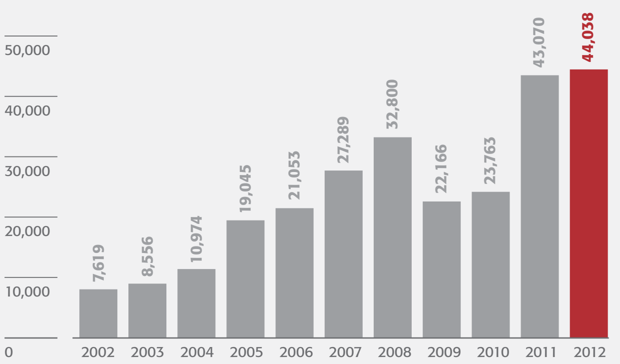
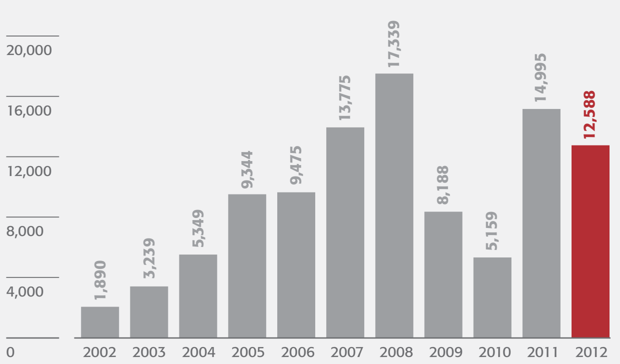
2012 Highlights

- Turnover increased to $44.0 million (2011: $43.1 million).
- Oil prices increased 3% averaging $98 per barrel ("bbl") (2011: $95 per bbl).
- Gross oil production decreased 5% to 492,000 bbls (2011: 519,000 bbls) due to certain down time of the Tilodirán 2 well.
- Sales of oil volumes increased slightly at 454,943 bbls (2011: 444,657).
- Gross profit decreased to $12.6 million (2011: $15.0 million) due primarily to the delay in the completion of the Rio Verde 2 water disposal well.
- Profit from sale of Block 95, net of tax, of $810 thousand (2011: $nil).
- Tax charge of $3.7 million primarily relating to write-down of the value of the Company's deferred tax assets following enactment of Colombian Tax Law 1607 in December 2012.
- Net loss of $2.12 million (2011: net income of $2.00 million) due primarily to higher water transportation costs and other operating expenses along with the non-cash tax effect of Colombian Tax Law 1607 passed in December 2012.

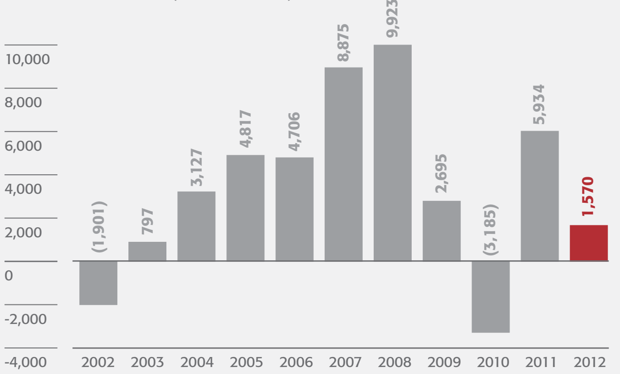
Turnover ($ thousands)



Gross profit ($ thousands)

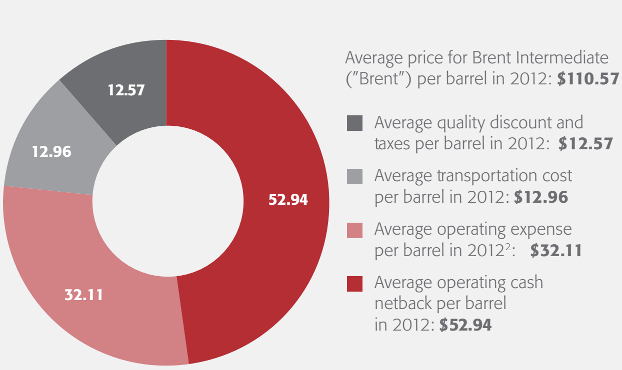


Profit before tax[1] ($ thousands)



1 Including profit from discontinued operations, net of tax.

The Company's operating netback per barrel: ($)



2 Average Operating Expense per barrel declined to $26 per barrel during the fourth quarter 2012 following the completion of the Rio Verde 2 water disposal well.

Regional Asset Summary

The Company has been active in producing oil and developing assets in Colombia, South America for many years by identifying acreage previously held by international oil companies and then evaluating its potential using the extensive historical data available, in-house expertise, specialised technical consultants and the new technologies ranging from 3D seismic to horizontal drilling.

Llanos Basin, Colombia

	Contract 1	Contract 2	Contract 3
Name	Rio Verde Colombia	Alcaravan Colombia	Los Hatos Colombia
Basin	Llanos	Llanos	Llanos
Held with	Agencia Nacional de Hidrocarburos ("ANH")	Ecopetrol	ANH
Year signed	2004	1993	2004
Expiry date	2034	2021	2034
Acreage	7,073	24,000	295
Initial royalty (%)	10.5	20	8
Status	Production & Development	Production & Development	Production & Development
Proved reserves (bbls)*	1.8m	1.4m	0.1m
2P reserves (bbls)*	1.8m	3.7m	0.1m
3P reserves (bbls)*	1.8m	6.7m	0.1m
2013 objective:	Construct produced water transmission pipeline from Tilodirán field to Rio Verde #2 to eliminate water trucking costs.	Complete further operating expense reduction projects.	Maintain production levels.

Magdalena Valley, Colombia

Contract 4	Contract 5
Bolivar Colombia	**Bocachico** Colombia
Basin Middle Magdalena	**Basin** Middle Magdalena
Held with Empresa Colombiana de Petróleos (“Ecopetrol”)	**Held with** Ecopetrol
Year signed 1996	**Year signed** 1994
Expiry date 2024	**Expiry date** 2022
Acreage 21,000	**Acreage** 54,700
Initial royalty (%) 20	**Initial royalty (%)** 20
Status Production & Development	**Status** Production & Development
Proved reserves (bbls)* 24.2m	**Proved reserves (bbls)*** 12.3m
2P reserves (bbls)* 33.0m	**2P reserves (bbls)*** 49.1m
3P reserves (bbls)* 105.7m	**3P reserves (bbls)*** 83.5m
2013 objective: Complete partnering process and proceed with development and testing of middle La Luna oil shale potential.	**2013 objective:** Continue with modified Cold Heavy Oil Production with Sand technology (“CHOPs”) testing to advance production from the Torcaz field.

2P = Proved plus probable.
3P = Proved plus probable plus possible.
bbls = barrels of oil.
* At 31 December 2012.

Chairman's Statement

Satellite view of Eastern Colombia. Source: Google Earth

"2012 saw record revenue from oil production from the Company's contract areas located within the Llanos Basin of Colombia."

Development of the Company's 2P reserves in its Bolivar and Bocachico Association Contract areas within the Middle Magdalena Valley in Colombia, South America remains the Company's top priority for 2013. During 2012, the Company elected to engage a financial adviser in connection with a farm-out or other business transaction involving the Company's Bolivar Association Contract ("Bolivar") in order to accelerate production and to better exploit Bolivar's large reserve base. This targeted increase in drilling activity mandates the deployment of additional and substantial technical expertise and operating manpower to effectively undertake the management of this sizable shale oil development project. Interest has increased dramatically in shale oil generally throughout the entire international petroleum industry and specifically in the northern Middle Magdalena Valley Basin. The Company hopes to complete the partnering process in the second quarter of 2013 and is looking forward to working with an eventual partner selected to develop these significant oil assets.

The Company also demonstrated continued progress towards developing oil production from its Bocachico Association Contract through the testing efforts on the Torcaz 5 well. Although consistent oil production has not yet been achieved, the Company was able to demonstrate increased permeability of the reservoir formation through successful sanding with oil shows during the testing of Torcaz 5. The Company plans to address the challenge of moderating the sanding and enhancing oil production by modifying its completion approach in existing Torcaz wells during 2013.

2012 saw record revenue from oil production from the Company's contract areas located within the Llanos Basin of Colombia. Higher operating costs incurred were primarily a result of the water disposal and transportation costs from the Tilodirán field. While the Company was able to complete the existing Rio Verde 2 well during 2012 into a secondary recovery water injection well, final approval from the Colombian authorities to commence long-term water injection was not received until the fourth quarter of 2012. This delay led to increased operating costs during the majority of 2012. Following commencement of water injection at Rio Verde 2 in the fourth quarter of 2012, cost savings of approximately $400 thousand per month began to be realised in late 2012 and continuing into 2013.

Lastly, 2012 saw the Company narrow its focus solely on its core assets within the country of Colombia through the sale of its remaining 40 per cent working interest of the Peruvian Block 95 Licence Contract for cash consideration of $5.4 million with $2 million received at closing and the remaining $3.4 million net proceeds received in February 2013 following the completion of the assignment from Perupetro, Peru's national agency for hydrocarbons.

The Company's 2013 focus is on bringing in a strategic partner to accelerate the development of its Middle Magdalena reserves and on continuing with the improvement of its strong cash flow from operations from its oil production in the Llanos Basin. This combination should hasten the realisation of greater value to the Company and its shareholders in 2013 and the future.

Mikel D. Faulkner

Mikel Faulkner
Chairman
26 March 2013

Managing Director's Review of Operations

Downtown Bogotá

Tilodirán operations

Operations

Llanos Basin Production:

In 2012, the Company anticipated higher gross production from its Llanos Basin properties due to strong production rates at the beginning of 2012 primarily from its Tilodirán wells (Tilodirán 2 and Tilodirán 3) within the Rio Verde Contract Area. Overall, gross oil production decreased by 5 per cent to 491,786 barrels ("bbl") in 2012 (2011: 519,653 bbls). The largest contributing factor to the shortfall in 2012 oil production was the downtime at the Tilodirán 2 well. Due to high levels of scale precipitation from Ubaque water previously intermingled with the Gacheta oil production in the Tilodirán 2 well, the electric submersible pump on Tilodirán 2 failed early in 2012 and failed twice again during the year due to Colombian national grid electrical system malfunctions. These factors required pump changes in the Tilodirán 2 well which resulted in downtime of approximately 140 days (38 per cent of the year) during 2012. Daily oil production from the Tilodirán 2 well averages between approximately 250 and 275 barrels of oil per day ("bopd"). The effect of these pump replacements during the year played a key role in the Company's understanding of the effect of produced Ubaque water chemistry on scaling and other factors that were causing poor pump performance. All Ubaque formation production has been shut-off in the Tilodirán 2 well, and this should benefit long-term production performance of the Middle Gacheta reservoir in the Tilodirán field.

The Tilodirán 3 well is currently flowing naturally without requirement of lifting at rates between 700–800 bopd. In late 2012, the Company moved ahead to recomplete the existing Tilodirán 1 well in the Middle Gacheta. The well was previously recompleted in 2005 in the Massive Ubaque with preliminary successful results, but the water cut from the Ubaque eventually increased to 100 per cent. The Tilodirán 1 well was completed in early 2013 and has been placed on production with an initial producing rate of 40 bopd.

In regards to improving the profitability of our Llanos Basin operations, a key achievement for the Company was the successful recompletion of the existing Rio Verde 2 well into a secondary water injection well in the fourth quarter of 2012. The conversion was completed in July 2012 and short-term test results were submitted to the Colombian Ministry of Mines and Energy. Final approval for long-term injection was not received until October 2012. Following commencement of water injection in October 2012, water disposal and transportation costs have since decreased by approximately $400 thousand per month.

Managing Director's Review of Operations continued

Water disposal costs previously represented the largest component of the Company's operating costs prior to the conversion of the Rio Verde 2 well. The Company plans to continue other operational improvements in 2013 such as reducing fuel costs by converting generators at the Tilodirán field from diesel to produced natural gas, completing the saltwater transfer line from the Tilodirán field to the Rio Verde 2 water injection well, and eliminating high road maintenance costs as a result of decreased trucking operations.

Middle Magdalena Properties:

Development plans for the Company's Bolivar field were delayed in 2012 while the Company engaged a financial adviser to pursue a farm-out of the Bolivar Contract Area. The Company believes that bringing in a strategic partner with technical expertise and financial resources will benefit and accelerate the overall pace of development of this reserve-rich property in the Middle Magdalena field in Colombia. This process is presently continuing and is hoped to be completed during the second quarter of 2013.

Bringing on increased production from our Torcaz field within the Bocachico Contract Area also remains a priority for the Company in 2013. As part of this strategy, the Company installed several types of abrasive-tolerant pumps in the existing Torcaz 5 well within the Bocachico Contract area in 2012 to re-establish oil (and sand) production and lift from the wellbore. During the testing phase of the pumps, successful sanding and oil shows were initiated. However, oil shows were interrupted due to periodic significant sand movement into the wellbore, which eventually overwhelmed the capacity of the pumps. As a result it became evident that a modified approach to partially apply conventional sanding restraints should be utilised to moderate initial heavy sand production and enhance oil production. The Company has ordered a newly-designed pump which should be received in the second quarter of 2013 and plans to commence recompletion operations on its straight-hole Torcaz 3 well upon delivery.

Although the Torcaz 5 was considered an initial setback, this was the first attempt at implementing such abrasives-tolerant technology at the Torcaz field and it is not surprising to see some short-term calibration and engineering issues at this early stage. The initial results are nevertheless encouraging and the Company believes that this process, in a modified form, can help to substantially accelerate production of the Company's reserves in the Torcaz field. The delay in accelerating the development plans at the Torcaz field had a tangible impact on the Company's year-end 2012 reserves report resulting in a loss of significant 2P reserves due to end of contract life effects. Therefore, it is critical for the Company to accelerate production efforts in the Torcaz field or face continued loss of reserves as the contract term draws closer.

Financials

During 2012, the Company recorded increased turnover of $44.0 million, 2 per cent higher than the prior year (2011: $43.1 million) due to slightly higher realised average oil pricing of $98 per bbl during the year (2011: $95 per bbl). Net sales volumes remained steady with 454,943 bbls sold in 2012 (2011: 444,657 bbls) as the Company was able to liquidate certain crude oil inventory volumes on hand.

Cost of Sales increased by 12 per cent to $31.5 million during the year (2011: $28.1 million). The largest component of the Company's lease operating expenses of $14.3 million during 2012 was water transportation and disposal costs which totalled $3.9 million. The delayed final approval for the long-term water injection from the Colombian authorities until fourth quarter of 2012 led to overall higher water costs during the year than originally projected. Also contributing to the increased Cost of Sales were the derecognised costs of $2.8 million during 2012 (2011: $1.4 million) primarily related to the damaged pumps at the Tilodirán 2 well and the Torcaz 5 well. As a slight benefit, the Company experienced a 16 per cent decline in oil transportation costs during 2012 to $5.9 million (2011: $7.0 million) due to the ability to transport its Palo Blanco oil production (representing approximately 12 per cent of the Company's net production) via pipeline in lieu of trucking.

Based on overall increased Cost of Sales, gross profit was $12.6 million, a decrease of $2.4 million over the prior year. Administrative costs (including share-based expense and exchange rate costs) increased to $7.9 million during 2012 against $6.6 million in the prior year due primarily to the non-cash increase in share-based expense, higher foreign exchange expense and additional personnel costs. In an effort to diminish future costs, the Company reduced personnel and has provided for non-routine severance costs in administrative costs in 2012. During 2012, the Company recorded a discount impairment in Other Expense of $1.1 million against a long-term receivable from one partner of an association contract in Colombia.

Profit before taxation was $760,000 (2011: $5.9 million). Due to the issuance of Colombian Tax Law 1607 approved by Congress in December 2012, the Company recorded a one-time, non-cash charge of $3.6 million in tax expense to reduce the valuation of the Company's deferred tax assets. The Tax Law included a provision which lowered the income tax from 33 per cent to 25 per cent but implemented a new income tax called a "CREE" tax of 9 per cent (decreasing to 8 per cent in 2016) which is not eligible for tax loss carry forwards. Otherwise, the long-term tax effect of the Tax Law is not expected to have a future material financial impact to the Company. The loss from continuing operations, net of tax, was $2.9 million (2011: $2.0 million profit). Profit from the Company's discontinued operations in Peru, net of tax, was $810,000, therefore, net loss for 2012 was $2.12 million (2011: $2.0 million profit).

The Company generated cash flow from operations of $9.3 million (2011: $14.2 million) and expended $8.7 million on capital projects primarily related to the conversion of the Rio Verde 2 into a secondary recovery injection well, the implementation of abrasives tolerant technology in its Torcaz 5 well and the efforts to eliminate scale precipitation from Ubaque formation production and improve overall production performance in the Tilodirán 2 well. The Company repaid and fully extinguished the remaining convertible notes outstanding of $9.5 million with the securing of new financing of $12 million. Proceeds of $2.0 million were also received in 2012 from the sale of the Company's remaining working interest in the Peruvian Block 95 Contract.

In March 2013, the Group renegotiated its current debt obligations totalling $17 million with HKN, Inc. to restructure into one new loan agreement with amortising payments due quarterly through 15 June 2015 at a slightly increased interest charge of 12.75 per cent per annum, payable quarterly in arrears. This restructuring permits the Company to repay its debt obligations through current cash flow from operations while allowing additional capacity for discretionary capital expenditures to develop its significant reserve base.

Stephen Voss
Managing Director
26 March 2013

Corporate Strategy

The Company's principal goal is to maximise value for its shareholders through developing reserves and increasing oil production through strategic partnerships. In 2013, the Company is striving to narrow the difference between its market value compared to the value of its producing oil assets and 2P reserves.

To accomplish this goal, the Company will focus on the following framework of objectives and activities to support its strategy:

- Complete strategic partnership efforts and accelerate development of reserves of the Bolivar Contract Area
- Continue development efforts of production and reserves in the Bocachico Contract Area
- Enhance cash flow and profitability from Llanos Production Base

Global Energy Development PLC

Objective	Activity
1 Complete strategic partnership efforts and accelerate development of reserves in the Bolivar Contract Area	**Activity:** Complete partnering process through third-party financial adviser. Re-enter existing wellbores and complete hydraulic fracturing pilot programme testing seeking high gravity oil and natural gas liquids. Complete development plan for further analysis and development drilling.
2 Continue with development of production of Bocachico Contract Area reserves	**Activity:** Implement modified sand-control completion techniques on existing Torcaz wells to advance production from our reserve-rich Bocachico Contract Area (Torcaz field) and accelerate the field development drilling permitting process. Assess and evaluate options for strategic partnering in the Bocachico Contract Area.
3 Enhance cash flow and profitability from Llanos Production Base	**Activity:** Complete sidetrack of Tilodirán #1 well to re-establish oil production. Maintain steady production levels from producing properties. Construct produced water transmission pipeline from Tilodirán field to Rio Verde #2 to eliminate water trucking costs. Reduce high diesel fuel costs and other operating costs to improve profitability. Replace high cost rental costs with purchased equipment.

Oil and Gas Reserves Information (unaudited)
As at 31 December 2012

The reserve estimates shown in this report were developed by Ralph E. Davis Associates, Inc., an independent petroleum engineering firm, and are based on the joint reserve and resource definitions of the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers consistent with UK reporting purposes. In 2012, the Company also completed an additional reserve report reflecting the requirements of Canadian Form 51-101. Proved and probable reserve estimates are based on a number of underlying assumptions including oil prices, future costs, oil in place and reservoir performance, which are inherently uncertain. Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants. However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.

All reserves are in the South America production and development area.

Estimated net proved and probable reserves of crude oil

	Proved South America Barrels ('000s)	Probable South America Barrels ('000s)	Total All Barrels ('000s)
At 1 January 2012			
Developed	2,209	–	2,209
Undeveloped	41,919	74,179	116,098
	44,128	**74,179**	**118,307**
Changes in year attributable to:			
Revision of previous estimates[1]	(3,927)	(26,193)	(30,120)
Production	(492)	–	(492)
Developed	**2,539**	**–**	**2,539**
Undeveloped	**37,170**	**47,986**	**85,156**
At 31 December 2012	**39,709**	**47,986**	**87,695**

1 The overall decrease in reserve volumes is due primarily to the sale of the Company's interest in Block 95 in Peru, accelerated reversionary interest, end of contract life effects and minor field revision. Further delays in the development activities within the Bolivar and Bocachico Contracts Areas will result in future losses of 2P reserves due to end of contract life effects.

Directors' Biographies

Mikel Faulkner Chairman (63)
Mikel Faulkner holds a Bachelors degree in Mathematics and Physics and a Masters degree in Business Administration. His employment experience includes service as an officer in the United States Naval Nuclear Power Programme, a member of the audit staff at Arthur Andersen & Co., a financial officer for American Quasar Petroleum, and at HKN, Inc., where he served as chairman from 1991 to 2003 and has been the chief executive officer since 1982.

Stephen Voss Managing Director (64)
Stephen Voss received a Masters degree in Business Administration from Harvard University in June 1976 and a Bachelor of Science degree in Petroleum Engineering from Texas A&M in May 1971. From 1972 to 1974, he was employed by Chevron Oil Company and Burmah Oil and Gas Company in Lafayette, Louisiana as a drilling engineer. From 1976 to 1981, he worked for Goldrus Drilling Company as executive vice president and chief operating officer and from 1981 to 1990 was chief executive officer of Reliant Drilling Company. Stephen has held various positions with Global Energy Development PLC and/or its predecessor companies since 1990, and currently serves as Managing Director. Stephen is a Member of SPE (Society of Petroleum Engineers) and is a Registered Professional Engineer in Texas.

Alan Henderson Non-executive Director (79)
Alan Henderson is chairman of Smart Matrix Limited. He is a director of North One Garden Centre Limited and West Six Garden Centre Limited. He was previously chairman of Forum Energy PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC and Ranger Oil (UK) Ltd and a director of ADT Ltd and Ranger Oil Ltd.

David Quint Non-executive Director (62)
David Quint is a graduate of the University of Notre Dame from which he received a Bachelors degree in Modern Languages in 1972 and a Juris Doctorate in 1975. From 1975 until 1982, he was an attorney with Arter & Hadden in Cleveland, Ohio and Washington D.C. From 1983 until 1992, he served as the managing director of the London-based international financing arm of a US oil and gas company. In 1992, David founded RP&C International, Inc., an investment-banking firm with offices in London and New York. He currently serves as the chief executive officer of RP&C International, Inc. and of RP&C International Limited. He also serves as an executive director of USI Group Holdings AG, a property company listed on the SIX Swiss Stock Exchange in Zurich.

Corporate Governance Statement

Statement by the Directors on compliance with the UK Corporate Governance Code

The Board of Directors of the Company ("Board") acknowledges that adhering to rules of good corporate governance is in the best interests of the Company and its shareholders. Although the Company is not required to comply with the UK Corporate Governance Code (formerly the Combined Code) published by the Financial Reporting Council in June 2010, all the Directors remain committed to high standards of corporate governance and consider that the Board progressively adopts best practices. The following sections describe how the Board has applied the principles of the UK Corporate Governance Code.

The Workings of the Board and its Committees

The Board

The Board comprises two Non-executive Directors and two Executive Directors. The Executive Directors are Mikel Faulkner, who serves as the Chairman of the Company, and Stephen Voss, who serves as the Company's Managing Director. There is a clear division of responsibility between the Chairman and Managing Director, with the Chairman being charged with the running of the Board, and the Managing Director with the running of the Company's operations, thus ensuring a balance of power and authority. The two Non-executive Directors are Alan Henderson and David Quint. The Company considers that each of the Non-executive Directors is an independent Director in that: i) none are executive officers or employees of the Company; and ii) none have a relationship with the Company that will interfere with the exercise of independent judgement in carrying out the responsibilities of such Directors. Although share option awards and long-term incentive grants have been made to the Non-executive Directors these are not considered to impact their independence. Details of the Directors' skills and experience are continued in the Directors' Biographies on page 11. The combined Board provides the Company with a wide range of expertise on issues relating to the Company's mission, operations, strategies and, most importantly, its standards or conduct.

The Board is responsible to the shareholders for the leadership and control of the Company. The Board meets formally four times a year and on an ad hoc basis as required. In compliance with the UK Corporate Governance Code, the Board considers and monitors all such matters as are specifically reserved to it under the Company's articles of association (the "Articles"). The Company's management provides appropriate and timely information to the Board to enable the Board to carry out its duties. The Company's Articles provide for formal and transparent procedures to appoint new Board members.

The Articles further provide for re-election of all Directors annually. The Board has considered the formation of a Nomination Committee but does not consider it to be appropriate for the recurrent nature and size of the Board and Company. The Board will continue to monitor this issue.

The following committees deal with specific aspects of the Group's affairs:

Audit Committee

The Audit Committee, which is chaired by David Quint, comprises only the Non-executive Directors and meets as required and at least twice a year. The Audit Committee provides a forum for reporting by the Group's external auditors.

The responsibilities of the Audit Committee comprise recommending to the Board the appointment and remuneration of the auditors, coordinating with the auditors on any problems or reservations they may have and reviewing with them the management reports prepared as a result of audits carried out, review of the Company's policy on internal controls and review of interim and annual financial statements before submission to the Board.

Remuneration Committee

The Remuneration Committee, which is chaired by Alan Henderson, is responsible for recommending to the Board the remuneration of the Executive Directors and the ongoing review of the remuneration and other benefits of the Executive Directors and senior executives, recommending from time to time the introduction, variation or discontinuance of any benefits, including bonuses and share options. The Remuneration Committee comprises only Non-executive Directors.

Relations with shareholders

Communication with shareholders is conducted through correspondence, meetings, London Stock Exchange releases and the Company's website, www.globalenergyplc.com.

Internal controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal control, the effectiveness of which is reviewed on a regular basis. The internal control system is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and is designed to meet particular needs of the Group and the risks to which it is exposed, and by its nature can provide reasonable but not absolute assurance against material misstatement or loss. In 2012, the Company conducted reviews of the effectiveness of its risk management and internal control systems and completed ongoing updates of the internal policies and procedures. In view of the size of the Company, the Board does not consider that an internal audit function is required at present; however, the Board intends to keep this under review. The key procedures, which the Directors have established with a view to providing effective internal control, are as follows:

Management structure
The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each executive has been given responsibility for specific aspects of the Group's affairs.

Corporate accounting and procedures manual
Responsibility levels are communicated throughout the Group as part of the corporate accounting and procedures manual which sets out, inter-alia, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and control procedures together with accounting policies and procedures.

Quality and integrity of personnel
The integrity of personnel is ensured through supervision and training. High-quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the corporate accounting and procedures manual.

Identification of business risks
The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks.

Budgetary process
Each year the Board approves the annual budget. Key risk areas are identified. Performance is monitored and relevant actions taken throughout the year through the periodic reporting to the Board of variances from the budget, updated forecasts for the year together with information on the key risk areas.

Investment appraisal
The budgetary process and authorisation levels regulate capital expenditures. For expenditures beyond specified levels, detailed written proposals have to be submitted to Management. Reviews are carried out after the investment is complete and, for some projects, during the investment period, to monitor expenditure. Major overruns are investigated.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012.

Principal activities and future developments

The principal activities of the Group are oil production and development in Colombia. Plans for future development are included in the Company's Corporate Strategy on page 8.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Managing Director's Review of Operations on page 5. In addition, note 29 to the 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 meets its day-to-day working capital requirements through internal cash flows and external financing (see note 35).

In March 2013 the Group renegotiated and restructured its existing current debt obligations into an amortising Note Payable with HKN, Inc. ("HKN") for the principal amount of $17 million (the "Note Payable"). The Note Payable is not convertible into shares and is subject to an interest charge of 12.75 per cent per annum, payable quarterly in arrears, with principal amounts being repayable in quarterly instalments beginning on 31 March 2013 and concluding on 15 June 2015. The Group's forecast and projections, taking account of reasonably possible changes in trading performance, indicate the Group should be able to repay its debt obligations due in 2013 and operate within the level of its internally generated cash flows. The Group's capital expenditures within Colombia are entirely discretionary in 2013 and can be modified at any time, if the need arises.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Business review

A full review of the Group's activities during the year, recent events, principal risks and uncertainties and expected future developments is contained within the Chairman's Statement on page 4, within the Managing Director's Review of Operations on page 5, and the Corporate Governance Statement on page 12, which form part of this report. The Group's primary key performance indicators for 2012 are:

- Turnover increased slightly to $44.0 million (2011: $43.1 million) due to margin increase in oil pricing.
- Annual gross production declined 5 per cent to 492,000 bbls (2011: 519,000 bbls).
- Annual sales volumes steady at 454,943 bbls (2011: 444,657 bbls) due to utilisation and sales of crude oil inventory.
- Gross profit decreased to $12.6 million (2011: $15.0 million) due primarily to increased operating costs from high water transportation/disposal costs. Following approval for long-term water injection in the fourth quarter of 2012, water costs declined by approximately $400,000 per month.
- Administrative expenses increased slightly due to one-time severance costs to streamline and reduce personnel in the Bogotá branch office along with higher exchange rate costs and Colombian industry fees.
- Share-based expense increased due to the rise in the Company's share price in the fourth quarter of 2012 which enhanced the value of share-based options and grants.
- Profit from the sale of the Company's remaining working interest in Peruvian Block 95, net of tax, of $810 thousand (2011: $nil).
- Tax charge of $3.7 million primarily relating to write-down value of the Company's deferred tax assets following enactment of Colombian Tax Law 1607 in December 2012.
- Net loss of $2.12 million (2011: Net income of $2.0 million) due primarily to the non-cash effect of the deferred tax charge of the new Colombian Tax Law 1607 and the impairment to the long-term Cajaro receivable.

Business risk factors

There are risks and uncertainties that could affect our business. Oil price fluctuations in the market may adversely affect the results of our operations. Our profitability, cash flows and the carrying value of our oil properties are highly dependent upon the market prices of crude oil. Our future success depends on our ability to produce and develop oil reserves. To maintain the Group's current production levels, we must develop our oil reserves to replace those depleted by production. Without successful development activities, our reserves, production and revenues could decline. In addition, substantial capital is required to replace and grow reserves. If lower oil prices or operating constraints or production difficulties result in our cash flow from operations being less than expected, we may be unable to expend the capital necessary to develop our oil reserves. The oil production and development business is highly competitive. Many of our competitors in Colombia, including numerous major oil and gas exploration and production companies, have substantially larger financial resources, staff and facilities. The Group's business risks and uncertainties include, but are not limited to, the items previously described.

Results and dividends

The Group's net loss on ordinary activities after taxation for the year amounted to $2.12 million (Net income in 2011: $2.0 million). The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2012 (2011: $nil).

Subsequent events

See note 35.

Financial instruments

Note 29 on pages 48 to 51 details the risk factors affecting the Group and summarises the Group's policies for mitigating such risks through holding and issuing financial instruments. These policies have been followed during the year 2012.

Directors

The Directors of the Company who served during the year up to and including the year end were as follows:

Mikel Faulkner – Chairman
Stephen Voss – Managing Director
Alan Henderson – Non-executive Director
David Quint – Non-executive Director

No Director had any interest in the shares of the subsidiary undertakings or any other Group undertakings. There are no warrants in the Company outstanding.

There were no contracts existing during, or at the end of the year, in which a Director was or is materially interested.

A summary of the number of meetings called and attended by the Directors of the Company during 2012 is provided below.

	Board Meetings	Audit Committee[2]	Remuneration Committee[2]	Total
Mikel Faulkner[1]	7	–	–	7
Stephen Voss	8	–	–	8
Alan Henderson	8	2	2	12
David Quint	8	2	2	12

1 Mr Faulkner recused himself from one meeting of the Board of Directors with the other Directors authorising his recusal pursuant to Article 123 of the Company's Articles of Association.
2 Only Non-executive Directors are entitled to attend the meetings of the Audit Committee and Remuneration Committee.

Details of the Directors' interests in the ordinary shares of the Company and options over ordinary shares are set out below:

	As at 31 December 2012		As at 1 January 2012	
	Ordinary shares	**Options**	Ordinary shares	Options
Mikel Faulkner	**350,000**	**1,890,000**	235,250	1,890,000
Stephen Voss	**333,068**	**1,200,000**	113,068	1,200,000
Alan Henderson	**14,527**	**150,000**	14,527	150,000
David Quint	**120,000**	**150,000**	94,390	150,000
Total	**817,595**	**3,390,000**	457,235	3,390,000

All the holdings are beneficially held.

During 2011, Alan Henderson exercised options in respect of 10,765 ordinary shares. The gain made by Alan Henderson was $14,412.

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law.

Directors' Report continued

Corporate social responsibility

The Group is fully committed to high standards of environmental, health and safety management (see page 17).

Charitable and political contributions

In 2012 donations were made to a non-profit organisation in Colombia: Children's Vision International, of $15,000. The Group made charitable donations in the prior year of $45,835. No political donations were made and no political expenditures were incurred during the year (2011: $nil).

Supplier payment policy

It is Group policy to settle all debts with suppliers on a timely basis and in accordance with the terms of credit agreed with each supplier.

Trade payables of the Group as at 31 December 2012 were equivalent to 60 days' purchases (2011: 63), based on the average daily amount invoiced by suppliers to the Group during the year.

Auditors

In accordance with the Companies Act 2006, a resolution for the reappointment of BDO LLP as auditors of the Group is to be proposed at the forthcoming Annual General Meeting. All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are not aware.

This report was approved by the Board of Directors and signed on its behalf by:

Mikel Faulkner
Chairman
26 March 2013

Stephen Voss
Managing Director
26 March 2013

Global Energy Development PLC
3 More London Riverside
London SE1 2AQ
UK

Corporate Social Responsibility

The Company is a petroleum production and development company with a long time principal focus in, and commitment to, Colombia, South America.

The Group has been active in Colombia for approximately 22 years, and has strived throughout this time to be recognised not only as a leading and growing company in the hydrocarbon industries of this country but also one that maintains the highest standards in all areas of its operations.

For the purposes of its operations in Colombia, the Company regularly reviews its internal policies and procedures in all areas paying special attention to Community Relations, Integrity and Business Conduct, Health and Safety, Environmental Issues, and Performance and Operational Excellence.

All of the contracts that the Company owns are covered by strict environmental permits and the Company's adherence to these should continue to reduce any adverse impact on the areas or communities surrounding the contracts held. For the past years, the Company has taken a commitment to comprehensively and proactively review its compliance with all environmental requirements and has instituted an aggressive compliance framework to remain in full compliance with the commitments recorded in the environmental licences, environmental management plans and in the environmental regulations and norms applicable to our operations in Colombia.

The Company acknowledges its responsibility as a participant of the communities in which it operates. To that end, the Company's social policies include a framework that addresses local community needs and expectations within the context of the contractual commitments of the Company and prudent business operations. The Company's commitments to the local communities are manifested, by way of example, in the following activities:

- Employment of local personnel at market rates that provides for sustainable living standards.
- Active participation in the construction and maintenance of access roads that provide multiple beneficial uses.
- Periodic seminars that provide training and education on various topics including technical labour, environmental and social issues.
- Support for local schools and medical clinics through the furnishing of supplies.
- Participation and sponsoring of reforestation programmers in areas affected by our operations.

In addition, the Company makes donations to The Children's Vision International, a non-profit, non-government foundation in Bogotá, Colombia helping needy and homeless children.

The Company carefully evaluates all future projects and contract areas, assessing their economic viability, future value for the Company and also the effect on the local communities and surrounding areas.

The Company intends to continue its commitments to be a responsible corporate citizen and, through continual review of its policies and procedures and education of employees, is confident of maintaining and growing profitable and responsible operations in the region.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and 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 Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Financial Statements

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