

Cambridge Energy, LLC
(A Georgia Limited Liability Company)

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

Cambridge Energy, LLC
(A Georgia Limited Liability Company)

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Cambridge Energy, LLC
Greensboro, Georgia

We have audited the accompanying consolidated balance sheets of Cambridge Energy, LLC, a Georgia Limited Liability Company, and its subsidiary (collectively, the "Company") as of December 31, 2010, 2009 and 2008, and the related consolidated statements of operations, changes in members' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cambridge Energy, LLC and its subsidiary as of December 31, 2010, 2009 and 2008, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

January 9, 2012
Houston, Texas

Cambridge Energy, LLC
Consolidated Balance Sheets
December 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,504	\$ 615	\$ 59
Accounts receivable	-	1,048,067	1,385,019
Other current assets	-	-	150
Total current assets	<u>1,504</u>	<u>1,048,682</u>	<u>1,385,228</u>
Intangible assets, net	-	-	-
Total assets	<u>\$ 1,504</u>	<u>\$ 1,048,682</u>	<u>\$ 1,385,228</u>
Liabilities And Members' Deficit			
Accounts payable	\$ 1,425	\$ 1,900	\$ -
Accrued liabilities	54,681	1,094,525	1,384,989
Short term debt	-	115,000	-
Total liabilities	<u>56,106</u>	<u>1,211,425</u>	<u>1,384,989</u>
Additional paid-in capital	1,423,650	994,150	861,600
Accumulated deficit	(1,478,252)	(1,156,893)	(861,361)
Total members' equity (deficit)	<u>(54,602)</u>	<u>(162,743)</u>	<u>239</u>
Total liabilities and members' deficit	<u>\$ 1,504</u>	<u>\$ 1,048,682</u>	<u>\$ 1,385,228</u>

The accompanying notes are an integral part of these financial statements.

Cambridge Energy, LLC
Consolidated Statements of Operations
For the years ended December 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues	\$ 9,068,898	\$ 11,498,088	\$ 1,522,869
Cost of goods sold	9,059,494	11,485,046	1,522,420
Gross profit (loss)	<u>9,404</u>	<u>13,042</u>	<u>449</u>
Operating expenses	330,763	308,574	212,810
Net income (loss)	<u>\$ (321,359)</u>	<u>\$ (295,532)</u>	<u>\$ (212,361)</u>

The accompanying notes are an integral part of these financial statements.

Cambridge Energy, LLC
Consolidated Statements of Changes in Members' Deficit
For the years ended December 31, 2010, 2009 and 2008

	<u>Additional paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Members' Deficit</u>
Balances as of December 31, 2007	\$ 499,000	\$ (649,000)	\$ (150,000)
Issuance of membership units for services	212,500		212,500
Issuance of membership units for cash	150,100		150,100
Net loss		(212,361)	(212,361)
Balances as of December 31, 2008	<u>861,600</u>	<u>(861,361)</u>	<u>239</u>
Issuance of membership units for services	132,550		132,550
Net loss		(295,532)	(295,532)
Balances as of December 31, 2009	<u>994,150</u>	<u>(1,156,893)</u>	<u>(162,743)</u>
Issuance of membership units for conversion of debt	165,000		165,000
Issuance of membership units for cash	264,500		264,500
Net loss		(321,359)	(321,359)
Balances as of December 31, 2010	<u><u>\$ 1,423,650</u></u>	<u><u>\$ (1,478,252)</u></u>	<u><u>\$ (54,602)</u></u>

The accompanying notes are an integral part of these financial statements.

Cambridge Energy, LLC
Consolidated Statements of Cash Flows
For the years ended December 31, 2010, 2009 and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:			
Net loss	\$ (321,359)	\$ (295,532)	\$ (212,361)
Adjustments to reconcile net loss to net cash used in operating activities:			
Membership units issued for services		132,550	212,500
Changes in operating assets and liabilities:			
Accounts receivable	1,048,067	336,952	(1,385,019)
Other current assets	-	150	(150)
Accounts payable	(475)	1,900	-
Accrued liabilities	(1,039,844)	(290,464)	1,234,989
Net cash used in operating activities:	<u>(313,611)</u>	<u>(114,444)</u>	<u>(150,041)</u>
Cash flows from financing activities:			
Proceeds from sale of Membership Units	264,500		150,100
Borrowings in debt	50,000	115,000	-
Net cash provided by in financing activities:	<u>314,500</u>	<u>115,000</u>	<u>150,100</u>
Net increase in cash and cash equivalents	889	556	59
Cash and cash equivalents at beginning of year	615	59	-
Cash and cash equivalents at end of period	<u><u>\$ 1,504</u></u>	<u><u>\$ 615</u></u>	<u><u>\$ 59</u></u>
Non cash transactions			
Conversion of debt to ownership units	<u><u>\$ 165,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

Cambridge Energy, LLC
Footnotes to Consolidated Financial Statements

Note 1-Nature of Business

Cambridge Energy, LLC (Cambridge) is a limited liability company formed in the State of Georgia. The Company was formed in 2007. The Company is an integrated natural gas company (niche) focused on supplying liquid natural gas (LNG) as natural gas to remote markets (Pacific Island Member States and the Caribbean) where there is no natural gas or pipeline connectivity; and where LNG can replace diesel for electricity generation.

In 2010 Cambridge Energy, LLC established a subsidiary, Cambridge Energy PNG, Ltd (CE PNG), in Papua New Guinea to facilitate market access in the Pacific. The company executed a memorandum of understanding with PNG Power LTD. This company was incorporated in June 2010 with the help of KPMG Papua New Guinea. The company also executed a letter of intent with Fiji Power and opened discussion with Ascendant Group Limited Bermuda.

Note 2 -Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are the representations of management, who is responsible for their integrity and objectivity. These accounting policies reflect industry practices, conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Cambridge and its wholly owned subsidiary, CE PNG (collectively, the “Company”). All material intercompany balances and transactions have been eliminated.

Cash and Cash Flow Information - The Company considers all highly liquid investments with maturities of three months or less on the date of acquisition to be cash equivalents. The Company considers all highly liquid debt instruments with original maturity of three months or less when purchased to be cash equivalents

Accounts Receivable and Allowance for Doubtful Accounts - Accounts Receivable represents natural gas sales. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts, which is based on a review of each purchaser's collection history and known solvency status. As of December 31, 2010, 2009 and 2008, the Company considers all outstanding receivables to be collectible.

Income Taxes - The Company is a limited liability company which is treated as a C Corporation for federal and state income tax. The Company reported an operating loss during 2010. The Company did not have federal and state income tax liability in 2010, 2009 and 2008 because of its operating losses. The company did not record a deferred tax asset because management felt that the deferred tax asset would 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 company will have operating losses for the next few years.

Cambridge Energy, LLC
Footnotes to Consolidated Financial Statements

Note 2 -Summary of Significant Accounting Policies -Continued

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.

Use of Estimates- Preparing 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 -Risk

Commodity Price Risk - Market risk related to physical commodities is created by volatility in the prices and bases of certain commodities. Cambridge Energy reduces its commodity price risk exposure substantially by passing most of the risk to its counterparties in the contracts it enters into. Cambridge buys using spot market and index pricing. Any residual exposure is monitored as described above.

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 (FTA). While we may be exposed to credit losses due to the nonperformance of our counterparties for FTA transactions, we consider the risk remote and do not expect the settlement of these transactions to have a material effect on our results of operations or financial condition

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.

Revenue and Trade Receivables - Cambridge 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.

Cambridge Energy, LLC
Footnotes to Consolidated Financial Statements

Note 3 – Risk-Continued

Supplier Concentrations - During 2010 and 2009, Cambridge acquired approximately 100% of its natural gas supply from Total Gas & Power. In 2008, Cambridge acquired 90% of its natural gas from Total Gas & Power and 10% from ConocoPhillips. 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.

Cash - Cambridge 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.

Seasonality and Inflation- To some extent, we experience seasonality in our results of operations. 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.

Note 4-Related Party Transactions

A consulting and advisory agreement became effective June 4, 2006 between Technology Investment Benefits Realization Assurance, Inc (TIBRA), a business strategy consulting company. TIBRA is owned entirely by an executive of the Company.

Note 5-Loans and Notes

Our natural gas purchases have been financed through an FTA agreement (credit facility) with our suppliers that was established through Credit Suisse NA, and NECCC. Cambridge has the capability to borrow up to \$10 million per month under the FTA agreements. Cambridge borrowed an average monthly amount of \$1.3 million during 2008, borrowed an average monthly amount of \$1.0 million during 2009, and borrowed an average monthly amount of \$.9 million during 2010.

In order to fund business operations, on September 3, 2009, Cambridge Energy LLC entered into a 25.0% simple interest convertible bridge loan, due March 3, 2010 with the ability to extend for an additional six months, with Dr. Lawrence Marable, one of the Company's existing members. The principal amount of the note totaled \$165,000. A fee of \$40,000 was also included with the note.

At December 31, 2009, the balance of the note totaled \$115,000. In early 2010, Dr. Marable advanced another \$50,000 for the full value of the note agreement. During March 2010, the outstanding principal balance of the \$165,000 note was converted to \$165,000 of equity, which increased the total equity investment of Lawrence Marable.

Cambridge Energy, LLC
Footnotes to Consolidated Financial Statements

Note 6-Equity Capital

During 2010 and 2008, the members authorized the sale of additional membership units totaling \$264,500 and \$150,100, respectively, to new investors who received ownership stakes in Cambridge Energy, LLC. Proceeds from the sale were used for company operations. During 2009 and 2008, the members authorized the exchange of membership units for services performed totaling \$132,550 and \$212,500, respectively. Each member has the right to one vote per unit owned on matters presented for member action. The operations of the Company are governed by the provisions as a Georgia, USA limited liability company agreement executed by and among its members. The agreement includes specific provisions with respect to the maintenance of the capital accounts of each of the Company's unit holders.

Note 7-Subsequent Events

The Company has evaluated subsequent events through January 9, 2012 which is the date of the accountant's report, and has concluded that no such events or transactions took place which would require disclosure herein.