

19 December 2017

Cyprus Stock Exchange  
Nicosia

**ANNOUNCEMENT**

**Re: BUSINESS PLAN UPDATE**

C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED (the "Company") would like to inform the investment public the below, in relation to the progress of the Company's business plan as presented in the Company's admission document dated 17 July 2012 (the "Admission Document"):

**Blocks 2 and 8**

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 due to certain technical deficiencies in the forms of the application. 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 was 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 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, 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 will commence 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 months 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. Even though the Recourse for

the Cypriot Supreme Court, with respect to the Company's application for Block 8 was still pending for the court ruling, according to the announcement of the Press and Information Office, on April 6, 2017, The Republic of Cyprus signed off the Exploration and Production Sharing Contract as well as the Hydrocarbons Exploration License for Block 8 in the Exclusive Economic Zone (EEZ) of Cyprus with Eni Cyprus Limited and the 3rd Licensing Round is officially concluded.

On June 20, 2017 the Administrative Court issued its unanimous judgment by which it dismissed the Company's Recourse. The Company and its' shareholders are considering their steps with this respect.

#### **Hatrurim License**

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 and October 26 2018. On 1 May 2016, a contingent resources report was published by the Partnership. 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 (for the entire license). The Hatrurim License is in progress according to the work plan provided by the Commissioner.

#### **North Dakota, USA**

On 28 June 2017, The Company incorporate a new private company (Cypriot Company) named "C.O CYPRUS OPPORTUNITY PETROLEUM LIMITED" ("Cyprus Petroleum") which is held 100% by the Company. Cyprus Petroleum holds 100% of an American Company named "CYPRUS OPPORTUNITY ENERGY INC", that was incorporated on 10 July 2017, which will conduct the oil and gas operations in USA.

On 27 June 2017, the Company announced that pursuant to its announcement dated 6 March 2017, regarding engagement in Term Sheet, that it has, together with a USA subsidiary of Israel Opportunity, Energy Recourses, Limited Partnership (IO) and an American company named Radian Partnership, LP. ("Radian") (the "Buyers"), entered into a Farmout agreement 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"; "The "Agreement"). The Agreement main terms are as follows:

- The Buyers will hold, directly or through their assignees, 75% of the Sellers' rights in the Properties at the time of entering into the Term Sheet (which are in average 94% out of 100%, there is a differentiation between the different sections), i.e. Buyers will hold in average approximately 70.5% (from 100%) of the rights in the Properties (the "Acquired Rights"), whereas the Sellers will hold the remaining 25% out of 94% (i.e 23.5%)
- The rights to net revenue interest from the sections, i.e after deducting royalties of 23% to third parties which are the owners of the Acquired Rights are 77% (out of 100%).

- In consideration for the Acquired Rights, the Buyers paid to the Sellers on 26 June 2017 (the "Purchase Date") the total amount of US \$2,400,000, out of which \$500,000 shall be deposited with the escrow agent to insure that required consents and approvals regard the Properties and/ or the assign of the Acquired Rights shall be obtained (the portion allocated to the Company and paid was 96,833 USD).
- In addition, the Buyers undertake to finance all costs and expenses, of the Buyers and the Sellers with regards to the execution of the first 4 re-completion drillings in the Properties as well as other drillings in the Properties (drilling in each segment) up to a total of \$10 million (for 100%) ("Amount of Committed Investment) (i.e. will finance beyond their share about US \$2,500,000 dollars). After the Buyers invest the amount of the committed investment, each party will assume their relative share in the various operating costs in the Properties, in accordance with their relative share in rights in the Properties.

It should be noted that in this context, the cost of every Re-completion in the Properties is estimated at \$1.5 million and the cost of every regular drilling in the Properties is estimated at \$3 million.

- The transaction is based on a gradual transfer of rights that were purchased and registered under the name of the Buyers, in a manner that on the date of the signing of the Agreement, the rights acquired in the first two sections (The First Two Sections) will be transferred and registered under the Buyers' name while the acquisition of rights acquired for every additional sections and the transfer and registration of said acquired rights, to the Buyers will be completed following completion of the drilling in that area.

Despite the aforementioned, once the Buyers have invested the full Amount of the Committed Investment, the rights acquired in all sections will be transferred and registered under their name, whether drilling was performed or not.

To ensure the transfer and registration of the rights acquired in the eight additional sections, the assignment documents were deposited with a trustee.

- It is agreed that the first two drillings, in the first two sections, will be completed by 31.12.2017. The next two drillings, in the two additional sections, will be completed by 30.6.2018 and the additional drillings, until full investment of the amount of committed investment, will be drilled by 30.6.2019.
- The Buyers will pay the Sellers, a consideration for the services provided to the Buyers a sum of \$20.8 thousand per month (and a total of \$250 thousand) for a period of 12 months commencing from the date of the signing of the Agreement.
- The Sellers, who on the date of the signing of the Agreement, serve as the operators of the joint transaction in the Properties (The Operator), will continue to serve as the Operator, and will act in accordance with the directions of the Buyers and in accordance with the Operating Agreement, commencing in the Properties, that regulates the joint activity in each sections (The Operating Agreement). The Buyers will have the right to replace the Operator regards to every segment, following completion of the drilling and the start of production. In addition, the Buyers have the right to demand the replacement of any member of the Operator's team and to engage in a contractual arrangement, directly, with providers of services and equipment to the project.

With regards to every earned in sections, the Buyers will be added as party to the Operating Agreement, upon completion of the acquisition of the rights contained therein.

- The shares of the Buyers in the Acquired Rights shall be as follows<sup>1</sup>:
  - The Company - 3% of the Acquired Rights in a manner it will hold on average approx. 2.82% (from 100%); On August 9, 2017 the rights were assigned to the American subsidiary (Cyprus Opportunity Energy Inc.).
  - Israel Opportunity - 67% of the Acquired Rights in a manner it will hold on average approx. 62.98% (from 100%);

---

<sup>1</sup> On 9 November 2017, Israel Opportunity announced that Radian exercised half of its first option. i.e, the portion of the working interest in the Acquired Rights are as follows: Radian - 7.05% and Israel Opportunity – 60.63% (both holdings are in average from the 100%).

- Radian - 5% of the Acquired Rights in a manner it will hold on average approx. 4.7% (from 100%);

The Buyers agreed between them that any right they have according to the Farmout Agreement and the Operating Agreement shall be exercised based on the resolution of the majority of working interest in the Acquired Rights and should Radian and/or the Company fail to bear their portion (according to their WI) of the payment to the Sellers then IO may pay such payment and assume the Radian's and/or the Company's (as applicable) Working interest in the Acquired Rights.

On July 24, 2017 the Company had received a Contingent Resources Report for the Properties (the "Report") which had been prepared by Netherland, Sewell & Associates, Inc., an independent expert to Reserve estimation ("NSAI").

The Report was prepared according to the guidelines of the Society Petroleum Engineer's Petroleum Resources Management System ("PRMS").

NSAI estimated the gross (100%) contingent resources in these Properties (for the 100%\*) as of 21 July 2017 to be:

Category	Gross (100%) Oil (MBBL)	Contingent Resources GAS (MMCF)
Low Estimate (1C)	6,436.9	12,873.8
Best Estimate (2C)	10,671.3	24,544.0
High Estimate (3C)	14,905.8	38,755.0

\*The share of the Company in the properties is on average approx. 2.82% (from 100%).

Warning - there is no certainty that it will be commercially possible to produce any percentage of the contingent resources.

Warning - NSAI's estimates regarding contingent resources in the project area are "forward-looking information". The above estimates are based, *inter alia*, on completion techniques which have recently been used for drilling to the same reservoir in areas outside the project area and for an analogy to reservoirs with geological characteristics and similar reservoir characteristics that are adjacent to the project area, and are professional estimates and assumptions only of NSAI, for which there is no certainty. The quantities of oil and gas produced (insofar as they are produced) may differ from these estimates and assumptions, *inter alia*, as a result of operational and technical conditions and / or regulatory changes and / or supply and demand conditions in the oil market and / or actual performance of the reservoir. The above may be updated as additional information accumulates and / or results from a range of factors related to oil exploration and production projects and as a result of operational and / or market conditions and / or regulatory conditions.

On August 3, 2017 the Company informed that according to information received from the North Dakota project operator, the first drilling out of two ("Paradox 11-30") has begun on August 2nd, 2017, and was followed by the second drilling ("Paradox 34-31"). The "FRACKING" stage has begun on September 2017.

According to information received from the North Dakota project operator, the status of the project as for the end of November 2017 is as follows:

1. The Development Drillings stage and the Fracking stage, that involves the introduction of a mixture of water, sand and chemicals ("liquids") into the wells in order to optimize production from the Wells, until the Wells were ready for production ("Completion"), were successfully completed.
2. On October 11, 2017, the production stage at "Paradox 34-31" began and on October 29, 2017, the production stage at "Paradox 11-30" began. The production stage initials with production of oil along with the liquids which were injected during the Fracking stage from the wells and the oil production rate is expected to stabilize from all the liquids produced from the Wells.

3. The production is expected to stabilize within several months. After the stabilization of the production and subject to the fulfillment of certain conditions, *inter alia*, the fulfillment of the conditions under which the classification of the contingent resources in the project area has been conditioned (as stated in the Company's immediate announcement as of July 24, 2017), some of the contingent resources may be classified as reserves and then the Company is expected to publish a duly updated reserves report.
4. From the commencement of the production stage and up to the publication of this announcement, approximately 10 thousand barrels of oil were produced from the Wells (for 100%).

Warning - It is clarified that nothing in this announcement to ensure the stabilization of the production from the Wells, the quantities of oil that can be produced in the future from the Wells, the length of time the Wells will produce oil and the production rate, in case the oil will be produced and the profitability of the Wells. In addition, the information detailed above regarding operations and timetables for carrying out the various operations constitutes forward-looking information that is not certain and is based on estimates and assumptions received from the project operator. These actions and timetables are professional estimates and assumptions for which there is no certainty and which may be updated as the stage of production progresses and / or as a result of a range of factors related to exploration and production of oil and natural gas, including as a result of operational conditions and / or market conditions And / or regulatory conditions.

In both drillings, third parties with low working interest (1.53% and 0.08%) chose not to participate. The Company carried the additional costs in each well according to the percentage of its working interest in the Project subject to the provisions of the JOA.

In addition, the Company is exploring other opportunities in the oil and gas sector as per the Admission Document.

Kind regards,

On behalf of the Board of Directors of the Company

Rony Halman

Director