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New Age (African Global Energy) Limited

Annual Report and Financial Statements

31 December 2012

Company Registration No. 97861

March 2013

Certified true copy of document held on our files

Jersey this 29th day of July 2013

Kenny
 Director, Nautilus Trust Company Limited,
 Nautilus House, La Cour des Casernes, St. Helier
 Jersey, JE1 3NH



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New Age (African Global Energy) Limited

Report and financial statements 2012

Officers and professional advisors

Company Secretary

Nautilus Corporate Services Limited

Registered Office

Nautilus House
La Cour des Casernes
St Helier
Jersey JE1 3NH

Administrative offices

8 Lancelot Place
London
SW7 1DR

De Vries House
93 Protea Road
Chislehurst
Sandton 2196
Johannesburg

Bankers

Barclays Commercial Bank
1 Churchill Place
London
E14 5HP

Solicitors

Clyde & Co LLP
The St Botolph Building
138 Houndsditch
London
EC3A 7AR

Auditor

Deloitte LLP
Chartered Accountants
2 New Street Square
London
EC4A 3BZ

New Age (African Global Energy) Limited

Directors' report

The directors present their annual report on the affairs of New Age (African Global Energy) Limited and its subsidiaries ("New Age" or the "Group"), together with the Group financial statements and auditor's report, for the year ended 31 December 2012.

Principal activities

The principal activity of the Group is exploration, development and production of oil, gas and power, primarily in the African region.

Business review

The Company was incorporated on 22 June 2007 and has its registered office at Nautilus House, La Cour des Casernes, St Helier, Jersey with administrative offices in London at 8 Lancelot Place, London SW7 and in Johannesburg, South Africa at De Vries House, 93 Protea Road, Chislehurst, Johannesburg. It also has operational branch offices in Erbil, Kurdistan and in Addis Ababa, Ethiopia.

New Age is a private energy Group focusing primarily on African exploration, development and production of oil, gas and power. The Company has also built up a strong presence within the region of Kurdistan and has brought together several investors in the Erbil and Khalakan licence areas within Kurdistan. New Age, since 1 July 2009, has provided full management services for these licenses but withdrew from management of the Erbil license in June 2011.

New Age is well-funded with significant African and Asian investment. On 12 January 2012 the Company raised \$125 million through a subscription for new ordinary shares and the convertible loan was fully repaid, primarily by conversion of the loan into new ordinary shares.

The strategy is to build a significant energy Group through a combination of high quality organic exploration, developments and acquisitions. The company has full cycle operating expertise with the ability to manage and lead oil, gas and power developments.

Details of its activities during the period are given in the Operating and Financial Review on page 4.

Capital structure

Details of the authorised and issued share capital, together with detail of the movements in the company's issued share capital during the period are shown in note 20. In addition, convertible deferred shares which form part of the management remuneration scheme, are detailed in note 26 to these accounts.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which were governed by the Subscription and Shareholders Agreement (MPSHA) up to its termination on 12 January 2012 when new articles and a new Shareholders Agreement were put in place following the subscription for new shares. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association and related legislation and the Shareholders Agreement. The Articles themselves may be amended by special resolution of the shareholders. Under its Articles of Association, the company has authority to issue up to 400,000,000 ordinary shares with a par value of US \$ 5 each.

New Age (African Global Energy) Limited

Directors' report (continued)

Directors

The directors, who served throughout the period except as noted, were as follows:

Stephen Lowden	Chief Executive Officer
Tajinder Sidhu	(non-executive)
Andre Cilliers	(non-executive)
Najib Al Zarooni	(non-executive)
Joao Saraiva e Silva	(non executive)
Mark Akers	Chief Financial Officer (appointed 14 Feb 2012)
Philip Jackson	(non-executive) (appointed 14 Feb 2012)
Ivor Orchard	(non-executive) (appointed 9 March 2012)
NTC Services Limited (corporate director appointed 15 March 2012 and resigned 02 October 2012)	
Nautilus Corporate Services Limited (corporate director appointed 15 October 2012)	

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 2012 were equivalent to 38 (2011: 54) days' purchases, based on the average daily amount invoiced by suppliers during the period.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Deloitte LLP were appointed auditor with effect from incorporation. Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

Nautilus Corporate Services Limited

Company Secretary

28 March 2013

New Age (African Global Energy) Limited

Audit and risk committee report

Summary of the role of the Audit and Risk Committee

The Audit and Risk Committee is responsible for:

- reviewing the Group's internal financial control system and risk management system and the company's management systems in relation to operations, health, safety and environment where appropriate;
- reviewing accounting policies, accounting treatments and disclosures in financial reports to ensure clarity and completeness;
- overseeing the company's relationship with its external auditors, including making recommendations as to the appointment or reappointment of the external auditors, reviewing their terms of engagement and monitoring their independence; and
- Reviewing the company's whistle blowing procedures and ensuring these are adequately published within the organisation, that the Committee chairman is promptly informed of any issues, and that there are arrangements in place for the investigation of any alleged improprieties.

The Audit and Risk Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

Composition of the Audit and Risk Committee

Three of the non-executive directors are members of the Audit and Risk Committee.

Meetings

The Audit and Risk Committee is required to meet once per year and has an agenda linked to events in the Group's financial calendar. Each Audit and Risk Committee member has the right to require reports on matters of interest in addition to the formal meeting.

The Audit and Risk Committee invites the Chief Executive Officer, Chief Financial Officer, and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Overview of the actions taken by the Audit and Risk Committee to discharge its duties

Audit and Risk Committee meetings are held annually. At the March 2013 meeting the Committee:

- reviewed the December 2012 report and financial statements. As part of this review the Committee received a report from the external auditor on their audit of the annual report and financial statements;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and financial statements on this matter;
- reviewed the key risks of the business and management's approach to mitigating those risks.

New Age (African Global Energy) Limited

Audit and risk committee report (continued)

External auditors

To fulfil its responsibility regarding the independence of the external auditors, the Audit and Risk Committee reviewed:

- the changes in key external audit staff in the external auditor's plan for the current year;
- the arrangements for day-to-day management of the audit relationship; and
- the overall extent of non-audit services provided by the external auditors.

To assess the effectiveness of the external auditors, the Audit and Risk Committee reviewed:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements;
- the content of the external auditor's reporting on internal control.

As a consequence of its satisfaction with the results of the audit activities thus far the Audit and Risk Committee has recommended to the Board that the external auditor is re-appointed.

The Group's Whistleblowing Policy contains arrangements to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit and Risk Committee as appropriate.

Overview

As a result of its work during the year, the Audit and Risk Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

Approval



Tajinder Sidhu

Director

On behalf of the Audit and Risk Committee

28 March 2013

New Age (African Global Energy) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'.

In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

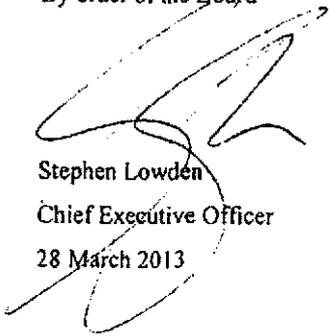
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance; and
- make an assessment of the parent company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

We confirm to the best of our knowledge that, the financial statements prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation as a whole.

By order of the Board



Stephen Lowden

Chief Executive Officer

28 March 2013

Independent auditor's report to the members of New Age (African Global Energy) Limited

We have audited the group financial statements and the parent company balance sheet (the "financial statements") of New Age (African Global Energy) Limited for the year ended 31 December 2012 which comprise the consolidated and parent company balance sheets as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year ended 31 December 2012 and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent company's affairs as at 31 December 2012 and its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Paul Fletcher (Senior Statutory Auditor),
for and on behalf of Deloitte LLP
Chartered Accountants
London, UK
28 March 2013

New Age (African Global Energy) Limited

Consolidated income statement Year ended 31 December 2012

	Notes	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Revenue			
Service revenue	5	0.71	0.90
Expenses			
Pre licence costs and exploration write offs		(3.52)	(14.78)
General and administrative expenses		(10.58)	(8.54)
Operating loss		(13.39)	(22.42)
Other income/(expenses)			
Finance income	8	0.19	-
Other gains and losses		(0.35)	(0.27)
Finance costs	8	(0.16)	(3.94)
Loss before tax		(13.71)	(26.63)
Tax	9	(0.05)	(0.06)
Loss for the year		(13.76)	(26.69)
Attributable to:			
Owners of the company		(13.43)	(26.34)
Non- controlling interests		(0.33)	(0.35)
		(13.76)	(26.69)
Basic and diluted earnings per ordinary share (in US\$)	21	(0.31)	(1.08)

New Age (African Global Energy) Limited

Consolidated statement of comprehensive income Year ended 31 December 2012

	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Loss for the year	(13.76)	(26.69)
Exchange differences on translation of foreign operations	0.07	(0.04)
Other comprehensive gain/loss	0.07	(0.04)
Total comprehensive loss for the year	<u>(13.69)</u>	<u>(26.73)</u>
Attributable to:		
Owners of the company	(13.36)	(26.38)
Non-controlling interests	<u>(0.33)</u>	<u>(0.35)</u>
	<u>(13.69)</u>	<u>(26.73)</u>

New Age (African Global Energy) Limited

Consolidated statement of financial position As at 31 December 2012

	Notes	31 December 2012 US\$ million	31 December 2011 US\$ million
Non-current assets			
Intangible assets	10	130.69	100.29
Property, plant and equipment	11	39.52	0.11
Other assets	12	0.88	0.56
		<u>171.09</u>	<u>100.96</u>
Current assets			
Inventory		1.98	-
Cash and cash equivalents	14	62.17	4.74
Trade and other receivables	13	1.91	0.88
		<u>66.06</u>	<u>5.62</u>
Total assets		<u>237.15</u>	<u>106.58</u>
Current liabilities			
Trade and other payables	15	(16.75)	(6.60)
Provision for liabilities	16	(0.84)	-
Convertible loan	17	(0.17)	(33.17)
		<u>(17.76)</u>	<u>(39.77)</u>
Net current assets/(liabilities)		<u>48.30</u>	<u>(34.15)</u>
Non-current liabilities			
Deferred tax liabilities		0.03	(0.02)
Long - term payables		(0.89)	(2.07)
		<u>(0.86)</u>	<u>(2.09)</u>
Total liabilities		<u>(18.62)</u>	<u>(41.86)</u>
Net assets		<u>218.53</u>	<u>64.72</u>
Equity			
Share capital	20	274.78	123.83
Share premium		16.40	-
Employee stock option reserve	26	0.15	-
Accumulated deficit		(72.14)	(58.71)
Currency translation reserve		0.02	(0.05)
Equity attributable to owners of the company		<u>219.21</u>	<u>65.07</u>
Non -controlling interests		(0.68)	(0.35)
Total equity		<u>218.53</u>	<u>64.72</u>

The consolidated financial statements were approved by the board and authorised for issue on 28 March 2013

Authorised by:

Stephen Lowden, Chief Executive Officer

New Age (African Global Energy) Limited

Company statement of financial position As at 31 December 2012

	Notes	31 December 2012 US\$ million	31 December 2011 US\$ million
Non - current assets			
Intangible assets	10	55.76	22.95
Investments	18	0.06	0.06
		<u>55.82</u>	<u>23.01</u>
Current assets			
Cash and cash equivalents	14	58.95	3.33
Trade and other receivables	13	114.87	92.87
		<u>173.82</u>	<u>96.20</u>
Total assets		<u>229.64</u>	<u>119.21</u>
Current liabilities			
Trade and other payables	15	(4.60)	(4.70)
Provision for liabilities	16	(0.84)	-
Convertible loan	17	(0.17)	(33.17)
		<u>(5.61)</u>	<u>(37.87)</u>
Net current assets		<u>168.21</u>	<u>58.33</u>
Non-current liabilities			
Long- term payables		(1.58)	(2.68)
Total liabilities		<u>(7.19)</u>	<u>(40.55)</u>
Net assets		<u>222.45</u>	<u>78.66</u>
Equity			
Share capital	20	274.78	123.83
Share premium		16.40	-
Employee share option reserve		0.15	-
Accumulated deficit		(68.88)	(45.17)
Total equity		<u>222.45</u>	<u>78.66</u>

These financial statements were approved by the Board of Directors and authorised for issue on 28 March 2013.

Signed on behalf of the Board of Directors

Stephen Lowden
Chief Executive Officer

New Age (African Global Energy) Limited

Consolidated statement of changes in equity Year ended 31 December 2012

	Share capital US\$ million	Share premium US\$ million	Currency translation reserve US\$ million	Employee share option reserve US\$ million	Equity reserve US\$ million	Accumulated deficit US\$ million	Non- controlling interest US\$ million	Total equity US\$ million
Balance at 1 January 2012	123.83	-	(0.05)	-	-	(58.71)	(0.35)	64.72
Total comprehensive loss for the year						(13.43)	(0.33)	(13.76)
Issue of shares for cash	109.82	15.18						125.00
Share-based payment				0.15				0.15
Share issue expense		(4.37)						(4.37)
Convertible bond	33.72							33.72
Purchase of intangible asset	7.41	5.59						13.00
Exchange difference on translation of foreign operations			0.07					0.07
Balance at 31 December 2012	<u>274.78</u>	<u>16.40</u>	<u>0.02</u>	<u>0.15</u>	<u>-</u>	<u>(72.14)</u>	<u>(0.68)</u>	<u>218.53</u>

	Share capital US\$ million	Currency translation reserve US\$ million	Deferred shares reserve US\$ million	Equity reserve US\$ million	Accumulated deficit US\$ million	Non- controlling interest US\$ million	Total equity US\$ million
Balance at 1 January 2011	123.83	(0.01)	-	-	(32.80)	-	91.02
Loss for the year	-	-	-	-	(26.34)	(0.35)	(26.69)
Issue of shares for cash	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	-	-
Equity component of convertible loan on initial recognition	-	-	-	0.43	-	-	0.43
Transfer of equity component of convertible loan	-	-	-	(0.43)	0.43	-	-
Exchange difference on translation of foreign operations	-	(0.04)	-	-	-	-	(0.04)
Balance at 31 December 2011	<u>123.83</u>	<u>(0.05)</u>	<u>-</u>	<u>-</u>	<u>(58.71)</u>	<u>(0.35)</u>	<u>64.72</u>

New Age (African Global Energy) Limited

Consolidated cashflow statement Year ended 31 December 2012

		Year ended 31 December 2012	Year ended 31 December 2011
	Note	US\$ million	US\$ million
Net cash used in operating activities	22	(12.33)	(11.44)
Investing activities			
Purchases of property, plant and equipment		(6.71)	(0.05)
Expenditure on exploration and evaluation assets		(44.80)	(15.55)
Proceeds from long-term deposits		-	0.48
Lease deposit return		-	0.42
Net cash used in investing activities		(51.51)	(14.70)
Financing activities			
Proceeds on issue of shares		120.63	-
Proceeds from convertible loan draw-downs		0.54	29.67
Interest income		0.19	-
Net cash from financing activities		121.36	29.67
Net increase in cash and cash equivalents		57.52	3.53
Cash and cash equivalents at beginning of year		4.74	1.12
Effect of foreign exchange rate changes		(0.09)	0.09
Cash and cash equivalents at end of year		62.17	4.74

Non Cash transactions include:

- a) Conversion of convertible loan into equity shares of US\$ 33.72 million
- b) Purchase of interest in exploration asset against issue of equity shares of \$13 million

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

1. Accounting policies

New Age (African Global Energy) Limited ("New Age" or "the Company") is a company incorporated in Jersey. The address of the registered office is Nautilus House, La Cour des Casernes, St Helier, Jersey. The nature of the Company's operations and its principal activities is the exploration, development and production of oil and gas primarily in the African and Kurdistan regions. The Company was incorporated on 22 June 2007.

These consolidated financial statements are presented in US dollars because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new and revised standards

Standards not affecting the reported results or the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 7 Financial Instruments: Disclosures (Amendment)

IFRS 7 has been amended to require additional disclosures relating to the transfer of a financial asset when the financial asset is derecognised in its entirety, but the entity has continuing involvement in it and when the financial asset is not recognised in its entirety.

IAS 12 Income Taxes - Deferred Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been amended to introduce a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless the entity's business model would suggest the investment property will be consumed in the business.

The amendment also requires that deferred tax on non-depreciable assets measured using the revaluation model be measured on a sale basis.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 7 (amended)	Disclosures - Offsetting Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income
IAS 19 (revised)	Employee Benefits
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

2. Adoption of new and revised standards (continued)

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2015 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRSs).

The consolidated financial statements have been prepared on the historical cost basis, except for share based payments which are recognised at fair value. The principal accounting policies adopted are set out below. They have been applied consistently throughout the year and the preceding year.

Going concern

Note 25 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has received letters of support from the majority of its shareholders.

Subsequent to the reporting period, the Group is completing arrangements to acquire Vitol E&P Limited's ('Vitol') Africa assets for a consideration of \$100 million cash (in addition to 13,137,530 shares in New Age). The acquisition of Vitol E&P Limited's assets will be financed by a \$106 million share subscription by Kerogen Investments No 2 Ltd ('Kerogen'), Firecrest Investments Ltd and Golden Spirit Services Ltd and a \$46 million convertible loan with Vitol and Kerogen. (See note 28)

On the basis of their assessment of the company's financial position and the letters of support received from certain of the shareholders, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. As a result, the financial statements have been prepared on the going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) ('the Group'). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling subsidiaries may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Subsequent to acquisition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. During the years presented no such transactions occurred.

The results of subsidiaries acquired or disposed of during the years are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

Revenue

Service revenue is recognised when economic benefits associated with the sale are expected to flow to the Group and can be reliably measured.

Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a group company undertakes its activities under joint venture arrangements directly, the Group's shares of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant company and classified according to their nature.

Liabilities and expenses incurred directly in respect of interests in joint controlled assets are accounted for on an accruals basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the Joint Ventures.

Interest income

Interest income is recorded on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee:

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each entity within the Group are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recorded in other comprehensive income and accumulated in shareholders' equity in the Group's foreign currency translation reserve. Amounts recorded in the translation reserve are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements

Year ended 31 December 2012

3. Significant accounting policies (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Oil and gas assets

The Group applies a successful efforts based method of accounting for exploration and evaluation (E&E) costs, having regard to the requirements of IFRS6 – ‘Exploration for and Evaluation of Mineral Resources’ (“IFRS6”).

Commercial reserves

Commercial reserves are proved and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially viable. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

Pre-licence costs

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs

Costs of exploration and evaluation (“E&E”) are initially capitalised as intangible E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing and general and administrative costs directly associated with such activities are also capitalised as intangible E&E assets.

Tangible assets used in E&E activities (such as the Group’s vehicles, drilling rigs, seismic property) are classified as property, plant and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Intangible E&E assets related to each exploration licence are carried forward, until the existence (or otherwise) of commercial reserves has been determined having regard to the impairment requirement of IFRS6. If commercial reserves have been discovered, the carrying value, after any impairment loss, of the relevant E&E assets, is then reclassified as a development and production assets. If however, commercial reserves have not been found, the capitalised costs are charged to expense after conclusion of appraisal activities on the license.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

Development and production assets

Development and production assets are accumulated on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets and the cost of recognising provisions for future restoration and decommissioning.

Impairment of development and production assets

An impairment test is performed whenever events and circumstances, arising during the development or production phase, indicate that the carrying value of the asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash generating unit applied for impairment test purposes is generally the field.

Any impairment identified is charged to the income statement as additional depreciation.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

IT equipment	33.3%
Fixtures and equipment	20%

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group had only financial assets classified as loans and receivables in the current and preceding periods.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

Impairment of financial assets carried at amortized cost

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets at amortised cost, the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate with the corresponding amount recognised in profit and loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with an original maturity of three months or less.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The Group has no financial liabilities designated as FVTPL for either the current or preceding periods.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

Provisions

Provisions are recognised by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised for decommissioning and restoration obligations associated with the Group's exploration and evaluation assets and property, plant and equipment. The best estimate of the decommissioning and restoration provision is recorded on a discounted basis using a risk-free interest rate.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

The value of the obligation is added to the carrying amount of the associated property, plant and equipment asset and amortized over the useful life of the asset. The provision is accreted over time through charges to Financing Expenses with actual expenditures charged against the accumulated obligation. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognised as a change in the decommissioning and restoration provision and related asset.

Share-based payments

Equity-settled share-based payments to senior management and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 26.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect reported assets, liabilities, revenues and expenses, gains and losses, and disclosures of contingencies. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates, which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on the company's financial condition, changes in financial condition or financial performance. Critical accounting estimates are reviewed annually by the Audit Committee of the Board of Directors. The following are the critical accounting estimates used in the preparation of the Company's 31 December 2012 consolidated and parent company financial statements.

Oil and Gas Reserves and Resources

Measurements of depletion, depreciation, amortization, impairment and decommissioning and restoration obligations are determined in part based on the Company's estimate of oil and gas reserves and resources. Although not reported as part of the Company's consolidated financial statements, these estimates of reserves and resources can have a significant impact on the consolidated financial statements.

The estimation of reserves is a subjective process and involves the exercise of professional judgment oil and gas reserves and resources estimates are based on a range of geological, technical and economic factors, including projected future rates of production, estimated commodity prices, engineering data, and the timing and amount of future expenditures, all of which are subject to uncertainty. Assumptions reflect market and regulatory conditions existing at December 31, 2012 which could differ significantly from other points in time throughout the year or in future periods.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

Oil and Gas Activities

The Company is required to use judgment when designating the nature of oil and gas activities as exploration, evaluation, development or production, and when determining whether the initial costs of these activities are capitalized.

Exploration and Evaluation Costs

The costs of drilling exploratory wells are initially capitalized pending the evaluation of commercially recoverable resources. The determination that commercial resources have been discovered requires both judgment and industry experience. If a judgment is made that there are no commercially recoverable reserves and the licence will be relinquished, the associated exploration costs are charged to exploration expense. Evaluation costs incurred when management is assessing whether there are commercially recoverable resources and designing development and front-end engineering plans are capitalized. Capitalized costs associated with exploration and evaluation assets are subject to ongoing technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. When management is making this assessment, changes to project economics, quantities of resources, expected production techniques, unsuccessful drilling, and estimated production costs and capital expenditures are important factors. If a judgment is made that extraction of the resources is not commercially viable and the licence will be relinquished, the associated exploration and evaluation costs are impaired and charged to profit and loss.

Development Costs

Management uses judgment to determine when exploration and evaluation assets are reclassified to property, plant and equipment. This decision considers several factors, including the existence of reserves, the receipt of the appropriate approvals from regulatory bodies and the company's internal project approval processes. After an oil and gas property is reclassified to property, plant and equipment, all subsequent development costs are capitalized.

Provisions for Decommissioning and Restoration Costs

The company recognizes liabilities for the future decommissioning and restoration of property, plant and equipment, including, but not limited to, tailings ponds, producing well sites, and crude oil and natural gas processing plants. The provision for such a liability is recognized only to the extent that there is a legal obligation associated with the retirement of an asset that the company is required to settle as a result of an existing or enacted law, statute, ordinance, written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppel.

These provisions are based on estimated costs, which take into account the anticipated method and extent of restoration consistent with legal requirements, technological advances and the possible future use of the site. Since these estimates are specific to the assets involved, there are many individual judgments and assumptions underlying New Age's total provision. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience and changes in prices. The expected timing of future decommissioning and restoration activities may change due to certain factors, including oil and gas reserves life. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented. There was no provision required for the years ended 31 December 2012.

When these provisions are initially recognized, an equal amount is capitalized as part of the cost of the associated asset and is amortized to expense over the life of the asset.

The value of these provisions is estimated by discounting the expected future cash flows using a risk-free interest rate. In subsequent periods, the provision is adjusted for the passage of time by charging an amount to Accretion of Liabilities in Financing expenses, based on the discount rate.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

3. Significant accounting policies (continued)

Income Taxes

The determination of the company's income tax provision is an inherently complex process, requiring management to interpret continually-changing regulations and to make other judgments, including those about deferred income taxes that are discussed below.

Management believes that adequate provisions have been made for all income tax obligations, although the results of audits and reassessments and changes in the interpretations of standards may result in a material increase or decrease in the company's assets, liabilities and net earnings.

A taxable or a deductible temporary difference exists when there is a difference between the carrying value of an asset or liability and its respective tax basis. The reversal of deductible temporary differences results in deductible amounts when determining taxable income in future periods. The reversal of taxable temporary differences results in taxable amounts when determining taxable income of future periods.

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the company's estimate, the ability of the company to realize the deferred tax assets could be impacted.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The company records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the company's estimate of the likelihood of a future outflow, the expected settlement amount, and the tax laws in the jurisdictions in which the company operates.

4. Segmental reporting

The basis for operating segments has been set out in the statement of accounting policies.

In the opinion of the Company as determined by the Chief Executive Officer and reported to the Chief Executive Officer and to the Board, the operations of the Group compose one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. The Group operate within two geographical markets, Africa and Kurdistan. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

	Year ended 31 December 2012			
	Africa US\$ million	Kurdistan US\$ million	Unallocated* US\$ million	Total US\$ million
Service revenue	-	0.71	-	0.71
Total revenue	-	0.71	-	0.71
Pre-licence costs and exploration write-offs	(1.51)	(0.18)	(1.83)	(3.52)
General administration costs	(0.62)	(0.30)	(9.66)	(10.58)
Operating (loss)/profit	(2.13)	0.23	(11.49)	(13.39)
Other gains and losses	(0.04)	-	(0.31)	(0.35)
Finance costs	-	-	(0.16)	(0.16)
Finance income	-	-	0.19	0.19
(Loss) before tax	(2.17)	0.23	(11.77)	(13.71)
Tax				(0.05)
Loss for the year				(13.76)

* Unallocated balances relates to head office and corporate expenses

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

4. Segmental reporting (continued)

	Year ended 31 December 2011			Total US\$ million
	Africa US\$ million	Kurdistan US\$ million	Unallocated* US\$ million	
Service revenue	-	0.90	-	0.90
Total revenue	-	0.90	-	0.90
Pre-licence costs and exploration write-offs	(13.13)	(0.87)	(0.78)	(14.78)
General administration costs	-	(0.52)	(8.02)	(8.54)
Operating (loss)/profit	(13.13)	(0.49)	(8.80)	(22.42)
Other gains and losses	(0.07)	-	(0.20)	(0.27)
Interest expense	-	-	(3.94)	(3.94)
(Loss) before tax	(13.20)	(0.49)	(12.94)	(26.63)
Tax				(0.06)
Loss for the year				<u>(26.69)</u>

* Unallocated balances relates to head office and corporate expenses

For the purposes of monitoring segment performance and allocating resources between segments, the Group monitors the tangible, intangible and net financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates, other financial assets (except for trade and other receivables and payables), and borrowings.

Segment assets

	31 December 2012	31 December 2011
	US\$ million	US\$ million
Kurdistan	57.75	23.72
Africa	115.38	78.13
Unallocated assets	64.02	4.73
	<u>237.15</u>	<u>106.58</u>

Included in segment assets arising from the Africa segment is \$18.93 million (2011: \$13.86 million) relating to Ethiopia, \$95.43 million (2011: \$64.05) relating to Congo Brazzaville and \$1.02 million (2011: \$0.12 million) for the South Africa office and assets.

Segment liabilities

	31 December 2012	31 December 2011
	US\$ million	US\$ million
Kurdistan	(1.07)	(0.54)
Africa	(11.59)	(1.19)
Unallocated liabilities	(5.97)	(40.13)
Total liabilities	<u>(18.63)</u>	<u>(41.86)</u>

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

5. Revenue

Income during the year, comprised:

	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Service revenue:		
Management services under services agreement with Gas Plus Khalakan	0.71	0.90
Total revenue	0.71	0.90

6. Auditor remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Audit of company	0.08	0.05
Audit of subsidiaries and joint ventures	0.11	0.07
Total audit	0.19	0.12
Tax advisory services	0.18	-
Services related to corporate finance transactions not mentioned above	0.33	0.43
Total non-audit services	0.51	0.43

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

7. Staff costs

	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Staff costs, including executive directors:		
Wages and salaries	5.97	1.00
Social security costs	0.70	0.05
Pension costs	0.54	-
Contractors fees	0.12	3.37
	<u>7.33</u>	<u>4.42</u>

US \$2.1 million of the group's staff costs above are recharged to joint venture partners or capitalised where they are directly attributable to exploration projects.

Average number of employees during the year, including executive directors:

	Year ended 31 December 2012 number	Year ended 31 December 2011 number
Technical and operations	9	6
Management and administration	20	17
	<u>29</u>	<u>23</u>

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

8. Net finance costs

	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Interest revenue from short term deposits	0.19	-
Total interest revenue	<u>0.19</u>	<u>-</u>
Finance costs:		
Interest in respect of convertible loan	<u>(0.16)</u>	<u>(3.94)</u>
Total finance cost	<u>(0.16)</u>	<u>(3.94)</u>

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

9. Tax

	Year ended 31 December 2012 US\$ million	Year ended 31 December 2011 US\$ million
Current corporation tax	0.04	0.06
Deferred tax	0.01	-
Total tax charge	0.05	0.06
Loss before tax subject to:		
Jersey tax	(12.31)	(13.92)
UK corporation tax	(0.07)	(0.10)
South African corporate tax	0.07	0.02
Turkish corporate tax	-	-
Ethiopian tax	0.02	(0.29)
Kurdistan tax	(0.11)	(0.02)
Congo Brazzaville tax	(1.31)	(0.95)
Mozambique tax	-	(11.37)
	(13.71)	(26.63)
Tax at standard rate in:		
Jersey tax at 0%	-	-
UK corporation tax at 24.5% (2011: 26%)	(0.04)	(0.02)
South African corporate tax at 28%	0.01	-
Turkish corporate tax at 20%	-	-
Ethiopian tax at 30%	0.01	(0.09)
Congo Brazzaville tax at 36%	(0.47)	(0.34)
Mozambique tax at 32%	0.01	(3.64)
	(0.48)	(4.09)
Effects of:		
Non deductible expenses	0.52	0.43
Tax losses not recognised	0.01	3.72
Marginal relief	-	-
Tax charge for the year	0.05	0.06

Deferred tax charge is not considered material to the Group and relates to the UK and as such no further disclosure is deemed necessary.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

10. Intangible assets

	Group Exploration and evaluation assets US\$ million	Company Exploration and evaluation assets US\$ million
Cost		
At 1 January 2012	100.29	22.95
Additions	62.92	32.81
Exploration expenditure written off	(0.10)	-
Transfer to property, plant and equipment	(32.42)	-
At 31 December 2012	<u>130.69</u>	<u>55.76</u>
Cost		
At 1 January 2011	96.47	20.50
Additions	15.44	2.45
Exploration expenditure written off	(11.62)	-
At 31 December 2011	<u>100.29</u>	<u>22.95</u>
Carrying amount:		
At 31 December 2012	130.69	55.76
At 31 December 2011	100.29	22.95

The amounts for intangible E&E assets represent active exploration projects. These amounts will be written off to the income statement on a licence by licence basis, unless commercial reserves are established or the determination process is not complete. The outcome of exploration, and therefore whether the carrying value of E&E assets will ultimately be recoverable, is inherently uncertain.

The carrying value at 31 December 2012 represents licence interests in Africa of \$75.51 million (2011: \$77.91 million) and Kurdistan of \$55.18 million (2011: \$22.38 million).

In the year ended 31 December 2011 an amount of \$11.35 million was written off to the profit and loss account in respect of costs incurred to date on the Inhaminga license which has been relinquished.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

11. Property, plant and equipment

Group	Development assets US \$ million	Other assets US \$ million	Total US \$ million
At cost			
At 1 January 2012	-	1.12	1.12
Additions	6.71	0.41	7.12
Exchange differences	-	0.06	0.06
Transfer from intangible assets	32.42	0.08	32.50
At 31 December 2012	<u>39.13</u>	<u>1.67</u>	<u>40.80</u>
Accumulated depreciation			
At 1 January 2012	-	1.01	1.01
Charge for the year	-	0.26	0.26
Exchange differences	-	(0.08)	(0.08)
Transfer from intangible	-	0.09	0.09
At 31 December 2012	<u>-</u>	<u>1.28</u>	<u>1.28</u>
Carrying value:			
At 31 December 2012	<u>39.13</u>	<u>0.39</u>	<u>39.52</u>
Group	Development assets US \$ million	Other assets US \$ million	Total US \$ million
At cost			
At 1 January 2011	-	1.14	1.14
Additions	-	0.05	0.05
Exchange differences	-	(0.07)	(0.07)
At 31 December 2011	<u>-</u>	<u>1.12</u>	<u>1.12</u>
Accumulated depreciation and impairment			
At 1 January 2011	-	0.81	0.81
Charge for the year	-	0.25	0.25
Exchange differences	-	(0.05)	(0.05)
At 31 December 2011	<u>-</u>	<u>1.01</u>	<u>1.01</u>
Carrying value:			
At 31 December 2011	<u>-</u>	<u>0.11</u>	<u>0.11</u>

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

12. Other assets

	Group		Company	
	31 December 2012 US\$ million	31 December 2011 US\$ million	31 December 2012 US\$ million	31 December 2011 US\$ million
Security deposit	0.88	0.56	-	-
	<u>0.88</u>	<u>0.56</u>	<u>-</u>	<u>-</u>

The office security deposit which was made in 2008 represents the obligation to pay a one year security deposit on the London office to secure the now extended four year operating lease which is repayable at the end of the lease term in 2014.

13. Trade and other receivables

	Group		Company	
	31 December 2012 US\$ million	31 December 2011 US\$ million	31 December 2012 US\$ million	31 December 2011 US\$ million
Trade receivables	1.49	0.45	1.23	0.57
Amounts due from related parties	-	-	113.53	92.23
Prepayments	0.42	0.43	0.11	0.07
	<u>1.91</u>	<u>0.88</u>	<u>114.87</u>	<u>92.87</u>

Trade receivables disclosed above are classified as loans and receivables and are measured at cost. The Group does not charge interest on any of its receivables and having assessed the recoverability of the receivables, the Group has not made any allowance for doubtful debts as it does not currently have any receivables due over 120 days, other than VAT receivable under the 13th VAT directive (refunds to non-EEC taxable persons) which it expects to receive. The Group does not apply any external credit scoring system as normal trade receivables include amounts due from related parties or other known parties.

Amounts due from related parties are unsecured, non-interest bearing and repayable upon demand.

The Group does not have any amounts which are past due at each reporting date. The average age of receivables is 30 days (2011: 30 days).

Ageing of receivables:

	Group		Company	
	31 December 2012 US\$ million	31 December 2011 US\$ million	31 December 2012 US\$ million	31 December 2011 US\$ million
30-60 days	<u>1.49</u>	<u>0.88</u>	<u>1.23</u>	<u>0.64</u>

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

14. Cash and cash equivalents

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	US\$ million	US\$ million	US\$ million	US\$ million
Cash and cash equivalents	62.17	4.74	58.95	3.33

Included in Group cash balances are amounts of \$0.54 million representing cash held in Gas Plus Khalakan treated as a joint venture and \$2.4 million operator cash held in Ethiopia on behalf of the Ogaden and Adigala joint arrangements.

15. Trade and other payables

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	US\$ million	US\$ million	US\$ million	US\$ million
Trade payables	4.03	2.50	2.10	1.79
Accruals	12.72	3.69	2.50	2.50
Amounts due to related parties	-	0.41	-	0.41
	16.75	6.60	4.60	4.70

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is chargeable on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe.

Due the short term nature of the trade payables the carrying amount approximates fair value.

Trade payables include an amount of \$0.53 million (2011: \$0.33 million) relating to short term office lease payments due. Future long term lease obligations are shown in Note 24.

16. Provisions

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	US\$ million	US\$ million	US\$ million	US\$ million
At 1 January	-	-	-	-
Additions	0.84	-	0.84	-
Used	-	-	-	-
At 31 December	0.84	-	0.84	-

In November 2012 \$1.0 million was withheld from the consideration for the acquisition of Blackgold Khalakan Limited to provide for potential litigation legal fees and in the period to 31 December 2012 \$0.16 million was paid, leaving the provision of \$0.84 million.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

17. Convertible loan

In February 2011 the Company entered into a convertible loan facility for \$27.4 million. The loan principal and accrued interest was repayable on 10 February 2012 either in cash or by conversion to ordinary shares at the option of the lender. During the year ended 31 December 2012 the facility was increased by \$10 million to \$37.4 million. As at 31 December 2011 \$29.67 million had been drawn down against the facility.

Interest of 25% per annum accrued on the loan principal from the date of drawdown up to the repayment date.

On 12 January 2012, lenders of the convertible loan agreed to be fully repaid by a cash repayment of \$0.96 million and conversion of \$33.72 million of the loan to ordinary shares.

The net proceeds received from the issue of convertible loan notes has been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company, as follows:

	31 December 2012 US\$m	31 December 2011 US\$m
Non-current liabilities		
Liability component at 1 January	(33.17)	-
Proceeds of issue of convertible loan	(1.50)	(29.67)
Equity component	-	0.43
Repayment	0.96	-
	<hr/>	<hr/>
Liability component on date of issue	(33.71)	(29.24)
Accrued interest	(0.01)	(3.93)
Conversion into shares	33.72	-
	<hr/>	<hr/>
Liability component at 31 December	-	(33.17)

The initial equity component of \$0.43 million was calculated as the balance of the issue proceeds once the fair value of the debt component had been deducted and allocated to liabilities, and has been credited to the equity reserve.

The fair value of the liability component has been calculated using an effective interest rate of 30%, being the estimated interest rate that would apply to an equivalent loan without conversion feature.

The interest expense for the period recognised in the income statement is calculated by applying the effective interest rate of 30% to the liability component for the period since the loan notes were issued. The liability component is measured at amortised cost.

New Age have entered into a new convertible loan agreement in October 2012 which is undrawn at the yearend. However a commitment fee of \$0.17 million is outstanding at year ended 31 December 2012 (2011: nil).

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

18. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is as below:

Company	Incorporation details			
New Age UK Limited	Sep 2007	Great Britain	100%	Services company
New African Global Energy SA Pty Ltd	Oct 2007	South Africa	100%	Services company
New Age Energy Algoa (Pty) Ltd	Feb 2010	South Africa	100%	Oil and gas
New Age (Ethiopia) Ltd	Oct 2008	Jersey	100%	Oil and gas
New Age (Inhaminga) Ltd (previously New Age Cameroon B Ltd)	Oct 2008	Jersey	100%	Oil and gas
New Age Management Services Ltd (previously New Age Niger A Ltd)	Oct 2007	Jersey	100%	Services company
Lake Tanganyika Exploration Ltd (previously New Age Tanzania Ltd)	Dec 2008	Jersey	100%	Oil and gas
New Age M12 Holdings Ltd (previously New Age Ghana Ltd)	Oct 2007	Jersey	75%	Oil and gas
New Age (Erbil) Ltd	May 2007	Jersey	100%	Oil and gas
New Age Khalakan Ltd	Jul 2010	Jersey	100%	Oil and gas
Gas Plus Turkey Ltd	Mar 2009	Jersey	100%	Oil and gas
Gas Plus LNG Enerji Yatarim ve Ticaret AS	Oct 2008	Turkey	75%	Oil and gas
Gas Plus Enerji Yatirim ve ticaret AS	Oct 2008	Turkey	75%	Oil and gas
New Age Holdings Ltd (previously New Age (Tawke) Ltd)	Apr 2009	Jersey	100%	Holding company
Jersey M12 Ltd	Jun 2010	Jersey	100%	Oil and gas
Blackgold Khalakan Ltd	Nov 2012	Jersey	100%	Oil and gas
New Age Morocco Ltd	July 2012	Jersey	100%	Oil and gas
New Age Nigeria 1 Ltd	July 2012	Jersey	100%	Oil and gas
New Age Cameroon Ltd	July 2012	Jersey	100%	Oil and gas
New Age Congo Ltd	July 2012	Jersey	100%	Oil and gas

The non – controlling interest in 2009 related to 25% interest in Gas Plus LNG Enerji Yatarim ve Ticaret AS and Gas Plus Enerji Yatarim ve Ticaret AS and amounted to nil (2010:nil). Both of these companies have been inactive since 2009.

The non-controlling interest in 2012 related to 25% shares in New Age M12 Holdings Limited and amounted to \$0.68 million (2011: \$0.35 million).

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

19. Investments in joint ventures and associates

In 2010 the Company acquired a 50% interest in Gas Plus Khalakan Limited and on 13 November 2012 increased its interest to 75.05% through the acquisition of Blackgold Khalakan Limited. The group has determined that this is an asset acquisition and the group accounts for its 75.05% interest in Gas Plus Khalakan using proportionate consolidation. The following amounts are included in the consolidated financial statements as a result:

	Group and Company	
	31 December 2012	31 December 2011
	US\$ million	US\$ million
Non-current assets	48.79	22.38
Current assets:		
Inventory	1.98	-
Cash and cash equivalents	0.54	1.34
Current liabilities:		
Trade and other payables	(1.15)	(0.53)
	<u>50.16</u>	<u>23.19</u>
Net assets		

There was an amount of \$0.02 million (2011: nil) for the joint venture's share of losses included in the consolidated income statement.

20. Share capital

	Group and Company	
	31 December 2012	31 December 2011
	US\$ million	US\$ million
Authorised:		
400,000,000 ordinary shares of US\$5 each	<u>2,000</u>	<u>2,000</u>
Issued and fully paid:		
54,955,811 (2011: 24,766,932) Ordinary shares of US\$5 each	<u>274.78</u>	<u>123.83</u>

The following were share issues in the period:

Date	Number shares issued	Value of shares US\$
11 January 2012	6,743,295	\$33,716,648
12 January 2012	8,786,473	\$43,932,365
13 August 2012	8,786,473	\$43,932,365
13 November 2012	1,479,401	\$7,397,005
28 December 2012	4,393,237	\$21,966,185

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

21. Earnings per ordinary share

The basic loss per ordinary share is calculated using a numerator of the loss for the year and a denominator of the weighted average number of ordinary shares in issue for the period. The diluted loss per ordinary share is calculated using a numerator of the loss for the year and a denominator of the weighted average number of ordinary shares outstanding and adjusting for the effect of potentially dilutive shares, including share options, deferred shares and convertible loan if they are exercisable, assuming that they had been converted.

Diluted loss per share is the same as the ordinary loss per share as the deferred share scheme and convertible loan is anti-dilutive, due to losses incurred in all periods shown.

	Year ended 31 December 2012	Year ended 31 December 2011
Loss for the year (US\$ million)	(13.43)	(26.69)
Weighted average number of ordinary shares (million)	43.45	24.77
Basic and diluted loss per ordinary share (US\$)	(0.31)	(1.08)

22. Notes to the cash flow statement

	31 December 2012 US\$ million	31 December 2011 US\$ million
Loss for the year	(13.76)	(26.69)
Adjustments for:		
Finance income	(0.19)	-
Finance cost	0.16	3.94
Income tax expense	-	0.06
Depreciation of property, plant and equipment	0.26	0.25
Write off of intangible assets	-	11.62
Share-based payment credit	0.15	-
	(13.38)	(10.82)
Operating cash flows before movements in working capital		
(Increase)/Decrease in trade receivables and other	(1.35)	0.08
Increase/(Decrease) in payables	2.42	(0.44)
Cash used in operations	(12.31)	(11.18)
Income taxes paid	(0.02)	(0.26)
Net cash used in operating activities	(12.33)	(11.44)

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

23. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the period, group companies entered into the following transactions with related parties who are not members of the group:

	Purchase/(sale) of goods		Amounts owed to/(from)	
	Group and Company		related party	
	Year ended	Year ended	Year ended	Year ended
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	US\$ million	US\$ million	US\$ million	US\$ million
<u>Related party</u>				
Invicta Executive Resources Ltd	0.05	3.18	-	0.41
<u>Joint venture</u>				
Gas Plus Khalakan Limited	(2.44)	(1.19)	(0.12)	-

The Invicta companies above are owned by the senior management of New Age (African Global Energy) Ltd, and hence are deemed related parties of the Group.

The Group has a 75.05% interest in Gas Plus Khalakan Ltd and provides management services at cost to Gas Plus.

The amounts outstanding are unsecured and will be settled in cash with the exception of services provided to Gas Plus Khalakan which were at cost. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The Company paid a management fee to Invicta Executive Resources Ltd under a Heads of Agreement to provide senior management consultancy services. Invicta Executive Resources Ltd had a contract with certain management companies. The aggregate remuneration paid to Invicta Executive Resources Ltd in respect of their services for the period was \$0.1 million (2011: \$3.18 million) and related entirely to short term benefits. On 12 January 2012 the service agreement between Invicta Executive Resources Limited and the Company was terminated and all senior management entered into employment contracts with the group.

With effect from 1 November 2009 Invicta Executive Resources Ltd was entitled to a share-based deferred payment for a 40% reduction in the management fees and details of these are given in note 26 to these accounts.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

23. Related party transactions (continued)

Directors and executive remuneration

The remuneration of executive directors during the year is highlighted below.

	31 Dec 2012 US \$ million	31 Dec 2011 US\$ million
Short term employee benefits	1.53	-
	<u>=====</u>	<u>=====</u>

In January 2012 the Company introduced an unapproved share option plan for all employees and executive directors and details are given in Note 26 to these accounts.

Directors' transactions

On 13 November 2012 New Age acquired the entire share capital of Blackgold Khalakan Ltd which holds a 50.1% interest in New Age Alzarooni 2 Ltd which in turn owns a 50% interest in Gas Plus Khalakan for a cash consideration of US\$3 million and the issue of 1,479,401 New Age shares. The acquisition is a related party transaction as Blackgold Khalakan Ltd was ultimately owned by New Age non-executive director Mr N Al Zarooni.

There were no other transactions with any Directors of the Group, other than the remuneration paid under employment contracts entered into on 12 January 2012 and share options granted to the Chief Executive Officer and the Chief Financial Officer.

24. Operating leases arrangements

The Group as lessee

	Group	
	31 December 2012	31 December 2011
	US\$ million	US\$ million
Minimum lease payments under operating leases recognised as an expense in the period	1.28	1.26
	<u>=====</u>	<u>=====</u>

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2012	31 December 2011
	US\$ million	US\$ million
Within one year	0.76	0.72
In the second to five years inclusive	1.52	1.48
	<u>=====</u>	<u>=====</u>
	2.28	2.20
	<u>=====</u>	<u>=====</u>

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of four years and rentals are fixed for the lease.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

25. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Categories of financial instrument

	Group		Company	
	31 December 2012 US\$ million	31 December 2011 US\$ million	31 December 2012 US\$ million	31 December 2011 US\$ million
Financial assets				
Cash and cash equivalents	62.17	4.74	58.95	3.33
Trade and other receivables	1.91	0.88	1.34	0.64
Loan to subsidiaries	-	-	113.53	92.23
Other assets	0.88	0.56	-	-
	<u>64.96</u>	<u>6.18</u>	<u>173.82</u>	<u>96.20</u>
Financial liabilities				
Trade and other payables	4.03	2.50	2.10	1.79
Amounts due to related parties	0.17	0.41	0.17	0.41
Accruals	12.72	3.69	2.50	2.50
Convertible loan	-	33.17	-	33.17
	<u>16.92</u>	<u>39.77</u>	<u>4.77</u>	<u>37.87</u>

Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports. These risks include market risk, currency risk and liquidity risk. As the Group was funded during 2011 by draw downs on a convertible loan at a fixed rate of interest and in 2012 by equity subscriptions it is not materially exposed to interest rate risk.

Following repayment of the convertible loan on 12 January 2012 the Group has no debt funding. Following a US\$125 million equity subscription agreed on 12 January 2012, the Company received the first tranche of US\$50 million in cash on 12 January 2012 with the second tranche received in August 2012 and the final tranche received in December 2012. The cash is deposited with multiple independent investment grade financial institutions to reduce custodial risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. There have been no changes to the Group's exposure to market risks or the manner in which these risks arise.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

25. Financial instruments (continued)

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group	
	31 December 2012	31 December 2011
	US\$ million	US\$ million
GB Pound	0.40	(0.46)
South African Rand	0.54	(0.11)

With the exception of a bank account which had a very small amount of GB Pound cash, the Company had no foreign currency denominated monetary assets or liabilities.

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Great Britain (GB Pound currency) and the currency of South Africa (South African Rand currency).

The following table details the Group's sensitivity to a 20 per cent increase and decrease in the US Dollar against the relevant foreign currencies. 20 per cent represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the US Dollar strengthens 20 per cent against the relevant currency. For a 20 per cent weakening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	GB Pound currency impact		South African Rand currency impact	
	2012	2011	2012	2011
	US\$ million	US\$ million	US\$ million	US\$ million
Profit or loss	0.13	0.14	0.01	0.02

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents (i.e. trade receivables and other and other receivable) and loans and receivables.

Other than the above the Group does not have any significant credit risk exposure to any one counterparty or any group of counterparties having similar characteristics. The Group has a policy in place to seek legal recourse if any party defaults on any repayment terms.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

25. Financial instruments (continued)

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting cash forecasting process and matching the maturity profile of financial assets and liabilities to help ensure that it has adequate cash available to meet payment obligations.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities, including future lease obligations. 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.

	Less than 1 month US \$ million	1-3 months US \$ million	3 months to 1 year US \$ million	2-5 years US \$ million	Total US \$ million
2012					
Trade and other payables	10.68	3.98	0.57	1.51	16.75
Amounts due to related parties	-	-	-	-	-
Provision for liabilities	0.10	0.30	0.44	-	0.84
Convertible loan	0.17	-	-	-	0.17
	<u>10.95</u>	<u>4.28</u>	<u>1.01</u>	<u>1.51</u>	<u>16.75</u>
2011					
Trade and other payables	-	2.67	0.50	1.39	4.56
Amounts due to related parties	0.41	-	-	-	0.41
Convertible loan	-	33.17	-	-	33.17
	<u>0.41</u>	<u>33.17</u>	<u>0.50</u>	<u>1.39</u>	<u>35.47</u>

The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

26. Share based payments (ESOP)

Deferred Shares

The Company has in place a deferred share scheme under the Heads of Agreement with Invicta Executive Resources Ltd from November 2009. The original Heads of Terms were varied by deed on 12 January 2012 such that shares are exercisable at a price of nil at an exit event of the Company. On 12 January 2012 the number of deferred shares was fixed at 920,000. The vesting date is expected to be at an IPO exit date which at this present time is uncertain. Details of the deferred shares outstanding during the period ended 31 December 2012 are as follows:

	31 December 2012		31 December 2011	
	Number of shares	Weighted average exercise price (in \$)	Number of shares	Weighted average exercise price (in \$)
Outstanding at beginning of year	892,000		497,171	
Granted	28,000	nil	394,829	nil
Forfeited	-		-	
Exercise	-		-	
Expired	-		-	
Outstanding at the end of the year	<u>920,000</u>		<u>892,000</u>	

The weighted average share price at the date of grant for deferred shares was US\$1.20 (2011: US\$1.38). The deferred share outstanding at 31 December 2012 had a weighted average exercise price of nil (2011: nil).

At 31 December 2012 the Group recognised nil charge in the income statement in respect of the deferred shares scheme, as there was no exit event and this was also not considered to be probable.

Equity-Settled Share Option Scheme

The Company introduced a share option scheme in January 2012 for all employees and executive directors of the Group. Options are exercisable at a price on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the period are as follows:

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

26. Share based payments (ESOP) (continued)

	Period ended 31 December 2012		Period ended 30 June 2011	
	Number of Share Options	Weighted Average Exercise Price (\$)	Number of Share Options	Weighted Average Exercise Price (\$)
Outstanding at beginning of period	-	-	-	-
Granted during the period	827,640	5.69	-	-
Forfeited during the period	-	-	-	-
Exercise during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	827,640	-	-	-
Exercisable at the end of the period	827,640	-	-	-

The options outstanding at 31 December 2012 had a weighted average exercise price of \$2.55 and a weighted average remaining contractual life of 3 years. In 2012 the options were granted on 16th April 2012. The aggregate of the estimated fair values of the options granted on these dates is US\$0.63 million.

The inputs into the Black-Scholes model for the period ended 31 December 2012 are as follows:

	2012	2011
Weighted Average Share Price	5.69	-
Weighted Average Exercise Price	5.69	-
Expected Volatility	68%	-
Expected Life	3	-
Risk-Free Rate	0.476%	-

Expected volatility was determined by reference to a comparative peer group of companies.

The Group recognised total expenses of \$0.15 million (2011: nil) related to equity-settled share-based payment transactions in the period to December 2012.

27. Commitments

As at 31 December 2012 the Group had total contractual commitments of \$345.7 million (2011: \$65.4 million) which includes the full development cost of the Marine 12 Phase 1 development. The commitments comprise \$12.0 million in Ethiopia (including a commitment well \$10.4 million (2011: \$3.0 million) on Ogaden Blocks 7&8), a \$53.4 million commitment (2011: \$41.7 million) on Marine 12 Congo Brazzaville which includes three appraisal wells, and \$12.1 million on Algoa Gamtoos comprising 2D and 3D seismic programmes.

The development plan for Phase 1 Litchendjili was approved in November 2012 and the total commitment cost is \$265.7 million at 31 December 2012.

In Kurdistan the first exploration commitments were all fulfilled with the drilling of the Khalakan-1 well and the second exploration period 2D seismic commitment was completed by end December 2012. Dependent upon the results of the first exploration well already drilled and the seismic, a second exploration well may be drilled with a commitment of \$9.75 million net to the Company.

New Age (African Global Energy) Limited

Notes to the consolidated financial statements Year ended 31 December 2012

28. Subsequent events

(a) Farmout

On 22 February 2013 New Age signed a farmout agreement with Rift Petroleum Limited to assign a 50% interest in the Algoa Gamtoos license with US\$3 million paid into an escrow account to fund the 2D seismic programme and a future commitment to carry 3D seismic up to a total limit of \$10 million. In addition Rift Petroleum paid US\$500,000 to New Age for the 50% right to acquire an interest in the Orange Basin TCP once it becomes an Exploration Permit. Government approval is currently awaited for the farmout agreement.

(b) Vitol Acquisitions

It is anticipated that government approval will be forthcoming on the sale and purchase agreements with Vitol to acquire Cameroon Offshore Petroleum SARL (executed in October 2012) and Vitol Africa Exploration Limited (executed in January 2013) and the impact of these acquisitions will be shown in the 2013 Group accounts when the transactions complete. New Age is not currently legally bound to complete the transaction for the purchase of Padina Energy Bermuda Ltd (executed October 2012).