

## **ANNOUNCEMENT**

C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED (the "Company"), would like to inform the investment public that:

The Board of Directors of the Company at its meeting dated September 1, 2016 examined and approved the unaudited interim condensed financial Statements as for June 30, 2016. The results are attached.

The unaudited interim condensed financial statements will not be posted to the shareholders whereas the unaudited profit and loss statement will be published in a national newspaper on 3 September 2016.

Full copies of the unaudited interim condensed financial statements will be available free of charge at the Company's registered office, 13 Karaiskakis Str, P.C. 3032, Limassol, Cyprus, the Company's website [www.oilandgas.com.cy](http://www.oilandgas.com.cy) and the CSE website [www.cse.com.cy](http://www.cse.com.cy).

Nicosia, 2 September 2016

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

**Unaudited Interim Condensed Financial Statements  
30 June 2016**

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

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## **Unaudited Interim Condensed Financial Statements for the six months ended 30 June 2016**

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

### **Explanatory Statement in accordance with the Regulatory Administrative Act 326/2009 of the Cyprus Stock Exchange**

**For the period ended 30 June 2016**

#### **Background information**

C.O. Cyprus Opportunity Energy Public Company Ltd (the "Company") was incorporated in Cyprus on 10 February 2012 (registration no. HE 301167) under the provisions of the Cyprus Companies Law, Cap. 113. 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. 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.

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. On 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 Energy Commerce, Industry and Tourism until 26 May 2013. On 1 November 2012 this request was approved by the Consortium.

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

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

### **Explanatory Statement in accordance with the Regulatory Administrative Act 326/2009 of the Cyprus Stock Exchange (continued)**

**For the period ended 30 June 2016**

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.

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 because 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. Even though the recourse is still pending in the Supreme Court of Cyprus, on 24 March 2016 the Republic of Cyprus announced the commencement of the 3<sup>rd</sup> Licensing Round for offshore exploration Blocks 6, 8 and 10 in its Exclusive Economic Zone.

On 28 May 2012 the Company completed a private placement in the amount of €800.000 (which was determined as the minimum amount for the closing of the private placement), for the purpose of funding its applications to the Cyprus Ministry of Commerce, Industry and Tourism, including without limitation the purchase of seismic data. The private placement (issue of new shares) was addressed exclusively to professional investors and a limited number of persons at the price of €1,25 per share (the price included the grant of warrants).

In accordance with a resolution of the shareholders of the Company dated 20 August 2013, the Company proceeded with a second private placement for the purpose of raising capital for the minimum amount of €250.000 (the "Minimum Amount"). The Company successfully raised the Minimum Amount and listed 25.000.000 new shares of nominal value of €0,01 each, subscribed for at the price of €0,01 per share.

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 license "Hatrurim" for petroleum exploration and for its production on land in the Halamish District in Israel (the "Hatrurim License"). 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%.

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

### **Explanatory Statement in accordance with the Regulatory Administrative Act 326/2009 of the Cyprus Stock Exchange (continued)**

#### **For the period ended 30 June 2016**

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.

On 2 November 2015, the partners to the Hatrurim License were requested by the Ministry of National Infrastructures, Energy and Water of Israel to pay the License's fee for the first year in amount of 10,469 NIS.

Moreover they were requested to issue of a guarantee in the amount of 600,000 USD (for 100% of the License), amount to 33,333 USD ("the Guarantee").

For the performance of the Company's obligation herein Petrica AS (formally AGR Energy AS) ("Petrica") has agreed to provide the Guarantee according to requirements and instructions of the Commissioner.

As soon as possible and no later than 6 months the Company will replace the Guarantee provided by Petrica in an alternative guarantee which will be provided to the Commissioner and releasing Petrica's Guarantee.

In consideration for providing the Guarantee, Petrica shall be entitled to out of pocket expenses reimbursement. Petrica is not entitled to any other consideration with this respect.

On 5 May 2016, the Commissioner approved the partners to the Hatrurim License request to decrease the guarantee to 500,000 USD.

Considering the above, Zerah Partnership agreed that the Company will cancel the Guarantee and Zerah Partnership's guarantee will be also on behalf of the Company. The Company and Zerah Partnership will take it into consideration in future settlement between them subject to certain conditions.

On 1 May 2016, a contingent resources report was published by the partnership of Hatrurim License. The report, made by Dunmore Consulting, estimates about 7 million barrels of oil (Best Estimate) and up to about 11 million barrels (High Estimate).

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 authorization 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 Limited**

### **Explanatory Statement in accordance with the Regulatory Administrative Act 326/2009 of the Cyprus Stock Exchange (continued)**

#### **For the period ended 30 June 2016**

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 Extra Ordinary Meeting of Shareholders approved that the Board of Directors will be authorized to issue and allot 50.000 ordinary shares of €0,01 nominal value each out of the Company's authorized share capital to Gil Sultan who have signed a service agreement with the Company (which is effective as of 1 July 2015) and that for such allocation the right of pre-emption according to the Articles of Association of the Company will not apply. On 19 January 2016, the Board of Directors approved to issue and allot these shares to Gil Sultan according to the EGM and the share were issued and allotted.

On 27 June 2016 the AGM authorized the Board of Directors of the Company the power to issue and allot of up to the maximum twenty five million ordinary shares, with a minimum issue price of 0.01 Euro Cents per share. On 31 July 2016, the forth Private Placement ("the Forth PP")of the Company ended and the result are as following: The total of all applications is €207,200 Euros, out of which €93,000, Euros were received by related parties (partly as conversion of outstanding debts/ loans). The price per share for the new shares was set at Euro €0.01.

On 1 September 2016 the Board of Directors of the Company has approved the result of the forth PP and the allotment of shares according to the these results.

On 1 September 2016 the Board of Directors approved to file an interim order together with Petrica AS (formerly known as AGE ENERGY AS) ("the Consortium"), to the applicable Court of Cyprus against the Republic of Cyprus, The Council of ministers and the Minister of commerce, industry and tourism in order to stop the 3rd licensing round in the matter of Block 8 (the "Block"), until the pending recourse of the Consortium in the matter of the Block in the second licensing round shall be given by the Court.

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

### **Explanatory Statement in accordance with the Regulatory Administrative Act 326/2009 of the Cyprus Stock Exchange (continued)**

**For the period ended 30 June 2016**

#### **Summary of financial results**

During the period ended 30 June 2016, the Company did not generate any revenue in accordance with its business plan. The loss for the period amounted to US\$103.512 (2015: US\$67.262). Expenses incurred by the Company during the period included administrative expenses of US\$97.562 (2015: US\$65.202).

Net finance expenses during the period amounted to US\$3.943 (2015: US\$2.060) and mainly relates to foreign exchange losses incurred by the Company on various transactions in foreign currencies.

#### **Financial position of the Company**

As at 30 June 2016 the total assets of the Company amounted to US\$11.239, and includes an amount of US\$1.266 relating to cash and cash equivalents.

As at 30 June 2016 the net liability position amounted to US\$222.061.

#### **Outlook**

The Board of Directors is awaiting progress with the Cyprus Supreme Court, with respect to the Company's recourse 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.

By order of the Board,

Rony Halman  
Chairman

Limassol  
1 September 2016

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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
for the period ended 30 June 2016

	<i>Note</i>	<b>30.6.2016</b> <b>USD</b>	<b>30.6.2015</b> <b>USD</b>
<b>Revenue</b>			
Administrative expenses		(97.562)	(65.202)
Oil and gas prospecting expense		(2.007)	-
		<hr/>	<hr/>
<b>Loss from operating activities</b>		(99.569)	(65.202)
Net finance expense		(3.943)	(2.060)
		<hr/>	<hr/>
<b>Loss before taxation</b>		(103.512)	(67.262)
Taxation		-	-
		<hr/>	<hr/>
<b>Net loss for the period</b>		(103.512)	(67.262)
		<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>		(103.512)	(67.262)
		<hr/>	<hr/>
<b>Basic losses per share (cent)</b>	8	(0,30)	(0,20)
		<hr/>	<hr/>
<b>Diluted losses per share (cent)</b>	8	(0,30)	(0,20)

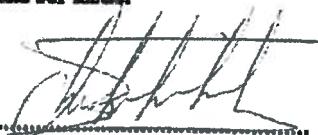
**C.O. Cyprus Opportunity Energy Public Company Limited**

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**at 30 June 2016**

	<i>Note</i>	<b>30.6.2016</b> USD	<b>31.12.2015</b> USD
<b>ASSETS</b>			
Current assets			
Other receivables	6	9,973	15,129
Cash and cash equivalents	5	1,266	4,137
<b>TOTAL ASSETS</b>		<b>11,239</b>	<b>19,266</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital	7	455,542	455,000
Share premium	7	1,150,589	1,138,670
Capital Reserve		(38,288)	(62,153)
Accumulated losses		(1,789,904)	(1,686,392)
<b>Total equity</b>		<b>(222,061)</b>	<b>(154,875)</b>
 <b>Current liabilities</b>			
Loan due to related company	11	84,445	68,169
Other payables	10	115,152	79,026
Amount due to related company	11	33,703	26,946
		<b>233,300</b>	<b>174,141</b>
<b>Total liabilities</b>		<b>233,300</b>	<b>174,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,239</b>	<b>19,266</b>

On 1 September 2016 the Board of Directors of C.O. Cyprus Opportunity Energy Public Company Ltd authorised these interim condensed financial statements for issue.

Rony Halman  
Chairman

  
Charalambos Christodoulides  
Director

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
for the period ended 30 June 2016

	<i>Share capital USD</i>	<i>Share premium USD</i>	<i>Capital reserve USD</i>	<i>Accumulated losses USD</i>	<i>Total USD</i>
<b>Balance at 1 January 2015</b>	448.282	994.143	-	(1.504.560)	(62.135)
Net loss for the period	-	-	-	(67.262)	(67.262)
<b>At 30 June 2015</b>	<b>448.282</b>	<b>994.143</b>	<b>-</b>	<b>(1.571.822)</b>	<b>(129.397)</b>
<b>Balance at 1 July 2015</b>	<b>448.282</b>	<b>994.143</b>	<b>-</b>	<b>(1.571.822)</b>	<b>(129.397)</b>
Issue of share capital	6.718	144.527	(62.153)	-	89.092
Net loss for the period	-	-	-	(114.570)	(114.570)
<b>At 31 December 2015</b>	<b>455.000</b>	<b>1.138.670</b>	<b>(62.153)</b>	<b>(1.686.392)</b>	<b>(154.875)</b>
<b>Balance at 1 January 2016</b>	<b>455.000</b>	<b>1.138.670</b>	<b>(62.153)</b>	<b>(1.686.392)</b>	<b>(154.875)</b>
Issue of share capital	542	11.919	23.865	-	36.326
Net loss for the period	-	-	-	(103.512)	(103.512)
<b>At 30 June 2016</b>	<b>455.542</b>	<b>1.150.589</b>	<b>(38.288)</b>	<b>(1.789.904)</b>	<b>(222.061)</b>

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 11 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 Limited**

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
for the period ended 30 June 2016

	<b>30.6.2016</b> <b>USD</b>	<b>30.6.2015</b> <b>USD</b>
<b>Cash flows from operating activities</b>		
Net loss before taxation	(103.512)	(67.262)
Adjustments for:		
Share based payments	36.326	-
Interest expense	587	671
Operating loss before working capital changes	(66.599)	(66.591)
Decrease/(increase) in other receivables	5.156	64.336
(Decrease)/increase in amount due to related companies	6.757	6.043
Increase/(decrease) in other payables	36.126	78.227
Cash used in/(from) operations	(18.560)	82.015
Interest paid	(587)	(671)
<b>Net cash flows from/(used in) operating activities</b>	<b>(19.147)</b>	<b>81.344</b>
<b>Cash flows from financing activities</b>		
Additional/(repayment from) loan due to related company	(16.276)	(3.682)
<b>Net cash flows used in financing activities</b>	<b>(16.276)</b>	<b>(3.682)</b>
Net (decrease)/increase in cash and cash equivalents	(2.871)	77.662
Cash and cash equivalents at the beginning of the period	4.137	10.760
<b>Cash and cash equivalents at the end of the period</b>	<b>1.266</b>	<b>88.422</b>

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

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS** **30 June 2016**

### **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 Energy Commerce, Industry and Tourism until 26 May 2013. On 1 November 2012 this request was approved by the Consortium.

On 5 February 2013 the Ministry of Energy, Commerce, Industry and Tourism notified the Consortium that the proceedings for block 2 have been 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.

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

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS** **30 June 2016**

#### **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%.

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On 2 November 2015, the partners to the Hatrurim License were requested by the Ministry of National Infrastructures, Energy and Water of Israel to pay the License's fee for the first year in amount of 10,469 NIS.

Moreover they were requested to issue of a guarantee in the amount of 600,000 USD (for 100% of the License), amount to 33,333 USD ("the Guarantee").

For the performance of the Company's obligation herein Petrica AS (formally AGR Energy AS) ("Petrica") has agreed to provide the Guarantee according to requirements and instructions of the Commissioner.

As soon as possible and no later than 6 months the Company will replace the Guarantee provided by Petrica in an alternative guarantee which will be provided to the Commissioner and releasing Petrica's Guarantee.

In consideration for providing the Guarantee, Petrica shall be entitled to out of pocket expenses reimbursement. Petrica is not entitled to any other consideration with this respect.

On 5 May 2016, the Commissioner approved the partners to the Hatrurim License request to decrease the guarantee to 500,000 USD.

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

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS** **30 June 2016**

### **1. General information (continued)**

Considering the above, Zerah Partnership agreed that the Company will cancel the Guarantee and Zerah Partnership's guarantee will be also on behalf of the Company. The Company and Zerah Partnership will take it into consideration in future settlement between them subject to certain conditions.

On 1 May 2016, a contingent resources report was published by the partnership of Hatrurim License. The report, made by Dummore Consulting, estimates about 7 million barrels of oil (Best Estimate) and up to about 11 million barrels (High Estimate).

### **2. Unaudited financial statements**

The Interim Condensed Financial Statements of the Company for the period ended 30 June 2016 have not been audited by the Company's external auditors.

#### **3.1 Basis of preparation and changes in accounting policies**

The interim condensed financial statements are presented in United States Dollar (US\$) and all amounts are rounded to the nearest dollar.

Where necessary, the comparative amounts have been reclassified to comply with changes in the current period's presentation.

#### **Statement of compliance**

The interim condensed financial statements for the period ended 30 June 2016 have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim condensed financial statements do not include all the information and disclosures required for the annual financial statements.

#### ***Going concern***

The Company incurred a loss of US\$103,512 during the period from 1 January 2016 to 30 June 2016. The interim condensed 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 license for block 8 has not yet been finalised. However, should the Company fail to obtain the license for block 8, the Company has a Plan B as is described in the Explanatory Statement.

#### **Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2016:

- IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments.

# C.O. Cyprus Opportunity Energy Public Company Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2016

### 3.1 Basis of preparation and changes in accounting policies (continued)

#### Changes in accounting policy and disclosures (continued)

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions.

- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016.

➢ **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

➢ **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

➢ **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

➢ **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

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

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

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 June 2016**

### **3.2 Significant accounting policies**

#### **Functional currency, presentation currency and foreign currency**

##### **Functional currency and presentation currency:**

The presentation currency of the interim condensed 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 the 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 Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2016

### 3.2 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 Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016

### 3.2 Significant accounting policies (continued)

#### 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.

#### 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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 June 2016**

**3.2 Significant accounting policies (continued)**

**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 Limited**

## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS** **30 June 2016**

### **4. Judgements and estimates**

The preparation of the Company's interim condensed 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 interim condensed 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. Cash and cash equivalents**

	<i>30.6.2016</i> <i>USD</i>	<i>31.12.2015</i> <i>USD</i>
Cash at bank	<u>1.266</u>	<u>4.137</u>

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

### **6. Other receivables**

	<i>30.6.2016</i> <i>USD</i>	<i>31.12.2015</i> <i>USD</i>
Other receivables	<u>9.973</u>	<u>15.129</u>

# C.O. Cyprus Opportunity Energy Public Company Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2016

### 7. Share capital

		<i>30.6.2016</i>	<i>31.12.2015</i>	
	<i>Shares</i>	<i>USD</i>	<i>Shares</i>	<i>USD</i>
<i>Authorised</i>				
Ordinary shares of €0,01 each	<u>61.950.000</u>	619.500	<u>36.950.000</u>	369.500
<i>Issued</i>				
Issue of ordinary shares at €0,01 each and fully paid	34.006.000	455.000	33.390.000	448.282
Issue of ordinary shares at €0,01 each	<u>50.000</u>	<u>542</u>	<u>616.000</u>	<u>6.718</u>
At 30 June 2016/ 31 December 2015	<u>34.056.000</u>	<u>455.542</u>	<u>34.006.000</u>	<u>455.000</u>

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.

In accordance with a resolution of the shareholders of the Company dated 20 August 2013, the Company proceeded with a second private placement for the purpose of raising capital for the minimum amount of €250.000 (the "Minimum Amount"). The Company successfully raised the Minimum Amount and listed 25.000.000 new shares of nominal value of €0,01 each, subscribed for at the price of €0,01 per share. 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 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 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).

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

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## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS** **30 June 2016**

### **7. Share capital (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 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 Extra Ordinary Meeting of Shareholders approved that the Board of Directors will be authorized to issue and allot 50.000 ordinary shares of €0,01 nominal value each out of the Company's authorized share capital to Gil Sultan who have signed a service agreement with the Company (which is effective as of 1 July 2015) and that for such allocation the right of pre-emption according to the Articles of Association of the Company will not apply. On 19 January 2016, the Board of Directors approved to issue and allot these shares to Gil Sultan according to the EGM and the share were issued and allotted.

On 27 June 2016 the Share Capital of the Company was increased from Three Hundred and Sixty Nine Thousand Five Hundred Euro (€369.500) divided into 36.950.000 (Thirty Six Million Nine Hundred and Fifty Thousand ) shares of €0.01 Euro cent each to Six Hundred and Nineteen thousand Five Hundred Euro (€619.500) divided into Sixty One Million Nine Hundred and Fifty Thousand (61,950,000) shares of One Euro Cents (€0,01)each, by the creation of Twenty Five million (25,000,000) additional shares of One Euro Cents (€0,01) each.

On 31 July 2016, the forth PP of the Company ended and the result are as following: The total of all applications is €207,200 Euros, out of which €93,000, Euros were received by related parties (partly as conversion of outstanding debts/ loans). The price per share for the new shares was set at Euro €0.01.

On 1 September the Board of Directors of the Company has approved the result of the forth PP and the allotment of shares according to the these results.

# C.O. Cyprus Opportunity Energy Public Company Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2016

### 8. Earnings/(losses) per share

	30.6.2016 USD	30.6.2015 USD
<b>Basic earnings/(losses) per share</b>		
Loss after tax	(103.512)	(67.262)
Weighted average number of shares in issue during the period	<u>34.052.961</u>	<u>33.390.000</u>
Basic earnings/(losses) per share (cent)	(0,30)	(0,20)
	<hr/>	<hr/>
<b>Diluted earnings/(losses) per share</b>		
Diluted loss after tax	(103.512)	(67.262)
Diluted weighted average number of shares	<u>34.052.961</u>	<u>33.390.000</u>
Diluted earnings/(losses) per share (cent)	(0,30)	(0,20)

### 9. Dividends

The Company has not paid any dividends since its incorporation.

### 10. Other payables

	30.6.2016 USD	31.12.2015 USD
Other payables	70.258	53.370
Accruals	<u>44.894</u>	<u>25.656</u>
	<hr/>	<hr/>
	115.152	79.026

### 11. Related party balances and transactions

The Company's immediate parent was C.O. Cyprus Opportunity Oil and Gas Exploration Ltd up until 7 November 2013. The ultimate controlling company is Israel Opportunity Oil and Gas Exploration Ltd, a company registered in Israel.

#### Loans due to related companies

	30.6.2016 USD	31.12.2015 USD
C.O. Cyprus Opportunity Oil and Gas Exploration Ltd (1)	63.083	63.031
Halman R.M. Investments Ltd (2)	<u>21.362</u>	<u>5.138</u>
	<hr/>	<hr/>
	84.445	68.169

(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 2016 amounted to US\$587 (2015: US\$671).

# C.O. Cyprus Opportunity Energy Public Company Limited

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2016

### 11. Related party balances and transactions (continued)

(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 5<sup>th</sup> 2016 the loan was increased to €25,000 and the remaining terms remained the same.

(3) The investment amount raised during the fourth private placement shall be used for the repayment of related parties' and service providers' loans and debts as describe herein: 1. the repayment of 20,000 Euros loan to Halman R.M Investments Ltd. 2. The repayment of 25,000 Euros debt to Israel Opportunity – Oil and Gas Exploration Ltd. 3. The repayment of 9,000 Euros debt to Halman R.M Investments Ltd. 4. The repayment of 9,000 Euros debt to Shuker Holdings Ltd. 6. The repayment of 17,500 Euros loan (out of 55,544 Euros) to C.O. Cyprus Opportunity Oil and Gas Exploration Limited.

Amount due to related company	30.6.2016	31.12.2015
	USD	USD
Israel Opportunity Oil and Gas Exploration Ltd	33.703	23.198
Israel Opportunity Energy Resources, LP	-	3.748
	<u>33.703</u>	<u>26.946</u>
 Directors' balances – other payables		
	30.6.2016	31.12.2015
	USD	USD
Rony Halman	1.874	870
Uri Aldubi	682	682
	<u>2.556</u>	<u>1.552</u>

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

Directors remuneration	30.6.2016	30.06.2015
	USD	USD
Directors fees	4.061	8.320
	<u>4.061</u>	<u>8.320</u>
 Consulting fees		
	30.6.2016	30.06.2015
	USD	USD
Directors	31.784	19.700
Other key management personnel	31.854	6.661
	<u>63.638</u>	<u>26.361</u>

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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**30 June 2016**

**11. Related party balances and transactions (continued)**

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 of €0,01 nominal value 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 this agreement will be the issuance of 30.000 shares of the Company with nominal value of €0,01 each.

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.

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 1 September the Board of Directors of the Company has approved the allotment of shares according to the results of the forth Private Placement of the Company ended on 31 July 2016 as following: The total of all applications is €207,200 Euros, out of which €93,000, Euros were received by related parties (partly as conversion of outstanding debts/ loans). The price per share for the new shares was set at Euro €0.01.

**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%.

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

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### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 June 2016**

#### **12. Share based payments**

##### **General Employee/Consultant Share-issue Plan**

Under the selected services agreements for consulting services (as described in Note 11), 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.

On 12 January 2016 the Extra Ordinary Meeting of Shareholders approved that the Board of Directors will be authorized to issue and allot 50.000 ordinary shares of €0,01 nominal value each out of the Company's authorized share capital to Gil Sultan who have signed a service agreement with the Company (which is effective as of 1 July 2015) and that for such allocation the right of pre-emption according to the Articles of Association of the Company will not apply. On 19 January 2016, the Board of Directors approved to issue and allot these shares to Gil Sultan according to the EGM and the share were issued and allotted.

#### **13. Fair values**

The fair values of the Company's financial assets and liabilities approximate their carrying amounts as at 30 June 2016 and 30 June 2015.

#### **14. Commitments and contingencies**

There were no significant commitments and contingencies as at 30 June 2016 (30 June 2015: nil).

#### **15. Events after the reporting date**

On 27 June 2016 the AGM authorized the Board of Directors of the Company the power to issue and allot of up to the maximum twenty five million ordinary shares, with a minimum issue price of 0.01 Euro Cents per share. On 31 July 2016, the forth Private Placement of the Company ended and the result are as following: The total of all applications is €207,200 Euros, out of which €93,000, Euros were received by related parties (partly as conversion of outstanding debts/ loans). The price per share for the new shares was set at Euro €0.01.

On 1 September 2016 the Board of Directors of the Company has approved the allotment of shares according to the these results.

On 1 September 2016 the Board of Directors approved to file an interim order together with Petrica AS (formerly known as AGE ENERGY AS) ("the Consortium"), to the applicable Court of Cyprus against the Republic of Cyprus, The Council of ministers and the Minister of commerce, industry and tourism in order to stop the 3rd licensing round in the matter of Block 8 (the "Block"), until the pending recourse of the Consortium in the matter of the Block in the second licensing round shall be given by the Court.

There were no other events after the reporting period which affect the interim condensed financial statements at 30 June 2016.