Global
Energy Development PLC

Profitable, producing and significant 2P reserves

Global Energy PLC Interim Report 2012

Global Energy Development PLC is a petroleum production and reserves development company focused in Colombia, South America, an area in which the management team has decades of operating experience and in which they have pursued a long-term strategy of finding and developing reserves.

Contents

Contracts

The Company's balanced portfolio of contracts comprises a base of production, developmental drilling and workover opportunities in the country of Colombia, South America.

The Company held as at September 2012 five contracts in Colombia.

Reserves

The independent petroleum engineers Ralph E. Davis Associates, Inc ("RED") reported that as at 31 December 2011: proved plus probable ("2P") reserves net to the Company totalled 118.3 million barrels of oil equivalent ("BOE"); and proved plus probable plus possible ("3P") reserves net to the Company totalled 213.9 million BOE.

AIM

The Company's shares have been traded on AIM, a market operated by the London Stock Exchange, since March 2002 (LSE-AIM: "GED").

Highlights

+18% Revenue	$810k Gain on sale after taxation
$1.2m Profit before taxation	$2.0m Net profit

- Revenue increased by 18 per cent to $20.2 million in the first half of 2012 (the "Period") (first half of 2011: $17.1 million);
- Average gross production decreased 17 per cent to 202,247 barrels of oil ("bbls") (first half of 2011: 244,040 bbls) due to temporary downtime of the Tilodirán 2 well (126 days) during the Period;
- Gain on sale of $810 thousand, net of taxes, (first half of 2011: nil) of remaining interest in Block 95 in Peru;
- Profit before taxation of $1.2 million (first half of 2011: $2.6 million);
- Net profit of $2.0 million (first half of 2011: $3.9 million net profit due to a significant non-cash tax benefit received); and
- Capital expenditures of $6.0 million predominantly related to the workover programmes of the Tilodirán 2 and Torcaz 5 wells and the conversion of the Rio Verde 2 well into a water injection well.

Chairman and Managing Director's Statement & Review of Operations

Satellite view of Eastern Colombia. Source: Google Earth

"Significant interest has been demonstrated recently by major international companies with Shell E&P – Colombia and ExxonMobil Exploration Colombia Limited announcing partnering efforts in block areas adjacent to our Bolivar Contract area."

Operations

Middle Magdalena oil reserves

Several major international companies such as Shell E&P – Colombia and ExxonMobil Exploration Colombia Limited have recently announced partnering efforts in block areas adjacent to the Company's Bolivar Contract area in the Middle Magdalena valley. The Company may also pursue partnering with highly-experienced operators in order to accelerate the development of our substantial undeveloped reserve base and increase shareholder value.

Regarding our second largest 2P reserve-based property, the Bolivar Contract area, the Company is continuing its planning with third-party service and equipment providers to hydraulically fracture the La Luna formation in the existing Olivo 2 well during late 2012 or early 2013 depending on the availability of equipment within the country.

As part of our strategy to increase production from the large reserve base in our Middle Magdalena properties, work began on the Torcaz 5 well within our Bocachico Contract area in mid-July. A progressive cavity pump was installed at a depth of approximately 7,900 feet which was below the perforations in the formation to re-establish oil (and sand) production and lift from the wellbore. During the testing phase of this pump, 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 pump. As a result, it became evident that a modified approach, combining the Cold Heavy Oil Production with Sand ("CHOPS") technology process and the partial application of conventional sanding restraints, should be utilised to moderate sand production and enhance oil production. The Company hopes to commence this process in October and planning efforts are currently underway.

Llanos Basin oil production

The overwhelming majority of the Company's current oil production comes from its contract areas located within the Llanos Basin of Colombia, South America. The Company's focus for the Llanos Basin production is to maximise production volumes, decrease operating costs and utilise cash flow from operations to develop projects within our Middle Magdalena Valley contract areas (Bocachico and Bolivar Association Contracts). Our original targets for the Period for the Llanos Basin properties were the recompletion of the Tilodirán 1 well to re-establish oil production and the conversion of the Rio Verde 2 well to a water injection well in order to significantly reduce water transportation and disposal costs within the Rio Verde Concession Contract area.

As previously announced, the original timing of these projects was delayed because, during early 2012, the Company was forced to perform workover operations to replace a failed pump within the wellbore in its Tilodirán 2 well located within the Rio Verde Concession Contract area. Shortly after this work was completed, in May 2012, the electric submersible pump ("ESP") failed again. Upon recovery of the failed pump, the well was stimulated and an ESP from a different vendor was installed at a shallower depth of 8,800 feet. This subsequent workover operation was completed in mid-June. The Tilodirán well is now online and producing stable rates of approximately 350 gross barrels of oil per day ("bopd"). Overall gross production decreased by 17 per cent from 244,040 bbls to 202,247 bbls in the Period due to the more than 120 days of downtime of the Tilodirán 2 well during the Period. Following completion of the workover, the Company's average gross daily production has been steadily averaging between 1,700 bopd and 1,800 bopd.

In July following the completion of the workover of the Tilodirán 2 well, the Company completed the conversion of the inactive Rio Verde 2 well to a water injection well. The Company successfully concluded short-term water injection tests at Rio Verde 2 and has submitted the test results to the Colombian Ministry of Mines and Energy. Final approval from the Colombian authorities to re-commence water injection at Rio Verde 2 is expected in October 2012. As the Company transports and disposes of more than 120,000 barrels of water each month from its Tilodirán field, we anticipate that this disposal well will save an average of $4.00 per barrel of water on transportation costs per month translating into significant cost savings for the Company.

Peru

In June 2012, the Company closed on the sale of its remaining 40 per cent working interest of the Peruvian Block 95 License Contract for cash consideration of $5.4 million with $2 million received at closing and the remaining $3.4 million payable upon the earlier of either approval of the assignment from Perupetro, Peru's national agency for hydrocarbons, or one year from the closing date. Based on the total proceeds from the sale, the Company was able to record a net gain after tax on this transaction of approximately $810 thousand. This sale allows the Company to remain focused on our core value assets in Colombia.

Financials

During the Period, the Company experienced increased revenues due to higher oil prices as compared to the prior year period. Average realised sales prices increased from $93.59 per barrel ("bbl")for the six months ended 30 June 2011 to an average of $101.60 per bbl in the Period, while gross oil production decreased 17 per cent from 244,040 bbls to 202,247 bbls due to the temporary downtime of the Tilodirán 2 well during the Period.

Cost of sales increased 47 per cent from $9.7 million to $14.3 million during the Period. The major contributing factor of this increase in operating expense was higher water volumes and associated disposal costs from the Tilodirán field. As a reminder, water production increased in mid-2011 along with increased oil production from the Tilodirán field. Commencing water injection into the recently converted Rio Verde 2 well will reduce future water disposal costs. The Company also derecognised the cost of the damaged ESP of $736 thousand in the Tilodirán 2 well when it was replaced during the Period.

The Company ended the Period with a cash balance of $7.8 million with increased cash flow from operations of $5.9 million compared to $4.1 million in the prior period. Capital expenditures of $6.0 million related primarily to the required workovers on the Tilodirán 2 well, the workover operations on the Torcaz 5 well and the conversion of the Rio Verde 2 well to a water injection well. We were able to repay and fully extinguish the remaining convertible notes outstanding of $9.5 million which became due and payable in 2012 with the securing of new long-term financing of $12 million. This allows the Company to focus its capital resources on improvements of its on-going oil production and the continuation of its development plans in the Magdalena Valley.

Mikel Faulkner
Chairman

Stephen Voss
Managing Director

Unaudited Financial Highlights

For the six months ended 30 June 2012

	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Twelve months ended 31 December 2011 $'000 (Audited)
Revenue	**$20,179**	$17,096	$43,070
Profit before taxation	**1,235**	2,643	5,934
Expenditures on capital assets	**6,018**	3,331	5,989
Total current assets	**24,231**	20,399	14,739
Capital and reserves	**84,631**	84,380	82,505
Basic earnings per share from continuing operations	**$0.03**	$0.11	$0.06
Diluted earnings per share from continuing operations	**$0.03**	$0.10	$0.05
Basic and diluted earnings per share from discontinued operations	**$0.02**	–	–
Weighted average ordinary shares outstanding			
Basic	**35,855,076**	35,766,774	35,752,049
Diluted	**37,272,074**	37,205,846	37,288,669

Figures in thousand except for per barrel and per share information.

Reserve Information

As of 31 December 2011[1]

	Quantity (bbls) thousands	Future net revenue $'000	NPV at 10% $'000
Proved	44,128	$4,875,767	$1,476,956
Probable	74,179	8,912,474	2,398,233
Total	118,307	$13,788,241	$3,875,189

1. The reserve information for Global Energy Development PLC has been certified by a third-party firm, Ralph E. Davis Associates, Inc. as at 31 December 2011.

Independent Review Report to Global Energy Development PLC

Introduction

We have been engaged by the Company to review the set of financial information in the half-yearly financial report for the six months ended 30 June 2012 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and related explanatory notes 1 to 13.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies whose securities are traded on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial information in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies whose securities are traded on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial information in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies whose securities are traded on AIM.

BDO LLP

BDO LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London W1U 7EU
UK

25 September 2012

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2012

	Note	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Twelve months ended 31 December 2011 $'000 (Audited)
Revenue	3	**20,179**	17,096	43,070
Cost of sales		**(14,300)**	(9,705)	(28,075)
Gross profit		**5,879**	7,391	14,995
Other income		**39**	9	12
Administrative expenses		**(3,282)**	(3,629)	(6,669)
Finance income		**15**	10	34
Finance expense		**(1,416)**	(1,138)	(2,438)
Profit before taxation		**1,235**	2,643	5,934
Tax (expense)/credit	9	**(41)**	1,232	(3,938)
Profit from continuing operations, net of tax		**1,194**	3,875	1,996
Profit from discontinued operations, net of tax	4	**810**	–	–
Total comprehensive income attributable to the equity holders of the parent		**2,004**	3,875	1,996
Earnings per share for continuing operations				
– Basic	5	**$0.03**	$0.11	$0.06
– Diluted	5	**$0.03**	$0.10	$0.05
Earnings per share for discontinued operations				
– Basic and diluted	5	**$0.02**	–	–

Figures in thousand except for per share information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Note	30 June 2012 $'000 (Unaudited)	30 June 2011 $'000 (Unaudited)	31 December 2011 $'000 (Audited)
Assets				
Non-current assets				
Intangible assets	4,6	**828**	5,746	3,427
Property, plant and equipment		**101,146**	101,780	99,845
Total non-current assets		**101,974**	107,526	103,272
Current assets				
Inventories		**1,522**	2,964	1,939
Trade and other receivables		**11,144**	8,276	5,452
Prepaids and other assets		**2,423**	1,718	1,299
Term deposits		**1,384**	1,728	1,718
Cash and cash equivalents		**7,758**	5,713	4,331
Total current assets		**24,231**	20,399	14,739
Total assets		**126,205**	127,925	118,011
Liabilities				
Non-current liabilities				
Convertible loan notes	7	**–**	(16,577)	–
Deferred tax liabilities (net)	10	**(9,936)**	(5,764)	(10,116)
Equity tax liability		**(646)**	(1,267)	(968)
Long-term provisions		**(3,710)**	(3,278)	(2,779)
Long-term loans payable	8	**(12,164)**	(5,000)	(227)
Total non-current liabilities		**(26,456)**	(31,886)	(14,090)
Current liabilities				
Convertible loan notes	7	**–**	–	(9,372)
Trade and other payables		**(8,264)**	(10,107)	(5,556)
Corporate and equity tax liability		**(1,628)**	(1,456)	(1,184)
Provision		**(82)**	(96)	(82)
Short-term loan payable and financing leases	8	**(5,144)**	–	(5,222)
Total current liabilities		**(15,118)**	(11,659)	(21,416)
Total liabilities		**(41,574)**	(43,545)	(35,506)
Net assets		**84,631**	84,380	82,505
Capital and reserves attributable to equity holders of the company				
Share capital	12	**549**	545	546
Share premium account		**27,139**	27,139	27,139
Other reserve		**–**	1,767	927
Capital reserve		**210,844**	210,844	210,844
Retained deficit		**(153,901)**	(155,915)	(156,951)
Total equity		**84,631**	84,380	82,505

The financial information on pages 6 to 16 was approved and authorised for issue by the Board of Directors on 25 September 2012 and is signed on its behalf by:

Mikel Faulkner
Chairman – 25 September 2012

Stephen Voss
Managing Director – 25 September 2012

Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2012

	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Twelve months ended 31 December 2011 $'000 (Audited)
Cash flows from operating activities			
Operating profit before interest and taxation from continuing operations	**2,636**	3,771	8,338
Operating profit before interest and taxation from discontinued operations	**1,157**		
Depreciation, depletion and amortisation	**3,182**	3,735	8,424
Gain on disposal of assets from discontinued operations	**(1,157)**	–	5
Write-off of workover costs	**736**	–	–
(Increase) in trade and other receivables	**(2,293)**	(3,698)	(930)
Decrease/(increase) in inventories	**417**	(1,414)	(389)
Increase in trade and other payables	**2,708**	1,828	437
(Decrease)/increase in long-term provisions	**(1)**	213	(482)
Share-based payments and other non-cash items	**110**	103	107
Cash generated from continuing operations	**7,495**	4,538	15,510
Taxes paid	**(1,571)**	(430)	(1,344)
Net cash flows from operating activities	**5,924**	4,108	14,166
Investing activities			
Capital expenditure			
– Expenditure on property, plant and equipment	**(4,744)**	(2,619)	(5,596)
– Expenditure on intangible assets	**(1,274)**	(712)	(393)
Disposal of property, plant and equipment	**2,000**	–	65
Interest received	**15**	8	34
Increase/(decrease) in short-term investments	**333**	(262)	(252)
Net cash flows from investing activities	**(3,670)**	(3,585)	(6,142)
Financing activities			
Proceeds from placement of note payable	**11,938**	–	–
Short-term loans (paid)/drawn during the period	**(78)**	(1,285)	(9,124)
Convertible loan notes payments	**(9,561)**	–	(95)
Interest paid	**(1,129)**	(869)	(1,818)
Proceeds from exercise of share options	**3**	–	–
Net cash flows from financing activities	**1,173**	(2,154)	(11,037)
Increase/(decrease) in cash and cash equivalents	**3,427**	(1,631)	(3,013)
Cash and cash equivalents at beginning of period	**4,331**	7,344	7,344
Cash and cash equivalents at end of period	**7,758**	5,713	4,331

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital $'000	Share premium $'000	Other reserves $'000	Capital reserve $'000	Retained deficit $'000	Total $'000
At 1 January 2011 (Audited)	**540**	**26,544**	**1,826**	**210,844**	**(159,928)**	**79,826**
Total comprehensive income	–	–	–	–	3,875	3,875
Share-based payments	–	–	–	–	103	103
Exercise of convertible notes	5	595	(59)	–	35	576
At 30 June 2011 (Unaudited)	**545**	**27,139**	**1,767**	**210,844**	**(155,915)**	**84,380**
Total comprehensive loss	–	–	–	–	(1,879)	(1,879)
Share-based payments	1	–	–	–	3	4
Redemption of convertible notes	–	–	(840)	–	840	–
At 31 December 2011 (Audited)	**546**	**27,139**	**927**	**210,844**	**(156,951)**	**82,505**
Total comprehensive income	–	–	–	–	2,004	2,004
Share-based payments	3	–	–	–	119	122
Redemption of convertible notes (Note 7)	–	–	(927)	–	927	–
At 30 June 2012 (Unaudited)	**549**	**27,139**	**–**	**210,844**	**(153,901)**	**84,631**

Unaudited Notes Forming Part of the Condensed Consolidated Interim Financial Report

For the six months ended 30 June 2012

1. Accounting Policies

Basis of Preparation

The condensed interim financial information has been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board ("IASB") as adopted for use in the EU. The condensed interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial information for the year ended 31 December 2012.

2. Financial reporting period

The condensed interim financial information for the period 1 January 2012 to 30 June 2012 is unaudited. In the opinion of the Directors the condensed interim financial information for the period presents fairly the financial position, results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied. The condensed interim financial information incorporates comparative figures for the interim period 1 January 2011 to 30 June 2011 and the audited financial year to 31 December 2011.

The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. The comparatives for the full year ended 31 December 2011 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

3. Revenue

Revenue is attributable to one continuing activity, which is oil production from Colombia Energy Development Co. ("CEDCo"), a wholly-owned subsidiary of the Group, located in Colombia, South America.

4. Discontinued operations – Peru

In June 2012, the Company closed on the sale of its remaining 40 per cent working interest of the Peruvian Block 95 License Contract ("Block 95") through its wholly-owned subsidiary to Gran Tierra Energy, Inc. ("GTE"). Block 95 was the Company's only Peruvian asset, located in the Marañon Basin in the north-east area of the country, with net 2P reserves of 8.4m barrels of oil as reported in the Company's annual report and accounts for the year to 31 December 2011. The contract is in its third exploration phase although it is currently under force majeure, pending approval of certain environmental licensing requirements. Block 95 did not generate any revenues or expenses in the year to 31 December 2011.

Under the terms of the purchase and sale agreement, the Company sold its 40 per cent working interest to GTE for cash consideration of $5.4 million with $2 million received upon closing and the remaining $3.4 million payable upon the earlier of either approval of the assignment from Perupetro, Peru's national agency of hydrocarbons, or one (1) year from the closing date. The effective date of the sale was 1 June 2012. The proceeds from the sale will be used for working capital generally. This sale included all intangible assets of the wholly-owned subsidiary. The Company recognised a net gain after taxation on the sale of these assets of approximately $810 thousand as of 30 June 2012. Following the completion of this divestiture, the Company holds no further interests in Block 95 in Peru.

4. Discontinued operations – Peru continued

The following are the totals for the major classes of assets and liabilities relating to our discontinued operations associated with Block 95:

	Six months ended 30 June 2012 $'000 (Unaudited)
Net Assets disposed of:	
Intangible assets	$4,600
Trade and other payables	(357)
	4,243
Proceeds on disposal of discontinued operations	
Cash and cash equivalents	2,000
Deferred consideration	3,400
	5,400
Profit on disposal of discontinued operations before taxation	$1,157

The gain on discontinued operations on the Statement of Comprehensive Income can be analysed as follows:

	Six months ended 30 June 2012 $'000 (Unaudited)
Gain recognised on disposal of net assets less costs to sell	$1,157
Income tax payable	(347)
Profit on disposal of discontinued operations, net of tax	810

The Statement of Cash Flows contains the following elements related to discontinued operations:

	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Twelve months ended 31 December 2011 $'000 (Audited)
Net cash flows attributable to investing activities:			
Expenditure on intangible assets	$(1,172)	$(712)	$(393)
Proceeds on sale of non-current assets	2,000	–	2,000
Net Cash flow attributable to investing activities	828	(712)	1,670

There were no cash flows from discontinued operations attributable to operating or financing activities.

Unaudited Notes Forming Part of the Condensed Consolidated Interim Financial Report continued

For the six months ended 30 June 2012

5. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding for the period.

Diluted earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The calculation, of the dilutive potential ordinary shares related to employee and Director share option plans, includes only those options with exercise prices below the average share trading price for each period.

The following reflects the profit and share data used in the basic and diluted earnings per share calculations:

	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Twelve months ended 31 December 2011 $'000 (Audited)
Profit from continuing operations after taxation	**1,194**	3,875	1,996
Profit from discontinued operations after taxation	**810**	–	–
Net profit attributable to equity holders used in dilutive calculation	**2,004**	3,875	1,996
Earnings per Share for continuing operations			
– Basic	**$0.03**	$0.11	$0.06
– Diluted	**$0.03**	$0.10	$0.05
Earnings per Share for discontinuing operations			
– Basic and Diluted	**$0.02**	$–	$–
Total Earnings per Share			
– Basic	**$0.05**	$0.11	$0.06
– Diluted	**$0.05**	$0.10	$0.05
Basic weighted average number of shares	**35,855,076**	35,766,774	35,752,049
Dilutive potential ordinary shares			
Employee and Director share option plans	**1,416,998**	1,439,072	1,536,620
Diluted weighted average number of shares	**37,272,074**	37,205,846	37,288,669

Figures in thousand except for per share information.

The calculation of the diluted EPS assumes all criteria giving rise to the dilution of the EPS are achieved and all outstanding share options with exercise prices lower than the average period share price are exercised.

6. Intangible Assets

The remaining balance in intangible assets at 30 June 2012 is primarily related to the costs of the upgrade in the Group's accounting system to SAP-ERP.

7. Convertible loan notes

On 3 February 2012, the Group irrevocably exercised its option to redeem all of the outstanding ($9,561,000) principal amount of its remaining Variable Coupon Convertible Notes Due 2012 (the "Convertible Notes") of the Company on 5 March 2012 (the "Redemption Date"). The Notes were redeemed for cash at the principal amount of the Notes together with interest accrued up to (but excluding) the Redemption Date. The Convertible Notes have been fully extinguished and are no longer outstanding.

8. Long-term and short-term loans payable

On 31 January 2012, the Group closed a Fixed Rate Note Payable with HKN, Inc. ("HKN") for the principal amount of $12 million (the "Note Payable"). The Note Payable is not convertible into shares and allowed for the full principal amount to be available to the Company from the date of closing. The Note Payable is subject to an interest charge of 10.5 per cent per annum, payable quarterly in arrears, with the principal amount being repayable in full on 30 September 2013. The Note Payable is currently unsecured, but HKN can require Global to provide adequate collateral security in the event of a material adverse effect. The Company also paid to HKN a 1.75 per cent transaction fee of approximately $210,000. The Company used these proceeds to redeem and extinguish the remaining $9.5 million principal amount (and accrued interest) of its Convertible Notes and to accelerate development activities at its existing properties within Colombia.

On 30 August 2012, the Group, as borrower, signed an amendment (the "Loan Amendment") to the Senior Secured Note Payable for $5 million entered into with HKN, as lender, on 14 September 2010. The Loan Amendment extended the maturity date of the underlying repayment obligation from September 2012 to April 2013. In exchange for this extension, the Company agreed to increase the interest rate from 10.5 per cent per annum to 12.5 per cent per annum and to pay a one-time 1 per cent transaction fee of $50,000 (see Note 13 – Subsequent events).

9. Tax credit/(expense)

The Global Energy Development PLC Group is subject to UK and Colombian taxation.

UK taxation

The Company does not expect to be liable for UK corporation tax in the foreseeable future due to Global trading losses brought forward of $28.5 million as at 31 December 2011. These trading losses are expected to increase in the future.

Colombian taxation

The Group pays taxes in Colombia through the branch office of its wholly-owned subsidiary CEDCo. The Colombian corporation tax is calculated as the higher of net income tax or presumptive income tax which are determined as follows:

- Presumptive income tax. An alternative minimum tax calculated on the prior year gross equity less liabilities at a rate of 3 per cent to determine the presumptive income. A rate of 33 per cent is applied to the presumptive income to arrive at the tax obligation; or
- Net income tax. Calculated at a rate of 33 per cent taking into account revenues minus costs, standard deductions and special deductions.

Currently, CEDCo pays its income tax based on Presumptive Income Tax.

Additionally, the Group pays an Equity Tax calculated using a taxable base of the Net Equity as at 1 January 2011 at a rate of 6 per cent. The payment of the tax is being made over four years with payments made twice per year.

Unaudited Notes Forming Part of the Condensed Consolidated Interim Financial Report continued

For the six months ended 30 June 2012

9. Tax credit/(expense) continued

The major components of income tax expense for the periods ended 30 June 2012 and 2011 as disclosed in the Consolidated Statement of Comprehensive Income are:

	30 June 2012 $'000	30 June 2011 $'000	31 December 2011 $'000
Current taxes for continuing operations:			
Current income tax charge for continuing operations	164	139	256
Current equity tax	–	859	1,549
Others withholdings	58	40	51
Total current taxes for continuing operations	222	1,038	1,856
Deferred Tax:			
Change in deferred tax related to temporary differences and other	(181)	(2,270)	2,082
Tax expense/(credit) for continuing operations	41	(1,232)	3,938
Tax expense for discontinued operations	347	–	–

10. Deferred tax liabilities (net)

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to corporation taxes levied by the same tax authority. Deferred tax assets and liabilities listed are related to corporation tax levied by the Colombian tax authority with jurisdiction over CEDCo.

Temporary differences between the tax bases and net book carrying values arise in relation to the effect of inflation adjustments, the differences in exchange rate of non-monetary assets, differences between tax and accounting depreciation, the balance of presumptive income tax excesses generated and tax losses generated in prior years.

The changes in net deferred tax liabilities are reported as follows:

Deferred tax liabilities (net)

	30 June 2012 $'000	30 June 2011 $'000	31 December 2011 $'000
Opening balance of deferred tax liabilities (net)	(10,116)	(8,034)	(8,034)
Change in deferred tax related to temporary differences and other	180	2,270	(2,082)
Ending balance of deferred tax liabilities (net)	(9,936)	(5,764)	(10,116)

	30 June 2012 $'000	30 June 2011 $'000	31 December 2011 $'000
Deferred tax assets	14,061	17,913	14,274
Deferred tax liabilities	(23,997)	(23,677)	(24,390)
Deferred tax liabilities (net)	(9,936)	(5,764)	(10,116)

10. Deferred tax liabilities (net) continued

The effect of this net deferred income tax ("DIT") movement on the condensed consolidated statement of comprehensive income was a tax benefit resulting from an overall decrease in the net deferred tax liabilities due to the following:

- DIT asset decreased due to the Colombian peso (COP) to US dollar exchange rate effect (Dec 2011: COP$1,942 per $1 and June 2012: COP$1,784 per $1) and the estimated use of tax losses carried forward into the 2011 income tax return.
- DIT liability decreased due to the peso-dollar exchange rate effect mentioned above causing on overall net decrease in deferred taxes). Even though there was an important increase to the decommissioning accrual (approx $835 thousand) in the first semester, the impact of the exchange rate did not significantly change the basis for DIT liability.

At the end of each reporting period, the temporary differences (denominated in COP) must be translated to US dollars. A further fluctuation in the exchange rate (COP vs. USD) as of 31 December 2012 could cause the calculation of the net deferred tax liabilities to change significantly. If the Colombian peso appreciates against the US dollar as of 31 December 2012 compared to 30 June 2012, the Group may be required to recognise a significant tax expense (i.e. net increase in deferred tax liability) that is not reflected as of 30 June 2012.

11. Interim dividend

No interim dividend has been declared.

12. Share capital

	Six months ended 30 June 2012 (Unaudited)		Six months ended 30 June 2011 (Unaudited)		Twelve months ended 31 December 2011 (Audited)	
	Number of shares	**$'000**	Number of shares	$'000	Number of shares	$'000
Allotted, called up and fully paid						
Ordinary shares of 1p each	**36,044,657**	**549**	35,766,774	545	35,752,049	546

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

The ordinary shares also confer the right to receive dividends if declared by the Directors and approved by the Company.

On 4 January and 14 May 2012, following notices of exercise of option in respect of 22,981 and 254,902 respectively, ordinary shares of 1p each in the Company, the Company issued a total of 277,883 ordinary shares to ex-employees of the Company.

Unaudited Notes Forming Part of the Condensed Consolidated Interim Financial Report continued

For the six months ended 30 June 2012

13. Subsequent events

On 30 August 2012, the Group agreed to an extension of the maturity date of its Senior Secured Note Payable with HKN for the principal amount of $5 million. The maturity date of the Note Payable has been extended from 14 September 2012 to 14 April 2013. In exchange for this extension, the Company agreed to increase the interest charge by 2 per cent to 12.5 per cent per annum with effect from the date the extension was granted. The Company also paid to HKN a one-time 1 per cent transaction fee of $50,000.

Under the terms of the Fixed Rate Note Payable issued on 31 January 2012 for the principal amount of $12 million, the stated interest charge of 10.5 per cent per annum, payable quarterly in arrears, is contingent upon certain results reported in this interim report. The interest rate terms of the Note Payable state that in the event of a decrease in the Company's profit from operations or cash flow from operations as of 30 June 2012 compared to the prior period, the interest rate shall immediately be adjusted from 10.5 per cent to 12.5 per cent per annum from the date of publication of this interim report and through the maturity date of the Note Payable. Based on the results of this period, the interest rate shall be increased 2 per cent to 12.5 per cent effective immediately.

Corporate Directory

Directors
Mikel Faulkner (Chairman)
Stephen Voss (Managing Director)
Alan Henderson (Non-executive Director)
David Quint (Non-executive Director)

Executive Management
Anna Williams (Finance Director)
Elmer Johnston (General Counsel and Company Secretary)
Richard Cottle (Production Operations Director)

Registered office
3 More London Riverside
London SE1 2AQ
UK

Registered in England No. 4330608

Website
www.globalenergyplc.com

Email
GED-info@globalnet.co.uk

Company Advisers

Nominated Adviser and Broker
Northland Capital Partners Limited
60 Gresham Street
London EC2V 7BB
UK

Broker
Westhouse Securities
1 Angel Court
London EC2R 7HJ
UK

Auditors
BDO LLP
55 Baker Street
London W1U 7EU
UK

Registrars
Capita Registrars
Northern House
Woodsome Park, Fenay Bridge
Huddersfield HD8 0GA
UK

Independent Petroleum Engineers
Ralph E. Davis Associates, Inc.
1717 St. James Place, Suite 460
Houston, Texas 77056
USA

Solicitors
Norton Rose LLP
3 More London Riverside
London SE1 2AQ
UK

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

Global
Energy Development PLC

United Kingdom Registered Office
Global Energy Development PLC
3 More London Riverside
London SE1 2AQ
UK

Colombia Office
Colombia Energy Development Co
Calle 113, No. 7–21
Torre A, Of 1206
Bogota
Colombia

www.globalenergyplc.com