• April 2017

Cyprus Stock Exchange

Nicosia

C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED - APPROVAL OF 2016 ANNUAL FINANCIAL STATEMENTS

We wish to inform you that the Board of Directors of C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED (the "Company") at its meeting convened today 27 April 2017, examined and approved the financial statements of the Company for the year ended December 31st, 2016. Hereby attached the financial statements of the Company.

Full copies of the financial statements of the Company are available at the Company's registered office at 13 Karaiskakis Str, P.C. 3032, Limassol, Cyprus and the website of the Cyprus Stock Exchange, **www.cse.com.cy**.

C.O. Cyprus Opportunity Energy Public Company Limited

FINANCIAL STATEMENTS

31 December 2016

Contents

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

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 2016 confirm that, to the best of our knowledge:

(a) the annual financial statements that are presented on pages 17 to 40:
(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
27 April 2017

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(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
27 April 2017

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 2016. 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. As 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 in oil and gas projects around the world. As Plan C, the Company will invest in securities of oil and gas exploration companies in the Levant Basin.

Review of current position, future developments and significant risks

Background and Current Position
On 11 May 2012, the Company together with AGR Energy AS (the "Consortium"), submitted applications for two offshore hydrocarbons exploration licenses, blocks 2 and 8, through the tender for the 2nd Licensing Round for offshore exploration issued by the Government of Cyprus.

On 5 February 2013, the Company was informed by the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus (the "Ministry") that the proceedings for block 2 were concluded and that the license for this block was granted to another applicant.

On 25 April 2013, the Company and AGR entered into a Memorandum of Understanding with a member of the Paraskevaides Group for a joint venture with the Consortium regarding block 8.

On 24 May 2013, the Ministry informed the Company that the application for block 8 submitted by the Consortium was rejected.

On 17 July 2013, the Consortium submitted a recourse to the Supreme Court of Cyprus with respect to the decision of the Ministry to reject the Consortium's application for block 8 ("the Recourse"). This Recourse is still pending.

Even though the Recourse is still pending, on 24 March 2016, the Republic of Cyprus announced the commencement of the 3rd Licensing Round for offshore exploration of Blocks 6, 8 and 10 in its Exclusive Economic Zone.

On 1 September 2016, the Board of Directors of the Company filed an interim order together with Petrica AS (formerly known as AGR Energy AS) to the applicable court of Cyprus. The interim order was filed against the Republic of Cyprus, The Council of Ministers and the Ministry. The reasoning behind the interim order was to stop the 3rd licensing round with respect to Block 8, until the pending recourse of the Consortium, referred to in the previous paragraph, is given by the Court.

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

On 11 October 2016 the Consortium's application for the interim order was rejected. As a result, Israel Opportunity Oil & Gas Exploration Ltd and additional Israeli investors, also being shareholders of the Company (jointly referred to herein as the "Investors"), have issued a notice to the Government of the Republic of Cyprus, of the existence of an investment dispute under the Agreement Between the Government of the State of Israel and the Government of the Republic of Cyprus for the Reciprocal Promotion and Protection of Investments dated October 13, 1998 ("Israel-Cyprus BIT" or "Treaty"). Pursuant to Article 8 of the Treaty, the Investors intend to request that formal negotiations be commenced immediately between the Government of the Republic of Cyprus and the Investors, to resolve claims and disputes arising in connection with the second licensing round for Block 8 and their respective investment in connection thereto. The Investors informed the Company, that in the event that such disputes are not settled within the six month period stated in the Treaty lapsing on 25 April 2017, the Investors intend to submit the dispute to the International Center for the Settlement of Investment Disputes (ICSID) for resolution by binding arbitration.

On 21 December 2016, the Council of Ministers' announced its selected applicants for negotiations on the terms and provisions of the Exploration and Production Sharing Contracts, in the 3rd Licensing round for offshore exploration of Blocks 6, 8 and 10. Among the elected applicants, Eni Cyprus Limited was elected for negotiation on exploration in Block 8. Furthermore, the Council of Ministers appointed a team, led by the Minister of Energy, Commerce, Industry and Tourism and the Minister of Finance, to negotiate Contract terms and provisions with the selected applicants. In case negotiations are successful, and provided that the agreed Contract per individual Block is approved by the Council of Ministers, Hydrocarbon Exploration Licenses shall be granted. Otherwise, the runner-up applicants will be invited for negotiations. The Company is considering its steps with this respect.

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") have entered into a Memorandum of Understanding 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 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 Hatrurim 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%. The License was awarded on 27 October 2015 by the Commissioner to the Company and its partners Zerah Partnership, Ginko Partnership, Israeli Opportunity Partnership, Rosenberg & Co and Ashtrom (collectively the "Partnership") for the period between October 27, 2015 up to October 26, 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 issue of a guarantee for the amount of US$600.000 (for 100% of the License), with the Company's share amounting to US$33.333 ("the Guarantee"). For the performance of the Company's obligation herein Petrica AS (formally AGR Energy AS) ("Petrica") agreed to provide the Guarantee according to requirements and instructions of the Commissioner on behalf of the Company. In consideration for providing the Guarantee, Petrica is entitled to the reimbursement of out of pocket expenses and is not entitled to any other consideration with this respect.

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

On 5 May 2016, the Commissioner approved the request of the partners to the Hatrurim License, to decrease the guarantee to US$500.000. Considering the above, Zerah Partership and Ginko Partnership agreed that the Guarantee will be cancelled and their existing guarantees would be on behalf of the Company and therefore, the Company and Ginko Partnership and Zerah Partnership will take into consideration in future accounting between them subject to certain conditions. Subject to the above, on 16 January 2017, the Guarantee (provided by Petrica on behalf of the Company) was cancelled. In addition and the Company agreed with Petrica, inter alia, that instead of paying out of pocket expenses it shall cover all costs of Petrica portion on the ongoing Recourse and future legal process by the Parties against the Republic of Cyprus, in case there will be.

On 1 May 2016, a contingent resources report was published by the Partnership of Hatrurim License. The report, prepared by Dunmore Consulting, estimates about 7 million barrels of oil resources according to the Best Estimate and up to about 11 million barrels according to the High Estimate. The Hatrurim License is in progress according to the work plan provided by the Commissioner.

On March 6, 2017 the Company has signed together with Israel Opportunity, Energy Recourses, Limited Partnership (IO) and an American company named Radian Partnership, LP. (the "Buyers") a Term sheet (the "T.S") with independent third parties (the "Sellers"), for the acquisition of rights in ten sections each approximately 640 acre and total area of approximately 6,400 acre, in oil fields in North Dakota, USA (the "Properties") whose main points are as follows:

1. Buyers will hold, directly or through their assigns, 75% of the Sellers' rights in Properties at the time of entering into the Term Sheet (which are 97% out of 100%), i.e. Buyers will hold 72.75% (from 100%) of the rights in the Properties, representing no less than 74.69% (from 97%) of the rights to net revenue interest, that is the rights after deducting royalties at 23% to the owner of the land (the "Acquired Rights"), whereas Sellers will hold the remaining 25%.
2. In consideration for the Acquired Rights, Buyers will pay to Sellers on the Purchase Date, the total amount of US $3,520,000.
3. The shares of the Buyers in the Acquired Rights shall be as follows:
   The Company - 6.375% (from 100%)
   Israel Opportunity - 30% (from 100%)
   Radian - 36.375% (from 100%)

Buyers have agreed that the division ownership of rights among them may change by the date of the final purchase agreement (as described below), depending on the ability of the Company and Radian to finance their relative share of the Acquired Rights. In accordance, Israel Opportunity's share in the Properties could reach up to 72.75% (from 100%) (I.e. all Acquired Rights). As for the date of this announcement Israel Opportunity have the required equity in order to buy its share and it doesn't required to raise capital.

4. Buyers shall carry Sellers on three (3) cumulative recompletions, net to the Buyers and Seller's interests ("Carry") up to a total of US $4,500,000 (for 100%) (I.e. beyond their share amounted US to $ 1.125 million). The third recompletion shall commence prior to June 30, 2018, unless the parties agree otherwise. The Properties contains striper wells, which are wells at the end of their lives which produce negligible amounts. To secure the payment of the Carry, Buyer shall grant to Seller a recordable mortgage interest representing a maximum of US $1,125,000 of Buyers net revenue interest in Properties that shall be terminated as the Buyers will cover the Carry.
5. The parties shall enter into a mutually acceptable contract operating agreement to regulate the joint operations in the Properties. Sellers will serve as operator of the joint venture for a period of 12 months.
6. Buyers will grant Sellers a total of US $ 50,000 per month, for a period of 12 months from the purchase date, reducing the operator's fees to be paid to Sellers as the operators of the joint venture.
7. The proposed purchase is conditional upon, inter alia, conducting satisfactory Due Diligence by the Buyers, execution of the purchase agreement based on the principles set forth in the T.S, execution of contract operating agreement and receipt of all approvals of the competent organs of the parties.

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

8. Sellers have pledged to maintain exclusivity for the Buyers in connection with the Acquired Rights, for a period of 90 days which shall be commenced from the date of the execution of the T.S. For avoidance of doubt, the engagement in the T.S, shall not insure engagement in purchase agreement regarding the Acquired Rights, and there is no certainty that the investment shall be developed and / or be finalized.

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 - 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 in oil and gas projects around the world.
The Company's Plan C is to invest in securities of oil and gas exploration companies in the Levant Basin.
As described above, the Company signed on the Term Sheet for the acquisition of rights in ten sections each approximately 640 acre and total area of approximately 6,400 acre, in oil fields in North Dakota, USA and the risk that it shall not succeed to raise the funds in order to be a part of North Dakota investment. Moreover, and the Company has shares in Hatrurim License in Israel.

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.

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.

On 21 March 2017 the Board of Directors approved a dividend distribution policy ("the Resolution") as follows: The Company shall distribute dividend only after i) having distributable profits from reserves balance above 1 million Euros ("The Distributable Profits") in the last financial statements (half yearly financial statements or annual audited financial statements) ii) the Board of Directors approves that there are no restrictions of any applicable law and iii) the Board of Directors ensures that the distribution of dividends shall not affect the Company's capability to fulfill its obligations and/ or liabilities and/ or its capability to reinvest in current and/ or future projects. The dividends shall worth 25% (twenty five percent) of The Distributable Profits before the resolution to distribute dividends. This Resolution shall not restrict the Company to distribute any other kind of dividends with different percentages always subject to any applicable restrictions under any relevant law.

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).

On 30 September 2016 the authorised Share Capital of the Company was increased from 36.950.000 shares of €0.01 Euro cent each (€369.500) to 61.950.000 ordinary shares of €0,01 each (€619.500).

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 12 January 2016 the Extra Ordinary Meeting of Shareholders approved that the Board of Directors will be authorized to issue and allot 50.000 shares of €0,01 nominal value each out of the Company authorized share capital to Gil Sultan (an employee of Israel Opportunity Oil & Gas Exploration Ltd) who have signed a service agreement with the Company (the agreement is effective as of 1 July 2015) and 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 shares 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 Private Placement ("the 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 PP and the allotment of shares according to the these results, therefore on 30 September 2016, the Register of Companies increased the Company Capital accordingly. As at year end the 20.720.000 ordinary shares were issued but not yet listed.

Issued share capital (continued)

On 1 March 2017, The Council of the Cyprus Stock Exchange announced that, pursuant to Article 58 of the CSE Law, it has accepted the listing on the Cyprus Stock Exchange of 20.720.000 ordinary shares in the Company issued as a result of an issue of the capital's share capital at a price of €0,01 each and allotted through private placement. The above shares will be incorporated in the already listed share capital of the Company, which will amount to 54.776.000 shares (therefore the Company take into consideration the fact that just on 1 March 2017, the share capital was increased and the rest of the shareholders were diluted).
On 21 March 2017 the Board of Directors also approved to commence private placement in the Company in the form of bookbuilding and to convene the Extra Ordinary General Meeting of the shareholders of the Company for the approvals as follows:

a. That the Authorized Share Capital of the Company be and is hereby increased from Six Hundred and Nineteen Thousand Five Hundred Euro (€619.500) divided into 61.950.000 (Sixty One Million Nine Hundred and Fifty Thousand) shares of €0,01 Euro cent each to One Million Six Hundred and Nineteen Thousand and Five Hundred Euro (€1.619.500) divided into One Hundred Sixty One Million Nine Hundred and Fifty Thousand (161.950.000) shares of One Euro Cents (€0,01) each, by the creation of One Hundred million (100.000.000) additional shares of One Euro Cents (€0,01) each.

b. To discuss, consider and if thought appropriate the Company would resolve the following by a resolution under Article 9 of the Articles of Association and section 59 A 1 (b) of the Companies Law Cap 113

   That the Directors of the Company be and are hereby authorized to issue and allot up to the maximum one hundred million ordinary shares out of the Company's authorised share capital in accordance with Article 7 of the Articles of Association and be empowered to issue and allot these shares for cash as if the right of pre-emption contained in Article 8 of the Articles of Association and section 60B of the Companies Law, Cap. 113 did not apply to such allotment. Provided that the power to allot these shares shall be limited to the allotment of the shares having a minimum issue price 0.01 Euro Cents per share and such power shall be valid until 22 May 2017. On April 20, 2017 the EGM approved the above-mentioned.

Refer to Note 10 to the financial statements for further details on the issue of share capital.

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 2016 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. At the last AGM of the Company held on 27 June 2016, the existing Directors were re-elected, and therefore they will be re-elected at the next AGM which will be held in 2018.

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

Directors' Interest

The interests in the share capital of the Company, both direct and indirect, of those who were Directors at 31 December 2016 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	4.856.252	4.947.402	14.53%
Uri Aldubi	Executive Director	111.000	2.356.252	2.467.252	7.24%
Maya Gottdenker-Firon	Non Executive Director	200.000	45.029	245.029	0,72%
Total		**402.150**	**7.257. 534**	**7.659.684**	22.49%

The interests in the share capital of the Company, both direct and indirect, of those who were Directors on 24 April 2017 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	9.476.430	9.567.580	17.47%
Uri Aldubi	Executive Director	111.000	3.076.430	3.187.430	5.82%
Maya Gottdenker-Firon	Non Executive Director	200.000	58.792	258.792	0.47%
Total		**402.150**	**12.611.652**	13.013.802	23.76%

Board and Management Remuneration

The net remuneration received by the Company's directors directly from the Company during the year ended 31 December 2016 amounted to US$75.529. 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 2016.

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 2016 and 24 April 2017, the following persons hold 5% or more (directly and / or indirectly) of the issued share capital of the Company. This holdings as at 31 December 2016 are excluding the shares issued in advance, as described in Note 10 to the financial statements.

	31 December 2016 %	*24 April 2017 %*
C.O. Cyprus Opportunity Oil and Gas Exploration Ltd	20,85	12,96
Israel Opportunity – Oil and Gas Exploration Ltd**	40,83	33,14
AGR Energy AS*	9,52	5,92
Halman R.M Investments Ltd***	12,06	15,51
A. Haomer Haggai Investments Ltd****	10,00	6,68
Yoel Yogev*****	8,73	5,65
Apollo Nominees Inc	7,34	6,39
Jens A Wilhelmsen	7,34	4,56

The below holdings are as at 24 April 2017:

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

*AGR Energy AS holds directly 4,62% of the shares in the Company, and indirectly an additional 1,3%.
** Israel Opportunity - Oil and Gas Exploration Ltd holds directly 26,02% of the shares in the Company, and indirectly an additional 7,13%.
*** Halman R.M Investments Ltd holds directly 11,68% of the shares in the Company, and indirectly an additional 3,83%.
**** A. Haomer Haggai Investments Ltd holds directly 4,71% of the shares in the Company, and indirectly an additional 1,97%.
***** Yoel Yogev holds directly 4,71% of the shares in the Company, and indirectly an additional 0,94%.

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
27 April 2017

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of C.O. Cyprus Opportunity Energy Public Company Ltd (the "Company"), which are presented in pages 17 to 40 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 2.1 where it is stated that the Company's application for Block 8 of the Cyprus EEZ has not been finalized and that the Company has a plan B and plan C in place in the case where the license for Block 8 is not obtained. Relevant disclosures are included in the management report, note 1 and note 2.1 of the financial statements, where it is also stated that the recourse submitted by the Consortium to the Supreme Court of Cyprus with respect to the decision of the Ministry to reject the Consortium's application for Block 8 is still pending. According to recent press releases, the negotiations process for the license of Block 8 was finalized and a contract was signed with another applicant from the third licensing round. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report

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Other information

The Board of Directors is responsible for the other information. The other information comprises the management report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Board of Directors for the Financial Statements

The 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, 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.

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- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

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 to 2016 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 Ltd
Certified Public Accountants and Registered Auditors

Nicosia
27 April 2017

STATEMENT OF COMPREHENSIVE INCOME
Year ended to 31 December 2016

	Note	2016 USD	2015 USD
Revenue			
Oil and gas prospecting expense		(5.858)	(5.159)
Administrative and operating expenses		(218.858)	(174.491)
Loss from operating activities	5	(224.716)	(179.650)
Net finance loss	6	(1.945)	(2.182)
Loss before taxation		(226.661)	(181.832)
Taxation	7	-	-
Net loss for the period		(226.661)	(181.832)
Other comprehensive income		-	-
Total comprehensive loss for the period		(226.661)	(181.832)
Basic earnings/(losses) per share (cent)	11	(0,67)	(0,54)
Diluted earnings/(losses) per share (cent)	11	(0,67)	(0,54)

STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Note	*31.12.2016 USD*	*31.12.2015 USD*
ASSETS			
Current assets			
Other receivables	9	14.714	15.129
Cash and cash equivalents	8	27.010	4.137
TOTAL ASSETS		41.724	19.266
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	455.542	455.000
Share premium	10	1.150.589	1.138.670
Capital reserve	10	(9.957)	(62.153)
Advance issue of share capital	10	228.221	-
Accumulated losses		(1.913.053)	(1.686.392)
Total equity		(88.658)	(154.875)
Current liabilities			
Loan due to related parties	14	40.612	68.169
Other payables	13	85.842	79.026
Amounts due to related companies	14	3.928	26.946
		130.382	174.141
Total liabilities		125.382	174.141
TOTAL EQUITY AND LIABILITIES		41.724	19.266

On 27 April 2017 the Board of Directors of C.O. Cyprus Opportunity Energy Public Company Ltd authorised these financial statements for issue.

....	....
Rony Halman	Charalambos Christodoulides
Chairman	Director

STATEMENT OF FINANCIAL POSITION
at 31 December2016

	Note	*31.12.2016 USD*	*31.12.2015 USD*
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On 27 April 2017the 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 2016

	Note	*Share capital USD*	*Share premium USD*	*Advance issue of share capital USD*	*Capital reserve USD*	*Accumulated losses USD*	*Total USD*
Balance at 1 January 2015		448.282	994.143	-	-	(1.504.560)	(62.135)
Issue of share capital		6.718	144.527	-	(95.720)	-	55.525
Share-based payments	15	-	-	-	33.567	-	33.567
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)
Balance at 1 January 2016		455.000	1.138.670	-	(62.153)	(1.686.392)	(154.875)
Issue of share capital	10	542	11.919	228.221	(12.461)	-	228.221
Share-based payments	15	-	-	-	64.657	-	64.657
Net loss for the period		-	-	-	-	(226.661)	(226.661)
At 31 December 2016		455.542	1.150.589	228.221	(9.957)	(1.913.053)	(88.658)

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.

STATEMENT OF CASH FLOWS
Year ended to 31 December 2016

	Note	2016 USD	2015 USD
Cash flows from operating activities			
Net loss before taxation		(226.661)	(181.832)
Adjustments for:			
Share-based payments		64.657	33.568
Interest expense	6	947	1.351
Operating profit before working capital changes		(161.057)	(146.913)
Decrease in other receivables		415	60.381
Increase in amounts due to related companies		7.705	18.372
Increase in other payables		26.926	8.638
Cash used in operations		(126.011)	(59.522)
Interest paid		-	(1.351)
Net cash flows used in operating activities		(126.011)	(60.873)
Cash flows from financing activities			
Proceeds from issue of share capital		157.837	55.525
Repayments of loan to holding company		(8.953)	(1.275)
Net cash flows from financing activities		148.884	54.250
Net increase(decrease) in cash and cash equivalents		22.873	(6.623)
Cash and cash equivalents at the beginning of the period		4.137	10.760
Cash and cash equivalents at the end of the period	8	27.010	4.137

	Note	2016 USD	2015 USD
Non-cash transactions			
Issue of shares (share-based payments)	15	64.657	33.568

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. As 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 in oil and gas projects around the world. As Plan C, the Company will invest in securities of oil and gas exploration companies in the Levant Basin.

The Company signed on 6 March 2017 the Term Sheet for the acquisition of rights in ten sections each approximately 640 acre and total area of approximately 6,400 acre, in oil fields in North Dakota, USA (refer to Note 18 for further details). Moreover, the Company has shares in the Hatrurim License in Israel as described below.

On 11 May 2012, the Company together with AGR Energy AS (the "Consortium"), submitted applications for two offshore hydrocarbons exploration licenses, blocks 2 and 8, through the tender for the 2nd Licensing Round for offshore exploration issued by the Government of Cyprus.

On 5 February 2013, the Company was informed by the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus (the "Ministry") that the proceedings for block 2 were concluded and that the license for this block was granted to another applicant.

On 25 April 2013, the Company and AGR entered into a Memorandum of Understanding with a member of the Paraskevaides Group for a joint venture with the Consortium regarding block 8.

On 24 May 2013, the Ministry informed the Company that the application for block 8 submitted by the Consortium was rejected.

On 17 July 2013, the Consortium submitted a recourse to the Supreme Court of Cyprus with respect to the decision of the Ministry to reject the Consortium's application for block 8 ("the Recourse").

Even though the Recourse is still pending, on 24 March 2016, the Republic of Cyprus announced the commencement of the 3rd Licensing Round for offshore exploration of Blocks 6, 8 and 10 in its Exclusive Economic Zone.

On 1 September 2016, the Board of Directors of the Company decided to file an interim order together with Petrica AS (formerly known as AGR Energy AS) to the applicable court of Cyprus. The interim order was filed against the Republic of Cyprus, The Council of Ministers and the Ministry. The reasoning behind the interim order was to stop the 3rd licensing round with respect to Block 8, until the pending recourse of the Consortium, referred to in the previous paragraph, is given by the Court.

1. General information (continued)

On 11 October 2016 The Consortium's application for the interim order was rejected and the Company is considering its options with this respect. Furthermore, Israel Opportunity Oil & Gas Exploration Ltd. and additional Israeli investors, who are shareholders of the Company (jointly referred to herein as the "Investors"), have given a notice to the Government of the Republic of Cyprus, of the existence of an investment dispute under the Agreement Between the Government of the State of Israel and the Government of the Republic of Cyprus for the Reciprocal Promotion and Protection of Investments dated October 13, 1998 ("Israel-Cyprus BIT" or "Treaty"). Pursuant to Article 8 of the Treaty, the Investors intend to request that formal negotiations be commenced immediately between the Government of the Republic of Cyprus and the Investors, to resolve claims and disputes arising in connection with the second licensing round for Block 8 and their respective investment in connection thereto. The Investors informed the Company, that in the event that such disputes are not settled within the six month period stated in the Treaty, the Investors intend to submit the dispute to the International Center for the Settlement of Investment Disputes (ICSID) for resolution by binding arbitration.

On 21 December 2016, the Council of Ministers' announced its selected applicants for negotiations on the terms and provisions of the Exploration and Production Sharing Contracts, in the 3rd Licensing round for offshore exploration of Blocks 6, 8 and 10. Among the elected applicants, Eni Cyprus Limited was elected for negotiation on exploration in Block 8. Furthermore, the Council of Ministers announced that it appointed a team, led by the Minister of Energy, Commerce, Industry and Tourism and the Minister of Finance, to negotiate Contract terms and provisions with the selected applicants. In case negotiations are successful, and provided that the agreed Contract per individual Block is approved by the Council of Ministers, Hydrocarbon Exploration Licenses shall be granted. Otherwise, the runner-up applicants will be invited for negotiations. The Company is considering its steps with this respect.

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") have entered into a Memorandum of Understanding 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 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 Hatrurim 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%. The License was awarded on 27 October 2015 by the Commissioner to the Company and its partners Zerah Partnership, Ginko Partnership, Israeli Opportunity Partnership, Rosenberg & Co and Ashtrom (collectively the "Partnership") for the period between October 27, 2015 up to October 26, 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 issue of a guarantee for the amount of US$600.000 (for 100% of the License), with the Company's share amounting to US$33.333 ("the Guarantee"). For the performance of the Company's obligation herein Petrica AS (formally AGR Energy AS) ("Petrica") agreed to provide the Guarantee according to requirements and instructions of the Commissioner on behalf of the Company. In consideration for providing the Guarantee, Petrica is entitled to the reimbursement of out of pocket expenses and is not entitled to any other consideration with this respect.

1. General information (continued)

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.

On 5 May 2016, the Commissioner approved the request of the partners to the Hatrurim License, to decrease the guarantee to US$500.000. Considering the above, Zerah Partership and Ginko Partnership agreed that the Guarantee will be cancelled and their existing guarantees would be on behalf of the Company and therefore, the Company and Ginko Partnership and Zerah Partnership will take into consideration in future accounting between them subject to certain conditions. Subject to the above, on 16 January 2017, the Guarantee (provided by Petrica on behalf of the Company) was cancelled. In addition and the Company agreed with Petrica, inter alia, that instead of paying out of pocket expenses it shall cover all costs of Petrica portion on the ongoing Recourse and future legal process by the Parties against the Republic of Cyprus, in case there will be.

On 1 May 2016, a contingent resources report was published by the Partnership of Hatrurim License. The report, prepared by Dunmore Consulting, estimates about 7 million barrels of oil resources according to the Best Estimate and up to about 11 million barrels according to the High Estimate. The Hatrurim License is in progress according to the work plan provided by the Commissioner.

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$226.661 (2015: US$181.832) during the year ended 31 December 2016 and the current liabilities of the Company exceeds its current assets by US$88.658 (2015: US$154.875). 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 and the holdings in Hatrurim License and the Term Sheet in North Dakota as described above.

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 2016. This adoption did not have a material effect on the accounting policies of the Company.

2.2 Changes in accounting policies and disclosures (continued)

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
- IFRS 9 Financial Instruments - (effective for annual periods beginning on or after 1 January 2018)
- IFRS 15 Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15 - (effective for annual periods beginning on or after 1 January 2018)

Issued by the IASB but not yet adopted by the European Union
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 January 2016 but the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard -)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses - (effective for annual periods beginning on or after 1 January 2017)
- 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: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

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

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.

3. Summary of significant accounting policies (continued)

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.

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.

3. Summary of significant accounting policies (continued)

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.

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.

<u>Current taxes:</u>
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.

<u>Deferred taxes:</u>
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.

3. Summary of significant accounting policies (continued)

Taxes on income (continued)

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.

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. Share capital is recognised net of share issue expenses.

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.

3. Summary of significant accounting policies (continued)

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

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:

- **Going concern**

The Company's management has made an assessment of the its ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. Judgements and estimates (continued)

- **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

	31.12.2016 *USD*	*31.12.2015* *USD*
Operating loss is stated after charging the following items:		
Auditors' remuneration for the statutory audit of annual accounts	7.991	6.600
Auditors' remuneration for tax services	789	545
Legal and professional fees	37.960	23.882
Oil and gas prospecting expenses	5.858	5.159
Consulting fees	69.089	64.355
Consulting fees – share based payment expenses (note 15)	64.657	33.568
Directors' fees (note 14)	8.004	8.059

Directors' remuneration included within consulting fees, are separately disclosed in note 14.
As at 31 December 2016 the Company had no employees (2015: nil).

6. Net finance expense

	31.12.2016 *USD*	*31.12.2015* *USD*
Foreign exchange profit	3.769	12.743
Other interest received	92	303
Finance income	3.861	13.046
Foreign exchange loss	(3.354)	(12.403)
Bank charges	(1.505)	(1.474)
Interest expense on loans from related party	(947)	(1.351)
	(5.806)	(15.228)
Net finance expense	(1.945)	(2.182)

7. Taxation

Statement of Comprehensive Income	*31.12.2016 USD*	*31.12.2015 USD*
Corporation tax - current year	-	-
Charge for the period	-	-
Statement of Financial Position		
Corporation tax	-	-
	-	-

	31.12.2016 USD	*31.12.2015 USD*
(Loss) before tax	(226.661)	(181.832)
Tax calculated at the applicable tax rates	(28.333)	(22.729)
Tax effect of expenses not deductible for tax purposes	477	333
Tax effect of income not subject to tax	(52)	-
Tax effect of losses carried forward	27.908	22.396
Tax charge	-	-

The applicable corporation tax rate is 12,5% (2015: 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 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 2016, the balance of tax losses which is available to be carried forward for 5 years and offset against future taxable profits amounts to US$1.637.321 (2015: US$1.418.279) 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

	31.12.2016 USD	*31.12.2015 USD*
Cash at bank	27.010	4.137
	27.010	4.137

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

	USD	*USD*
United States Dollar	223	258
Euro	25.934	3.579
New Israeli Shekel	853	300
	27.010	4.137

9. Other receivables

	31.12.2016 *USD*	*31.12.2015* *USD*
Other receivables and prepayments	14.714	15.129
	14.714	15.129

10. Share capital

	Shares	*31.12.2016* *EUR*	*Shares*	*31.12.2015* *EUR*
Authorised				
Ordinary shares of €0,01 each	61.950.000	619.500	36.950.000	369.500
	Shares	*USD*	*Shares*	*USD*
Issued Ordinary shares at €0,01 (fully paid)				
At 1 January	34.006.000	448.282	33.390.000	448.282
Issue of ordinary shares at €0,01each	50.000	542	616.000	6.718
At 31 December	34.056.000	455.542	34.006.000	455.000
Advance issue of ordinary shares at €0,01 each (not listed)	20.720.000	228.221	-	-
At 31 December	54.776.000	683.763	34.006.000	455.000

On 10 February 2015 the Board of Directors approved two service agreements with Jenny Orlov (a former 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, 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 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 to Maya Gottdenker-Firon, Jenny Orlov and the third party consultant. For such allocation the right of pre-emption according to the Articles of Association of the Company will not apply.

10. Share capital (continued)

On 20 April 2015 the Board approved the completion of the first phase of the 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 the service provider to execute all or any required documents in this regards. The Company has to date not used its right to purchase the shares from the service provider.

On 30 August 2016 the service agreement with Jenny Orlov (key management personnel) was terminated prior to the expiration of the 2 year term of her service agreement. The Company did not exercise the option to purchase the shares at nominal value of €0,01 as per the share-issue plan described in Note 15.

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 shares of €0,01 nominal value each out of the Company authorized share capital to Gil Sultan (an employee of Israel Opportunity Oil & Gas Exploration Ltd) who have signed a service agreement with the Company (the agreement is effective as of 1 July 2015) and 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 shares 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 Private Placement ("the PP") of the Company ended and the result are as following: The total of all applications is €207.200 , out of which €93.000, Euros were received by related parties (partly as conversion of outstanding debts/ loans). On 1 September 2016 the Board of Directors of the Company has approved the result of the PP and the allotment of shares according to the these results. Consideration for these shares was received during the year and these shares were issued at nominal value of Euro €0,01 per share.

On 1 March 2017, The Council of the Cyprus Stock Exchange announced that, pursuant to Article 58 of the CSE Law, it has accepted the listing on the Cyprus Stock Exchange of 20.720.000 ordinary shares in the Company issued as a result of an issue of the capital's share capital at a price of €0,01 each and allotted through private placement. The above shares have been incorporated in the registered share capital of the Company at year end amounting to 54.776.000 shares.

10. Share capital (continued)

On 21 March 2017 the Board of Directors also approved to commence private placement in the Company in the form of bookbuilding and to convene the Extra Ordinary general meeting of the shareholders of the Company for the approvals as follows:

a. That the Authorized Share Capital of the Company be and is hereby increased from Six Hundred and Nineteen Thousand Five Hundred Euro (€619.500) divided into 61,950,000 (Sixty One Million Nine Hundred and Fifty Thousand) shares of €0,01 Euro cent each to One Million Six Hundred and Nineteen Thousand and Five Hundred Euro (€1.619.500) divided into One Hundred Sixty One Million Nine Hundred and Fifty Thousand (161.950.000) shares of One Euro Cents (€0,01) each, by the creation of One Hundred million (100.000.000) additional shares of One Euro Cents (€0,01) each.

b. To discuss, consider and if thought appropriate the Company would resolve the following by a resolution under Article 9 of the Articles of Association and section 59 A 1 (b) of the Companies Law Cap 113.

That the Directors of the Company be and are hereby authorized to issue and allot up to the maximum one hundred million ordinary shares out of the Company's authorised share capital in accordance with Article 7 of the Articles of Association and be empowered to issue and allot these shares for cash as if the right of pre-emption contained in Article 8 of the Articles of Association and section 60B of the Companies Law, Cap. 113 did not apply to such allotment. Provided that the power to allot these shares shall be limited to the allotment of the shares having a minimum issue price 0,01 Euro Cents per share and such power shall be valid until 22 May 2017. On April 20, 2017 the EGM approved the above mentioned.

11. Earnings/(losses) per share

	31.12.2016 USD	*31.12.2015 USD*
Basic (losses) per share		
Loss after tax	(226.661)	(181.832)
Weighted average number of shares in issue during the period	34.054.493	33.821.538
Basic (losses) per share (cent)	(0,67)	(0,54)
Diluted (losses) per share*		
Diluted loss after tax	(220.678)	(181.832)
Diluted weighted average number of shares	34.054.493	33.821.538
Diluted (losses) per share (cent)	(0,67)	(0,54)

12. Dividends

The Company has not paid any dividends since its incorporation.

13. Other payables

	31.12.2016 USD	31.12.2015 USD
Other payables	37.205	53.370
Accruals	48.637	25.656
	85.842	79.026

14. Related party balances and transactions

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

Loans due to related parties	31.12.2016 USD	31.12.2015 USD
C.O. Cyprus Opportunity Oil and Gas Exploration Ltd (1)	38.538	63.031
Halman R.M. Investments Ltd (2)	2.074	5.138
	40.612	68.169

(1) On 31 December 2012 a loan of US$102.490 was granted to the Company by C.O. Cyprus Opportunity Oil and Gas Exploration Limited (which holds 12.96% of the 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. On 6 April 2017 C.O. Cyprus Opportunity Oil and Gas Exploration Limited and the Company approved to extend the repayment date until 31 December 2017. Interest charged on this loan during 2016 amounted to US$947 (2015: US$1.351).

(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. the loan balance for December 31, 2017 is EUR1.972.

(3) The investment amount raised during the last private placement included issue of shares to related parties for the amount of €93.000 which was partially used for the repayment of balances accumulated during the year on related parties' and service providers' loans and debts as describe herein:
1. the repayment of 20.000 Euros loan due 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. for services.
4. The repayment of 9.000 Euros debt to Shuker Holdings Ltd. for services.
5. The repayment of 17.500 Euros loan (out of 55.544 Euros) due to C.O. Cyprus Opportunity Oil and Gas Exploration Limited, (through issue of shares to Israel Opportunity – Oil and Gas Exploration Ltd)

14. Related party balances and transactions (continued)

	31.12.2016 USD	31.12.2015 USD
Amounts due to related companies		
Israel Opportunity Oil and Gas Exploration Ltd	3.928	23.198
Israel Opportunity Energy Resources, LP	-	3.748
	3.928	26.946
Directors' balances – other payables		
Rony Halman	2.142	870
Uri Aldubi	682	682
	2.824	1.552

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

The following transactions were carried out with related parties:

	31.12.2016 USD	31.12.2015 USD
Directors' Remuneration		
Directors fees – current year	8.004	8.059
Directors fees – prior year reversal		-
Consulting fees	38.519	42.188
Consulting fees – share based payment transactions	29.006	20.344
	75.529	70.591
Remuneration of key management personnel		
Consulting fees	19.244	22.167
Consulting fees – share based payment transactions	31.298	10.172
	50.542	32.339

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.

In the years 2015 and 2016, service agreements were signed with related parties, see Note 10 for details.

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.

14. Related party balances and transactions (continued)

Services Agreement with C.O. Cyprus Opportunity – Oil and Gas Exploration Limited (COGEL)
Under the terms of this agreement, COGEL 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 COGEL's obligations and the provision of services, the Company will pay the COGEL 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.

On 30 August 2016 the service agreement with Jenny Orlov (key management personnel) was terminated prior to the expiration of the 2 year term of her service agreement. The Company did not exercise the option to purchase the shares at nominal value of €0,01 as per the share-issue plan.
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.

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 shares of €0,01 nominal value each out of the Company authorized share capital to Gil Sultan (an employee of Israel Opportunity Oil & Gas Exploration Ltd) who have signed a service agreement with the Company (the agreement is effective as of 1 July 2015) and 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 shares were issued and allotted.

	31.12.2016 USD	*31.12.2015 USD*
Expense arising from equity-settled share-based payment transactions	64.657	33.568
	64.657	33.568

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.

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.

Fair values
The fair values of the Company's financial assets and liabilities approximate their carrying amounts as at 31 December 2016 and 2015.

17. Commitments and contingencies

The Hatrurim license was awarded to the Company and its partners under the Zerah Partnership on 26 October 2015. The Company had 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 which was paid by Petrica on behalf of the Company.
On 5 May 2016, the Commissioner approved the request of the partners to the Hatrurim License, to decrease the guarantee to US$500.000. Considering the above, Zerah Partership and Ginko Partnership agreed that the Guarantee will be cancelled and their existing guarantees would be on behalf of the Company and therefore, the Company and Ginko Partnership and Zerah Partnership will take into consideration in future accounting between them subject to certain conditions. Subject to the above, on 16 January 2017, the Guarantee (provided by Petrica on behalf of the Company) was cancelled. In addition and the Company agreed with Petrica, inter alia, that instead of paying out of pocket expenses it shall cover all costs of Petrica portion on the ongoing Recourse and future legal process by the Parties against the Republic of Cyprus, in case there will be.

There were no other significant commitments and contingencies as at 31 December 2016 and 2015.

18. Events after the reporting period

On 1 March 2017, The Council of the Cyprus Stock Exchange announced that, pursuant to Article 58 of the CSE Law, it has accepted the listing on the Cyprus Stock Exchange of 20.720.000 ordinary shares in the Company issued as a result of an issue of the capital's share capital at a price of €0,01 each and alloted through private placement. The above shares will be incorporated in the already listed share capital of the company, which will amount to 54.776.000 shares.

On 6 March 2017 the Company has signed together with Israel Opportunity, Energy Recourses, Limited Partnership (IO) and an American company named Radian Partnership, LP. (the "Buyers") a Term sheet (the "T.S") with independent third parties (the "Sellers"), for the acquisition of rights in ten sections each approximately 640 acre and total area of approximately 6.400 acre, in oil fields in North Dakota, USA (the "Properties") whose main points are as follows:
1. Buyers will hold, directly or through their assigns, 75% of the Sellers' rights in Properties at the time of entering into the Term Sheet (which are 97% out of 100%), i.e. Buyers will hold 72,75% (from 100%) of the rights in the Properties, representing no less than 74,69% (from 97%) of the rights to net revenue interest, that is the rights after deducting royalties at 23% to the owner of the land (the "Acquired Rights"), whereas Sellers will hold the remaining 25%.
2. In consideration for the Acquired Rights, Buyers will pay to Sellers on the Purchase Date, the total amount of US $3.520.000.
3. The shares of the Buyers in the Acquired Rights shall be as follows:
   The Company – 6,375% (from 100%)
   Israel Opportunity - 30% (from 100%)
   Radian – 36,375% (from 100%)

Buyers have agreed that the division ownership of rights among them may change by the date of the final purchase agreement (as described below), depending on the ability of the Company and Radian to finance their relative share of the Acquired Rights. In accordance, Israel Opportunity's share in the Properties could reach up to 72,75% (from 100%) (I.e. all Acquired Rights). As for the date of this announcement Israel Opportunity have the required equity in order to buy its share and it doesn't required to raise capital.

18. Events after the reporting period (continued)

4. Buyers shall carry Sellers on three (3) cumulative recompletions, net to the Buyers and Seller's interests ("Carry") up to a total of US $4.500.000 (for 100%) (I.e. beyond their share amounted US to $ 1.125 million). The third recompletion shall commence prior to June 30, 2018, unless the parties agree otherwise. The Properties contains striper wells, which are wells at the end of their lives which produce negligible amounts. To secure the payment of the Carry, Buyer shall grant to Seller a recordable mortgage interest representing a maximum of US $1.125.000 of Buyers net revenue interest in Properties that shall be terminated as the Buyers will cover the Carry.
5. The parties shall enter into a mutually acceptable contract operating agreement to regulate the joint operations in the Properties. Sellers will serve as operator of the joint venture for a period of 12 months.
6. Buyers will grant Sellers a total of US $ 50.000 per month, for a period of 12 months from the purchase date, reducing the operator's fees to be paid to Sellers as the operators of the joint venture.
7. The proposed purchase is conditional upon, inter alia, conducting satisfactory Due Diligence by the Buyers, execution of the purchase agreement based on the principles set forth in the T.S, execution of contract operating agreement and receipt of all approvals of the competent organs of the parties.
8. Sellers have pledged to maintain exclusivity for the Buyers in connection with the Acquired Rights, for a period of 90 days which shall be commenced from the date of the execution of the T.S. For avoidance of doubt, the engagement in the T.S, shall not insure engagement in purchase agreement regarding the Acquired Rights, and there is no certainty that the investment shall be developed and / or be finalized

On March 21, 2017 the Board of Directors approved a dividend distribution policy ("the Resolution") as follows: The Company shall distribute dividend only after i) having distributable profits from reserves balance above 1 million Euros ("The Distributable Profits") in the last financial statements (half yearly financial statements or annual audited financial statements) ii) the Board of Directors approves that there are no restrictions of any applicable law and iii) the Board of Directors ensures that the distribution of dividends shall not affect the Company's capability to fulfill its obligations and/ or liabilities and/ or its capability to reinvest in current and/ or future projects. The dividends shall worth 25% (twenty five percent) of The Distributable Profits before the resolution to distribute dividends. This Resolution shall not restrict the Company to distribute any other kind of dividends with different percentages always subject to any applicable restrictions under any relevant law.

On March 21, 2017 the Board of Directors also approved to commence private placement in the Company in the form of bookbuilding and to convene the Extra Ordinary general meeting of the shareholders of the Company for the approvals as follows:

a. That the Authorized Share Capital of the Company be and is hereby increased from Six Hundred and Nineteen Thousand Five Hundred Euro (€619.500) divided into 61.950.000 (Sixty One Million Nine Hundred and Fifty Thousand) shares of €0.01 Euro cent each to One Million Six Hundred and Nineteen Thousand and Five Hundred Euro (€1.619.500) divided into One Hundred Sixty One Million Nine Hundred and Fifty Thousand (161.950.000) shares of One Euro Cents (€0,01) each, by the creation of One Hundred million (100.000.000) additional shares of One Euro Cents (€0,01) each.

18. Events after the reporting period (continued)

b. To discuss, consider and if thought appropriate the Company would resolve the following by a resolution under Article 9 of the Articles of Association and section 59 A 1 (b) of the Companies Law Cap 113

   That the Directors of the Company be and are hereby authorized to issue and allot up to the maximum one hundred million ordinary shares out of the Company's authorised share capital in accordance with Article 7 of the Articles of Association and be empowered to issue and allot these shares for cash as if the right of pre-emption contained in Article 8 of the Articles of Association and section 60B of the Companies Law, Cap. 113 did not apply to such allotment. Provided that the power to allot these shares shall be limited to the allotment of the shares having a minimum issue price 0.01 Euro Cents per share and such power shall be valid until 22 May 2017. On April 20, 2017 the EGM approved the above-mentioned.

There were no other significant events after the reporting date.