

**New Age (African Global Energy) Limited**

**Annual Report and Financial Statements  
31 December 2013**

**Company Registration No. 97861**

**19 March 2014**

**Certified true copy of the original document  
which I have seen.**

Jersey this 11 day of July 2014

.....  
**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**

## **Annual report and financial statements 2013**

### **Offices 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

Unit 511 5<sup>th</sup> Floor  
The Cliffs Block 2  
Niagara Way  
Tyger Falls, Cape Town  
South Africa

#### **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**

### **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 2014 meeting the Committee:

- reviewed the December 2013 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.

#### **External auditor**

To fulfil its responsibility regarding the independence of the external auditor, 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 auditor.

## **New Age (African Global Energy) Limited**

### **Audit and risk committee report (continued)**

#### **External auditors (continued)**

To assess the effectiveness of the external auditor, 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 auditor.

#### **Approval**



Tajinder Sidhu

Director

On behalf of the Audit and Risk Committee

19 March 2014

## **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 2013.

#### **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 Cape Town, South Africa. It also has operational branch offices in Erbil- Kurdistan, Douala,-Cameroon 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. New Age is well-funded with significant African and Asian investment.

#### **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, share options and deferred bonus shares which form part of management remuneration, 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 are governed by the Articles of Association and a Shareholders Agreement. 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, 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.

#### **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)	(resigned 13 Jun 2013)
Mark Akers	Chief Financial Officer	
Philip Jackson	(non-executive)	
Ivor Orchard	(non-executive)	
Chris Joly	(non-executive)	(appointed 16 May 2013)
Mark Cutis	(non-executive)	(appointed 19 Sep 2013)
Kai Wang	(non-executive)	(appointed 8 July 2013)
Alexander Dzhaparidze	(non-executive)	(appointed 10 Sep 2013)
NTC Services (Jersey) Limited	(corporate director)	(appointed 16 May 2013)
Nautilus Corporate Services Limited	(corporate director)	(resigned 19 Sep 2013)

## **New Age (African Global Energy) Limited**

### **Directors' report (continued)**


#### **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

19 March 2014

## **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

19 March 2014

## **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 2013 which comprise the consolidated and parent company statements of financial position as at 31 December 2013, 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 2013 and the related notes 1 to 29. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2013 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,  
for and on behalf of Deloitte LLP  
Chartered Accountants  
London, UK  
19 March 2014



# **New Age (African Global Energy) Limited**

## **Consolidated income statement Year ended 31 December 2013**

		<b>Year ended 31 December 2013 US\$ million</b>	<b>Year ended 31 December 2012 US\$ million</b>
	<b>Notes</b>		
Revenue			
Service revenue	6	0.10	0.71
Expenses			
Pre licence costs and exploration write offs		(4.89)	(3.52)
General and administrative expenses	8	(14.05)	(10.58)
Operating loss		(18.84)	(13.39)
Other income/(expenses)			
Finance income	9	0.22	0.19
Other gains and losses		(0.74)	(0.35)
Finance costs	9	(6.70)	(0.16)
Loss before tax		(26.06)	(13.71)
Tax	10	0.08	(0.05)
Loss for the year		(25.98)	(13.76)
Attributable to:			
Owners of the company		(24.26)	(13.43)
Non- controlling interests		(1.72)	(0.33)
		(25.98)	(13.76)
Basic and diluted earnings per ordinary share (in US\$)	21	(0.29)	(0.31)

## **New Age (African Global Energy) Limited**

### **Consolidated statement of comprehensive income Year ended 31 December 2013**

	<b>Year ended 31 December 2013 US\$ million</b>	<b>Year ended 31 December 2012 US\$ million</b>
Loss for the year	(25.98)	(13.76)
Exchange differences on translation of foreign operations	-	0.07
Other comprehensive gain	-	0.07
Total comprehensive loss for the year	<u>(25.98)</u>	<u>(13.69)</u>
Attributable to:		
Owners of the company	(24.26)	(13.36)
Non-controlling interests	<u>(1.72)</u>	<u>(0.33)</u>
	<u>(25.98)</u>	<u>(13.69)</u>

# New Age (African Global Energy) Limited

## Consolidated statement of financial position As at 31 December 2013

	Notes	31 December 2013 US\$ million	31 December 2012 US\$ million
<b>Non-current assets</b>			
Intangible assets	11	454.92	130.69
Property, plant and equipment	12	102.08	39.52
Other assets	13	-	0.88
Deferred tax		0.08	0.03
		<u>557.08</u>	<u>171.12</u>
<b>Current assets</b>			
Inventory		7.01	1.98
Cash and cash equivalents	15	142.43	62.17
Trade and other receivables	14	6.59	1.91
		<u>156.03</u>	<u>66.06</u>
<b>Total assets</b>		<u>713.11</u>	<u>237.18</u>
<b>Current liabilities</b>			
Trade and other payables	16	(14.95)	(16.75)
Provision for liabilities		-	(0.84)
Convertible loan		-	(0.17)
		<u>(14.95)</u>	<u>(17.76)</u>
<b>Net current assets</b>		<u>141.08</u>	<u>48.30</u>
<b>Non-current liabilities</b>			
Long - term payables		-	(0.89)
Convertible loan	17	(39.73)	-
		<u>(39.73)</u>	<u>(0.89)</u>
<b>Total liabilities</b>		<u>(54.68)</u>	<u>(18.65)</u>
<b>Net assets</b>		<u>658.43</u>	<u>218.53</u>
<b>Equity</b>			
Share capital	20	594.35	274.78
Share premium		252.83	16.40
Issued but unpaid share reserve	20	(100.00)	-
Employee stock option reserve	26	2.21	0.15
Convertible loan equity reserve	17	6.27	-
Accumulated deficit		(94.83)	(72.14)
Currency translation reserve		-	0.02
<b>Equity attributable to owners of the company</b>		<u>660.83</u>	<u>219.21</u>
<b>Non - controlling interests</b>		<u>(2.40)</u>	<u>(0.68)</u>
<b>Total equity</b>		<u>658.43</u>	<u>218.53</u>

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 19 March 2014.

Signed on behalf of the Board of Directors:

Stephen Lowden, Chief Executive Officer

# New Age (African Global Energy) Limited

## Company statement of financial position As at 31 December 2013

	Notes	31 December 2013 US\$ million	31 December 2012 US\$ million
<b>Non-current assets</b>			
Intangible assets	11	63.15	55.76
Investments	18	3.91	0.06
		<u>67.06</u>	<u>55.82</u>
<b>Current assets</b>			
Cash and cash equivalents	15	134.45	58.95
Trade and other receivables	14	509.32	114.87
		<u>643.77</u>	<u>173.82</u>
<b>Total assets</b>		<u>710.83</u>	<u>229.64</u>
<b>Current liabilities</b>			
Trade and other payables	16	(3.54)	(4.60)
Provision for liabilities		-	(0.84)
Convertible loan		-	(0.17)
		<u>(3.54)</u>	<u>(5.61)</u>
<b>Net current assets</b>		<u>640.23</u>	<u>168.21</u>
<b>Non-current liabilities</b>			
Long-term payables		-	(1.58)
Convertible loan	17	(39.73)	-
<b>Total liabilities</b>		<u>(43.27)</u>	<u>(7.19)</u>
<b>Net assets</b>		<u>667.56</u>	<u>222.45</u>
<b>Equity</b>			
Share capital	20	594.35	274.78
Share premium		252.83	16.40
Issued but unpaid share reserve	20	(100.00)	-
Employee share option reserve		2.21	0.15
Convertible loan equity reserve	17	6.27	-
Accumulated deficit		(88.10)	(68.88)
<b>Total equity</b>		<u>667.56</u>	<u>222.45</u>

These financial statements were approved by the Board of Directors and authorised for issue on 19 March 2014.

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 2013

	Share capital US\$ million	Share premium US\$ million	Issued but unpaid reserve*** US\$ million	Currency translation reserve US\$ million	Other Reserves** US\$ million	Equity reserve US\$ million	Accumulated deficit US\$ million	Non-controlling interest US\$ million	Total equity US\$ million
<b>Balance at 1 January 2013</b>	274.78	16.40	-	0.02	0.15	-	(72.14)	(0.68)	218.53
Total comprehensive loss for the year							(24.26)	(1.72)	(25.98)
Issue of shares for cash	196.99	149.32							346.31
Issued unpaid for shares	56.88	43.12	(100.00)						-
Share-based payment					2.06				2.06
Share issue expense		(5.77)							(5.77)
Convertible bond						7.90			7.90
Convertible bond equity adjustment*						(1.63)	1.63		-
Purchase of intangible asset	65.70	49.76							115.46
Non-controlling interest							(0.06)		(0.06)
Exchange difference on translation of foreign operations				(0.02)					(0.02)
<b>Balance at 31 December 2013</b>	<u>594.35</u>	<u>252.83</u>	<u>(100.00)</u>	<u>-</u>	<u>2.21</u>	<u>6.27</u>	<u>(94.83)</u>	<u>(2.40)</u>	<u>658.43</u>
	Share capital US\$ million	Share premium US\$ million		Currency translation reserve US\$ million	Other reserves US\$ million	Equity reserve US\$ million	Accumulated deficit US\$ million	Non-controlling interest US\$ million	Total equity US\$ million
<b>Balance at 1 January 2012</b>	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
<b>Balance at 31 December 2012</b>	<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>

\* The transfer between reserves relates to the convertible bonds – see Note 17.

\*\* Other reserves includes share option reserve and deferred bonus reserve

\*\*\* Arises on issue of 11,376,564 unpaid shares due by 28 March 2014. The funds due have been offset against equity reserve.

## New Age (African Global Energy) Ltd

### Consolidated cash flow statement For the year ended 31 December 2013

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million
Note		
<b>Net cash used in operating activities</b>	22 (24.73)	(12.33)
<b>Investing activities</b>		
Inventory	(5.03)	(1.98)
Purchases of property, plant and equipment	(62.91)	(4.73)
Expenditure on exploration and evaluation assets	(216.84)	(44.80)
Proceeds from farm-out	3.00	-
<b>Net cash used in investing activities</b>	(281.78)	(51.51)
<b>Financing activities</b>		
Proceeds on issue of shares	346.31	120.63
Share issue expenses	(5.77)	-
Proceeds from convertible loan draw-downs	46.00	0.54
Interest income	0.22	0.19
<b>Net cash from financing activities</b>	386.77	121.36
<b>Net increase in cash and cash equivalents</b>	80.26	57.52
<b>Cash and cash equivalents at beginning of year</b>	62.17	4.74
<b>Effect of foreign exchange rate changes</b>	-	(0.09)
<b>Cash and cash equivalents at end of year</b>	142.43	62.17

#### Non cash transactions include:

- a) Issue of 13,137,530 shares for the purchase of Cameroon Offshore Petroleum SARL

#### Non cash transactions for the year ended 31 December 2012 include:

- a) Conversion of convertible loan into equity shares of \$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 2013

### 1. General Information

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 4.

### 2. Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

#### *Standards affecting the financial statements*

IFRS 10, Consolidated Financial Statements – having considered the requirements of the IFRS the Company has not had to make any new disclosures.

IFRS 11 and amendments, Joint Arrangements - The Company will continue to proportionately share in various assets and obligations from joint arrangements.

IFRS 12 (amendments), Disclosures of Interests in Other Entities. The financial statements of the Company and its immediate subsidiaries are consolidated in the financial statements of the Group.

IAS 28 (as revised in 2011), amendments, Investments in Associates and Joint Ventures – The application of amendments has not had any material impact on the Company financial statements.

IFRS 13, Fair Value Measurements –having considered the requirements, the Company has not had to make any new disclosures for the current and comparative periods. The application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

#### *Standards not affecting the reported results nor the financial position*

The following new and revised Standards have been adopted in the current year. Their application has not had any significant impact on the amounts reported in these financial statements.

Amendments to IFRS 7 on Financial instruments asset and liability offsetting (effective 1 January 2013) - The Company doesn't have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the financial statements.

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 European Union (the "EU")):

IFRS 9	Financial Instruments
IAS 27 (amendments)	Investment Entities
IAS 36 (amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC Interpretation 21	Levies

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **2, Adoption of new standards and interpretations (continued)**

##### *Standards not affecting the reported results nor the financial position (continued)*

The directors do not expect that the adoption of the Standards and Interpretations listed above would have a material impact on the financial statements of the Company in future periods, except that IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

No new standards or interpretations were adopted early by the Company during the year.

#### **3. 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 2013 consolidated and parent company financial statements.

##### *Oil and Gas Reserves and Resources*

Measurements of depletion, depreciation, amortisation, 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 2013 which could differ significantly from other points in time throughout the year or in future periods.

##### *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.



## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 3. Critical accounting judgements (continued)

At the balance sheet date, and up to the issuance of these financial statements, drilling was ongoing at the Ogaden, Ethiopia and Gas Plus Khalakan licences, as discussed in the Strategic Report. The carrying value of Ogaden, Ethiopia was \$25.14 million and \$66.2 million for Gas Plus Khalakan.

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 year ended 31 December 2013.

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.

##### *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.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **3. Critical accounting judgements (continued)**

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. 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 as discussed in the Strategic report on page 24.

On the basis of their assessment of the company's financial position and the letters of support received from the majority 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 power over the investee, is exposed or has rights to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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.

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.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **4. Significant accounting policies (continued)**

##### **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.

##### **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.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **4. Significant accounting policies (continued)**

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.

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.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **4. Significant accounting policies (continued)**

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 and a full IFRS6 impairment test is carried out. After any impairment loss on the relevant E&E assets, it 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 the conclusion of appraisal activities on the license.

##### *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.

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 4. Significant accounting policies (continued)

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.

##### *Farm-in transactions*

A farm-in typically involves the transfer of part of an oil and gas interest in consideration for an agreement by the transferee ('farmee') to meet certain expenditure which would otherwise have to be undertaken by the owner ('farmor'). When acting as a farmor, in accordance with industry practice, the Group does not record, in its financial statements, any expenditure made 'on its behalf' by the farmee.

Where the consideration for the farm-in includes an arrangement for the farmee to bear subsequent costs which would otherwise fall to the retained interest of the Group, the Group discloses the amount of such expenditure incurred by farmees in aggregate during the accounting period to provide an indication of the consideration received for the farm-outs.

Any consideration received in cash or equivalents is credited against the asset carrying value, with any excess recognised as a gain in the income statement.

##### **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 time frame 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.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **4. Significant accounting policies (continued)**

##### **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.

##### **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.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **4. Significant accounting policies (continued)**

##### **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 oil and gas 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.

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.

##### **Compound instruments**

The accounting policy relating to compound instruments is disclosed in note 17.



## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 5. 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 2013			Total US\$ million
	Africa US\$ million	Kurdistan US\$ million	Unallocated* US\$ million	
Service revenue	-	0.10	-	0.10
Total revenue	-	0.10	-	0.10
Pre-licence costs and exploration write-offs	(4.11)	(0.03)	(0.75)	(4.89)
General administration costs	(1.09)	(0.12)	(12.84)	(14.05)
Operating loss	(5.20)	(0.05)	(13.59)	(18.84)
Other gains and losses	(0.29)	0.02	(0.47)	(0.74)
Finance costs	-	-	(6.70)	(6.70)
Finance income	-	-	0.22	0.22
Loss before tax	(5.49)	(0.03)	(20.54)	(26.06)
Tax	-	-	-	0.08
Loss for the year	-	-	-	(25.98)

\* Unallocated balances relates to head office and corporate expenses

	Year ended 31 December 2012			Total US\$ million
	Africa US\$ million	Kurdistan US\$ million	Unallocated* 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)/profit 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

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.

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 5. Segmental reporting (continued)

##### Segment assets

	31 December 2013 US\$ million	31 December 2012 US\$ million
Kurdistan	75.45	57.75
Africa	499.63	115.38
Unallocated assets	138.03	64.05
	<u>713.11</u>	<u>237.18</u>

Included in segment assets arising from the Africa segment is \$52.99 million (2012: \$18.93 million) relating to Ethiopia, \$209.36 million (2012: \$95.43) relating to Congo Brazzaville, \$152.97 million relating to Cameroon, \$82.85 million relating to Nigeria and \$1.46 million (2012: \$1.02 million) for the South Africa office and assets.

##### Segment liabilities

	31 December 2013 US\$ million	31 December 2012 US\$ million
Kurdistan	(2.95)	(1.07)
Africa	(5.54)	(11.59)
Unallocated liabilities	(46.19)	(5.99)
Total liabilities	<u>(54.68)</u>	<u>(18.65)</u>

#### 6. Revenue

Income during the year, comprised:

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million
Service revenue:		
Management services under services agreement with Gas Plus Khalakan	0.10	0.71
Total revenue	<u>0.10</u>	<u>0.71</u>

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 7. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million
Audit of company	0.15	0.08
Audit of subsidiaries and joint ventures	0.16	0.06
<b>Total audit</b>	<b>0.31</b>	<b>0.14</b>
Audit related assurance services	0.07	0.05
<b>Total assurance services</b>	<b>0.38</b>	<b>0.19</b>
Services related to corporate finance transactions	-	0.33
Tax advisory services	0.06	0.18
<b>Total non-audit services</b>	<b>0.06</b>	<b>0.51</b>

#### 8. Staff costs

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million
Staff costs, including executive directors:		
Wages and salaries	8.72	5.97
Social security costs	0.74	0.70
Pension costs	0.50	0.54
Contractors fees	-	0.12
	<b>9.95</b>	<b>7.33</b>

\$3.16 million (2012: \$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 2013 number	Year ended 31 December 2012 number
Technical and operations	12	9
Management and administration	23	20
	<b>35</b>	<b>29</b>

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 9. Finance income and finance costs

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million
Interest revenue from short term deposits	0.22	0.19
Total interest revenue	<u>0.22</u>	<u>0.19</u>
Finance costs:		
Interest in respect of convertible loan	(5.60)	(0.16)
Interest in respect of bridging loan	(1.10)	-
Total finance cost	<u>(6.70)</u>	<u>(0.16)</u>

#### 10. Tax

	Year ended 31 December 2013 US\$ million	Year ended 31 December 2012 US\$ million
Current corporation tax	0.01	0.04
Deferred tax	(0.09)	0.01
Total tax (credit)/charge	<u>(0.08)</u>	<u>0.05</u>
Income tax expense calculated at weighted average of corporation tax rates of the jurisdictions in which the group operates at 8.75% (2012: %)	(2.86)	(0.39)
Effect of expenses that are not deductible in determining taxable profit	0.01	-
Income which is subject to tax at a rate other than the applicable rate used for the reconciliation	(1.27)	(0.04)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	2.75	0.41
Effect of different tax rates of subsidiaries operating in other jurisdictions	1.29	0.06
Prior year adjustment	-	0.01
Income tax (credit)/charge recognised (relating to continuing operations)	<u>(0.08)</u>	<u>0.05</u>

Deferred tax losses equate to \$100 million as at 31 December 2013 (2012: \$53 million).

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 11. Intangible assets

	<b>Group Exploration and evaluation assets US\$ million</b>	<b>Company Exploration and evaluation assets US\$ million</b>
<b>Cost</b>		
At 1 January 2013	130.69	55.76
Additions	324.23	7.39
Exploration expenditure written off	-	-
Transfer to property, plant and equipment	-	-
<b>At 31 December 2013</b>	<b>454.92</b>	<b>63.15</b>
<b>Cost</b>		
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)	-
<b>At 31 December 2012</b>	<b>130.69</b>	<b>55.76</b>
<b>Carrying amount:</b>		
At 31 December 2013	454.92	63.15
At 31 December 2012	130.69	55.76

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 2013 represents licence interests in Africa of \$389.52 million (2012: \$75.51 million) and Kurdistan of \$66.2 million (2012: \$55.18 million).

During the year, the Company acquired certain E&E assets from Vitol E&P Limited, for a consideration of 13,137,530 shares and \$112.2 million cash. This is reflected within the Consolidated statement of changes in equity and in the Consolidated cash flow statement. In addition, as part of the transaction, Vitol provided financing to New Age through the convertible loan as disclosed in note 17. The Company has accounted for this acquisition as an asset purchase.

# New Age (African Global Energy) Limited

## Notes to the consolidated financial statements Year ended 31 December 2013

### 12. Property, plant and equipment

Group	Oil and gas Development assets US \$ million	Other assets US \$ million	Total US \$ million
At cost			
At 1 January 2013	39.13	1.67	40.80
Additions	62.04	0.85	62.89
Exchange differences	-	-	-
Transfer from intangible assets	-	-	-
At 31 December 2013	<u>101.17</u>	<u>2.52</u>	<u>103.69</u>
Accumulated depreciation			
At 1 January 2013	-	1.28	1.28
Charge for the year	-	0.33	0.33
Exchange differences	-	-	-
Transfer from intangible	-	-	-
At 31 December 2013	<u>-</u>	<u>1.61</u>	<u>1.61</u>
Carrying value: At 31 December 2013	<u>101.17</u>	<u>0.91</u>	<u>102.08</u>

Group	Oil and gas 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>

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 13. Other assets

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	US\$ million	US\$ million	US\$ million	US\$ million
Security deposit	-	0.88	-	-
	-	0.88	-	-

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 and hence is deemed short term deposit. The lease has been renewed in January 2014 for a further term until 2017.

#### 14. Trade and other receivables

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	US\$ million	US\$ million	US\$ million	US\$ million
Security deposit	0.90	-	-	-
Trade receivables	3.49	1.49	0.24	1.23
Amounts due from related parties	1.75	-	509.08	113.53
Prepayments	0.45	0.42	-	0.11
	6.59	1.91	509.32	114.87

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. 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 (2012: 30 days).

Ageing of receivables:

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	US\$ million	US\$ million	US\$ million	US\$ million
0-30 days	0.90	-	-	-
30-60 days	3.49	1.49	0.24	1.23

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 15. Cash and cash equivalents

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	US\$ million	US\$ million	US\$ million	US\$ million
Cash and cash equivalents	33.18	62.17	25.20	58.95
Short term deposits	105.00	-	105.00	-
Bank guarantee	4.25	-	4.25	-
	<u>142.43</u>	<u>62.17</u>	<u>134.45</u>	<u>58.95</u>

Included in Group cash balances are amounts of \$3.4 million (2012:\$0.54 million) representing cash held in Gas Plus Khalakan treated as a joint venture and \$3.7 million (2012:\$2.4 million) operator cash held in Ethiopia on behalf of the Ogaden and Adigala joint arrangements.

The bank guarantee represents a guarantee placed with ONHYM for the Morocco Block F joint venture. It is based upon exploration work commitment which is not expected to be fulfilled until 2016.

#### 16. Trade and other payables

	Group		Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	US\$ million	US\$ million	US\$ million	US\$ million
Trade payables	11.31	4.03	1.04	2.10
Accruals	3.64	12.72	2.50	2.50
	<u>14.95</u>	<u>16.75</u>	<u>3.54</u>	<u>4.60</u>

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 \$0.03 million (2012: \$0.53 million) relating to short term office lease payments due as the lease is due for renewal in January 2014.



## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 17. Convertible loan

In October 2012 a new loan agreement was entered into for \$46 million with Vitol E&P Limited (Vitol) and Kerogen Investments No 2 Limited, both shareholders of the Company. On 16 May 2013 a deed of amendment and restatement was signed modifying certain terms of the loan.

The purpose of the loan facility is to provide the Company with funds to satisfy all or part of its general working capital requirements and its funding requirements for activities in Cameroon and Nigeria. Security is placed over New Age Cameroon Limited and New Age Exploration Nigeria Limited through a Security Trust Deed. The loan has a maturity date of 25 October 2015 and bears interest of 8% per annum which has been accrued on the loan principal from the date of drawdowns up to the period end date. In addition, a commitment fee of 2% was applied on any undrawn amount.

Each lending party has the right to convert all or part of its outstanding balance into shares of the Company at a conversion price of \$8.79 per share in the year to 25 October 2013, a conversion price of \$9.49 per share in the year to 25 October 2014 and a conversion price of the lower of \$10.20 per share or an IPO price in the year to the maturity date on 25 October 2015.

Loan drawdowns were made in May and June 2013 and the loan was fully drawn at end December 2013 with \$22.72 million applied to meeting the Company's obligations relating to funding required for Cameroon Offshore Petroleum SARL, \$0.1 million applied to meeting the Company's obligations relating to funding required for New Age Exploration Nigeria Limited, and \$23.18 million drawn for working capital purposes.

The deed of amendment and restatement allowed for an increase in interest rate if a bridging loan was subsequently drawn. The increased interest rate of 25% is applied to the working capital drawdown element of the convertible loan for the period from drawdown to the date of repayment of the bridge loan.

The net proceeds received from the issue of the convertible loan have been split between the financial liability element and equity component, representing the fair value of the embedded option to convert the financial liability into equity. An 18% discount rate has been applied. The liability component is accreted to its fair value through additional non cash interest over the term of the loan.

	31 December 2013 US\$ million	31 December* 2012 US\$ million
<b>Non-current liabilities</b>		
Opening liability component	-	(33.17)
Proceeds of issue of convertible loan	(46.00)	(1.50)
Equity component	7.90	-
Repayment	-	0.96
Liability component on date of issue	(38.10)	(33.71)
Interest charged	(3.75)	(0.01)
Interest paid	2.12	-
Conversion into shares	-	33.72
Liability component at period end	(39.73)	-

\*During the year ended 31 December 2012 a separate convertible loan agreement was in place which was fully repaid in January 2012 through the issuance of shares.

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 18. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and 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
New Age Management Services Ltd (previously New Age Niger A Ltd)	Oct 2007	Jersey	100%		Oil and gas
Lake Tanganikya Exploration Ltd (previously New Age Tanzania Ltd)	Dec 2008	Jersey	100%		Services company
New Age M12 Holdings Ltd (previously New Age Ghana Ltd)	Oct 2007	Jersey	77%		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%		Holding company
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 Nigeria 2 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
CB LNG Limited	Sep 2013	Jersey	100%		Oil and gas
CM LNG Limited	Sep 2013	Jersey	100%		Oil and gas
New Age LNG Limited	Dec 2013	Jersey	100%		Oil and gas
New Age Exploration Nigeria Limited	Oct 2013	Nigeria	100%		Oil and gas
Cameroon Offshore Petroleum Sarl	Oct 2009	Cameroon	100%		Oil and gas
West Africa Exploration Limited	Sep 2007	Bermuda	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 (2012:nil). Both of these companies have been inactive since 2009.

The non-controlling interest in 2013 related to 23% of the shares in New Age M12 Holdings Limited and amounted to \$2.40 million (2012: \$0.68 million).

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 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:

	<b>Group and Company</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>US\$ million</b>	<b>US\$ million</b>
Non-current assets	59.43	48.79
Current assets:		
Inventory	1.98	1.98
Cash and cash equivalents	3.44	0.54
Current liabilities:		
Trade and other payables	(2.93)	(1.15)
Net assets	<u>61.92</u>	<u>50.16</u>

There was an amount of \$0.02 million (2012: \$0.02 million) for the joint venture's share of losses included in the consolidated income statement.

#### 20. Share capital

	<b>Group and Company</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>US\$ million</b>	<b>US\$ million</b>
<b>Authorised:</b>		
400,000,000 ordinary shares of US\$5 each	<u>2,000</u>	<u>2,000</u>
<b>Issued and fully paid:</b>		
118,872,063 (2012: 54,955,811) Ordinary shares of US\$5 each	<u>594.35</u>	<u>274.78</u>

The following were share issues in the period:

<b>Date</b>	<b>Number shares issued</b>	<b>Value of shares US\$</b>
15 May 2013	12,062,803	60,314,015
16 May 2013	13,137,530	65,687,650
8 September 2013	10,238,907	51,194,535
19 September 2013	11,376,564	56,882,820
30 September 2013	2,844,141	14,220,705
30 October 2013	35,602	178,010
30 October 2013	2,844,141	14,220,705

In addition, on 8 July 2013 11,376,564 shares were issued but remain unpaid at the period end and the receivable of \$100 million is shown as issued but unpaid share reserve in equity.

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 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 2013	Year ended 31 December 2012
Loss for the year (US\$ million)	(24.26)	(13.43)
Weighted average number of ordinary shares (million)	83.69	43.45
Basic loss per ordinary share (US\$)	(0.29)	(0.31)

#### 22. Notes to the cash flow statement

	31 December 2013 US\$ million	31 December 2012 US\$ million
Loss for the year	(25.98)	(13.76)
Adjustments for:		
Finance income	(0.22)	(0.19)
Finance cost	6.70	0.16
Income tax credit	(0.08)	-
Depreciation of property, plant and equipment	0.35	0.26
Write off of intangible assets	-	-
Share-based payment	2.06	0.15
Operating cash flows before movements in working capital	(17.17)	(13.38)
Decrease/(increase) in trade receivables and other	0.94	(1.35)
(Decrease)/increase in payables	(3.45)	2.42
Cash used in operations	(19.67)	(12.31)
Income taxes paid	-	(0.02)
Interest paid	(5.06)	-
Net cash used in operating activities	(24.73)	(12.33)

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 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 year, 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
	2013	2012	2013	2012
	US\$ million	US\$ million	US\$ million	US\$ million
<b><u>Related party</u></b>				
Invicta Executive Resources Ltd	-	0.05	-	-
<b><u>Joint venture</u></b>				
Gas Plus Khalakan Limited	(1.35)	(2.44)	(0.13)	(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 Khalakan.

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

All senior management including the Chief Executive Officer and Chief Financial Officer are employed by New Age Management Services Limited, a 100% subsidiary company.

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 23. Related party transactions (continued)

##### Directors and executive remuneration

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

	31 December 2013 US\$ million	31 December 2012 US\$ million
Short term employee benefits	1.51	1.22
Bonus share scheme	0.34	0.31
	<u>1.85</u>	<u>1.53</u>

In January 2012 the Company introduced an unapproved share option plan for all employees and executive directors and share options are awarded annually. In April 2013 the Company introduced a deferred bonus share scheme for senior managers and executives. Details for both these schemes are given in note 26 to these accounts.

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.

##### Directors' and other related transactions

Under an agreement on 13 November 2012 New Age had 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. Under the terms of this agreement Blackgold Holdings Limited, which is ultimately owned by New Age non-executive director Mr N Alzarooni, agrees to refund any legal costs arising out of an arbitration case brought against Blackgold Holdings Limited and Gas Plus Khalakan. The amount of retention owed as at 31 December 2013 is \$1.75 million and is fully recoverable from Blackgold Holdings Limited.

On 10 December 2013 New Age completed transactions resulting in the acquisition of an additional 2% holding in New Age M12 Holdings Limited ("New Age M12") and, at the same time, a separate company, M12 Investments Limited, acquired a 23% holding in New Age M12. These transactions resulted in Fort Consultancy ("Fort"), who was a 25% minority shareholder in New Age M12, disposing of their total interest to New Age and M12 Investments. M12 Investments limited is owned by some shareholders and some of the management team including the Chief Financial Officer who is a director.

There were no other transactions with any Directors of the Group, other than that listed above and the remuneration paid under employment contracts and share options and deferred bonus payments granted to the Chief Executive Officer and the Chief Financial Officer.

#### 24. Operating leases arrangements

The Group as lessee

	Group 31 December 2013 US\$ million	31 December 2012 US\$ million
Minimum lease payments under operating leases recognised as an expense in the period	<u>1.23</u>	<u>1.28</u>

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 24. Operating leases arrangements (continued)

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 2013 US\$ million	31 December 2012 US\$ million
Within one year	1.80	0.76
In the second to five years inclusive	3.60	1.52
	<u>5.40</u>	<u>2.28</u>

Operating lease payments represent rentals payable by the Group for its office properties. Leases are negotiated for an average term of four years and rentals are fixed for the lease. The Group re-negotiated its lease on the UK office in November 2013 and renewed in January 2014 taking office space over two floors for a further period of three years to January 2017.

#### 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 2013 US\$ million	31 December 2012 US\$ million	31 December 2013 US\$ million	31 December 2012 US\$ million
<b>Financial assets</b>				
Cash and cash equivalents	142.43	62.17	134.45	58.95
Trade and other receivables	3.49	1.49	0.24	1.23
Loan to subsidiaries/related parties	1.75	-	509.08	113.53
Other assets	0.90	0.88	-	-
	<u>148.57</u>	<u>64.54</u>	<u>643.77</u>	<u>173.71</u>
<b>Financial liabilities</b>				
Trade and other payables	11.31	4.03	1.04	2.10
Amounts due to related parties	-	0.17	-	0.17
Accruals	3.64	12.72	2.50	2.50
Convertible loan	46.00	-	46.00	-
	<u>60.95</u>	<u>16.92</u>	<u>49.54</u>	<u>4.77</u>

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **25. Financial instruments (continued)**

##### **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 2013 by draw downs on a convertible loan at a fixed rate of interest and by equity subscriptions it is not materially exposed to interest rate risk.

The Company received equity financing in 2013 of \$346 million and in addition drew \$46 million under a convertible loan facility. 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.

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

	<b>Group</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>US\$ million</b>	<b>US\$ million</b>
GB Pound	1.42	0.40
South African Rand	0.18	0.54

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.



## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 25. Financial instruments (continued)

##### 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	
	2013 US\$ million	2012 US\$ million	2013 US\$ million	2012 US\$ million
Profit or loss	0.28	0.13	0.05	0.01

##### 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.

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.

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 25. Financial instruments (continued)

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
<b>2013</b>					
Trade and other payables	10.00	1.31	-	-	11.31
Provision for liabilities	-	-	-	-	-
Convertible loan	-	-	-	46.00	46.00
<b>2012</b>					
Trade and other payables	10.68	3.98	0.57	1.51	16.75
Provision for liabilities	0.10	0.30	0.44	-	0.84
Convertible loan	0.17	-	-	-	0.17

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

#### 26. Share based payments

##### Deferred Shares

The Company has had in place a deferred share scheme under the Heads of Agreement with Invicta Executive Resources Ltd from November 2009 and which was terminated on 12 January 2012. Shares are exercisable at a price of nil and in an agreement dated 12 January 2012 the shares are exercisable upon an exit event of the Company. At this date the number of deferred shares was fixed. 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 year ended 31 December 2013 are as follows:

	31 December 2013		31 December 2012	
	Number of shares	Weighted average exercise price (in \$)	Number of shares	Weighted average exercise price (in \$)
Outstanding at beginning of year	920,000		892,000	
Granted during the period	-	nil	28,000	nil
Forfeited during the period	-		-	
Exercise during the period	-		-	
Expired during the period	-		-	
Outstanding at the end of the year	920,000		920,000	

The weighted average share price at the date of grant for deferred shares was \$6.00 (2012: \$6.00). The deferred shares outstanding at 31 December 2013 had a weighted average exercise price of nil (2012: nil).

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 26. Share based payments (continued)

##### 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. Vesting is subject to achieving a median to upper quartile TSR or internal rate of return measured against TSR of a peer group of companies listed in Canada and London. 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 year are as follows:

	Year ended 32 December 2013		Year ended 31 December 2012	
	Number of share Options	Weighted average exercise Price (\$)	Number of share Options	Weighted average exercise Price (\$)
Outstanding at beginning of year	827,640		-	
Granted during the period	583,334	8.79	827,640	5.69
Forfeited during the period	28,815		-	
Exercise during the period	-		-	
Expired during the period	-		-	
Outstanding at the end of the year	1,382,159		827,640	
Exercisable at the end of the year	1,382,159		827,640	

The options outstanding at 31 December 2013 had a weighted average exercise price of \$8.79 and a weighted average remaining contractual life of 3 years. During the financial year options were granted on the following dates:

Date of Grant	Number of options granted	Fair value US\$
28 March 2013	536,264	1.08
13 June 2013	47,080	1.41

The aggregate of the estimated fair values of the options granted on these dates is \$0.65 million.

The inputs into the Black-Scholes model for the year ended 31 December 2013 are as follows:

	2013	2012
Weighted Average Share Price	8.79	5.69
Weighted Average Exercise Price	5.69	5.69
Expected Volatility	60%	68%
Expected Life	3	3
Risk-Free Rate	0.55%	0.48%

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

## New Age (African Global Energy) Limited

### Notes to the consolidated financial statements Year ended 31 December 2013

#### 26. Share-based payments (continued)

##### Deferred Bonus Option Scheme

The Company introduced a deferred Bonus option Scheme during the year for senior managers and executives. Employees were granted nil-cost options with vesting periods between one and seven years from the date of grant. Vesting of options is subject to continued employment with the Company.

Details of the awards outstanding during the year ended 31 December 2013 are as follows:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Number of share Options	Weighted average exercise Price (\$)	Number of share Options	Weighted average exercise Price (\$)
Outstanding at beginning of year	-		-	
Granted during the period	93,344	nil	-	
Forfeited during the period	-		-	
Exercise during the period	-		-	
Expired during the period	-		-	
Outstanding at the end of the year	93,344		-	
Exercisable at the end of the year	93,344		-	

##### Impact on Group's profit and loss account

The Company has recognised a nil charge in the income statement in respect of the deferred shares outstanding for the financial year ended 31 December 2013, as the vesting of options is linked to an IPO and the likelihood the event happening is minimal.

The Company has recognised an expense of \$0.15 million relating to nil-cost options granted in the year having a vesting period of 3 years from the date of grant.

The Company has recognised an expense of \$0.34 million relating to the options granted under the Option Plan.

The Group recognised total expenses of \$0.49 million (2012: \$0.15 million) related to equity-settled share-based payment transactions in the year to December 2013.

The Group recognised a charge in the year of \$0.9 million (2012: \$0.9 million) and a total provision of \$1.7 million related for deferred bonus shares.

## **New Age (African Global Energy) Limited**

### **Notes to the consolidated financial statements Year ended 31 December 2013**

#### **27. Commitments**

As at 31 December 2013 the Group had total contractual commitments of \$323.6 million (2012: \$345.7 million) which includes the full development cost of the Marine 12 Phase 1 development.

The commitments comprise \$6.9 million in Ethiopia (including the balance due on the Ogaden commitment well \$6.5 million (2012: \$10.4 million) on Ogaden Blocks 7&8), a \$ 35.6 million commitment (2012: \$53.4 million) on Marine 12 Congo Brazzaville which includes two appraisal wells, \$5.6 million on Etinde Cameroon for ongoing pre development costs, \$4.8m on Aje Nigeria pre development work, \$7.1 million for 2D seismic commitment on Morocco Block F (this has part been covered by a \$4.25 million bank guarantee put in place in December 2013) and \$1.1 million on Algoa Gamtoos. The 2D seismic commitment on Adigala, Ethiopia is covered by the farmin carry by Genel.

The development plan Phase I Litchendjili commitment cost is \$241.9 million at 31 December 2013 (2012: \$265.7 million)

In Kurdistan there is a remaining drilling commitment on the Sheweshan well of \$9.4 million at 31 December 2013 but this well is currently drilling and is expected to complete by the end of the license expiry period in June 2014.

There are \$5.5 million commitments at 31 December 2013 under the office lease and executive team and staff employment notice periods.

#### **28. Contingent Liability**

On 17 October 2013 the Company received a request for Arbitration, resulting from a claim for alleged non-payment of commission, in respect of investments made in the Company. The Directors have rejected the claim and believe it is not probable that the claim will succeed.

#### **29. Subsequent events**

On 7 January 2014, EurOil Limited (EurOil) commenced arbitration proceedings against Cameroon Offshore Petroleum SARL (CAMOP). EurOil's claim relates to alleged breaches of the joint operating agreement (JOA) between the parties and a dispute regarding the renewal of the Exploitation Authorisation (EA). EurOil is claiming, inter alia, that it has an exclusive right to represent the joint venture parties with the Societe National des Hydrocarbures (SNH) and that CAMOP is communicating with SNH in breach of the JOA.

CAMOP denies any breach by it of the JOA and has brought a counterclaim against EurOil. CAMOP has in turn alleged breaches by EurOil of its obligations under the JOA, including breaches of its obligations to properly represent the joint venture with SNH and to operate the production sharing contract in accordance with its terms, applicable laws and good industry practice.

On 17 January 2014, CAMOP counterclaimed for damages in relation to costs and expenses incurred by it because of EurOil's actions (including non-recoverable costs of defending EurOil's application to the Commercial Court for interim injunction relief) and declaratory relief. CAMOP has sought declarations that it is entitled to be indemnified in respect of further losses caused by EurOil's continuation of the dispute and for any loss suffered in the event that the Cameroon authorities and SNH revoke and/or terminate the Etinde Permit because of the dispute, as they have threatened to do. The arbitration is in its initial stages with the arbitral panel having been only recently appointed. The possible financial impact associated with the arbitration cannot be reliably measured at this time. Legal costs will be expensed as incurred.

On 27 February 2014 Government approval was received from the Ministry of Mines Ethiopia for the Africa Oil and Genel Energy farmouts. The former was signed on 12 August 2013 with Africa Oil to assign 40% of their interest in Adigala license, Ethiopia to New Age in return for New Age funding the 2D seismic programme. On the same day in August a farmout agreement was signed with Genel Energy for Genel to take a 40% participating interest in Adigala, Ethiopia for a cash consideration of \$4 million and a carry of the 2D seismic up to \$7 million.