

**C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC  
COMPANY LIMITED**

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2019

# **C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED**

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## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

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# **C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED**

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## **BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors:**

Rony Halman (Chairman of the Board)  
Uri Aldubi (Executive Director)  
Charalambos Christodoulides (Non-Executive Director)  
Maya Gottdenker-Firon (Non-Executive Director)  
Stavros Stavrou (Non-Executive Director) (resigned on 21 March 2020)

**Company Secretary:**

Cyproservus Co Limited  
284 Arch. Makarios C Avenue  
Fortuna Court, Block B  
3rd Floor, Apt. 32  
Limassol, 3105  
Cyprus

**Independent Auditors:**

MGI Gregoriou & Co Ltd  
Certified Public Accountants and Registered Auditors  
Florinis, 7  
GREG TOWER, 6th floor  
P.C. 1065, Nicosia  
Cyprus

**Legal Advisers:**

Chrysses Demetriades & Co LLC

**Registered office:**

13 Karaiskakis Street  
Limassol, 3032  
Cyprus

## DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER COMPANY OFFICERS RESPONSIBLE FOR THE CONSOLIDATED 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 2019 confirm that, to the best of our knowledge:

- (a) The annual consolidated financial statements of the Group which are presented on pages 10 to 36:
  - (i) have been prepared in accordance with the applicable 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 profit or loss of the Group and the entities included in the consolidated financial statements as a whole
- (b) The management report gives a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face.

### 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

Nicosia, 30 April 2020

## DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER COMPANY OFFICERS RESPONSIBLE FOR THE CONSOLIDATED 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 2019 confirm that, to the best of our knowledge:

- (a) The annual consolidated financial statements of the Group which are presented on pages 10 to 36:
  - (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union, and
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- b) The management report gives a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which they face.

### **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



Nicosia, 30 April 2020

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of C.O. Cyprus Opportunity Energy Public Company Limited (the "Company") and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2019.

### **Incorporation and listing of shares**

The Company was incorporated in Cyprus on 10 February 2012 as a limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. On 17 July 2012, the Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange.

### **Principal activities and nature of operations of the Group**

According to the Company's Admission Document, the primary intention of the Group is to participate in oil and/or gas exploration and upstream activities in the exclusive economic zone of Cyprus. The Group'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 Group'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 Group will invest in securities of oil and gas exploration companies in the Levant Basin.

During the second half of 2017, the Group through its wholly owned subsidiary Cyprus Opportunity Energy Inc, had commenced extraction activities in oil fields in North Dakota, USA.

### **Review of current position, future developments and performance of the Group's business**

The net loss for the year attributable to the shareholders of the Group amounted to US\$468,207 (2018: US\$181,998). On 31 December 2019, the total assets of the Group were US\$22,667 (2018: US\$421,832) and the net liabilities of the Group were US\$167,119 (2018: US\$301,088).

During 2019 the Group has reported a gross loss of US\$9,973 (2018: US\$6,737), arising wholly from the activities under North Dakota project. The increase in gross loss is mainly attributable to increased costs in relation to the additional work required to enhance production levels.

During 2019, the Group recognised an impairment loss of US\$327,473 (2018: US\$2,579) in relation to its oil and gas properties, reducing their carrying amount to US\$Nil.

### **Current year developments**

#### North Dakota, USA

During 2019, additional work was performed in all producing wells in which the Group has a working interest in order to enhance production. However, the farmees' efforts to this regard did not lead to the desired increase in production levels, with revenues decreasing to US\$51,025 in 2019 compared to US\$92,637 in 2018. These developments were considered by the Groups as indicators of impairment of oil and gas assets. After measuring the recoverable amount of these assets, the Group has recognised an impairment loss decreasing the carrying amount of the assets to US\$Nil.

#### Group's Strategy

The Group maintains as its objective the performance and/or participation in other projects dealing with exploration, production and marketing of oil and gas, as these may be defined by its Board of Directors from time to time.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Group are disclosed in notes 6 and 7 of the consolidated financial statements.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## MANAGEMENT REPORT

### **Existence of branches**

The Group does not maintain any branches.

### **Going concern basis**

The Group incurred a loss of US\$468,207 for the year ended 31 December 2019, and, as of that date the Group's current liabilities exceeded its current assets by US\$151,836. As one of the Company's major shareholders has expressed their intention to sell their entire holding in the Company, its going concern status depends on whether a person willing to invest in the Group will be identified. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

### **Results**

The Group's results for the year are set out on page 10.

### **Dividends**

The Company did not have any distributable profits as at 31 December 2019, thus the Board of Directors cannot recommend the payment of a dividend.

### **Share capital**

There were no changes in the share capital of the Company during the year under review.

### **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 Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on Page 1.

There were no significant changes in the assignment of responsibilities and remuneration 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 as at 31 December 2019 are shown below:

<b>Name</b>	<b>Role</b>	<b>No. of shares Direct interest</b>	<b>No. of shares Indirect interest</b>	<b>No. of shares Total</b>	<b>Percentage %</b>
Rony Halman	Chairman of the Boad of Directors	91,150	19,015,499	19,106,649	15.07
Uri Aldubi	Executive Director	111,000	6,315,499	6,426,499	5.07
Maya Gottdenker - Firon	Non-Executive Director	-	463,355	463,355	0.37
Stavros Stavrou	Non-Executive Director	32,083,333	-	32,083,333	25.31
<b>TOTAL</b>		<b>32,285,483</b>	<b>25,794,353</b>	<b>58,079,836</b>	<b>45.81</b>

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## MANAGEMENT REPORT

The interests in the share capital of the Company, both direct and indirect, of those who were Directors at 15 April 2020 are shown below:

Name	Role	No. of shares Direct interest	No. of shares Indirect interest	No. of shares Total	Percentage %
Rony Halman	Chairman of the Board of Directors	91,150	19,015,499	19,106,649	15.07
Uri Aldubi	Executive Director	111,000	6,315,499	6,426,499	5.07
Maya Gottdenker - Firon	Non-Executive Director	-	463,355	463,355	0.37
<b>TOTAL</b>		<b>202,150</b>	<b>25,794,353</b>	<b>25,996,503</b>	<b>20.51</b>

### Board and Management remuneration

The net remuneration received by the Company's directors directly from the Company during the year ended 31 December 2019 amounted US\$24,444 (2018: US\$22,794) (See also Note 10 to the financial statements).

### Events after the reporting period

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented public health crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management has considered the unique circumstances arising from the coronavirus outbreak and has concluded that the Company's profitability/liquidity could be affected from the decrease in revenues due to a decrease in oil and gas prices caused by the crisis, as well as by the oil-price dispute between Russia and Saudi-Arabia over the last several weeks. At this stage, the impact of the crisis on the Group's profitability/liquidity cannot be estimated.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

However, the expected negative impact of the coronavirus outbreak in conjunction with the poor performance of the North Dakota project has led the Group into abandoning its plan for further investment in the project.

Another factor taken into consideration is the company's small stake in the North Dakota project compared to the expensive mechanism it has to finance, while the revenue from it is decreasing rapidly.

On 11 March 2020 it was announced to CSE that Israel Opportunity- Oil and Gas Exploration Ltd had signed an agreement to sell its entire holding in the Company ("IO SPA"). As part of this agreement Israel Opportunity, two directors of the Company and one service provider will waive the company's debts toward them, subject to the completion of the agreement. As at the date of the financial statements IO SPA has not been completed yet.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## MANAGEMENT REPORT

On 5 April 2020, the Company entered into a sale and purchase agreement ("SPA"), according to which the Company agreed to sell its entire holding in Cyprus Opportunity Energy Inc to a non-related party in consideration of US\$1,000. The SPA is effective as of 1<sup>st</sup> January 2020, and parties to the SPA will settle any outstanding amount for Cyprus Opportunity Energy Inc's working interest in the January 2020 Joint Interest Billing ("JIB"), February 2020 JIB and March 2020 JIB within 7 days following the issuance of the March 2020 JIB by the operator in the project.

### Related party transactions

Related party transactions are disclosed in note 23 of the consolidated financial statements.

### Shareholders holding more than 5% of the share capital of the Company

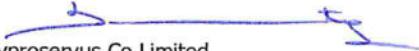
As at 31 December 2019 and 15 April 2020, the following shareholders held directly 5% or more of the issued share capital of the Company:

	31 December 2019 %	15 April 2020 %
Stavros Stavrou	25.31	25.31
Israel Opportunity Oil and Gas Exploration Limited	21.41	21.41
Halman R.M Investments Limited	11.36	11.36

### Independent Auditors

The Independent Auditors, MGI Gregoriou & Co Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

  
Cyproservus Co Limited  
Secretary **CYPROSERVUS CO. LIMITED**

Nicosia, 30 April 2020

## **Independent Auditor's Report**

### **To the Members of C.O. Cyprus Opportunity Energy Public Company Limited**

#### **Report on the Audit of the Consolidated Financial Statements**

##### **Opinion**

We have audited the consolidated financial statements of C.O. Cyprus Opportunity Energy Public Company Limited (the "Company") and its subsidiaries (the "Group"), which are presented in pages 10 to 36 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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.

##### **Material Uncertainty Related to Going Concern**

We draw attention to note 4 to the consolidated financial statements which indicates that the Group incurred a loss of US\$468,207 during the year ended 31 December 2019, and, as of that date the Group's current liabilities exceeded its current assets by US\$151,836. As stated in note 4, these events or conditions, along with other matters as set forth in note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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 consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

##### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the additional information to the consolidated statement of profit or loss and other comprehensive income in pages 1 to 36, but does not include the consolidated financial statements and our auditor's report thereon.

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

## **Independent Auditor's Report (continued)**

### **To the Members of C.O. Cyprus Opportunity Energy Public Company Limited**

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent Auditor's Report (continued)

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

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

#### Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- 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 consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group 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 Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 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.



Marios Anastasi  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
**MGI Gregoriou & Co Ltd**  
**Certified Public Accountants and Registered Auditors**

Nicosia, 30 April 2020

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
<b>Revenue</b>	8	<b>51,025</b>	92,637
Cost of sales	9	(61,147)	(99,374)
<b>Gross loss</b>		<b>(10,122)</b>	(6,737)
Administration expenses	10	(128,115)	(174,895)
Other expenses	11	(327,473)	(2,579)
<b>Operating loss</b>		<b>(465,710)</b>	(184,211)
Finance income	12	64	9,930
Finance costs	12	(2,561)	(7,717)
<b>Loss before tax</b>		<b>(468,207)</b>	(181,998)
Tax	13	-	-
<b>Net loss for the year</b>		<b>(468,207)</b>	(181,998)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(468,207)</b>	(181,998)
<b>Loss per share attributable to equity holders of the parent (dollar)</b>	14	<b>(0.0037)</b>	(0.0015)

The notes on pages 14 to 36 form an integral part of these consolidated financial statements.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 31 December 2019

	Note	2019 US\$	2018 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Oil and gas properties	15	-	337,067
		-	337,067
		<u>337,067</u>	
<b>Current assets</b>			
Trade and other receivables	17	22,255	66,779
Cash and cash equivalents	18	412	17,986
		<u>22,667</u>	<u>84,765</u>
<b>Total assets</b>		<u>22,667</u>	<u>421,832</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	1,503,826	1,503,826
Share-based payments reserve		1,142,535	1,142,535
Accumulated losses		(2,813,480)	(2,345,273)
<b>Total equity</b>		<u>(167,119)</u>	<u>301,088</u>
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges		<u>15,283</u>	<u>14,622</u>
		<u>15,283</u>	<u>14,622</u>
<b>Current liabilities</b>			
Trade and other payables	22	174,475	106,056
Borrowings	20	28	66
		<u>174,503</u>	<u>106,122</u>
<b>Total liabilities</b>		<u>189,786</u>	<u>120,744</u>
<b>Total equity and liabilities</b>		<u>22,667</u>	<u>421,832</u>

On 30 April 2020 the Board of Directors of C.O. Cyprus Opportunity Energy Public Company Limited authorized these consolidated financial statements for issue.

.....  
Rony Halman  
Director

  
Charalambos Christodoulides  
Director

The notes on pages 14 to 36 form an integral part of these consolidated financial statements.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital US\$	Share premium US\$	Advance issue of share capital US\$	Share-based payments reserve US\$	Accumulated losses US\$	Total US\$
<b>Balance at 1 January 2018</b>		<b>1,323,283</b>	<b>1,142,535</b>	-	-	<b>(2,163,275)</b>	<b>302,543</b>
<b>Comprehensive income</b>							
Net loss for the year		-	-	-	-	(181,998)	(181,998)
<b>Transactions with owners</b>							
Issue of share capital in the year	19	-	-	156,215	-	-	156,215
Share-based payments		-	-	-	24,296	-	24,296
Transfer to share capital		24,328	-	-	(24,296)	-	32
Listing of issued shares		156,215	-	(156,215)	-	-	-
<b>Balance at 31 December 2018</b>		<b>1,503,826</b>	<b>1,142,535</b>	-	-	<b>(2,345,273)</b>	<b>301,088</b>
<b>Comprehensive income</b>							
Net loss for the year		-	-	-	-	(468,207)	(468,207)
<b>Balance at 31 December 2019</b>		<b>1,503,826</b>	<b>1,142,535</b>	-	-	<b>(2,813,480)</b>	<b>(167,119)</b>

The notes on pages 14 to 36 form an integral part of these consolidated financial statements.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Loss before tax</b>		<b>(468,207)</b>	(181,998)
Adjustments for:			
Depreciation of oil and gas properties	15	<b>9,594</b>	27,050
Unrealised exchange loss/(profit)		<b>34</b>	(6,241)
Share-based payments		-	24,296
Impairment charge - oil and gas properties	15	<b>327,473</b>	2,579
Interest income	12	-	(314)
Interest expense	12	-	<u>151</u>
		<b>(131,106)</b>	(134,477)
<b>Changes in working capital:</b>			
Decrease in trade and other receivables		<b>44,524</b>	18,338
Increase in trade and other payables		<b>68,385</b>	11,082
Increase in provisions	21	<b>661</b>	<u>848</u>
<b>Net cash used in operating activities</b>		<b>(17,536)</b>	(104,209)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment	15	-	(102,830)
Interest received		-	<u>314</u>
<b>Net cash used in investing activities</b>		-	(102,516)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		-	132,011
Interest paid		-	(151)
<b>Net cash generated from financing activities</b>		-	<u>131,860</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(17,536)</b>	(74,865)
Cash and cash equivalents at beginning of the year		<b>17,920</b>	<u>92,785</u>
<b>Cash and cash equivalents at end of the year</b>	18	<b>384</b>	<u>17,920</u>

The notes on pages 14 to 36 form an integral part of these consolidated financial statements.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### **1. Incorporation and principal activities**

#### **Country of incorporation and listing of shares**

The Company C.O. Cyprus Opportunity Energy Public Company Limited (the "Company") was incorporated in Cyprus on 10 February 2012 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 13 Karaiskakis Street, Limassol, 3032, Cyprus.

#### **Principal activities and nature of operations**

According to the Company's Admission Document, the primary intention of the Group is to participate in oil and/or gas exploration and upstream activities in the exclusive economic zone of Cyprus. The Group'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 Group'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 Group will invest in securities of oil and gas exploration companies in the Levant Basin.

#### **Recent developments**

##### *Recourse regarding Block 8*

On 11 May 2012, the Company together with Petrica Energy AS (collectively the "Consortium"), submitted applications for two offshore hydrocarbons exploration licenses (Blocks 2 and 8) through the tender for the Second Licensing Round for offshore exploration initiated 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 Consortium entered into a Memorandum of Understanding with a member of the Cyprus based Paraskevaides Group, for a joint venture in connection with Block 8.

On 24 May 2013, the Ministry informed the Consortium about the rejection of their application for Block 8 on the grounds of alleged deficiencies in the submitted application forms.

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").

On 24 March 2016, despite the fact that the Recourse had still been subject to judgement by the Supreme Court, the Republic of Cyprus announced the commencement of the Third Licensing Round for offshore exploration of Blocks 6, 8 and 10 in its Exclusive Economic Zone.

On 1 September 2016, the Consortium filed an interim order to the applicable court of Cyprus against the Republic of Cyprus, the Council of Ministers and the Ministry, to stop the Third Licensing Round with respect to Block 8, until the Recourse was judged by the Supreme Court of Cyprus.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### **Recent developments (continued)**

On 11 October 2016 The Consortium's application for the interim order was rejected. Furthermore, certain Israeli based shareholders of the Company (jointly referred to herein as the "Investors"), gave a notice to the Government of the Republic of Cyprus 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") of the existence of an investment dispute. Pursuant to Article 8 of the Treaty, the Investors intended to request the immediate commencement of formal negotiations 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 intended 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 Third Licensing Round for offshore exploration of Blocks 6, 8 and 10. Eni Cyprus Limited was the elected applicant for negotiation on exploration in Block 8. The Republic Of Cyprus had awarded the Exploration and Production Sharing Contract and the Hydrocarbons Exploration License for Block 8 in the Exclusive Economic Zone (EEZ) of Cyprus to Eni Cyprus Limited on 6 April 2017 and before the Cyprus Supreme Court's judgement on the Consortium's Recourse had been announced.

On 20 June 2017 the Supreme Court of Cyprus issued its unanimous judgement by which it dismissed the Consortium's Recourse. The Company is considering its options and possible action in relation to this judgement.

#### *Hatrurim License*

On November 18, 2018 the Company and her partners in Hatrurim License returned the License to the Petroleum Commissioner at the Ministry of Energy of Israel (the "Commissioner").

On January 6, 2019 the commissioner returned all guarantees related to Hatrurim License.

#### *North Dakota, USA*

On 27 June 2017, the Company announced that pursuant to its announcement dated 6 March 2017, regarding its engagement in a Term Sheet with a USA subsidiary of Israel Opportunity Energy Recourses Limited Partnership ("IO") and an American corporation named Radian Partnership, LP. ("Radian") (collectively the "Buyers"), entered into a farmout agreement with independent third parties (the "Sellers"), for the acquisition of rights in ten sections (approximately 640 acre each and total area of approximately 6,400 acre) in oil fields in North Dakota, USA (the "Properties"; the "Farmout Agreement"). The Farmout Agreement's main terms are the following:

- The Buyers will hold, directly or through assignees, 75% of the Seller's rights in the Properties (which as of the date of the Term Sheet, corresponded to an average of 94% of the total rights in the Properties). In other words, the Buyers will collectively own on average 70.5% of the total rights in the Properties (the "Acquired Rights"). The Sellers and other parties will own on average 23.5% and 6% of the total rights in the Properties respectively.
- The Buyers' rights to net revenue interest from the sections, (i.e after deducting royalties of 23% due to third parties) amounts to 77% of total revenue for their working interest.
- As consideration for the Acquired Rights, the Buyers paid to the Sellers on 26 June 2017 (the "Purchase Date") the total amount of US\$2,372,222. The portion allocated to the Company was US\$94,888 and it has been paid.
- In addition, the Buyers undertook to finance all costs and expenses of the Buyers and the Sellers with regards to the execution of the first four re completion drillings in the Properties and/or other drillings in the Properties (drilling in each segment) up to a total of US\$10 million ("Amount of Committed Investment") (i.e. Buyers will provide additional financing beyond their share about US\$2.5 million). After the Buyers invest the aforementioned amounts, 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.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### Recent developments (continued)

- On April 2018, all rights in all ten sections were registered under the name of the Buyers.
- Under the Farmout Agreement, the Buyers will have the right to replace the Operator 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 alternative providers of services and equipment to the project.
- The Sellers, who on the date of the signing of the Farmout Agreement, served 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 that governs the joint activity in each section (the "Operating Agreement"). Under a service agreement that was executed together with the Farmout Agreement ("Exhibit F"), the Seller was entitled to monthly consideration of US\$20,833 for the first year and the portion of the Company in the monthly payments under Exhibit F was US\$833. Exhibit F was expired on May 2018.

The shares of the Buyers in the Acquired Rights as of the date hereof are as follows:

- The Group: 3% of the Acquired Rights in a manner the Group will hold on average approximately 2.82% (out of the total rights in the Properties).
- Israel Opportunity: 62% of the Acquired Rights in a manner the Group will hold on average approximately 58.28% (out of the total rights in the Properties).
- Radian: 10% of the Acquired Rights in a manner the Group will hold on average approximately 9.4% (out of the total rights in the Properties).

The Buyers agreed between them that any right obtained under 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 Group fail to bear their portion (according to their Working Interest) of the payment to the Sellers then Israel Opportunity may pay such payment and assume Radian's and/or the Group's (as applicable) Working Interest in the Acquired Rights.

In connection to Note 1 of Consolidated Financial Statements for the year ended 31 December 2017, re-completion works in the first two sections, Paradox 11-30H and Paradox 34-31H were completed by the end of October 2017, and production and sale of oil and gas thereon have commenced. The Group's revenues from the sale of oil and gas from the first two wells amounted to US\$25,914 in the year ended 31 December 2017.

During the year ended 31 December 2018, the following developments took place:

- Recompletion works were completed in 3 additional sections, Crystal 44 18H, Mesa 13 29H, and Poudre 44 18H, which started producing oil and gas at the end of April 2018.
- Recompletion works were completed in 2 additional sections, Mesa 11 31H, and Mesa 44 10, but production has not yet commenced.

During 2019, additional work was performed in all producing wells in which the Group has a working interest in order to enhance production. However, the farmees' efforts in this regard did not lead to the desired increase in production levels, with revenues decreasing to US\$51,025 in 2019 compared to US\$92,637 in 2018. These developments were considered by the Group as indicators of impairment of oil and gas assets. After measuring the recoverable amount of these assets, the Group has recognised an impairment loss.

Following an agreement reached by other parties to the North Dakota project (the "Other Sellers") to sell an average of 33% of their working interest, and transfer of operatorship, to a third party, on 26 February 2020 the Group, together with IO, have reached a settlement agreement with the Other Sellers (the "Settlement Agreement"), according to which, inter alia, the Buyers have fully and irrevocably earned their rights, titles and interests in the Properties, and their obligations to pay and carry their Capital Commitment under the Farmout Agreement (see definition below) were fully paid, discharged and satisfied.

Commencing 2020 the COVID-19 has had a major effect on the world economy so far, combined with the plunge in oil prices due to Russia and Saudi-Arabia dispute regarding world-wide oil production quantities per day, which led the US Operator in north-Dakota to close all 10 wells in the project. Moreover, during this time of uncertainty and the fact that only expenses were expected by the Group, the Group has decided to sell the North-Dakota asset decreasing the carrying amount of the assets to nil.

# **C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED**

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

### **2. Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113. These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### **3. Adoption of new or revised standards and interpretations**

As from 1 January 2019, the Group adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the consolidated financial statements.

### **4. Significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

#### **Going concern basis**

The Group incurred a loss of US\$468,207 for the year ended 31 December 2019, and, as of that date the Group's current liabilities exceeded its current assets by US\$151,836. As one of the Company's major shareholders has expressed their intention to sell their entire holding in the Company, its going concern status depends on whether a person willing to invest in the Group will be identified. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

#### **Basis of consolidation**

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) presented in Note 16 of these Financial Statements. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring them in line with the accounting policies of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### **Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### Revenue

##### Recognition and measurement

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues and costs are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

##### Identification of performance obligations

The Group assesses whether contracts that involve the provision of a range of goods and contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

- **Sale of oil, gas and natural gas liquids**

Sales of oil, gas and natural gas liquids are recognised at the point in time when the Group satisfies its performance obligation by transferring control over the promised products to the customer, which is usually when the products are delivered to the customer, risk of obsolescence and loss have been transferred to the customer and the customer has accepted the products.

Revenue from the production of oil, gas and natural gas liquids, in which the Group has an interest with other parties, is recognised based on the Group's net revenue interest and the terms of the relevant farmout agreement.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### Revenue recognition (continued)

- **Financing component**

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

#### Finance income

Interest income is recognised on a time-proportion basis using the effective method.

#### Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

#### Foreign currency translation

##### (1) Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States Dollars (US\$), which is the Group's functional and presentation currency.

##### (2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available for sale financial assets are recognised in other comprehensive income.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

#### Oil and gas properties

Oil and gas properties are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The historical cost of an asset comprises its purchase price or construction cost, including the installation or completion of infrastructure facilities and the drilling of wells, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the well concerned, except in the case of assets whose useful life is shorter than the lifetime of the well, in which case, the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of well development costs takes into account expenditures incurred to date, together with expected future development expenditure.

Oil and gas properties are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of oil and gas properties is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

#### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### Financial assets - Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### Financial assets - Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is recognised in profit or loss. Any gain or loss arising on derecognition and foreign exchange gains and losses are recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets and foreign exchange gains and losses are recognised in profit or loss. Impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

**FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the period in which it arises.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### Financial assets - impairment - credit loss allowance for ECL

The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at amortised cost are presented in the consolidated statement of financial position net of the allowance for ECL.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component the Group applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial assets that are subject to impairment under IFRS 9, the Group applies general approach - three stage model for impairment. The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

#### Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

#### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise bank overdrafts. In the consolidated statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

#### Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the Group if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery.

#### Share capital

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

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### Decommissioning liability

The obligation generally arises when the asset is installed. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas properties. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 4. Significant accounting policies (continued)

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as a finance cost.

#### Share-based payments

Employees (including Directors) and service providers 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 share-based payments reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (Note 20). 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 expense or credit for a period in the Statement of Profit or Loss and Other Comprehensive Income represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

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/service provider as measured at the date of modification.

### 5. New accounting pronouncements

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

At the date of approval of these consolidated financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

#### (i) Adopted by the European Union

##### Amendments

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material 1 January 2020
- Amendments to References to the Conceptual Framework in IFRS Standards 1 January 2020

#### (ii) Not adopted by the European Union

##### New standards

- IFRS 17 "Insurance Contracts"

**Effective for annual periods beginning on or after:**  
1 January 2021

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 5. New accounting pronouncements (continued)

#### (ii) Not adopted by the European Union (continued)

##### **Amendments**

• Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	1 January 2020
• Amendment to IFRS 3 Business Combinations	1 January 2020
• Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)	1 January 2022

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the consolidated financial statements of the Group.

### 6. Financial risk management

#### **Financial risk factors**

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

##### **6.1 Credit risk**

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, as well as credit exposures to customers.

###### *(i) Risk management*

Credit risk is managed on a group basis.

For banks and financial institutions, the Group limits its counterparty credit risk by dealing with financial institutions with the highest possible credit ratings considering all facts and circumstances.

With respect to trade receivables and other debt instruments at amortised cost, management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

###### *(ii) Impairment of financial assets*

The Group has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets at amortised cost
- cash and cash equivalents

#### **Trade receivables**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 30 months before 31 December 2019 (i.e. since commencement of the Group's trading activities), as well as historical credit losses, if any, experienced within this period. Current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables are also considered.

On that basis, management has concluded that expected credit losses as at 31 December 2019 are immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 6. Financial risk management (continued)

#### 6.1 Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### Debt investments at amortised cost

Debt investments at amortised cost comprise solely of on-demand receivables from related parties included in "Trade and other receivables" in the consolidated statement of financial position.

Given the immaterial balance of these receivables as at 31 December 2019, as well as their credit risk characteristics and the counterparty's ability to repay its debt immediately, given the on-demand nature of the arrangement, it has been concluded that the counterparty's probability of default is close to 0%, leading to an immaterial impairment loss.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

##### Cash and cash equivalents

Cash and cash equivalents comprise solely of current accounts. As a result and given the immaterial balance of these receivables as at 31 December 2019, it has been concluded that expected credit loss is close to nil.

#### 6.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

##### 31 December 2019

	Carrying amounts	Contractual cash flows	3-12 months
	US\$	US\$	US\$
Bank overdrafts	28	28	28
Trade and other payables	26,977	26,977	26,977
Payables to related parties	147,498	147,498	147,498
	<b>174,503</b>	<b>174,503</b>	<b>174,503</b>

##### 31 December 2018

	Carrying amounts	Contractual cash flows	3-12 months
	US\$	US\$	US\$
Bank overdrafts	66	66	66
Trade and other payables and accruals	29,423	29,423	29,423
Payables to related parties	76,633	76,633	76,633
	<b>106,122</b>	<b>106,122</b>	<b>106,122</b>

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 6. Financial risk management (continued)

#### 6.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to 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 Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Group's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 6.4 Capital risk management

Capital includes equity shares and share premium.

The Group manages its capital 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. The Group's overall strategy remains unchanged from last year.

#### 6.5 Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products it produces. As extraction activities have only recently been commenced, the Group is currently seeking ways to mitigate commodity price risk.

### 7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **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 Group 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.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2019

### 7. Critical accounting estimates and judgments (continued)

#### • **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

#### • **Hydrocarbon reserve and resource estimates**

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the Society of Petroleum Engineers (SPE) Petroleum Resources Management System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- i. The carrying value of oil and gas properties may be affected due to changes in estimated future cash flow;
- ii. Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change;
- iii. Provisions for decommissioning may require revision where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.

### 8. Revenue

	2019 US\$	2018 US\$
Revenue from oil sales	<b>43,201</b>	75,535
Revenue from gas sales	<b>3,668</b>	7,047
Revenue from natural gas liquid sales	<b>4,156</b>	10,055
	<b>51,025</b>	92,637

### 9. Cost of sales

	2019 US\$	2018 US\$
Services received	<b>47,771</b>	66,917
Insurance	<b>272</b>	321
Licenses and taxes	<b>2,501</b>	4,238
Asset retirement obligation	<b>1,009</b>	848
Depreciation (Note 11)	<b>9,594</b>	27,050
	<b>61,147</b>	99,374

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 10. Administration expenses

	2019 US\$	2018 US\$
Directors' fees	<b>24,444</b>	22,794
Annual levy	<b>1,916</b>	-
Insurance	<b>2,054</b>	2,121
Repairs and maintenance	<b>525</b>	-
Other expenses	<b>237</b>	4,718
Stationery and printing	<b>-</b>	202
Auditors' remuneration	<b>8,332</b>	9,816
Accounting fees	<b>7,836</b>	9,987
Legal fees	<b>250</b>	291
Legal and professional	<b>40,098</b>	51,158
Travelling	<b>1,761</b>	5,280
Consulting fees	<b>40,662</b>	68,528
	<b>128,115</b>	174,895

### 11. Other expenses

	2019 US\$	2018 US\$
Impairment charge of oil and gas properties	<b>327,473</b>	2,579
	<b>327,473</b>	2,579

The triggers for the impairment tests of the producing oil and gas properties were primarily the production difficulties which led to a significant decrease in oil and gas production during 2019 as well as the fact that the additional works required to achieve the desired production levels will give rise to higher costs compared to those expected.

In assessing whether an impairment is required, the carrying value of the oil and gas properties is compared with its recoverable amount. The recoverable amount is the higher of the properties' fair value less costs of disposal (FVLCD) and value in use (VIU). Given that information on the fair value of the oil and gas properties was difficult to obtain, since no negotiations with potential purchasers have taken place and no similar transactions have been identified, and given that, as per management's assessment, VIU is immaterial, management has determined the recoverable amount to be close to US\$Nil. As a result, an impairment loss equal to the properties' carrying amounts as at the date of assessment was recognised.

### 12. Finance income/(costs)

	2019 US\$	2018 US\$
Interest income	<b>-</b>	314
Exchange profit	<b>64</b>	9,616
<b>Finance income</b>	<b>64</b>	9,930
Exchange losses	<b>(141)</b>	(4,464)
Interest expense	<b>-</b>	(151)
Other finance expenses	<b>(2,420)</b>	(3,102)
<b>Finance costs</b>	<b>(2,561)</b>	(7,717)
<b>Net finance (costs)/income</b>	<b>(2,497)</b>	2,213

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 13. Tax

The Company and its wholly owned subsidiary C.O. Cyprus Opportunity Petroleum Limited are subject to corporation tax on taxable profits in Cyprus at the rate of 12.5%. The Group's wholly-owned subsidiary, Cyprus Opportunity Energy Inc is subject to corporation tax in the United States. Prior to 2018, the US corporation tax rate ranged from 15% to 35%. Companies in the United States were taxed at graduated rates on taxable income up to US\$335,000. For income levels between \$335,000 and \$10 million the flat rate of 34% was applied, whilst a 35% corporate tax bracket applied when taxable income exceeded \$10 million. Starting from 2018, all companies will be taxed at a flat rate of 21% on their taxable profit. Moreover, the State of North Dakota taxes companies at tax rate of 4.31%.

### 14. Loss per share attributable to equity holders of the parent

	2019	2018
<b>Loss attributable to shareholders (US\$)</b>	<b>(468,207)</b>	(181,998)
Weighted average number of ordinary shares in issue during the year	<b>126,780,762</b>	120,113,929
<b>Loss per share attributable to equity holders of the parent (dollar)</b>	<b>(0.0037)</b>	(0.0015)

### 15. Oil and gas properties

	Oil and gas properties US\$
<b>Cost</b>	
Balance at 1 January 2018	255,773
Additions	118,529
<b>Balance at 31 December 2018</b>	<b>374,302</b>
<b>Balance at 31 December 2019</b>	<b>374,302</b>
<b>Depreciation, depletion and impairment</b>	
Balance at 1 January 2018	7,606
Charge for the year	27,050
Provision for impairment	2,579
<b>Balance at 31 December 2018</b>	<b>37,235</b>
Charge for the year	9,594
Provision for impairment	327,473
<b>Balance at 31 December 2019</b>	<b>374,302</b>
<b>Net book amount</b>	
<b>Balance at 31 December 2019</b>	<b>-</b>
<b>Balance at 31 December 2018</b>	<b>337,067</b>

An impairment loss equal to the carrying amount of the oil and gas properties was recognised as at 31 December 2019 (see Note 11).

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 16. Investments in subsidiaries

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2019 Holding %	2018 Holding %
C.O. Cyprus Opportunity Petroleum Limited	Cyprus	Holding of investments	100	100
Cyprus Opportunity Energy Inc	USA	Holding of rights in oil fields on North Dakota	100	100

### 17. Trade and other receivables

	2019 US\$	2018 US\$
Trade receivables	<b>7,618</b>	6,396
Receivables from related parties (Note 23.3)	<b>1,068</b>	9,596
Deferred expenses	-	2,079
Refundable VAT	<b>13,569</b>	48,708
	<b>22,255</b>	66,77

The Group does not hold any collateral over the trading balances.

The fair values of trade and other receivables due within one year approximate their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 6 of the consolidated financial statements.

### 18. Cash and cash equivalents

	2019 US\$	2018 US\$
Cash at bank and in hand	<b>412</b>	17,986
	<b>412</b>	17,986

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents include the following:

	2019 US\$	2018 US\$
Cash at bank and in hand	<b>412</b>	17,986
Bank overdrafts (Note 20)	<b>(28)</b>	(66)
	<b>384</b>	17,920

#### Cash and cash equivalents by currency:

	2019 US\$	2018 US\$
United States Dollars	<b>273</b>	16,818
Israeli Shekel	<b>139</b>	1,168
	<b>412</b>	17,986

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2019

### 18. Cash and cash equivalents (continued)

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the consolidated financial statements.

### 19. Share capital

	2019 Number of listed ordinary shares	2019 US\$	2018 Number of listed shares	2018 US\$
<b>Authorised</b>				
Ordinary shares of €0,01 each	<u>211,950,000</u>	<u>2,119,500</u>	211,950,000	2,119,500
<b>Issued and fully paid</b>				
Balance at 1 January	126,780,762	1,503,826	111,197,429	1,323,283
Issue of shares	-	-	15,583,333	180,543
<b>Balance at 31 December</b>	<u>126,780,762</u>	<u>1,503,826</u>	126,780,762	1,503,826

### 20. Borrowings

	2019 US\$	2018 US\$
<b>Current borrowings</b>	<u>28</u>	66

### 21. Provisions for other liabilities and charges

	Decommissioning US\$
<b>Balance at 1 January 2018</b>	<u>654</u>
Additional provision charged to oil and gas properties	13,120
Unwinding of discount charged to profit or loss	848
<b>Balance at 31 December 2018</b>	<u>14,622</u>
Change in measurement of provision	(348)
Unwinding of discount charged to profit or loss	1,009
<b>Balance at 31 December 2019</b>	<u>15,283</u>

The amounts included in the consolidated statement of financial position include the following:

	2019 US\$	2018 US\$
Provisions to be used after more than twelve months	<u>15,283</u>	14,622

The Group makes full provision for the future cost of decommissioning oil and gas wells on a discounted basis on the installation of those wells and infrastructure.

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2019

### 21. Provisions for other liabilities and charges (continued)

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2026, when the existing producing oil and gas properties are expected to cease operations. These provisions have been created based on the estimates of the operator. Assumptions based on the current economic environment have been made, which management believes form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The discount rate used in the calculation of the provision as at 31 December 2019 amounted to 6.7%

### 22. Trade and other payables

	2019 US\$	2018 US\$
Trade payables	3,155	-
Payables to related parties (Note 23.4)	147,498	76,633
Accruals	19,787	19,959
Other creditors	4,035	9,464
	<hr/> <b>174,475</b>	<hr/> <b>106,056</b>

The fair values of trade and other payables due within one year approximate their carrying amounts as presented above.

### 23. Related party transactions

The Company does not have a single controlling party. The major shareholders of the Company can be found on page 6.

The following transactions were carried out with related parties:

#### 23.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2019 US\$	2018 US\$
Directors' fees	<hr/> <b>24,444</b>	<hr/> 22,794
	<hr/> <b>24,444</b>	<hr/> 22,794

#### 23.2 Purchase of services

	<u>Nature of transactions</u>	2019 US\$	2018 US\$
Halman R.M Investments Ltd	Consulting fees	13,554	13,801
Prevention at Sea Ltd	Consulting fees - Share-based payment transaction	-	24,296
Shuker Holdings Ltd	Consulting fees	13,554	11,446
Aldubi Holdings Ltd	Consulting fees	13,554	11,735
Eyal Shuker		-	2,420
		<hr/> <b>40,662</b>	<hr/> 63,698

# C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2019

### 23. Related party transactions (continued)

#### 23.3 Receivables from related parties (Note 17)

Name	2019 US\$	2018 US\$
Halman R.M Investments Ltd	<b>1,068</b>	1,068
C.O. Cyprus Opportunity Oil and Gas Exploration Ltd	-	8,528
	<b>1,068</b>	<b>9,596</b>

#### 23.4 Payables to related parties (Note 22)

Name	2019 US\$	2018 US\$
Israel Opportunity Oil and Gas Exploration Ltd	<b>47,181</b>	16,978
Shuker Holdings Limited	<b>27,133</b>	13,579
Halman R.M Investments Ltd	<b>28,366</b>	14,812
Aldubi Holdings Limited	<b>41,932</b>	28,378
Eyal Shuker	<b>193</b>	193
Rony Halman	<b>2,011</b>	2,011
Uri Aldubi	<b>682</b>	682
	<b>147,498</b>	<b>76,633</b>

The payables to related parties are non-interest bearing, unsecured and repayable on demand.

#### 23.5 Directors' balances - other payables

	2019 US\$	2018 US\$
Rony Halman	-	2,011
Uri Aldubi	-	682
Charalambos Christodoulides	<b>2,049</b>	-
	<b>2,049</b>	<b>2,693</b>

The directors' balances are non-interest bearing, unsecured and repayable on demand.

### 24. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2019.

### 25. Commitments

#### Capital commitments

As part of the Farmout Agreement, the Company shall undertake, to the extent of its participation interest, to finance part of 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 and/or other drillings in the Properties (drilling in each segment up to a total of US\$10 million ("Capital Commitment"). The Company's original share in the amounted of Capital Commitment amounted to approximately US\$400,000 at the time of the signing of the Farmout Agreement. As at the date of this report, following the Settlement Agreement, the Buyers have fully and irrevocably earned their rights, titles and interests in the Properties, and their obligations to pay and carry their Capital Commitment under the Farmout Agreement were fully paid, discharged and satisfied.

# **C.O. CYPRUS OPPORTUNITY ENERGY PUBLIC COMPANY LIMITED**

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

### **26. Events after the reporting period**

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented public health crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management has considered the unique circumstances arising from the coronavirus outbreak and has concluded that the Company's profitability/liquidity could be affected from the decrease in revenues due to a decrease in oil and gas prices caused by the crisis, as well as by the oil-price dispute between Russia and Saudi-Arabia over the last several weeks. At this stage, the impact of the crisis on the Group's profitability/liquidity cannot be estimated.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

However, the expected negative impact of the coronavirus outbreak in conjunction with the poor performance of the North Dakota project has led the Group into abandoning its plan for further investment in the project.

On 5 April 2020, the Company entered into an SPA, according to which the Company agreed to sell its entire holding in Cyprus Opportunity Energy Inc to a non-related party in consideration of US\$1,000. The SPA is effective as of 1st January 2020, and parties to the SPA will settle any outstanding amount for Cyprus Opportunity Energy Inc's working interest in the January 2020 Joint Interest Billing ("JIB"), February 2020 JIB and March 2020 JIB within 7 days following the issuance of the March 2020 JIB by the operator in the project.

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**Independent auditor's report on pages 7 to 9**