CAMBRIDGE ENERGY GROUP LIMITED

Consolidated Financial Statements
(With Independent Auditors' Report Thereon)

For the period from January 16, 2012
(date of incorporation) to December 31, 2012

CAMBRIDGE ENERGY GROUP LIMITED

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of Cambridge Energy Group Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Cambridge Energy Group Limited (the "Company") and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2012 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the period then ended, and the related notes to the consolidated financial statements. We did not audit the financial statements of Cambridge Energy, LLC, a wholly owned subsidiary, which constitute 56% of total consolidated assets and 100% of total consolidated revenues. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cambridge Energy Group Limited, is based solely on the report of the other auditors.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of Cambridge Energy Group Limited and its subsidiaries as of December 31, 2012, and their consolidated results of operations and their consolidated cash flows for the period then ended, in accordance with accounting standards generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2(a) to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters are also described in note 2(a). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

KPMG Audit Limited

Chartered Accountants
Hamilton, Bermuda
November 1, 2013

CAMBRIDGE ENERGY GROUP LIMITED

Consolidated Balance Sheet

December 31, 2012
(Expressed In United States Dollars)

		2012
Assets		
Current assets		
Cash and cash equivalents	$	31,602
Total current assets		31,602
Total assets	$	31,602
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued expenses	$	112,126
Total current liabilities		112,126
Shareholders' equity		
Share capital (Note 6)		390,000
Additional paid-in capital (Note 6)		1,837,656
Accumulated deficit		(2,308,180)
Total shareholders' equity		(80,524)
Total liabilities and shareholders' equity	$	31,602

See accompanying notes to consolidated financial statements

Signed on behalf of the Board

_________________ Director

Laurence Marallo Director

CAMBRIDGE ENERGY GROUP LIMITED

Consolidated Statement of Operations

For the period from January 16, 2012 (date of incorporation) to December 31, 2012
(Expressed In United States Dollars)

		2012
Revenue		
Other activities (Note 3(d))	$	100,000
Total revenue		100,000
Expenses		
General and administrative expenses (Note 5)		613,596
Total expenses		613,596
Net loss	$	(513,596)
Basic loss per common share (Note 6)	$	(0.013)
Diluted loss per common share (Note 6)	$	(0.013)

See accompanying notes to consolidated financial statements

CAMBRIDGE ENERGY GROUP LIMITED

Consolidated Statement of Changes in Shareholders' Equity

For the period from January 16, 2012 (date of incorporation) to December 31, 2012
(Expressed In United States Dollars)

	Share capital	Additional paid-in-capital	Accumulated deficit	Total
On incorporation	$ –	$ –	$ –	$ –
Share issue (par value)	390,000	–	–	390,000
Additional paid-in-capital	–	1,837,656	–	1,837,656
Transfer on group restructure (Note 1)	–	–	(1,794,584)	(1,794,584)
Net loss	–	–	(513,596)	(513,596)
As of December 31, 2012	$ 390,000	$ 1,837,656	$ (2,308,180)	$ (80,524)

See accompanying notes to consolidated financial statements

CAMBRIDGE ENERGY GROUP LIMITED

Consolidated Statement of Cash Flows

For the period from January 16, 2012 (date of incorporation) to December 31, 2012
(Expressed In United States Dollars)

		2012
Cash flows from operating activities		
Net loss	$	(513,596)
Adjustments for non-cash items:		
Contributed travel expenses		63,875
Other expenses		(13,003)
Changes in non-cash working capital balances:		
Accounts payable and accrued expenses		112,126
Net cash used in operating activities		(350,598)
Cash flows from financing activities		
Additional paid-in-capital		382,200
Net cash provided by in financing activities		382,200
Net increase in cash and cash equivalents		31,602
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	$	31,602

See accompanying notes to consolidated financial statements

1. Nature of operations

Cambridge Energy Group Limited ("CEGL" or the "Company") is a Bermuda exempted company with limited liability incorporated on January 16, 2012 and issued with Registration No. 46178. The Company was incorporated as a part of a corporate restructure in which the Company issued shares to existing shareholders of Cambridge Energy LLC ("Cambridge USA"), a U.S. company, in exchange for receiving all of the shares in Cambridge Energy LLC. CEGL is a natural gas company. As explained in Note 6, on July 4, 2012, the Company's shares were listed on the Bermuda Stock Exchange.

The Company plans to be engaged in the exploration, development and production of natural gas. The Company plans to operate in three business segments: Exploration and Production ("E&P"), Liquefied Natural Gas ("LNG") and Transmission and Distribution ("T&D"). The Company has marketed natural gas in the United States since 2008. The Company is developing the CE FLNG Project; the only integrated and lead mid-market LNG export project in the United States. The Project has a capacity of 8 million metric tons per annum. The Company will be managed across three regions: Americas and Europe; Africa and Middle East, Asia and Pacific Islands States, supported by Global LNG Marketing and Shipping ("GLMS") which will deliver LNG using both Large LNG Carriers and Small LNG Shuttle Carriers. During the period ended December 31, 2012, the Company received approval from the U.S. Department of Energy to export LNG to Free Trade Agreement ("FTA") countries, and has pending approval for Non-FTA Approval to all countries. The approval officially launched the CE FLNG Project, which includes activities from its wholly-owned subsidiaries CE FLNG LLC and CE Pipeline LLC (Note 9). Cambridge Papua New Guinea ("CPNG") was formed in 2010 to serve as the operating arm of the Group's Papua New Guinea operations. CPNG is currently seeking to obtain government authority to proceed with the project. The Company will be engaged in power generation to a lesser extent to generate demand for its LNG.

2. Basis of preparation

(a) Basis of preparation-going concern

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States dollars, which is the Company's functional and presentational currency.

These consolidated financial statements have been prepared assuming the Company will continue as a going concern for the foreseeable future. For the period ended December 31, 2012 the Company is in its initial start-up phase and reported a net loss of $513,596 and has an accumulated deficit of $2,308,180 at that date. The ability of the Company to continue as a going concern and discharge its liabilities in the normal course of business is dependent upon the ability of the Company to raise capital from new and existing shareholders to ensure the success of the CE FLNG Project, and allow the Company to meet its liabilities as they fall due in accordance with its current operating budget and cash flow projections and business plan. The Company is currently seeking to raise additional capital of $105 million comprising an initial $25 million via a private placement of convertible bonds and a subsequent follow-on capital raise of $80 million.

The consolidated financial statements have been prepared on a going concern basis and, accordingly, do not reflect any adjustments to the carrying value or classification of the Company's assets and liabilities, the reported revenues and expenses and the balance sheet classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments would be material to these consolidated financial statements.

2. **Basis of preparation** (continued)

(b) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). All intercompany balances and transactions are eliminated in full upon consolidation. The consolidated financial statements of the Company's subsidiaries are presented for the same reporting year as the Company, using consistent accounting policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(c) Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its wholly owned subsidiaries as of December 31, 2012. A list of these subsidiaries is presented in Note 9.

3. **Significant accounting policies**

(a) Accounting for LNG activities

The Company will begin capitalizing the costs of LNG terminal projects once the individual project meets the following criteria: (i) regulatory approval has been received, (ii) financing for the project is available and (iii) management has committed to commence construction. Prior to meeting these criteria, the costs associated with a project are expensed as incurred. These costs will include professional fees associated with front-end engineering and design work, costs of securing necessary regulatory approvals, and other preliminary investigation and development activities related to LNG terminal projects.

Interest and other related financing costs are capitalized during the construction period of the LNG terminal. Upon commencement of operations, capitalized interest, as a component of the total cost, will be amortized over the estimated useful life of the asset.

(b) Cash and cash equivalents

The Company considers all deposits, with financial institutions of three months or less on the date of acquisition to be cash equivalent.

(c) Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss.

(i) Current tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also included any tax liability arising from the declaration of dividends.

3. **Significant accounting policies** (continued)

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and the affects neither accounting nor taxable profit or loss; and
- Temporary differences related to investments in subsidiaries, associated and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductibles temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(iii) Tax exposure

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(d) Revenue recognition

Sales revenue derived from natural gas marketing, re-gas transmission and distribution activities is recognized in the same period in which the related volumes are delivered to the customer. Project development revenue is recognized in the same period and due upon receipt of services. During 2012, the Company reported ancillary revenues of $100,000 for conducting revisions to the LNG Project Proposal with Bermuda Electric Light Company Limited ("BELCO").

3. **Significant accounting policies** (continued)

(e) Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. **Risks**

Commodity price risk

Market risk related to physical commodities is created by volatility in the prices and bases of certain commodities. CEGL reduces its commodity price risk exposure substantially by passing most of the risk to its counterparties through the contracts into which it enters. The Company makes purchases using spot market and index pricing. Any residual exposure is monitored.

Credit risk

Credit is extended to all customers based on financial condition, and collateral is generally not required except for customers for whom there is no funds transfer agreement. While the Company may be exposed to credit losses due to the non-performance of counterparties for funds transfer agreement transactions, management consider the risk remote and do not expect the settlement of these transactions to have a material effect on the results of operations or financial condition of the Company.

The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. While such credit losses have historically not occurred within the Company's expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has in the past.

(a) Revenue and trade receivables

The Company has a concentration of customers who are engaged in providing electricity (utilities) and gas purchasing in the United States. This concentration of customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic or other conditions. The Company's customers consist primarily of utility and gas purchasers, and the Company generally does not require collateral, since it has not experienced credit losses on such sales. The Company routinely assesses the recoverability of all material trade and other receivables to determine collectability and accrues an allowance when, based on management's judgment, it is probable that a receivable will not be collected and the amount can be reasonably estimated.

4. **Risks** (continued)

(b) Cash and cash equivalents

The Company maintains its cash in bank deposit accounts and margin accounts which, at times, may exceed federally insured amounts. The Company has not experienced any losses in such accounts. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Supplier concentrations

During 2012, the Company did not acquire any natural gas supply. Any inability to obtain natural gas in the amounts needed on a timely basis or at commercially reasonable prices could result in interruption of gas deliveries which could have a materially adverse effect on the Company's business, financial condition, and results of operations until alternative sources could be developed at a reasonable cost. The Company does have other supplier contracts in place and would be able to pursue other options should a crisis arise.

Seasonality and inflation

Natural gas commodity prices tend to be higher in the fall and winter months due to increased overall demand for natural gas for heating during these periods.

Interest rate risk

Interest rate risk arises from changes in the prevailing levels of market interest rates. The Group earns interest variable rates on its cash and cash equivalents. It is management's opinion that the Group is not exposed to significant interest rate risk.

5. **Related party transactions**

A consulting and advisory agreement became effective on June 4, 2006 between Technology Investment Benefits Realization Assurance, Inc. ("TIBRA"), a business strategy consulting company. TIBRA is owned entirely by a director and shareholder of the Company. The Company incurred $295,207 of consulting fees due to TIBRA during 2012 which are included in general and administrative expenses.

6. **Shareholder's equity**

Share capital

Following incorporation in January 2012, the Company completed a restructure with Cambridge Energy LLC (Note 1). The Company's authorized share capital is $1,000,000 divided into 100,000,000 shares each with a par value of $0.01. All shares related to the authorized share capital of the Company are of the same class, being common shares. The holders of shares in the Company are entitled to one vote per share in a general meeting on any matter that can be voted upon by the shareholders. The shareholders are entitled to such dividends as may be declared by the Board out of funds legally available for such purpose. The Company issued 39,000,000 shares with a par value of $390,000.

On July 4, 2012 the Company listed 39,000,000 shares at a price of $5.00 per share on Bermuda Stock Exchange (BSX), (for a market capitalization of $195 million USD), an internationally recognized stock exchange, by way of introduction under the Symbol (CEGL.BM), leaving the Company with 61,000,000 shares outstanding. The Company has approval in place to issue up to 6,000,000 new shares on the BSX by way of Private Placement.

6. **Shareholder's equity** (continued)

Additional paid-in-capital

As part of the restructure, $1,455,456 was transferred from Cambridge Energy, LLC to the Company. Existing shareholders of the Company contributed $382,200 directed to support the operations of the Company. Total additional paid-in- capital as of December 31, 2012 is $1,837,656.

Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share are calculated as follows:

Loss from continuing operations	$ (513,596)
Weighted average number of shares:	39,000,000
Basic and diluted loss per share	$ 0.013

7. **Loan facility**

The Company's natural gas purchases have been financed through funds transfer agreements (credit facility) with suppliers established through Credit Suisse NA, and NECCC (now NASDAQ OMX). The Company has the capability to borrow up to $10 million per month under these agreements. The Company did not borrow in 2012.

8. **Taxation**

Bermuda

Under current Bermuda Law the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that in the event of such taxes being imposed, the Company will be exempted from taxation until the year 2035.

United States

Cambridge USA is a limited liability company, which is treated as a C Corporation for United States Federal and State income tax purposes. Cambridge USA reported a loss of $340,661 for the year ended December 31, 2012. Cambridge USA did not have Federal and State income tax liability because of its cumulative tax losses of $1,485,847 as of December 31, 2012. Cambridge USA did not record a deferred tax asset because management consider that the deferred tax asset does not pass the "more likely than not" criteria as described in Financial Accounting Standards Board's ASC 740-10-25. In accordance with ASC 740-10-25, recording a deferred tax asset is appropriate only if it is "more likely than not" that the future tax benefit will be materialized. Management expects that the Cambridge USA will report operating losses for the next few years and created a full valuation allowance against the deferred tax assets for 2012.

8. **Taxation** (continued)

Total income tax expense attributable to income from continuing operations for the year ended December 31, 2012 consists of:

		2012
Current tax expense	$	–
Deferred tax expense		–
Income tax expense	$	–

At December 31, 2012 the tax effects of temporary differences that give rise to significant portions of the deferred tax provision are as follows:

		2012
Cumulative tax losses arising in Cambridge USA	$	1,485,487
Gross deferred tax asset at the standard US Federal income tax rate of 34%	$	505,188
Valuation allowance	$	(505,188)
Net deferred tax asset	$	–

There was a valuation allowance for deferred tax assets as at December 31, 2012 of $505,188. It is management's belief that it is more likely than not that the deferred tax assets will not be realized.

9. **Subsequent events**

During the first quarter of 2013, an existing shareholder of the Company contributed funding directly to contributed surplus totaling $95,000 to support the operations of the Company.

In April 2013 the Federal Energy Regulatory Commission ("FERC") issued CE FLNG LLC an Approval Letter to proceed with the FERC Permitting Process. The Approval Letter is required for the government to grant Non-FTA Export Authorization.

In April 2013 the Company's Board authorized the formation of both a Shipping and Commodities subsidiary, both companies will be based Bermuda.

In May 2013 the Company entered into a LNG Sale and Purchase Agreement with its subsidiary of up to 8 million metric tons of LNG, with a take or pay of 50%. A summary of this agreement has been provided to the U.S. Department of Energy in support of CE FLNG's Non FTA Export Authorization.

9. **Subsequent events** (continued)

On September 18, 2013 the Company entered into a Term Sheet for an LNG Sale and Purchase Agreement with Shanghai Zhenrong Petroleum Co. Ltd. for the exclusive marketing and distribution of 7.0 Million Metric Tons of LNG in China for a period of 20 years commencing in 2018.

On October 29, 2013 the Company entered into a Term Sheet for LNG, LPG and Equity Participation Agreement with G1 Energy Holdings Co. Ltd. ("G1 Energy") for marketing and distribution of 1.0 Million Metric Tons of LNG in South Korea for a period of 20 years commencing in 2018. The agreement gives CEGL the (1) right to aggregate 30 Million Metric Tons of LNG for G1 Energy Power Generation Projects that may be developed between 2017 and 2030, (2) Supply 2.5 million tons of LPG annually with a 20% increase to 6 Million Tons beginning 2016 for a period of 30 Years and (3) G1 Energy has the option to purchase 10% of the equity of the Company for $150 million within 180 days from the effective date of the agreement.

The Company has evaluated subsequent events through November 1, 2013, which is the date of the Company's report, and has concluded that no other events or transactions took place which would require disclosure herein.

10. **Principal subsidiary undertakings**

Cambridge Energy Group Limited is an exempted limited liability company incorporated under the laws of Bermuda as a holding company owning, directly or indirectly, all of the subsidiaries in the Group. Its main function is to provide financing to the other Group entities by way of equity or shareholder loans. CEGL owns 100% of all of its subsidiaries.

Cambridge Energy Holdings LLC ("CEHL") is a direct subsidiary of CEGL and operates as an integrated LNG and Gas company. CEHL was established as a holding company to hold the assets for the Group. CEHL plans to be engaged in exploration, development, production, and marketing and selling liquefied natural gas. It will develop, own, and operate natural gas pipelines and distribution networks including LNG production facilities and receiving terminals. Further, CEHL will develop, own, and operate natural gas-fired power generation plants to support its LNG growth. CEHL is based in Greensboro, GA.

Cambridge Energy LLC ("CE") is a subsidiary of CEGL. CE is an international energy company focused on becoming the global leader in marketing natural gas and liquefied natural gas to markets where there is no natural gas pipeline, limited pipeline network and/or capacity, or no LNG import terminal to feed a natural gas pipeline. CEHL currently markets natural gas in the United States and has authorization to import and export natural gas and LNG. CE has marketed natural gas in the USA since 2008, and is authorized to import and export natural gas on a short-term basis.

Cambridge Energy Management LLC ("CEML") is a subsidiary of CEGL. CEML serves as the management company for managing the day to day and administrative activities for CEGL.

CE Pipeline LLC ("CEPL") is a subsidiary of CEGL. CEPL plans to develop downstream natural gas pipeline solutions and provide access to natural gas markets for Cambridge's FLNG Liquefaction Facility.

Port St. Catherine's Energy LLC ("PSCE") is a subsidiary of CEGL. PSCE is the holding company for the Deepwater Port License and assets.

CE FLNG LLC ("CFLNG") is a subsidiary of CEGL. CFLNG serves as the project company established to own, and operate, the CE FLNG Export Project in Plaquemines Parish, Louisiana.

Cambridge Energy PNG Limited ("CPNG") is a subsidiary of CEGL. CPNG was formed in 2010 to serve as the operating arm of the Group's activities in Papua New Guinea.