance.

Members of the Board of Directors

The members of the Board of Directors at 31 December 2015 and at the date of this report are shown on Page 3.

In accordance with the Company's Articles of Association all the directors retire at the first Annual General Meeting of the Company and will be eligible for re-election. Directors shall be re-elected at every second Annual General Meeting after the first Annual General Meeting. A retiring Director shall be eligible for re-election at a current and subsequent Annual General Meeting. The upcoming AGM of the Company will approve the re-election of all existing directors.

There were no significant changes in the assignment of responsibilities of the Board of Directors.

C.O. Cyprus Opportunity Energy Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS (continued)

Directors' Interest

The interests in the share capital of the Company, both direct and indirect, of those who were Directors at 31 December 2015, and at the date of approval of these financial statements are shown below:

| Name | Role | No of Shares Direct interest | No of Shares Indirect Interest | No of Shares Total | Percentage % |
|---------------------------|-----------------------------------|---------------------------------|-----------------------------------|-----------------------|-----------------|
| Rony Halman | Chairman of Board of Directors | 91.150 | 3.157.014 | 3.248.514 | 9,55% |
| Uri Aldubi | Executive Director | 111.000 | 657.294 | 768.294 | 2,26% |
| Maya Gottdenker- Firon | Non Executive Director | 200.000 | - | 200.000 | 0,59% |
| Total | | 402.150 | 3.814.308 | 4.216.808 | 12,40% |

Board and Management Remuneration

The net remuneration received by the Company's directors directly from the Company during the year ended 31 December 2015 amounted to US\$70.591. See also Note 14 to the financial statements.

Events after the reporting period

Any significant events that occurred after the reporting period are described in note 18 to the financial statements.

Branches

The Company did not operate through branches during the year ended 31 December 2015.

Going Concern

The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the financial statements based on the fact that, after making enquiries and following a review of the Company's financial statements, including cash flows and borrowing facilities, the Directors consider that the Company will be able to raise additional funds in order to comply with its liabilities and continue in operation for the foreseeable future.

Shareholders which hold more than 5% of the share capital of the Company

As at 31 December 2015 and 19 April 2016, the following persons hold 5% or more (directly or indirectly) of the issued share capital of the Company:

| | 31 December 2015 | 19 April 2016 |
|---|---------------------|------------------|
| | % | % |
| C.O. Cyprus Opportunity Oil and Gas Exploration Ltd | 20,88 | 20,88 |
| Israel Opportunity – Oil and Gas Exploration Ltd** | 40,89 | 40,89 |
| AGR Energy AS* | 9,54 | 9,54 |
| Halman R.M Investments Ltd*** | 8,73 | 8,73 |
| A. Haomer Haggai Investments Ltd | 7,59 | 7,59 |
| Yoel Yoge | 7,58 | 7,58 |
| Apollo Nominees Inc | 7,35 | 7,35 |
| Jens A Wilhelmsen | 7,35 | 7,35 |

C.O. Cyprus Opportunity Energy Public Company Ltd

REPORT OF THE BOARD OF DIRECTORS (continued)

Shareholders which hold more than 5% of the share capital of the Company

*AGR Energy AS holds directly 7,45% of the shares in the Company, and indirectly an additional 2,09%.

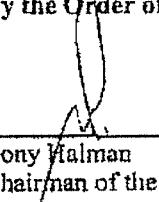
** Israel Opportunity - Oil and Gas Exploration Ltd holds directly 29,41% of the shares in the Company, and indirectly an additional 11,48%.

*** Halman R.M Investments Ltd holds directly 7,35% of the shares in the Company, and indirectly an additional 1,38%.

Independent Auditors

The independent auditors, Ernst & Young Cyprus Limited, have signified their willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

By the Order of the Board


Rony Halman
Chairman of the board

Limassol, Cyprus
21 April 2016

Independent Auditor's Report

To the Members of C.O. Cyprus Opportunity Energy Public Company Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of C.O. Cyprus Opportunity Energy Public Company Ltd (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of C.O. Cyprus Opportunity Energy Public Company Ltd as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
21 April 2016

C.O. Cyprus Opportunity Energy Public Company Ltd

STATEMENT OF COMPREHENSIVE INCOME

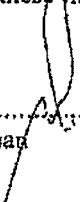
Year ended to 31 December 2015

| | <i>Note</i> | <i>2015</i> <i>USD</i> | <i>2014</i> <i>USD</i> |
|--|-------------|---------------------------|---------------------------|
| Revenue | | | |
| Oil and gas prospecting expense | | (5.159) | - |
| Administrative and operating expenses | | <u>(174.491)</u> | <u>(141.604)</u> |
| Loss from operating activities | 5 | (179.650) | (141.604) |
| Net finance loss | 6 | <u>(2.182)</u> | <u>(8.358)</u> |
| Loss before taxation | | (181.832) | (149.962) |
| Taxation | 7 | <u>-</u> | <u>-</u> |
| Net loss for the period | | (181.832) | (149.962) |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive loss for the period | | <u>(181.832)</u> | <u>(149.962)</u> |
| Basic earnings/(losses) per share (cent) | 11 | <u>(0,54)</u> | <u>(0,45)</u> |
| Diluted earnings/(losses) per share (cent) | 11 | <u>(0,54)</u> | <u>(0,45)</u> |

C.O. Cyprus Opportunity Energy Public Company Ltd
STATEMENT OF FINANCIAL POSITION
at 31 December 2015

| | <i>Note</i> | <i>31.12.2015</i> <i>USD</i> | <i>31.12.2014</i> <i>USD</i> |
|-------------------------------------|-------------|---------------------------------|---------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Other receivables | 9 | 15,129 | 75,510 |
| Cash and cash equivalents | 8 | <u>4,137</u> | <u>10,760</u> |
| TOTAL ASSETS | | <u>19,266</u> | <u>86,270</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 10 | 455,000 | 448,282 |
| Share premium | 10 | 1,138,670 | 994,143 |
| Capital reserve | 10 | (62,153) | - |
| Accumulated losses | | <u>(1,686,392)</u> | <u>(1,504,560)</u> |
| Total equity | | <u>(154,875)</u> | <u>(62,135)</u> |
| Current liabilities | | | |
| Loan due to related parties | 14 | 68,169 | 69,444 |
| Other payables | 13 | 79,026 | 70,387 |
| Amounts due to related companies | 14 | <u>26,946</u> | <u>8,574</u> |
| | | <u>174,141</u> | <u>148,405</u> |
| Total liabilities | | <u>174,141</u> | <u>148,405</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>19,266</u> | <u>86,270</u> |

On 21 April 2016 the Board of Directors of C.O. Cyprus Opportunity Energy Public Company Ltd authorised these financial statements for issue.

.....

Rony Halman
Chairman

.....
Charalambos Christodoulides
Director

C.O. Cyprus Opportunity Energy Public Company Ltd

STATEMENT OF FINANCIAL POSITION

at 31 December 2015

| | <i>Note</i> | <i>31.12.2015</i> <i>USD</i> | <i>31.12.2014</i> <i>USD</i> |
|-------------------------------------|-------------|---------------------------------|---------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Other receivables | 9 | 15.129 | 75.510 |
| Cash and cash equivalents | 8 | 4.137 | 10.760 |
| TOTAL ASSETS | | <u>19.266</u> | <u>86.270</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 10 | 455.000 | 448.282 |
| Share premium | 10 | 1.138.670 | 994.143 |
| Capital reserve | 10 | (62.153) | - |
| Accumulated losses | | <u>(1.686.392)</u> | <u>(1.504.560)</u> |
| Total equity | | <u>(154.875)</u> | <u>(62.135)</u> |
| Current liabilities | | | |
| Loan due to related parties | 14 | 68.169 | 69.444 |
| Other payables | 13 | 79.026 | 70.387 |
| Amounts due to related companies | 14 | 26.946 | 8.574 |
| | | <u>174.141</u> | <u>148.405</u> |
| Total liabilities | | <u>174.141</u> | <u>148.405</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>19.266</u> | <u>86.270</u> |

On 21 April 2016 the Board of Directors of C.O. Cyprus Opportunity Energy Public Company Ltd authorised these financial statements for issue.

.....
Rony Halman
Chairman


.....
Charalambos Christodoulides
Director

C.O. Cyprus Opportunity Energy Public Company Ltd

STATEMENT OF CHANGES IN EQUITY

Year ended to 31 December 2015

| | <i>Note</i> | <i>Share capital</i> USD | <i>Share premium</i> USD | <i>Capital reserve</i> USD | <i>Accumulated losses</i> USD | <i>Total</i> USD |
|----------------------------|-------------|-----------------------------|-----------------------------|-------------------------------|----------------------------------|---------------------|
| Balance at 1 January 2014 | | 448.282 | 994.143 | - | (1,354,598) | 87,827 |
| Net loss for the period | | - | - | - | (149,962) | (149,962) |
| At 31 December 2014 | | 448.282 | 994.143 | - | (1,504,560) | (62,135) |
| Balance at 1 January 2015 | | 448.282 | 994.143 | - | (1,504,560) | (62,135) |
| Issue of share capital | 10 | 6.718 | 144.527 | (62,153) | - | 89,092 |
| Net loss for the period | | - | - | - | (181,832) | (181,832) |
| At 31 December 2015 | | 455,000 | 1,138,670 | (62,153) | (1,686,392) | (154,875) |

Share premium

Share premium is a non-distributable reserve.

Other capital reserves - Share-based payments

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 15 for further details of these plans.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter, will be payable on such deemed dividends distribution. Profits and to the extent that these are attributable to shareholders, who are not tax resident of Cyprus and own shares in the Company either directly and/or indirectly at the end of two years from the end of the tax year to which the profits relate, are exempted. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

C.O. Cyprus Opportunity Energy Public Company Ltd

STATEMENT OF CASH FLOWS

Year ended to 31 December 2015

| | <i>Note</i> | 2015 USD | 2014 USD |
|---|-------------|-----------------|------------------|
| Cash flows from operating activities | | | |
| Net loss before taxation | | (181.832) | (149.962) |
| Adjustments for: | | | |
| Share based payments | | 33.568 | - |
| Interest expense | 6 | 1.351 | 1.571 |
| Operating profit before working capital changes | | (146.913) | (148.391) |
| Decrease/(increase) in other receivables | | 60.381 | (10.239) |
| Increase/(decrease) in amounts due to related companies | | 18.372 | 5.599 |
| Increase/(decrease) in other payables | | 8.638 | 30.872 |
| Cash used in operations | | (59.522) | (122.159) |
| Interest paid | | (1.351) | (1.571) |
| Net cash flows used in operating activities | | <u>(60.873)</u> | <u>(123.730)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | | 55.525 | - |
| Repayments of loan to holding company | | (1.275) | (5.640) |
| Net cash flows from financing activities | | <u>54.250</u> | <u>(5.640)</u> |
| Net increase(decrease) in cash and cash equivalents | | (6.623) | (129.370) |
| Cash and cash equivalents at the beginning of the period | | 10.760 | 140.130 |
| Cash and cash equivalents at the end of the period | 8 | <u>4.137</u> | <u>10.760</u> |
| Non-cash transactions | | | |
| Issue of shares (share based payments) | 15 | 33.568 | - |

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. General information

C.O. Cyprus Opportunity Energy Public Company Ltd (the “Company”) was established under the Cyprus Companies Law, Cap. 113, on 10 February 2012, by C.O. Cyprus Opportunity Oil & Gas Exploration Ltd. On 17 July 2012 the Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange.

The primary intention of the Company is to participate in oil and/or gas exploration and upstream activities in the exclusive economic zone of Cyprus. The Company’s upstream activities refer to the searching for and the recovery and production of oil and natural gas. Such activities involve the searching for potential underground or underwater oil and gas fields, drilling of exploratory wells, and subsequently drilling and operating the wells that recover and bring the raw oil and natural gas to the surface. The secondary intention of the Company (Plan B) is to leverage its strong business network in the oil and gas upstream field to pursue participation in other projects in the exclusive economic zone of Cyprus and potentially in oil and gas projects around the world.

On 11 May 2012, the consortium, C.O. Cyprus Opportunity Energy Public Company Limited together with AGR Energy AS (“AGR”), submitted applications for two offshore hydrocarbons exploration licenses, blocks 2 and 8, through the tender for the 2nd Licensing Round offshore Cyprus issued by the government of Cyprus.

AGR is responsible for planning, supervising, managing and undertaking the proposed exploration operations including interfacing with contractors and carrying out various exploration operations.

The Company and AGR have entered into an Operating and Farm-In Agreement effective as of 11 May 2012. According to this agreement, the applications for two licences as set forth above have been submitted by the Company as holder of 70% of the license and by AGR as operator and holder of 30% of the licences. The Company and AGR may, subject to applicable law and any required approval, enter into future agreements for joining of third parties as licence holders, should any of the licences be obtained.

On 30 October 2012, the Ministers Council of the Cyprus government decided the preliminary granting of four offshore deep water oil and gas exploration licenses, blocks 2, 3, 9 and 11. In December 2012, the Ministers of Council of the Cyprus government also granted the license for block 10. The license for block 2 was not granted to the consortium of the Company, but to another consortium.

On 31 October 2012 an extension of the validity period of the applications submitted by the Consortium was requested by the Ministry of Commerce, Industry and Tourism until 26 May 2013. On 1 November 2012 this request was approved by the Consortium.

On 25 April 2013 the Company and AGR have entered into a Memorandum of Understanding (“MOU”) with a member of the Paraskevaides Group (“PG”) for a joint venture with the Consortium regarding block 8 (“the License”). Subject to obtaining all the required approvals by the Ministry of Commerce, Industry and Tourism of Cyprus, if the actions contemplated under the MOU shall be consummated, the holdings in the License will be as follows: the Company will hold 50% of the License, AGR will hold 30% of the License, and PG will hold 20% of the License.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. General information (continued)

On 24 May 2013 the Consortium has been notified by a letter from the Ministry of Energy, Commerce, Industry and Tourism that its application for block 8 has been rejected due to certain technical deficiencies in the forms of the application as mentioned therein. The period of the second licensing round ended in May 2013. However, according to the Consortium the second licensing round has not been completed with respect to block 8 and on 17 July 2013 it has submitted a recourse to the Cypriot Supreme Court with respect to this issue. Several submissions and procedural discussions were held in the Supreme Court, however, no substantial decision with respect to the recourse has yet been taken. On 24 March 2016 the Republic of Cyprus announced the commencement of the 3rd Licensing Round for offshore exploration Blocks 6, 8 and 10 in its Exclusive Economic Zone.

On 28 September 2014 the Company together with Zerah Oil and Gas Explorations - Limited Partnership ("Zerah Partnership"), Ginko Oil Exploration - Limited Partnership ("Ginko Partnership"), Israeli Opportunity - Energy Resources - Limited Partnership ("Israeli Opportunity Partnership"), Dr. E. Rosenberg & Co. Company Ltd ("Rosenberg & Co") and Ashtrom Group Ltd ("Ashtrom") entered into a Memorandum of Understandings ("MOU") for the submission of a joint application to the Petroleum Commissioner at the Ministry of National Infrastructures, Energy and Water of Israel ("the Commissioner") for a licence "Hatrurim" for petroleum exploration and for its production on land in the Halamish District in Israel. The shares of the Parties in the Application and in the Licence are as follows: Zerah Partnership - 28.75%, Ginko Partnership - 28.75%, Israeli Opportunity Partnership - 25%, Ashtrom - 10%, The Company - 5%, Rosenberg and Co. - 2.5%.

With respect to the Hatrurim application the Commissioner has published on 1 January 2015 the joint application of the Company and its partners for the Hatrurim licence for petroleum exploration onshore in the Halamish District in Israel (the "License"), after it was determined that the application met the minimum requirements. The License was awarded by the Commissioner to the Company and its partners according to the above mentioned share for the period between October 27th 2015 and up to October 26th 2018.

2.1 Basis of preparation and accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113.

The financial statements are presented in United States Dollar (US\$) and have been prepared under the historical cost convention.

Going concern

The Company incurred a loss of US\$181.832 (2014: US\$149.962) during the year ended 31 December 2015 and the current liabilities of the Company exceeds its current assets by US\$154.875 (2013: US\$62.135). The financial statements have been prepared on a going concern basis since the Company is currently in its start up phase, and also since the outcome regarding its application for a licence for block 8 has not yet been finalised. However, should the Company fail to obtain the licence for block 8, the Company has a Plan B and a Plan C as is described in the Report of the Board of Directors.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2.2 Changes in accounting policies and disclosures

Adoption of new and revised International Financial Reporting Standards

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015, as follows:

- Annual Improvements to IFRSs 2011 – 2013 Cycle

This adoption did not have a material effect on the accounting policies of the Company.

Standards, Interpretations and Amendments to published standards that are issued but not yet effective

Up to the date of approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

Issued by the IASB and adopted by the European Union

- Annual Improvements to IFRSs 2010–2012 Cycle (effective for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27: Equity Method in Separate Financial Statements - (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41: Bearer Plants - (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - (effective for annual periods beginning on or after 1 January 2016)
- Annual Improvements to IFRSs 2012 - 2014 Cycle - (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1: Disclosure Initiative - (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations - (effective for annual periods beginning on or after 1 January 2016)

Issued by the IASB but not yet adopted by the European Union

- IFRS 9 Financial Instruments - (effective for annual periods beginning on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from contracts with customers - (effective for annual periods beginning on or after 1 January 2018)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses - (effective for annual periods beginning on or after 1 January 2017)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception - (effective for annual periods beginning on or after 1 January 2016)
- IFRS 16 Leases - (effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (the effective date is postponed indefinitely pending the outcome of IASB's research project on the equity method of accounting)
- Amendments to IAS 7 Statement of Cash Flows Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017)

The above are expected to have no significant impact on the Company's financial statements when they become effective.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of significant accounting policies

Functional currency, presentation currency and foreign currency

Functional currency and presentation currency:

The presentation currency of the Financial Statements is the United States Dollar. The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions. It is separately determined for the Company, and is used to measure its financial position and the results of its activities. The Company's functional currency is the United States Dollar.

Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency (any currency different to the functional currency) are recorded upon initial recognition according to the exchange rate at the time of the transaction. After initial recognition, financial assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date.

The exchange differences, not including those capitalized to qualifying assets or carried to equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency are presented at cost according to the exchange rate at the time of the transaction. Non-monetary assets and liabilities denominated in foreign currency and presented at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred. Finance expenses include interest expense on loans, finance leases and bank overdrafts as well as bank charges. Finance expenses are recognised as expenses in the period in which they fall due. Finance expenses related to improvements of the vessel, prior to its initial operation, are capitalised.

Financial instruments

Financial assets and financial liabilities are recognised on Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

i) Financial assets:

Financial assets within the scope of IAS 39 are initially recognized at fair value plus directly attributable transaction costs, except for investments at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

After initial recognition, the accounting treatment of investments in financial assets is based on their classification into one of the following four categories:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

ii) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities mainly include trade and other payables.

Cash equivalents

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Company's cash management.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxes on income

Taxes on income in the statement of income comprise current and deferred taxes. Current or deferred taxes are recognized in profit or loss, except to the extent that the tax arises from items which are recognized directly in other comprehensive income or in equity. In such cases, the tax effect is also recognized in the relevant item.

Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period as well as adjustments required in connection with the tax liability in respect of previous years.

Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rates that are expected to apply to the period when the taxes are reversed in profit or loss, other comprehensive income or equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred taxes in profit or loss represent the changes in the carrying amount of deferred tax balances during the reporting period, excluding changes attributable to items recognized in other comprehensive income or in equity.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that they will be utilized. Also, temporary differences (such as carry forward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability has become probable. Any resulting reduction or reversal is recognized in the line item, "taxes on income".

Taxes that would apply in the event of the disposal of investments in investees have not been taken into account in computing deferred taxes, as long as the disposal of the investments in investees is not probable in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividends that triggers an additional tax liability.

All deferred tax assets and deferred tax liabilities are presented in the statement of financial position as non-current assets and non-current liabilities, respectively. Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

3. Summary of significant accounting policies (continued)

Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and approved by the Company's directors.

Oil and natural gas exploration, evaluation and development expenditure

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Share-based payments

Employees (including Directors) of the Company may receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (Note 15). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 15).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. Judgements and estimates

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which had the most significant effect on the amounts recognised in the financial statements:

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Operating profit / loss

| | 31.12.2015 USD | 31.12.2014 USD |
|---|-------------------|-------------------|
| <i>Operating loss is stated after charging the following items:</i> | | |
| Auditors' remuneration for the statutory audit of annual accounts | 6.600 | 7.293 |
| Auditors' remuneration for tax services | 545 | 729 |
| Auditors' remuneration for other assurance related services | - | 2.731 |
| Legal and professional fees | 23.882 | 45.728 |
| Legal and professional fees in relation to license application | - | 6.103 |
| Oil and gas prospecting expenses | 5.159 | - |
| Consulting fees | 64.355 | 61 |
| Consulting fees – share based payment expenses | 33.568 | - |
| Directors' fees (note 14) | <u>8.059</u> | <u>7.554</u> |

Directors' remuneration included within consulting fees, are separately disclosed in note 14.

6. Net finance expense

| | 31.12.2015 USD | 31.12.2014 USD |
|--|-------------------|-------------------|
| Bank interest income | - | 116 |
| Foreign exchange profit | 12.743 | 4.477 |
| Other interest received | <u>303</u> | - |
| Finance income | <u>13.046</u> | <u>4.593</u> |
| | | |
| Foreign exchange loss | (12.403) | (9.364) |
| Bank interest expense | - | (104) |
| Bank charges | (1.474) | (1.912) |
| Interest expense on loans from related party | <u>(1.351)</u> | <u>(1.571)</u> |
| | | |
| Net finance expense | <u>(15.228)</u> | <u>(12.951)</u> |
| | | |
| Net finance expense | <u>(2.182)</u> | <u>(8.358)</u> |

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

7. Taxation

| Statement of Comprehensive Income | 31.12.2015 USD | 31.12.2014 USD |
|--|-------------------|-------------------|
| Corporation tax - current year | - | - |
| Charge for the period | - | - |
| Statement of Financial Position | | |
| Corporation tax | - | - |
| | | |
| | 31.12.2015 USD | 31.12.2014 USD |
| (Loss) before tax | (181.832) | (149.962) |
| Tax calculated at the applicable tax rates | (22.729) | (18.745) |
| Tax effect of expenses not deductible for tax purposes | 333 | 1.000 |
| Tax effect of losses carried forward | 22.396 | 17.745 |
| Tax charge | - | - |

The applicable corporation tax rate is 12,5% (2014: 12,5%).

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income on the following years. As at 31 December 2015, the balance of tax losses which is available to be carried forward for 5 years and offset against future taxable profits amounts to US\$1.418.279 (2014: US\$1.483.786) for which no deferred asset is recognised in the statement of financial position since it is uncertain whether taxable profits will be available against which the losses can be utilised.

8. Cash and cash equivalents

| | 31.12.2015 USD | 31.12.2014 USD |
|--------------|-------------------|-------------------|
| Cash at bank | 4.137 | 10.760 |
| | 4.137 | 10.760 |

Cash at bank represents current accounts denominated in Euro, United States Dollar and New Israeli Shekel (NIS), as follows:

| | USD | USD |
|----------------------|-------|--------|
| United States Dollar | 258 | 291 |
| Euro | 3.579 | 5.317 |
| New Israeli Shekel | 300 | 5.152 |
| | 4.137 | 10.760 |

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9. Other receivables

| | 31.12.2015 USD | 31.12.2014 USD |
|-----------------------------------|-------------------|-------------------|
| Other receivables and prepayments | 15.129 | 75.510 |
| | <u>15.129</u> | <u>75.510</u> |

10. Share capital

| | 31.12.2015 Shares EUR | 31.12.2014 Shares EUR |
|---|--------------------------|--------------------------|
| <i>Authorised</i> | | |
| Ordinary shares of €0,01 each | <u>36.950.000</u> | <u>369.500</u> |
| | <i>Shares USD</i> | <i>Shares USD</i> |
| <i>Issued</i> | | |
| Issue of ordinary shares at €0,01 each and fully paid | 33.390.000 | 448.282 |
| Issue of ordinary shares at €0,01 each | <u>616.000</u> | <u>6.718</u> |
| At 31 December | <u>34.006.000</u> | <u>455.000</u> |
| | <i>Shares USD</i> | <i>Shares USD</i> |

Upon the Company's incorporation 7.200.000 ordinary shares were issued at a nominal value of €0,01 each for a total amount of €72.000.

On 28 May 2012 the Company completed a private placement in the amount of €800.000. In total, 640.000 shares of €0,01 nominal value each were subscribed for the subscription price of €1,25 per share.

On 28 May 2012, the Board of Directors approved the allocation of 550.000 ordinary shares to employees, service providers and directors for consideration of their nominal value. These 550.000 shares of €0,01 nominal value each were allotted at par value on 28 May 2012.

On 7 November 2013 the Company completed its second private placement for the amount of €250.000. In total, 25.000.000 shares of €0,01 nominal value each were issued for the subscription price of €0,01 per share. Following the court approval, the issued share capital of the Company amounted to €333.900 divided into 33.390.000 ordinary shares of nominal value of €0,01 each.

On 20 August 2013, the authorised share capital of the Company increased from €120.000 divided into 12.000.000 shares of €0,01 each to €370.000 divided into 37.000.000 shares of €0,01 each.

On 13 August 2014 the authorised share capital of the Company was decreased from 37.000.000 ordinary shares of €0,01 each (€370.000) to 36.950.000 ordinary shares of €0,01 each (€369.500).

On 10 February 2015 the Board of Directors approved two service agreements with Jenny Orlov (an employee of Israel Opportunity Oil & Gas Exploration Ltd) and Maya Gottdenker-Firon, a director of the Company. These agreements are effective as of 1 January 2015. Included as consideration for the relevant services as per the agreement with Maya Gottdenker-Firon and Jenny Orlov, includes the issue of 200.000 shares and 100.000 shares respectively with a nominal value of €0,01 each.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

10. Share capital (continued)

On 9 March 2015 the Company approved another service agreement with a third party consultant for financial consulting services to be provided to the Company as of 1 January 2015. The consideration for these services will be the issuance of 30.000 shares in the Company, with a nominal value of €0,01 each.

On 7 April 2015 the EGM has approved the authorisation for the Directors to take all requisite actions to issue and allot up to a maximum of 330.000 shares at a value of €0,01 each. For such allocation the right of pre-emption according to the Articles of Association of the Company will not apply.

On 20 April 2015 the Board approved the completion of the first phase of the third private placement for the amount of €50.050 (US\$55.525). In total, 286.000 shares of €0,01 nominal value each were issued for the subscription price of €0,175 per share. On the same date the issue of 330.000 shares to the service providers as describe above, were also issued. The 330.000 shares were provided to the service providers for €0,01 per share, which was not settled by the service providers by the year end. The issue of the above shares have increased the issued number of shares to 34.006.000 shares. The service providers will not transfer, trade or sell the issued shares to any third party as of the date of the grant for two consecutive years. Notwithstanding the foregoing the issued shares will be released from the abovementioned restrictions over the period of two years as of the date of grant as follows: 50% of the issued shares shall be released upon the first anniversary of the date of grant, and the remaining 50% of the issued shares shall be released upon the second anniversary of the date of grant. Should the engagement with the service provider be terminated during the next two years following the grant date, the Company shall have the right to purchase from the service providers, the shares which are still under the abovementioned restrictions at the date of termination, at a price of €0,01 per share and any other consent of the service provider, is not required.

On 12 January 2016 the Board of Directors approved a service agreement with Gil Sultan (an employee of Israel Opportunity Oil & Gas Exploration Ltd). This agreement is effective as of 1 July 2015. Included as consideration for the relevant services as per the agreement with Gil Sultan, includes the issue of 50.000 shares of €0,01 nominal value each. For such allocation the right of pre-emption according to the Articles of Association of the Company will not apply.

11. Earnings/(losses) per share

| | 31.12.2015 USD | 31.12.2014 USD |
|--|-------------------|-------------------|
| Basic (losses) per share | | |
| Loss after tax | (181.832) | (149.962) |
| Weighted average number of shares in issue during the period | <u>33.821.538</u> | <u>33.420.769</u> |
| Basic (losses) per share (cent) | <u>(0,54)</u> | <u>(0,45)</u> |
| Diluted (losses) per share* | | |
| Diluted loss after tax | (181.832) | (149.962) |
| Diluted weighted average number of shares | <u>33.821.538</u> | <u>33.420.769</u> |
| Diluted (losses) per share (cent) | <u>(0,54)</u> | <u>(0,45)</u> |

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. Dividends

The Company has not paid any dividends since its incorporation.

13. Other payables

| | <i>31.12.2015</i> <i>USD</i> | <i>31.12.2014</i> <i>USD</i> |
|----------------|---------------------------------|---------------------------------|
| Other payables | 53.370 | 45.833 |
| Accruals | <u>25.656</u> | <u>24.554</u> |
| | <u><u>79.026</u></u> | <u><u>70.387</u></u> |

14. Related party balances and transactions

The ultimate controlling company is Israel Opportunity Oil and Gas Exploration Ltd, a company registered in Israel.

| | <i>31.12.2015</i> <i>USD</i> | <i>31.12.2014</i> <i>USD</i> |
|---|---------------------------------|---------------------------------|
| Loans due to related parties | | |
| C.O. Cyprus Opportunity Oil and Gas Exploration Ltd (1) | 63.031 | 69.444 |
| Halman R.M. Investments Ltd (2) | <u>5.138</u> | <u>-</u> |
| | <u><u>68.169</u></u> | <u><u>69.444</u></u> |

- (1) On 31 December 2012 a loan of US\$102.490 was granted to the Company by its parent company. The loan carries interest at 3 month Euribor + 2% per annum it is unsecured and was due to be repaid by September 2014. On 20 April 2015 the parties agreed to extend the repayment date of this loan to 31 December 2016. Interest charged on this loan during 2015 amounted to US\$1.351 (2014: US\$1.571).
- (2) On 17 December 2015 a loan for the amount of €10.000 was granted to the Company by Halman R.M. Investments Ltd, a related company. Halman R.M. Investments Ltd is owned by a director of the Company Rony Halman. The loan does not carry interest, is unsecured and repayable a demand (with 30 days prior notice by Halman RM investments Ltd). On April 5th 2015 the loan was increased to €25.000 and the remaining terms remained the same.

| | <i>31.12.2015</i> <i>USD</i> | <i>31.12.2014</i> <i>USD</i> |
|--|---------------------------------|---------------------------------|
| Amounts due to related companies | | |
| Israel Opportunity Oil and Gas Exploration Ltd | 23.198 | 8.574 |
| Israel Opportunity Energy Resources, LP | <u>3.748</u> | <u>-</u> |
| | <u><u>26.946</u></u> | <u><u>8.574</u></u> |
| Directors' balances – other payables | | |
| Rony Halman | 870 | 906 |
| Uri Aldubi | 682 | 791 |
| Charalambos Christodoulides | <u>-</u> | <u>2.223</u> |
| | <u><u>1.552</u></u> | <u><u>3.920</u></u> |

The above balances are interest free, unsecured and repayable on demand.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

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14. Related party balances and transactions (continued)

The following transactions were carried out with related parties:

| | <i>31.12.2015</i> USD | <i>31.12.2014</i> USD |
|--|--------------------------|--------------------------|
| Directors' Remuneration | | |
| Directors fees – current year | 8.059 | 9.547 |
| Directors fees – prior year reversal | - | (1.993) |
| Consulting fees | 42.188 | - |
| Consulting fees – share based payment transactions | 20.344 | - |
| | <hr/> | <hr/> |
| | 70.591 | 7.554 |
| Remuneration of key management personnel | | |
| Consulting fees | 22.167 | - |
| Consulting fees – share based payment transactions | <hr/> | <hr/> |
| | 10.172 | - |
| | <hr/> | <hr/> |
| | 32.399 | - |

As of 1 April 2013, all payments for salaries to executive directors and employees have been cancelled and the agreements have subsequently been cancelled on 1 January 2015. The Company continues to pay directors fees to non-executive directors.

The Board of Directors of the Company at its meeting held on 10 February 2015, approved the appointment of Maya Gottdenker-Firon as a director of the Company. On the same date, the Board of Directors approved three services agreements with related companies, namely Shuker Holdings, Halman R.M. Investments Ltd and Aldubi Holdings Ltd and another two service agreements with Jenny Orlov (an employee of Israel Opportunity Oil & Gas Exploration Ltd) and Maya Gottdenker-Firon, a director of the Company. These agreements are effective as of 1 January 2015. Included as consideration for the relevant services as per the agreement with Maya Gottdenker-Firon and Jenny Orlov, includes the issue of 200.000 shares and 100.000 shares respectively with a nominal value of €0,01 each.

On 9 March 2015 the Company approved a service agreement with a third party consultant for financial consulting services to be provided to the Company as of 1 January 2015. The consideration for this agreement will be the issuance of 30.000 shares of the Company with a nominal value of €0,01 each. These shares have not yet been issued at the rate of this report.

On 20 April 2015, the 330.000 shares were issued to service providers as per agreements, which has been approved by the Board of Directors of the Company on 10 February 2015 and 9 March 2015. The 330.000 shares were provided to the service providers for €0,01, which was not settled by the service providers by the year end.

Management Services Agreement with C.O. Cyprus Opportunity Oil and Gas Exploration Ltd ("former Parent Company")

Under the terms of this agreement, the former Parent Company will provide certain consultancy, administrative and book keeping services. In consideration for the proper, timely and complete performance of the former Parent Company's obligations and the provision of services, the Company will pay the former Parent Company an amount of €10.000 (Ten Thousand Euros) per month plus VAT. These payments to the former Parent Company were cancelled during 2013 and no management fees have been paid as of 1 January 2013, however the Company may reinstate the payment for the services according to this agreement at any time subject to the necessary approvals.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

14. Related party balances and transactions (continued)

Services Agreement with the former Parent Company

Under the terms of this agreement, the former Parent Company provided certain consultancy and other services to the Company for the purpose of submitting an application to receive a petroleum license within a tender of the Cypriot government. In consideration for the proper, timely and complete performance of the former Parent Company's obligations and the provision of services, the Company will pay the former Parent Company royalties from the Company's entire share in the oil and/or gas and/or other valuable materials produced and exploited from the petroleum assets in which the Company has or will have an interest (according to calculations and on the same basis applicable for paying royalties to the state according to the Cypriot Law) (before deducting royalties of any type, but after deducting the oil or gas used for the production purposes itself) at the rate of 10%.

15. Share based payments

General Employee/Consultant Share-issue Plan

Under the selected services agreements for consulting services (as described in Note 14), the Company issued 330.000 shares to employees and third party consultants in exchange for two years of service. The employees and consultants will not transfer, trade or sell the issued shares to any third party for a period of 2 years from the grant date. Should the agreement with the employee or consultant be terminated during the next two years following the grant date, the Company shall have the right to purchase these shares at the nominal value of €0,01 per share. The fair value of share options granted is estimated at the date of grant based on the fair value of the shares issued taking into account the terms and conditions upon which the shares were granted.

| | 31.12.2015 USD | 31.12.2014 USD |
|--|-------------------|-------------------|
| Expense arising from equity-settled share-based payment transactions | 33.568 | - |
| | <hr/> 33.568 | <hr/> - |

16. Financial risk management objectives and policies

Financial risk factors

The Company is exposed to currency risk, interest rate risk, credit risk, liquidity risk and capital management risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

16.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and operating cash inflows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets and liabilities.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

16. Financial risk management objectives and policies (continued)

16.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro and New Israeli Shekel. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

16.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily other receivables and from its financing activities.

The Company recognises provision for doubtful debts according to its estimate and past experience. The Company has no significant debts in arrears and there is no significant concentration of credit risk. The book value of the financial assets reflects the maximum credit exposure.

16.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company mainly transacts with related parties to curtail this risk and monitors its liquidity on a continuous basis. The liquidity needs of the Company are met through financing by related parties as and when these debts become due.

16.5 Capital management

Capital includes equity shares and share premium.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

16.6 Operating environment of the Company

On 25 March 2013, the Eurogroup reached an agreement with the Cypriot government on the key elements necessary for a future macroeconomic adjustment programme. The programme aims to address the exceptional economic challenges that Cyprus is facing and restore the viability of the financial sector, with the view of restoring sustainable growth and sound public finances over the coming years.

As part of the measures for restructuring the financial sector, there was a restructuring of two of the local banks. At 26 March 2013, the Company held bank assets domiciled in Cyprus but was not impacted by these events.

Fair values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts as at 31 December 2015.

C.O. Cyprus Opportunity Energy Public Company Ltd

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

17. Commitments and contingencies

Further to the Hatrurim license, which was awarded to the Company and its partners under the Zerah Partnership on 26 October 2015, the Company has an obligation to pay the amount of US\$33.333 as a guarantee to the Petroleum Commissioner of the Ministry of National Infrastructures, Energy and Water of Israel.

There were no other significant commitments and contingencies as at 31 December 2015 and 2014.

18. Events after the reporting period

On 12 January 2016 the Board of Directors approved a service agreement with Gil Sultan (an employee of Israel Opportunity Oil & Gas Exploration Ltd). This agreement is effective as of 1 July 2015. Included as consideration for the relevant services as per the agreement with Gil Sultan, includes the issue of 50.000 shares of €0,01 nominal value each. For such allocation the right of pre-emption according to the Articles of Association of the Company will not apply.

On 24 March 2016 the Republic of Cyprus announced the commencement of the 3rd Licensing Round for offshore exploration Blocks 6, 8 and 10 in its Exclusive Economic Zone.

There were no other significant events after the reporting date.