

NEW WORLD OIL AND GAS PLC

(Incorporated in Jersey with Registered Number 105517)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

New World Oil and Gas Plc (“New World” or “the Company”) is a Jersey incorporated company that is quoted on AIM. Its principal activities are to acquire a diverse portfolio of direct and indirect interests in exploration, development and production oil and gas assets that are based in the Americas, Europe and in other areas.

Contents

Chairman's Statement	1
Operations Report	5
Director's Report	11
Corporate Governance Statement	13
Independent Auditors' Report	16
Financial Statements	
Group Statement of Comprehensive Income for the year ended 31 December 2012	18
Group Statement of Financial Position as at 31 December 2012	19
Company Statement of Financial Position as at 31 December 2012	20
Group Statement of Cash Flows for the year ended 31 December 2012	21
Company Statement of Cash Flows for the year ended 31 December 2012	22
Group Statement of Changes in Equity for the year ended 31 December 2012	23
Company Statement of Changes in Equity for the year ended 31 December 2012	24
Notes to the financial statements for the year ended 31 December 2012	25
Corporate Information	42

CHAIRMAN'S STATEMENT

Dear Shareholders,

From the outset, the Board of Directors has sought to provide investors with exposure to the high rewards on offer in the oil and gas industry, while managing as many of the associated risks as possible. This approach is rigidly applied to all our activities and at all stages of exploration, beginning with the Company's investment criteria. Priority is given to projects located in basins with a proven working hydrocarbon system, in stable jurisdictions, close to markets that enjoy world oil prices, and where we would be named as operator. In 2012, we met these objectives.

2012 has been a transformational year for your Company. The year has seen New World progress from an oil and gas investment company with highly prospective projects in Belize and Denmark, to an oil and gas operator with three exciting projects that we have de-risked to the point of drilling. With our confirmed status as an operator, we drilled our first two prospects in Belize without incident, confirming the presence of many of the main elements that make up a working hydrocarbon system on our Blue Creek License. In Denmark, 2-D and 3-D seismic data has outlined potential large structures on our three licenses, with highly exciting volumetrics as reported by RPS Energy Services.

The results of the Belize drilling campaign have been disappointing for the Company, its employees, contractors, advisors and shareholders. This is the nature of wildcat exploration. It is a high risk, high reward business. We are by no means discouraged, however, and we remain committed to finding and producing oil and gas.

In line with this, New World's three projects, Blue Creek in Belize and Danica Jutland and Danica Resources in onshore Denmark, are located in highly prospective areas sharing similar characteristics with producing fields in the region and/or nearby discoveries. Once identified, managing risk also governs the terms by which we acquire an interest in licences. As a result, New World's acquisitions of all three projects have been structured as staged earn-ins, a 'pay as you go' programme that sees New World increase its working interest in the licences in line with pre-agreed exploration milestones. This provides New World with the flexibility to limit capital expenditure on licences, should subsequent investigative work warrant it.

A systematic de-risking process is then applied to all of our projects involving the phased acquisition of 2-D and/or 3-D seismic. Competent Person's Reports are commissioned at the end of each phase, providing investors as well as management with an independent assessment. The objective is to firstly identify prospects, then delineate these further to increase the probability of geologic success until they are matured to drill-ready status through the application of advanced techniques.

By using our systematic de-risking business model, we have successfully improved the Probability of Geologic Success ('POSg') at a number of our identified prospects and leads on our acreage in Belize and Denmark. Since our AIM Admission in May 2011, we have completed approximately 365 line kilometres of 2-D and 75 km² of 3-D seismic in Denmark, and 231 line kilometres of 2-D seismic in Belize, resulting in 10 updated Competent Person's Reports commissioned from RPS Energy Services, identifying three drill ready prospects in Belize, two of which we have drilled, and four drill ready prospects in Denmark. Our current total P50 resources, across all three projects, stand at approximately 258 MMbbls of oil and 2 TCF of natural gas. This equates to an un-risked Net Present Value (NPV10) of US\$ 8.9 billion. 2012 therefore saw us expose our shareholders to tremendous value upside in terms of the number of prospects defined with company-making volumetrics attached.

CHAIRMAN'S STATEMENT CONT.../

De-risking through the acquisition and interpretation of seismic can only go so far. Only drilling can determine if all the elements required to make a commercial hydrocarbon discovery are in place. 2012 saw New World drill its first well and sidetrack as operator in Belize and, post year-end, we drilled a second well at Blue Creek. Hydrocarbons were found at all three wells with live oil on the mud logs, petrophysical log interpretations, as well as observed on the surface while circulating over the shakers during drilling from the Lower Cretaceous intervals of the Hill Bank and Y3 formations. The Company was very encouraged by these events as it confirmed source, migration and seal though not in sufficient quantities to declare them commercial discoveries. Late trap development or a breached trap, likely as a result of recent subsurface earth movement or geologically late tectonic activity caused faults not to seal, or in some cases such as in West Gallon Jug, the timing of the trap development occurred after oil had migrated past. Encouragingly, the data acquired from all three wells were consistent with our geologic expectations built during the seismic acquisition and interpretation process. The efforts moving forward will focus on locating sufficient traps, on 1 drill ready prospect that has an estimated one in 5 POSg, and four drill ready prospects / leads with at least a 1 in 8 POSg.

Our drilling programme in Belize has provided us with valuable data and information and has furthered our knowledge of the prospectivity of our acreage. We are currently in discussions with potential farm-in partners on our Blue Creek Project, where we now hold a 100% working interest. Once we have secured a partner, we will resume our drilling programme on the remaining drill ready prospects, all of which are geologically independent of one another. At the same time, a farm-down would serve to provide the Company with a cash infusion, by way of recovery of a percentage of historical costs. We are eager to resume our exploration activities in Belize, with the ultimate goal of finding commercial oil.

In 2013, we are aiming to continue our exploration programme in Denmark, where we have already identified 39 prospects / leads, a number of which have the potential to be company makers in their own right. The Als prospect, located onshore in the Baltic region of Denmark, is part of our Danica Resources Project. RPS has calculated and reported estimated P50 un-risked prospective recoverable resources of 1.4 TCF of gas in the Rotliegendes interval and 97MMbo in the Zechstein interval. The combined NPV₁₀ of Als totals US\$2.4 billion. Results of a recent 2-D seismic programme on four significantly sized leads totalling 13,485 acres are expected shortly. These results will determine the location of a follow-up 3-D seismic survey to better assess potential prospectivity. Data from a recently completed 3-D seismic programme on the Jensen prospect, located at our Danica Jutland Project, is currently being interpreted and evaluated by RPS for an updated CPR, due to be released shortly.

With significant exploration work completed on all our licences in Denmark, we are currently working with our 20% paying partners, the Danish North Sea Fund (NSF), to locate potential farm-in partners to set the stage for further exploration. During the month of May 2013, following discussion with our partners, Danica Jutland ApS and NSF, the Company applied for and was granted a 6-month extension of the work programme deadline for the Jutland licences 1/09 and 2/09 by the Danish Energy Agency. This extension was necessary to allow sufficient time for the farmout process to mature without the constraint of the existing 17 May, 2013 deadline. In addition, due to more stringent regulatory and environmental procedures, the permitting process required prior to drilling is now estimated at nine months.

CHAIRMAN'S STATEMENT CONT.../

Financial Overview

In January 2013 the Company made the decision to plug and abandon the Blue Creek well #2 targeting the B Crest prospect in Belize. All committed and incurred costs related to the Blue Creek #2 drilling campaign, as at 31 December 2012, totalling US\$14.4 million, have been written off in the 2012 financial year. All costs related to the acquisition, processing and interpretation of seismic and other technical data have been capitalized, pending possible future farm-out agreements.

In the early months of 2013, the Blue Creek #2A well was completed and Rio Bravo #1 well was drilled, and have subsequently also been plugged and abandoned due to the lack of commercial quantities of hydrocarbons. All costs associated with the drilling of the wells in Belize in 2013, estimated at US\$6 million will be written off in the current year.

In the early months of 2013, the Blue Creek #2A well was completed and Rio Bravo #1 well was drilled, and have subsequently also been plugged and abandoned due to the lack of commercial quantities of hydrocarbons. The announcement of the decision to plug and abandon also stated that the well had come in on time and under budget. While this statement was accurate as it related to the actual drilling of Rio Bravo #1, issues relating to technical difficulties during the later stages of the drilling campaigns, demobilization, taxation issues and significant pipe repair costs resulted in higher costs of approximately US\$2.7 million for the 3 wells. All costs associated with the drilling of the wells in Belize in 2013, estimated at US\$6 million will be written off in the current year.

In Denmark, due to adverse weather conditions during the 3-D seismic acquisition, a US\$0.4 million cost overrun was encountered. Given the quality and prospectivity of the results, all development costs related to these licences are being carried forward.

In March 2012 the Company placed 106,250,000 new ordinary shares at a price of 8 pence per share raising £8.5 million (approximately US\$13.4 million); and in October 2012 an additional 95,555,556 new ordinary shares were placed at a price of 9 pence per share raising £8.6 million (US\$13.9 million). In 2012 New World raised total gross proceeds of £17.1 million (US\$27.4 million). The purpose of these fundraisings was to secure enough capital to complete the committed work programme in Belize, as well as the 3-D seismic programme at Danica Jutland and additional 2-D seismic at both Danica Jutland and Danica Resources projects. During the year further funds of US\$1.9 million were received from the exercise of warrants and contractual obligations totalling US\$1.3 million were settled by the issue of shares.

In March 2013, the Company placed 315,000,000 new ordinary shares at a price of 2 pence per share, raising £6.3 million (US\$10.0 million). During the first quarter of 2013, the Company undertook an in-depth review of all overhead and administrative expenses, resulting in a significant reduction in the corporate cost base. Combined with the post period end fundraising, the Company's resulting cash position ensures sufficient liquidity is in place to meet all financial commitments over the next 12 months. All discretionary spending will be prioritized to secure farm-in partners or additional injections of liquidity. We have also maintained our pipeline of new projects and continue to evaluate new opportunities that are low risk and could lead to early oil production through either late stage exploration, or participation in exploitation, and/or producing operations.

CHAIRMAN'S STATEMENT CONT.../

Outlook

New World provides a unique opportunity for investors to gain exposure to tremendous upside potential in both Belize and Denmark, developed and managed by an extremely efficient and effective management team with extensive experience. Our two years on AIM to date have been highly active during which we have accomplished a significant amount ahead of schedule. With a team of skilled professionals behind us, with track records of multiple commercial hydrocarbon discoveries worldwide, we believe it is only a matter of time before we are able to create tremendous upside for shareholders. Although we have not made a commercial discovery yet, we are diligently working hard on all fronts to make this happen and remain passionate and optimistic about our future. Although many small cap resource stocks have been suffering with recent turbulent markets, we believe that our share price, currently trading at or near cash, is certainly not a reflection of the progress made to date, let alone the upside potential our assets can bring.

With combined P50 resources, as reported by RPS, of 258 MMbbls of oil and 2 TCF of gas for our three projects, we remain upbeat and excited to continue our operations into 2013 and beyond with the same degree of focus and commitment that remain at the core of our Company, with our ultimate goal of unlocking tremendous value for our shareholders.

Together with my fellow directors, employees, stakeholders, contractors, and host country government personnel, I would like to extend my sincerest appreciation for your continued support and we look forward to keeping you informed on a regular basis.

Sincerely,

William C. Kelleher
Chairman

28 June 2013

OPERATIONS REPORT

Operations Report

Belize – Blue Creek Project

The 100%-owned Blue Creek Project ('Blue Creek') is located in the producing Petén Basin in Northwest Belize. The 315sq km licence block is made up of two oil concessions, Blue Creek and West Gallon Jug, granted under a Production Sharing Agreement ('PSA') with the government of Belize.

The licence blocks are located in a highly prospective area 175km east of the Perenco operated >300MMbbl Xan field in Guatemala, approximately 300km south east of giant oil fields in Mexico. Closer to home, Blue Creek is 28km north west of Belize Natural Energy's producing Spanish Lookout and 18km west of its Never Delay fields which were discovered in 2005 and are currently producing approximately > 3,000 bopd. Analysis of crude oil produced in the region, (Spanish Lookout, Eagle-1, Canal Bank-1), and from oil seeps (Calla Creek), found in northwest Belize revealed that the oil originates from several different source rock sequences that lie in the deeper sub-basin to the west and northwest of the Blue Creek licence area in northern Guatemala and southern Mexico. Present day migration of at least one crude oil, (which is not biodegraded), is indicated by the shallow Calla Creek seep, located south and up-dip of the New World licence area. All of this greatly encouraging and we are confident that an active working hydrocarbon system exists along the eastern margin of the Petén basin.

The Company acquired the Blue Creek Project via a Farm-Out Agreement ('FOA') with its partner, Blue Creek Exploration Limited, with an agreed work programme that gave New World the option to earn a 100% working interest. This involved the conclusion of an extensive seismic acquisition programme and the completion of three exploration wells, demonstrating that New World has been highly active since its admission to AIM.

As soon as the Blue Creek Project was secured, the Company embarked on a work programme designed to identify multiple prospects and de-risk them to the point of drilling. This involved a four phase 2-D seismic acquisition programme consisting of 231 line kilometres and three Competent Person's Reports completed by RPS Energy Services ('RPS') which have significantly de-risked the project by greater than 60% to a Probability of Geologic Success ('POSG') of 1 in 5.

The seismic data has shown conclusively that northwest Belize dips distinctly to the west-northwest into Guatemala and Mexico in the Petén basin source rock and kitchen area. Seismic data has also revealed that not only has extensional tectonics created a series of west tilted fault block traps in North Western Belize (analogous to the Spanish Lookout field), but that strike-slip compressional events have created roll-over structures which are quality trapping features where oil can accumulate.

In light of the impressive data obtained from the newly acquired seismic, a number of unsolicited approaches were received from within the oil and gas industry to participate in Blue Creek. In response to this, a virtual data room was opened for potential farm-in partners to analyse the data, a process that is managed jointly by the Company and RPS.

OPERATIONS REPORT CONT.../

2012 saw the commencement of a drilling programme in Belize. Having reduced drilling costs in Belize by 28% due to an amendment to the Farm-Out Agreement with New World's partner Blue Creek Exploration Ltd, the first well, Blue Creek#2, commenced drilling at the end of September 2012 on the B Crest Prospect that had been assigned a P50 resource estimate of 329MMbbo by RPS. Because of the reduction in drilling costs, and having not seen clear evidence of oil accumulating in the Y1 and Y2 formations, the decision was taken to drill deeper to the Y3 and Hill Bank Formations. Live oil shows were also encountered in these deeper formations and a well was drilled to a depth of 10,490ft for a total cost of US\$4 million. Due to a high level of water saturation in these lower formations, Blue Creek #2 was deemed to be non-commercial, but as a result of the encouraging shows, a decision was taken to drill a side-track well, the Blue Creek#2A ST, to place the bottom hole location of the well up dip to our original planned bottom hole location in an effort to locate a trap. This side-track well also counted as the second exploration well within the FOA, earning New World an additional 35% working interest in the project. The side-track well confirmed that the Blue Creek Project is indeed in an active working hydrocarbon system, but it was also determined that due to high water saturations in both the Y3 and Hill Bank intervals, the trap that existed at this location at some point in geologic history was breached, likely as a function of recent fault movement allowing oil which had accumulated there to leak off rendering a completion and subsequent well uneconomic. Oil was found on the mud logs, open hole logs and was seen on shakers at the surface, but unfortunately was not on a commercial scale.

Analysis of the well data for both the B Crest side track and the Blue Creek#2 wells indicated the lack of an effective trap as the primary reason for only non-commercial quantities of hydrocarbons being encountered at the B Crest prospect. During drilling, it was noted that the Hill Bank formation was loaded with residual oil, suggesting that oil had already migrated through the area source rock and kitchen area, however, again some form of tectonic activity caused the fault plates to leak and allow oil which had accumulated there to continue migrating past our location to the east moving up-dip.

In March 2013, drilling commenced at a third well, Rio Bravo#1, on the West Gallon Jug Crest Prospect, approximately 35 km SSW from the B Crest. RPS assigned West Gallon Jug P50 resources of 113MMbbo. The well was drilled to a total depth of 9,010 ft and again, as with the B Crest wells, live oil shows were encountered in the Y3 and Hill Bank formations. Extensive residual oil was also present along with high saturations of formation water. It is probable, however, that the timing of oil migration occurred prior to trap formation.

The Blue Creek#2, Blue Creek#2A and Rio Bravo#1 wells were drilled to test two structures. Encouragingly, all three wells encountered hydrocarbons in both structures over the entire objective interval. The wells, therefore, demonstrate the presence of an active hydrocarbon system on New World's licence area. Furthermore, nearly all porous dolomite intervals were found to be oil-bearing and in some zones, free live oil was observed. However, no commercial accumulations were identified, again due to high water saturations. It is noteworthy that these two drilled prospects as well as the prospect in the adjacent licence area are all located in separate fault blocks, and, from an oil accumulation and geologic standpoint are independent of each other. As a result, the Directors believe each structure is unique in its geologic evolution, factoring in all the elements of a working hydrocarbon system and hydrocarbon charge characteristics.

The seismic and drilling programme to date has significantly de-risked the Blue Creek Project as mentioned above. The abundance of traces and shows of oil and gas in the recently drilled wells shows that up-dip migration from the source rocks is taking place through the Blue Creek licence area. Clearly, hydrocarbon migration pathways formed by porous dolostone sequences, fracture systems and through leaky fault planes are present in the licence area and the adjacent licence where a recent discovery has been made by a neighbouring oil company.

OPERATIONS REPORT CONT.../

A large remaining unanswered question for the Blue Creek Project is the identification and location of subsurface traps. As Belize Natural Energy has found multiple traps in both its Spanish Lookout and Never Delay fields, the Directors are confident that a trap will be found on New World's blocks. The Company concludes that there is clearly oil potential in the remaining undrilled structures and is currently working very hard reviewing the seismic data and integrating the new drilling results to re-evaluate and confirm continued exciting prospectivity potential.

Post period end, having completed the three exploration wells as a part of the work programme, New World has now earned a 100% working interest in the Blue Creek Project and, as a result, farm-out options are being considered with a view to funding continued exploration and further infusing the Company with additional funds.

Denmark – Danica Jutland Project, Northern Permian Basin

The Danica Jutland Project, totalling 1.015 million acres, consists of two onshore oil and gas licences, 1/09 and 2/09, located in an underexplored area in Jutland, South Western Denmark, on the southern edge of the Northern Permian Basin. The licences are surrounded by Zechstein oil and gas production, and new discoveries including the Johan Sverdrup discovery located off the coast of Stavanger in the Norwegian North Sea that is expected to produce 120,000 to 200,000 bopd. According to RPS, the southern flank of the Northern Permian Basin can be regarded as a mirror image of the northern flank of the Southern Permian Basin where productive reservoirs have been proved in the early Zechstein cycles, notably in Poland and Germany.

In October 2011, the Company secured its second project, having signed two FOA's for Licences 1/09 and 2/09. New World, as operator, secured the right to earn up to 80% working interest in the licences on the completion of a phased work programme, consisting of a 2-D and/or 3-D seismic acquisition programme and the drilling of one well on each licence. The Danish North Sea Fund holds the remaining 20% on a fully-paying basis.

On acquisition of the licences, New World was granted access to historic 2-D seismic data and acquired just over 166 line kilometres of new seismic. This data was used by RPS to compile an initial Competent Person's Report that was released in August 2012. The report highlighted the prospectivity of the licences and the significant evidence pointing towards the presence of a working hydrocarbon system on the southern flank of the Northern Permian Basin, where the Company's significantly sized licences are located. Encouragingly, the seismic data carried out in nearby areas show structurally conforming amplitude (bright spot) and/or AVO (amplitude versus offset) anomalies that are often direct indicators of gas – amplitude anomalies are found in Triassic Bunter Sandstone gas fields in the South Permian Basin, suggesting that the Licences have the potential to contain multiple productive oil, natural gas and gas condensate reservoirs. The old 2-D data also identified two Triassic and eight Zechstein leads that, following a recommendation from RPS, New World is in the process of de-risking further by acquiring additional seismic.

OPERATIONS REPORT CONT.../

In June 2012, following the completion of Phase 1 of the 2-D seismic acquisition programme, consisting of 134 line kilometres, an updated CPR was completed by RPS. This update included impressive volumetrics for Jelling and Harboe (Triassic gas) and Jensen (Zechstein oil) with un-risked P50 recoverable volumes totalling 525 BCF of gas in Triassic intervals and 60 MMbbls oil in the Jensen prospect in the Zechstein target with a combined P50 NPV10 of US\$2.4 billion. The CPR also upgraded the POSg from a 1 in 12 to a 1 in 8 for Jelling and Harboe, and from a 1 in 16 to a 1 in 12 for Jensen. In addition, Phase 1 confirmed the ten leads and prospects identified in the first CPR from the existing 2-D dataset. The completion of this first phase resulted in New World being assigned a 12.5% working interest in the Danica Jutland Project by the Danish Government in August 2012, as per the work-in programme.

Phase 2a of the seismic acquisition programme consisted of 56 line kilometres (5 lines) of 2-D seismic on the Jelling and Harboe gas prospects that confirmed the earlier AVO responses. In an updated CPR released in September 2012, the excellent quality of the data enabled RPS to upgrade the POSg in the Triassic to 1 in 5. As a result of the improved data, a small increase was made to the P50 volumetrics of Harboe, as well as a reduction on Jelling, creating an overall decrease of 80.9BCF. However, the data also improved the delineation of the structure at Jelling and showed a more robust structural configuration at Harboe. As per this latest CPR, the volumetrics and indicative P50 Success Case Economics for Jelling, Harboe and Jensen prospects combined total 134 million BOE and US\$1.22 billion (80% WI). The Directors are highly encouraged by these figures, as they only apply to three of the identified prospects on the licences. Having completed two phases of the seismic programme, New World has earned a 25% working interest in the project.

Post period end in April 2013, it was announced that a 75sq kilometre 3-D seismic programme was completed on the Zechstein Jensen prospect. The results are currently being assessed by RPS, and an updated CPR will be released on the completion of the interpretation. As with the Belizean licences, discussions are taking place with potential farm-in partners for New World's operations in Denmark and an update will be made with regards to this in due course.

Denmark – Danica Resources, Baltic Region, Southern Permian Basin

The Danica Resources Project is New World's third and most recently acquired project. It is made up of one large licence, 1/08, totalling 1.67 million acres in the highly prospective northern margin of the Southern Permian Basin, in the Baltic region of southeast Denmark. Combined with the Danica Jutland Project, New World holds 2.685 million acres in Denmark, making it the largest holder of onshore acreage in the country.

North West Europe contains some of the world's largest gas reserves. The Permian Zechstein platform margin extends across the 1/08 licence area from North East Germany where 13 oil and gas fields are located. The Zechstein carbonate and Rotliegend sandstone gas plays are the most productive in onshore North West Europe. Additionally, Triassic sandstones, comparable to those found in the Danica Resources licence area, form highly productive reservoirs in the adjacent North Sea. The Groningen field, located in northern Netherlands in the Southern Permian Basin was discovered in 1959 and opened up the North Sea play with its 100 TCF gas discovery. To provide scale to these figures the entire UK consumes 4 TCF of natural gas per year.

OPERATIONS REPORT CONT.../

In January 2012 New World signed a Letter of Intent with Danica Resources ApS, granting the Company a 90-day exclusivity period in which to undertake due diligence and complete a CPR on Licence 1/08. Having been given access to 388km of old 2-D seismic data, the Company appointed Mark Roach, an Independent Petroleum Engineer, to evaluate the potential of the Licence. In his report, Roach paid particular focus on the Als Prospect, located to the far west of the License area, as having two targets that were assigned highly encouraging prospective resources. In the Zechstein target at Als on the P50 scale it was reported at having 97MMbbls of oil which equates to a NPV₁₀ of US\$1.039 billion, with a POSg of 1 in 8. The Rotliegendes target was reported as having over 1.4 TCF of gas P50 which equates to a NPV₁₀ of US\$1.4 billion, with a POSg of 1 in 9. Als was assessed as a drillable prospect from an onshore location on the coast of Als island in the Baltic region, with two main targets at a depth of 3,200m with additional potential in the shallower Triassic. With this in mind, and with impressive figures for just one prospect, RPS was assigned to evaluate the same seismic data in order to satisfy due diligence requirements, prior to the signing of a FOA.

RPS released their official CPR for the Danica Resources licence shortly thereafter. All of the volumetrics, risk assignments and values were supported by RPS. Additionally, the report confirmed the 15 leads reported by Danica Resources ApS in the Triassic Bunter Sandstone, as well as the seven Zechstein leads (four onshore and three offshore) and one drillable prospect (Als). Interestingly, RPS also commented in its report that seal issues, one of the main components of a working hydrocarbon system, do not present a major risk to any of the potential reservoirs.

Having completed due diligence within less than a month of signing the LOI, the FOA for Danica Resources was signed in April 2012. New World, as operator, has the right to earn up to an 80% working interest in Licence 1/08, on the completion of a staged work programme, consisting of a 2-D and/or 3-D seismic programme and the drilling of two wells.

Following a highly encouraging initial CPR, the first phase of the seismic acquisition programme was immediately commissioned. Phase 1 consisted of 166.44 line kilometres, 11 lines, of 2-D seismic, the results of which were published post period end in January 2013. Not only did RPS further confirm the Als Prospect volumetrics and values, but four Zechstein leads of better quality than previous vintages were identified using the new data. To date, a total of 28 leads and one prospect have been identified on Licence 1/08, with highly impressive values for the Als prospect alone. As a result of this first phase of seismic being completed, New World was assigned a 25% working interest in March 2013.

Recently, a 38.5km² 2-D seismic programme was completed on the Zn-2, Zn-3 and Zn-4 leads (totalling 13,485 acres) that were targeted by the Phase 1 seismic lines. The purpose of this programme was to high grade these large leads to prospects. Interpretation is currently underway with a view to deciding which of the leads would be the target of a 3-D seismic survey.

OPERATIONS REPORT CONT.../

Glossary:

"bn" means Billion

"CPR" means a Competent Person's Report

"EMV" means Expected Monetary Value

"EMV(10)" means Expected Monetary Value using an annual discount on cashflow of 10% per annum

"FOA" means Farmout Agreement

"km" means kilometres

"LOI" means Letter of Intent

"m" means metre

"MMbbls" means millions of barrels (oil)

"NPV(10)" means Net Present Value using an annual discount on cashflow of 10% per annum

"P50" means a 50% probability of quantities recovered equalling or exceeding the estimate

" POSg means the probability of Geologic Success

"sqkm" means square kilometre

"TCF" means trillion cubic feet

"WTI" means West Texas Intermediate

DIRECTOR'S REPORT FOR THE YEAR ENDED

31ST DECEMBER 2012

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be the making of investments in the oil and gas sector, either by acquisition or by participation through farm-out agreements. The principal activity of the Group is oil and gas exploration.

RESULTS AND FINANCIAL REVIEW

The loss for the year amounts to \$18,692,000 (year to 31st December 2011 – loss \$2,614,000).

A financial review of the results for the year and the outlook for 2013 is set out in the Chairman's Statement.

No dividend has been paid or declared.

DIRECTORS

The Directors who served during the year were:-

W. C. Kelleher	(American)
G. N. Szyk	(Canadian)
P. R. Szyk	(Canadian)
S. K. Polakoff	(American)
R. F. Hodder	(American)
C. Einchcomb	(British) – Appointed 10 April 2012

RE-ELECTION OF DIRECTORS

In accordance with the Company's Memorandum and Articles of Association Mr. Einchcomb's appointment as a director will cease unless he is reappointed at the forthcoming Annual General Meeting and Mr. G. N. Szyk and Mr. S. K. Polakoff will retire by rotation. A resolution to reappoint them will be put to the members at the forthcoming Annual General Meeting.

POLICY ON PAYMENT OF CREDITORS

It is Company and Group policy to settle all debts with creditors on a timely basis.

Payment terms are agreed individually with suppliers and are adhered to unless advantageous early settlement terms are offered. Creditors under contract are paid in accordance with the contractual obligations.

The Company had trade creditors of \$959,000 outstanding as at 31 December 2012 (2011: nil) that represents average creditor days of 14.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable, social and community-related donations during the year of \$7,500 (2011: \$nil).

DIRECTOR'S REPORT FOR THE YEAR ENDED

31ST DECEMBER 2012

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SUBSTANTIAL SHAREHOLDINGS

At 13 June 2013 the shareholders with holdings of 3% or more were as follows:-

	Holding of issued ordinary shares	% of issued ordinary share capital
Barclayshare Nominees Limited	48,976,170	7.15
Hargreaves Lansdown (Nominees) Limited	45,948,516	6.71
TD Direct Investing Nominees (Europe) Limited	45,152,950	6.60
JIM Nominees Limited	42,690,584	6.24
HSDL Nominees Limited	34,492,005	5.04
HSBC Global Custody Nominee (UK) Limited	31,087,500	4.54
Chase Nominees Limited	26,517,422	3.87
XCAP Nominees Limited	25,490,001	3.72
Investor Nominees Limited	23,756,156	3.47
Dynamic Investments Limited	21,958,718	3.21

AUDITORS AND DISCLOSURE OF RELEVANT AUDIT INFORMATION

Having made the necessary enquiries, so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to re-appoint Chapman Davis LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

GOING CONCERN

The financial statements have been prepared on a going concern basis as the directors, after making enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months from the date of this report.

By Order of the Board

Ogier Corporate Services (Jersey) Limited
Secretary

28 June 2013

Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the UK Corporate Governance Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the UK Corporate Governance Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Corporate Governance Code in relation to the size and the stage of development of the Company.

Board of Directors

The Board of Directors currently comprises three Executive Directors, and three Non- Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the UK Corporate Governance Code have been implemented to an appropriate level. The Board, through the Chairman and Executive Directors in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

Board Meetings

The Board meets regularly throughout the year. For the year ending 31 December 2012 the Board met 12 times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors and management who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Board Committees

The Board has established the following committees, each which has its own terms of reference:

Audit and Compliance Committee

The Audit and Compliance Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises 3 Directors, Fred Hodder (Chairman), Stephen Polakoff and Christopher Einchcomb and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on. The Committee met twice during the year.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It comprises 3 Directors, Fred Hodder (Chairman), Stephen Polakoff and Christopher Einchcomb. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. The Remuneration Committee also reviews the terms and conditions of any proposed share incentive plans and is responsible for administering and setting the overall policy and procedures of the Long Term Incentive Plan and the Discretionary Annual Bonus Plan. The Committee will also have regard to the terms that may be required to attract an experienced executive to join the Board from another company. The Committee met twice during the year.

Corporate Governance Statement (continued)

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

Risks and uncertainties

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

General and economic risks

- contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
- movements in the equity and share markets in the United Kingdom and throughout the world;
- weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the resource industry;
- currency exchange rate fluctuations and, in particular, the relative prices of U.S. Dollar, Danish Krone and the UK Pound;
- exposure to interest rate fluctuations; and
- adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; variations in grades and unforeseen adverse geological factors or prolonged weather conditions.

Funding risk

- The Group or the companies in which it has invested may not be able to raise either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

Market risk

- The ability of the Group (and the companies it invests in) to continue to secure sufficient and competitive services contracts to support its operations is a key business risk.

Insurance

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

Corporate Governance Statement (continued)

Treasury Policy

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. The Board approves decisions regarding the management of these assets.

Share Dealing Code

The Board has adopted a Share Dealing Code that applies to Directors, senior management and applicable employees (as well as certain relevant persons) that is appropriate for a Company whose shares are admitted to trading on AIM (in order to, amongst other things, ensure compliance with Rule 21 of the AIM Rules).

Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:-

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all reasonable steps to ensure that they are aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report and financial statements comply with the AIM Rules.

The maintenance and integrity of the Company's website is also the responsibility of the Directors.

**Independent Auditors' Report
to the Shareholders of New World Oil and Gas Plc**

We have audited the accompanying consolidated financial statements of New World Oil and Gas plc for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, of changes in equity, of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements. We also report to you if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Report of the Directors and the other information contained in the annual report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

- In our opinion the accompanying consolidated financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the financial position of New World Oil and Gas Plc and its subsidiaries as at 31 December 2012 and of the Group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under Companies (Jersey) Law 1991 we are required 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.

ROWAN J. PALMER (Senior Statutory Auditor)
for and on behalf of
Chapman Davis LLP
Chartered Accountants and Statutory Auditors
London

28 June 2013

Financial Statements

Group Statement of Comprehensive Income for the year ended 31 December 2012

	Notes	2012 \$000's	2011 \$000's
Revenue		-	-
Dry-Well costs written off		(14,431)	-
Project Management & Development		(1,405)	(892)
Administrative expenses		(1,899)	(810)
Legal and professional costs		(957)	(909)
Loss from operations	3	(18,692)	(2,611)
Finance costs	6	-	(3)
Loss before taxation		(18,692)	(2,614)
Income tax	7	-	-
Loss for the year		(18,692)	(2,614)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to equity holders of the parent		(18,692)	(2,614)
Loss per share (cents)			
Basic	8	(7.51)	(3.27)
Diluted	8	(7.51)	(3.27)

Group Statement of Financial Position as at 31 December 2012

	Notes	2012 \$000's	2011 \$000's
Assets			
Non-current assets			
Tangible assets	9	179	-
Intangible assets	10	<u>10,687</u>	<u>3,896</u>
Total non-current assets		10,866	3,896
Current assets			
Inventories	11	464	-
Trade and other receivables	12	2,003	153
Cash and cash equivalents		<u>7,654</u>	<u>3,743</u>
Total current assets		10,121	3,896
Total assets		20,987	7,792
Liabilities			
Current liabilities			
Trade and other payables	13	<u>(4,326)</u>	<u>(572)</u>
Total liabilities		(4,326)	(572)
Net assets		16,661	7,220
Equity			
Share capital	14	-	-
Share premium		37,714	10,351
Share-based payment reserve		770	-
Retained loss		<u>(21,823)</u>	<u>(3,131)</u>
		16,661	7,220

The financial statements were approved by the board of directors and authorised for issue on 28 June 2013. They were signed on its behalf by

William C. Kelleher
Director

Georges Szytk
Director

Company Statement of Financial Position as at 31 December 2012

	Notes	2012 \$000's	2011 \$000's
Assets			
Non- current assets			
Tangible assets	9	43	-
Investment in subsidiaries	17	26	26
Amounts due from subsidiaries	12	10,688	3,667
Total non-current assets		10,757	3,693
Current assets			
Trade and other receivables	12	396	150
Cash and cash equivalents		6,641	3,670
Total current assets		7,037	3,820
Total assets		17,794	7,513
Liabilities			
Current liabilities			
Trade and other payables	13	(1,150)	(293)
Total liabilities		(1,150)	(293)
Net assets		16,644	7,220
Equity			
Share capital	14	-	-
Share premium		37,714	10,351
Share-based payment reserve		770	-
Retained loss		(21,840)	(3,131)
		16,644	7,220

The financial statements were approved by the board of directors and authorised for issue on 28 June 2013. They were signed on its behalf by

William C. Kelleher
Director

Georges Sztyk
Director

Group Statement of Cash Flows for the year ended 31 December 2012

	2012 \$000's	2011 \$000's
Cash outflow from operating activities		
Operating loss	(18,692)	(2,611)
Depreciation	21	-
Share-settled transactions	110	113
(Increase) in receivables	(1,850)	(85)
Increase in payables	3,754	438
(Increase) in inventories	(464)	-
Net cash outflow from operating activities	<u>(17,121)</u>	<u>(2,145)</u>
Cash flows from investing activities		
Payments to acquire tangible assets	(200)	-
Payments to acquire intangible assets	(6,791)	(3,317)
Net cash outflow from investing activities	<u>(6,991)</u>	<u>(3,317)</u>
Cash flows from financing activities		
Proceeds on issuing of ordinary shares	30,461	9,734
Cost of issue of ordinary shares	(2,438)	(720)
Convertible loans	-	36
Net cash inflow from financing activities	<u>28,023</u>	<u>9,050</u>
Net increase in cash and cash equivalents	3,911	3,588
Cash and cash equivalents at beginning of year	<u>3,743</u>	<u>155</u>
Cash and cash equivalents at end of year	<u>7,654</u>	<u>3,743</u>

Company Statement of Cash Flows for the year ended 31 December 2012

	2012 \$000's	2011 \$000's
Cash outflow from operating activities		
Operating loss	(18,709)	(2,611)
Provision against amounts due from subsidiary	14,279	-
Share-settled transactions	110	113
Depreciation	14	-
(Increase) in receivables	(246)	(82)
Increase in payables	857	159
Net cash outflow from operating activities	<u>(3,695)</u>	<u>(2,421)</u>
Cash flows from investing activities		
Payments to acquire tangible assets	(57)	-
Payments to acquire investments in subsidiaries	-	(26)
Advances to subsidiaries	(21,300)	(3,088)
Net cash outflow from investing activities	<u>(21,357)</u>	<u>(3,114)</u>
Cash flows from financing activities		
Proceeds on issuing of ordinary shares	30,461	9,734
Cost of issue of ordinary shares	(2,438)	(720)
Convertible loans	-	36
Net cash inflow from financing activities	<u>28,023</u>	<u>9,050</u>
Net increase in cash and cash equivalents	2,971	3,515
Cash and cash equivalents at beginning of year	<u>3,670</u>	<u>155</u>
Cash and cash equivalents at end of year	<u><u>6,641</u></u>	<u><u>3,670</u></u>

Group Statement of Changes in Equity for the year ended 31 December 2012

	Share capital	Share premium	Share- based payments reserve	Equity element of convertible loan	Retained Losses	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Balance at 1 January 2011	87	146	-	310	(517)	26
Total comprehensive loss for the year	-	-	-	-	(2,614)	(2,614)
Transactions with owners recognised directly in equity						
Share issue	-	10,838	-	(310)	-	10,528
Cost of share issue		(720)	-	-	-	(720)
Share reorganization	(87)	87	-	-	-	-
Balance at 31 December 2011	-	10,351	-	-	(3,131)	7,220
Balance at 1 January 2012	-	10,351	-	-	(3,131)	7,220
Total comprehensive loss for the year	-	-	-	-	(18,692)	(18,692)
Transactions with owners recognised directly in equity						
Share issue	-	30,461	-	-	-	30,461
Cost of share issue	-	(2,438)	-	-	-	(2,438)
Share-based payments	-	(660)	770	-	-	110
Balance at 31 December 2012	-	37,714	770	-	(21,823)	16,661

Company Statement of Changes in Equity for the year ended 31 December 2012

	Share capital	Share premium	Share- based payments reserve	Equity element of convertible loan	Retained Losses	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Balance at 1 January 2011	87	146	-	310	(517)	26
Total comprehensive loss for the year	-	-	-	-	(2,614)	(2,614)
Transactions with owners recognised directly in equity						
Share issue	-	10,838	-	(310)	-	10,528
Cost of share issue	-	(720)	-	-	-	(720)
Share reorganization	(87)	87	-	-	-	-
Balance at 31 December 2011	-	10,351	-	-	(3,131)	7,220
Balance at 1 January 2012	-	10,351	-	-	(3,131)	7,220
Total comprehensive loss for the year	-	-	-	-	(18,709)	(18,709)
Transactions with owners recognised directly in equity						
Share issue	-	30,461	-	-	-	30,461
Cost of share issue	-	(2,438)	-	-	-	(2,438)
Share-based payments	-	(660)	770	-	-	110
Balance at 31 December 2012	-	37,714	770	-	(21,840)	16,644

Notes to the financial statements for the year ended 31 December 2012

1 Summary of significant accounting policies

General information and authorisation of financial statements

New World Oil & Gas Plc is a public limited company incorporated in Jersey. The address of its registered office is Ogier House. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The Group financial statements of New World Oil and Gas plc for the year ended 31 December 2012 were authorised for issue by the Board on 28 June 2013 and the statements of financial position signed on the Board's behalf by William C. Kelleher and Georges Szytk.

Statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies (Jersey) Law 1991. The principal accounting policies adopted by the Group and Company are set out below.

Financial risk management

The group's principal activity of oil and gas exploration is by nature unpredictable with inherent risk exposure. In terms of general risk management the Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments to mitigate risk. Currently the Company's principal financial instruments comprise cash and equity capital.

The Company does not enter into complex derivatives to manage risk.

Foreign currency risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. The Group's net assets are exposed to currency risk giving rise to gains or losses on retranslation into US Dollars.

Liquidity risk

The Company's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital.

Critical accounting estimates and judgements

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

The most critical estimations involve the impairment or otherwise of carrying values related to Exploration and Project Development expenses, which are performed for both the interim and annual financial statements.

Notes to the financial statements for the year ended 31 December 2012 (continued)

Adoption of standards and interpretations

As at the date of authorisation of these financial statements, there were Standards and Interpretations that were in issue but are not yet effective and have not been applied in these financial statements. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group or company, except for additional disclosures when the relevant Standards come into effect.

Standards, amendments and interpretations in issue but not effective

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis and on a going concern basis.

The financial report is presented in United States Dollars (\$), which is the Group’s functional and reporting currency, and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries (“the Group”) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business combinations and goodwill

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

Revenue recognition

The Group has not yet commenced generating revenue.

Notes to the financial statements for the year ended 31 December 2012 (continued)

Segment Reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the geographical segments. The chief operating decision-maker has been identified as Bill Kelleher as Executive Chairman of the Board of Directors.

Foreign currencies

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement for the period. On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of the overseas operations are translated at the rate ruling at the balance sheet date.

Taxation

No charge to Jersey corporation tax arises on the results for the year due to the applicable zero tax rate.

The subsidiary companies have not generated any income therefore there are no tax consequences arising from Danish or Belize corporate income tax matters.

Tangible Fixed Assets

Tangible fixed assets comprise furniture and fixtures and plant and equipment and are depreciated on a straight line basis at annual rates that will reduce book values to estimated residual values over their estimated useful lives as follows:

Furniture	-	25% per annum
Plant and Equipment	-	20% per annum

Intangible Fixed Assets

Exploration, evaluation and development expenditure incurred, together with appropriate overhead expenses such as project management and related travel, is accumulated in respect of each identifiable area of interest.

These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves of oil and/or gas.

Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon is made.

Notes to the financial statements for the year ended 31 December 2012 (continued)

Impairment of intangible assets

At each balance sheet date the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If there is such indication then an estimate of the asset's recoverable amount is performed and compared to the carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and short term deposits with banks and similar financial institutions.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are non interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the financial statements for the year ended 31 December 2012 (continued)

Share-based payments

The group operates a Long Term Incentive Plan to allow certain Directors (being the Directors at the time of initial AIM admission) to be granted awards in respect of Ordinary Shares in the Company. The group also operates a Discretionary Annual Bonus Plan which may be paid in Ordinary Shares. As at 31 December 2012 no amounts have been provided or accrued in relation to the above schemes.

Following Re-Admission to AIM on 25 July 2012, the Non-Executive Directors were granted Options to subscribe for Ordinary Shares with the fair value of the services received being recognised as an expense equal to the fair value of the options.

Additionally, during the year, certain professional advisors were issued with warrants to subscribe for Ordinary Shares as part of the fees under Placing arrangements and as part of the fees under the Re-Admission to AIM.

The fair value of these warrants have been recognised as an expense or allocated to share issue costs as applicable.

The fair value of warrants and options granted is determined using the Black-Scholes valuation model.

Going Concern

The Group closely monitors and manages its liquidity risk, regularly preparing cash forecasts. Further to the recent Placing, the Directors consider that the Group has adequate liquid resources to continue in operational existence for at least the 12 month period from the date of approval of these financial statements.

Inventory

Inventories, representing drilling and related consumables, are stated at the lower of cost and net realisable value, cost being determined by the first-in first-out method.

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Turnover and segmental analysis

Segment information is presented in respect of the Group's management and internal reporting structure. The Group had no revenue during the year.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating and Geographical segments

The Group comprises the following operating segments:

Corporate – Parent company administrative costs, general business development and AIM related costs.

Exploration & development – costs in relation to the group's direct oil and gas exploration operations.

2012 Business segments	Corporate	Exploration & development	Total	
	\$000's	\$000's	\$000's	
Result				
Segment result	(4,261)	(14,431)	(18,692)	
Balance sheet				
Segment assets	7,080	13,907	20,987	
Segment liabilities	(1,150)	(3,176)	(4,326)	
Net assets	5,930	10,731	16,661	
Geographical segments	Denmark \$000's	Belize \$000's	Jersey \$000's	Total \$000's
Result				
Segment result	-	(14,279)	(4,413)	(18,692)
Balance sheet				
Segment assets - Intangible	5,905	4,782	-	10,687
- Other	956	2,264	7,080	10,300
Segment liabilities	(132)	(3,044)	(1,150)	(4,326)
Net assets	6,729	4,002	5,930	16,661

Notes to the financial statements for the year ended 31 December 2012 (continued)

2011 Business segments	Corporate	Exploration & development	Total
	\$000's	\$000's	\$000's
Result			
Segment result	(2,614)	-	(2,614)
Loss for the year			
Balance sheet			
Segment assets	3,820	3,972	7,792
Segment liabilities	(293)	(279)	(572)
Net assets	3,527	3,693	7,220

Geographical segments	Denmark \$000's	Belize \$000's	Jersey \$000's	Total \$000's
Result				
Segment result	-	-	(2,614)	(2,614)
Loss for the year				
Balance sheet				
Segment assets - Intangible	502	3,394	-	3,896
- Other	38	38	3,820	3,896
Segment liabilities	-	(279)	(293)	(572)
Net assets	540	3,153	3,527	7,220

3 Group operating loss	2012 \$000's	2011 \$000's
Loss from operations has been arrived at after charging:		
Directors fees	488	171
Directors Executive Remuneration	250	500
Auditors Remuneration - Group	120	80
- Subsidiary	15	5
Depreciation	21	-
	<u>488</u>	<u>171</u>
	488	171
	250	500
	120	80
	15	5
	21	-
	<u>488</u>	<u>171</u>
	488	171
	250	500
	120	80
	15	5
	21	-
	<u>488</u>	<u>171</u>
	488	171
	250	500
	120	80
	15	5
	21	-
	<u>488</u>	<u>171</u>
	488	171
	250	500
	120	80
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	488	171
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	<u>488</u>	<u>171</u>
	488	171
	250	500

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Directors' remuneration

	Fees \$000's	Management Services \$000's	Performance Related Pay \$000's	Options issued \$000's	Total \$000's
2012					
Executive Directors:					
Bill Kelleher (i)	29	442	250	-	721
Peter Szytk (ii)	29	374	-	-	403
Georges Szytk (ii)	29	374	-	-	403
Non-Executive Directors:					
Stephen Polakoff	96	-	-	40	136
Fred Hodder	124	-	-	40	164
Chris Einchcomb (Appointed 10/4/12)	71	-	-	30	101
	378	1,190	250	110	1,928

	Fees \$000's	Management Services \$000's	Performance Related Pay \$000's	Options issued \$000's	Total \$000's
2011					
Executive Directors:					
Bill Kelleher (i)	26	120	150	-	296
Peter Szytk (ii)	26	120	150	-	296
Georges Szytk (ii)	26	120	150	-	296
Non-Executive Directors:					
Stephen Polakoff	53	-	50	-	103
Fred Hodder (Appointed 9/9/11)	40	-	-	-	40
	171	360	500	-	1,031

(i) Management services were provided by and payable to Hydrocarbon Technologies Ltd.

(ii) Management services were provided by and payable to Dynamic Investments Ltd.

The payments in relation to Management Services have been charged to the applicable subsidiary companies and/or capitalised as Exploration and Project Development expenses.

No pension benefits are directly provided for any Director.

6 Finance costs	2012	2011
	\$000's	\$000's
Loan Interest payable	-	3
	=====	=====

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Taxation

No charge to Jersey corporation tax arises on the results for the year due to the applicable zero tax rate. No trading profit or loss has arisen in any other tax jurisdiction.

No deferred tax asset has been recognised due to the applicable zero tax rate, however the unrelieved tax losses which are estimated to be available for offset against future profits if the applicable tax rates were to change in the future amount to approximately \$20 million (2011: \$3 million).

8 Loss per share

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the year:

Loss for the year (\$'000's)	(18,692)	(2,614)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share (millions)	249	80
Basic and diluted loss per share (expressed in cents)	(7.51)	(3.27)

As inclusion of the potential ordinary shares would result in a decrease in the earnings per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included.

The comparative loss per share has been recalculated to take account of the share reorganization which converted 100 "old" ordinary shares to 28 ordinary shares of no par value.

9 Tangible assets – Group

	Furniture and Fixtures \$'000	Plant and Equipment \$'000	Total \$'000
<u>Cost</u>			
Additions during year to 31 December 2012	101	99	200
	—	—	—
<u>Depreciation</u>			
Charge for year	8	13	21
	—	—	—
<u>Net Book Values</u>			
At 31 December 2012	93	86	179
	====	====	====

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. (cont) Tangible assets – Company

	Furniture and Fixtures \$'000	Plant and Equipment \$'000	Total \$'000
<u>Cost</u>			
Additions during year to 31 December 2012	17	40	57
	—	—	—
<u>Depreciation</u>			
Charge for year	4	10	14
	—	—	—
<u>Net Book Values</u>			
At 31 December 2012	13	30	43
	====	====	====

10 Intangible Assets – Group

Cost

As at 1 January 2012	3,896
Additions	6,791

As at 31 December 2012 **10,687**

Accumulated amortisation and impairment

As at 1 January 2012	-
Amortisation charge for the year	-
Impairment charge	-

Balance at 31 December 2012 **-**

Net book value

As at 31 December 2012 **10,687**

As at 31 December 2011 3,896

As disclosed within the geographical segmental analysis the carrying values of the Exploration Projects are split Belize \$4,782,000 and Denmark \$5,905,000 as at 31 December 2012 (2011 : \$3,394,000 and \$502,000 respectively).

The directors undertook an impairment review of the Group's intangible assets as at 31 December 2012. The format of the review was by assessing the carrying value of assets as at 31 December 2012 in its subsidiaries and no additional impairment charges were required further to the write off of the Dry-Well costs in Belize which was made directly to the Income Statement.

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Inventories

Inventories total \$464,000 (2011: Nil) and comprise drilling and related consumables and are stated at the lower of cost and net realisable value.

12 Trade and other receivables	2012		2011	
	Group \$000's	Company \$000's	Group \$000's	Company \$000's
Current trade and other receivables				
Prepayments	300	296	127	124
Other receivables	1,703	100	26	26
	<u>2,003</u>	<u>396</u>	<u>153</u>	<u>150</u>
	=====	=====	=====	=====
Non - current trade and other receivables				
Amounts due from subsidiaries	-	24,967	-	3,667
Provision	-	(14,279)	-	-
	<u>-</u>	<u>10,688</u>	<u>-</u>	<u>3,667</u>
	=====	=====	=====	=====

The amounts due from subsidiaries are interest free with repayment not anticipated within 12 months of the end of the reporting period.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

13 Trade and other payables – current	2012		2011	
	Group \$000's	Company \$000's	Group \$000's	Company \$000's
Trade payables	3,733	959	279	-
Accruals	329	191	90	90
Other payables	264	-	203	203
	<u>4,326</u>	<u>1,150</u>	<u>572</u>	<u>293</u>
	=====	=====	=====	=====

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Share capital	2012 Number of shares	2011 Number of shares
<u>Called up, allotted, issued and fully paid:</u>		
As at 31 December		
Ordinary shares of no par value	358,974,829	132,289,869

On incorporation, the Company had an authorised share capital of £1,500,000 divided into 1,000,000,000 ordinary shares of £0.0015 each.

As at 1 January 2011 38,100,000 ordinary shares of £0.0015 each had been issued as fully paid.

On 6 April 2011 the founder shareholders capitalised a further £22,600 of expenses in total in respect of their holdings of 37,500,000 ordinary shares.

Between 26 April and 4 May 2011:

- (a) the share capital was converted to no par value and consolidated on the basis of 28 Ordinary Shares for every 100 existing ordinary shares;
- (b) the Company converted loans of US\$310,000 (at an agreed conversion rate of US\$1/£0.625, giving loans of £193,750) into 3,875,000 new Ordinary Shares at a price of 5p per share; and
- (c) entered into agreements to issue a total of 18,600,000 Warrants to subscribe for Ordinary Shares at 5p per share with an expiry date of 11 May 2016.

resulting in an authorised share capital divided into 280,000,000 Ordinary Shares of no par value, of which 14,543,000 were in issue, plus a total of 18,600,000 Warrants.

On Admission to AIM on 11 May 2011 the Company:

- (a) issued 60,000,000 Ordinary Shares for cash at £0.05 per share;
- (b) issued 660,000 Ordinary Shares to advisers at £0.05 per share; and
- (c) issued 74,543,000 Warrants to subscribe for Ordinary Shares at 10p per share with an expiry date of 11 May 2014.

On 27 May 2011: issued 525,000 ordinary shares at 5p per share in settlement of professional fees.

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. (cont'd)

On 28 June 2011:

- (a) issued 943,841 ordinary shares at 6.5p per share in agreed partial payment of historical costs in relation to the Blue Creek Project, Belize;
- (b) issued 641,815 ordinary shares at 6.5p per share and 455,840 ordinary shares at 6.75p per share as agreed part payment of services provided by consultants on the seismic programme in relation to the Blue Creek Concession, Belize; and
- (c) issued 250,000 ordinary shares at 5p per share together with 250,000 warrants to subscribe for shares at 10p per share expiring on 28 June 2014 for consultancy services further to the Agreement with First Meadows Limited to source oil and gas projects.

On 6 July 2011 issued 50,000,000 ordinary shares for cash at 6p in a Placing to raise £3 million before expenses together with 3,000,000 warrants to subscribe for shares at 6p per share expiring on 6 July 2016 as part of the fees under the Placing arrangements.

On 6 July 2011 issued 148,423 ordinary shares at 6.7375p in settlement of professional fees.

In the period from 30 September 2011 to 30 December 2011 issued 4,121,950 ordinary shares at an average price of 6.1p per share in settlement of professional fees and other transactional obligations entered into over the preceding six months.

During the year the Company issued 7,699,000 new ordinary shares at a price of 10p per share and 4,530,500 new ordinary shares at a price of 5p per share and 3,000,000 new ordinary shares at 6p per share pursuant to the exercise of warrants raising gross proceeds of \$1,718,000.

On 16 March 2012 the Company issued 106,250,000 new ordinary shares at a price of 8p per share to raise gross proceeds of \$13.4 million together with 6,375,000 warrants to subscribe for shares at 8p per share expiring on 16 March 2015 as part of the fees under the Placing arrangements.

During July 2012 arising from the Company's re-admission to AIM 2,375,000 warrants to subscribe for shares at 8p per share expiring on 25 July 2017 were issued to certain professional advisors, together with 2,750,000 options to subscribe for ordinary shares at 9.25p per share being granted in aggregate to the Non-Executive Directors (1,000,000 each to Stephen Polakoff and Fred Hodder and 750,000 to Christopher Einchcomb).

During the year the Company issued 9,649,904 new ordinary shares at an average price of 8p per share in settlement of professional fees and in part payment of services rendered.

On 16 October 2012 the Company issued 95,555,556 new ordinary shares at a price of 9p per share to raise gross proceeds of \$13.9 million, together with 5,598,251 warrants to subscribe for shares at 9p per share expiring on 16 October 2015 as part of the fees under the Placing arrangements.

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Outstanding warrants and options

As at 31 December 2012 the number of outstanding warrants were:-

- 14,069,500 warrants exercisable at 5p expiring on 11 May 2016;
- 66,844,000 warrants exercisable at 10p expiring on 11 May 2014;
- 6,375,000 warrants exercisable at 8p expiring on 16 March 2017;
- 2,375,000 warrants exercisable at 8p expiring on 25 July 2017;
- 5,598,251 warrants exercisable at 9p expiring on 16 October 2015;
- 2,750,000 options exercisable at 9.25p expiring on 25 July 2022.

As at 31 December 2011 the number of outstanding warrants were:-

- 18,600,000 warrants exercisable at 5p with an expiry date of 11 May 2016;
- 74,543,000 warrants exercisable at 10p with an expiry date of 11 May 2014;
- 250,000 warrants exercisable at 10p with an expiry date of 28 June 2014;
- 3,000,000 warrants exercisable at 6p with an expiry date of 6 July 2016.

16 Share-based payments

The group operates a Long Term Incentive Plan to allow certain Directors (being the Directors at the time of initial AIM admission) to be granted awards in respect of Ordinary Shares in the Company. The group also operates a Discretionary Annual Bonus Plan that may be paid in Ordinary Shares. As at 31 December 2012 no amounts have been provided or accrued in relation to the above schemes.

Following Re-Admission to AIM on 25 July 2012, the Non-Executive Directors were granted Options to Subscribe for Ordinary Shares with the fair value of the services received being recognised as an expense equal to the fair value of the options.

Additionally, during the year, certain professional advisors were issued with warrants to subscribe for Ordinary Shares as part of the fees under Placing arrangements and as part of the fees under the Re-Admission to AIM.

The fair value of these warrants have been recognised as an expense or allocated to share issue costs as applicable.

The fair value of warrants and options granted is determined using the Black-Scholes valuation model.

The fair value of warrants and options totalling \$770,000 granted during the year determined using the Black-Scholes valuation model was:-

- 6,375,000 warrants at 8p expiring 16/3/15 – 4.8 cents
- 2,375,000 warrants at 8p expiring 25/7/17 – 4.6 cents
- 2,750,000 options at 9.25p expiring 25/7/22 – 4 cents
- 5,598,251 warrants at 9p expiring 16/10/15 – 4.4 cents

The significant inputs into the model were the share price at the grant date, the exercise price, the life to expiry, volatility of 60%, nil dividend yield and an annual risk-free interest rate of 4.5%. The volatility was measured at the standard deviation based on statistical analysis of the share price since original admission to AIM. A lack of marketability discount of 20% was also applied to the resultant values.

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Investment in subsidiaries

	2012 \$000's	2011 \$000's
As at 1 January	26	-
Additions	-	26
At 31 December	<u>26</u>	<u>26</u>

The subsidiaries of New World Oil and Gas Plc, all of which have been included in these consolidated financial statements, are as follows:

Name		Country of incorporation	Proportion of ownership interest	Nature of business
Directly-held subsidiaries				
Gaia Resources Limited	(1)	British Virgin Islands	100%	Holding Company
Emery SARL	(2)	Luxembourg	100%	Holding Company
New World Oil and Gas (Belize) Limited	(3)	Belize	100%	Oil and Gas Exploration
New World Oil and Gas (Belize) Operations Limited	(3)	Belize	100%	Oil and Gas Exploration
Indirectly-held subsidiaries				
New World Jutland Aps	(4)	Denmark	100%	Oil and Gas Exploration
New World Operations Aps	(4)	Denmark	100%	Oil and Gas Exploration
New World Resources Aps	(5)	Denmark	100%	Oil and Gas Exploration
New World Resources Operations Aps	(5)	Denmark	100%	Oil and Gas Exploration

(1) Subsidiary was acquired on incorporation on 4 January 2011

(2) Subsidiary was acquired on incorporation on 1 August 2011

(3) Subsidiary was acquired on incorporation on 14 June 2011

(4) Subsidiary was acquired on incorporation on 15 September 2011

(5) Subsidiary was acquired on incorporation on 8 March 2012

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Financial Instruments

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments to mitigate risk. Currently the Company's principal financial instruments comprise cash and equity capital.

The Company does not enter into complex derivatives to manage risk.

Foreign currency risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which the Group companies are operating. The Group's net assets are exposed to currency risk giving rise to gains or losses on retranslation into US Dollars.

Liquidity risk

The Company's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital.

19 Group Related party transactions

Transactions between the parent and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of director's remuneration, being the only key personnel, are given in note 5.

Included within other payables are travel expenses due to Bill Kelleher of \$15,000 (2011: other receivables included travel expense advances of \$26,000).

Also included within other payables is unpaid Director's fees to Fred Hodder of \$9,700 (2011: \$3,000) and to Chris Einchcomb of \$12,100 (2011: nil).

2011 other payables included Performance-Related Pay awards to Bill Kelleher of \$25,000, Peter Szyk of \$75,000, Georges Szyk of \$75,000 and Stephen Polakoff of \$25,000.

20 Ultimate controlling party

In the opinion of the directors there is no controlling party.

21 Retirement benefit scheme

The Group does not operate either a defined contribution or defined benefit retirement scheme.

Notes to the financial statements for the year ended 31 December 2012 (continued)

22 Commitments

As at 31 December 2012, the Group has no material commitments unaccounted for in the financial statements.

23 Events after the end of the reporting period

On 1 February 2013 the Company announced that the Blue Creek # 2A ST well located in the productive Petén Basin in Northwest Belize was determined to have insufficient commercial quantities of moveable hydrocarbons and as a result it was decided to plug and abandon the well. The total Dry-Well costs written off in the year to 31 December 2012 amounted to \$14.4 million and a further estimated \$ 1 million of costs associated with the completion of the drilling of the Blue Creek # 2A ST well will be written off in 2013.

On 28 March 2013 the Company announced a Placing to raise gross proceeds of \$10 million (£6.3 million) through the issue of 315,000,000 new ordinary shares at a price of 2p per share.

On 26 April 2013 the Company announced that the Rio Bravo well located in the productive Petén Basin in Northwest Belize was determined to have insufficient commercial quantities of moveable hydrocarbons and as a result it was decided to plug and abandon the well. The estimated costs associated with this Dry-Well to be written off in 2013 amounts to \$ 5 million.

24 Profit and loss account of the parent company

As permitted by Jersey Company Law, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was \$18,709,000 (2011: \$2,614,000 loss).

Corporate Information

DIRECTORS

Bill Kelleher – Executive Chairman
Peter Szytk – Executive Director, Legal/Commercial
Georges Szytk – Executive Financial Director
Stephen Polakoff – Non Executive Director
Fred Hodder – Non Executive Director
Chris Einchcomb – Non Executive Director

COMPANY SECRETARY

Ogier Corporate Services (Jersey) Limited

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