Global
Energy Development PLC

Profitable, producing with significant oil reserves

Global Energy Development PLC
Interim Report 2014

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.

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Contracts

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

The Company held as at 15 September 2014 five contracts in Colombia.

Reserves

The independent petroleum engineers Ralph E. Davis Associates, Inc ("RED") reported that as at 31 December 2013: proved plus probable ("2P") reserves net to the Company totalled 101.1 million barrels of oil equivalent ("BOE"); and proved plus probable plus possible ("3P") reserves net to the Company totalled 233.3 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").

Unaudited Financial Highlights

For the six months ended 30 June 2014

	Six months ended 30 June 2014 $'000 (Unaudited)	Six months ended 30 June 2013 $'000 (Unaudited)	Year ended 31 December 2013 $'000 (Audited)
Revenue	**$14,865**	$19,672	$33,612
Gross profit	**5,184**	7,170	10,876
Administrative expenses[1]	**2,164**	1,964	4,872
Profit before taxation	**1,893**	4,075	3,411
Expenditures on capital assets	**3,587**	8,150	10,062
Total assets	**121,637**	127,195	123,319
Capital and reserves	**82,160**	81,701	80,890
Basic earnings per share from continuing operations	**$0.03**	$0.03	$(0.00)
Diluted earnings per share from continuing operations	**$0.03**	$0.03	$(0.00)
Weighted average ordinary shares outstanding			
Basic	**36,112,187**	36,111,964	36,112,064
Diluted	**37,116,220**	37,357,500	37,317,118

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

[1] Includes share-based and exchange rate expenses.

Reserve Information

As of 31 December 2013[1]

	Quantity (bbls) thousands	NPV at 10% $'000
Proved	46,652	$1,491,540
Probable	54,412	1,790,507
Total	**101,064**	**$3,282,047**

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 2013.

Chairman and Managing Director's Statement & Review of Operations

"The Group remains confident in its oil reserves in the Magdalena Valley and its cash flows from operations in the Llanos Basin."

Partnering Arrangements Completed

During the period, the Group took steps forward in its operations in the Middle Magdalena basin, with farm-out agreements over the Bolivar and Bocachico Contract areas, after an extensive marketing process undertaken by Jefferies International. Both agreements give the partner a 50 per cent interest in the respective areas in exchange for payment of certain work commitments and programmes as set out in the agreements, together with the cash payment of $5 million in respect of the Bolivar agreement and $1 million in respect of the Bocachico agreement.

Simiti Project, Bolivar Contract Area – Lessons Learned

During the six months ended 30 June 2014 (the "Period), the Group hydraulically fractured the Simiti formation in its existing Catalina #1 well, located in the Bolivar Contract area of the Northern Middle Magdalena Valley in Colombia, South America. Several months were required in the first half of 2014 to organize the fracturing project due to the need to ship a number of materials to Colombia from the United States, including sand proppant. During the fracture project, approximately 27,000 barrels ("bbls") of water and 181,000 pounds of sand were injected into the Simiti formation at nearly constant pressures. Flowback of the well commenced at low rates after the injection of the fracture fluids and materials due to the presence of an emulsion substantially blocking most reservoir fluids from reaching the wellbore. In July 2014, the Company installed a jet pump in hopes of breaking the emulsion and facilitating the fracture fluid recovery. Oil traces consistently appeared during lifting operations testing at 27 degrees to 32 degrees API. Surging efforts continued to recover fracture fluids but at low rates and were ineffective in breaking down the emulsion flow barrier within the wellbore. As reported earlier, the Group has temporarily shut in the well with the expectation that formation oil will naturally move back towards the wellbore and the emulsion will organically breakdown while formation and wellbore temperatures and pressures equalise. The Group continues to monitor the pressure in the well and will consider optional additional operations on the well in the near future.

The Simiti formation was able to easily absorb the injected fracture fluid and sand indicating much higher levels of natural fracture permeability than originally predicted by geological data. The Group has learned that, due to the naturally fractured Bolivar formations, high-pressure and high-volume hydraulic fracturing are unlikely to be required in the future. As previously reported, the Group is currently planning for its next project in the Bolivar Contract area using information gathered from the Simiti project.

Llanos Basin oil production – Continued Solid Cash Flow

Net cash flow from operations from the Group's Llanos Basin properties remained strong at $5.2 million during the six months ended 30 June 2014, despite a fall in oil prices and an 18 per cent decline in production volumes during the Period from 234,957 bbls of oil to 192,756 bbls of oil. The majority of this decrease was related to normal production decline, coupled with certain downtime from the Tilodiran 2 well. The Group replaced the downhole pump in the Tilodiran 2 well, and it is currently on production. The Group continued its success in reducing operating costs during the Period to $18.97 per bbl from $24.20 per bbl in the first half of 2013. The majority of the cost savings came from further reducing equipment rentals, operating personnel costs and generator costs, with the Tilodiran and Rio Verde fields now fully electrified through the Colombian national grid. The horizontal pump system in the Palo Blanco field replaced the less efficient diesel pumps, and the Group also reduced its oil transportation costs during the Period by selling higher quantities of oil at the wellhead.

Financials

During the Period, the Group recorded turnover of $14.9 million, 25 per cent lower than the first half of the prior year (2013: $19.7 million). Sales of net oil volumes decreased to 172,597 bbls compared to 215,804 bbls during the first half of 2013 and average realised sales prices decreased to $86.13 per bbl during the Period as compared to $91.16 per bbl from the same prior period last year. Based on the overall decrease in revenue, gross profit was $5.2 million, a decrease of 28 per cent over the first half of 2013 ($7.2 million).

Cost of sales decreased by 22 per cent from $12.5 million to $9.7 million during the Period due to a lesser reliance on diesel fuels and reductions in both rental equipment and operational personnel costs. The Group experienced higher depreciation expense due to an increase in the depreciation rates calculated for each operating segment or cash-generating unit (the Llanos Basin, the Bolivar Contract area and the Bocachico Contract area). Administrative costs (including share-based expense and exchange rate costs) increased slightly to $2.2 million during the Period against $2.0 million during the first half of 2013.

Profit from continuing operations before taxation decreased to $1.9 million during the Period compared to $4.1 million in the first half of 2013, mainly due to the decrease in revenues discussed above. During the Period, the Group transferred its Bolivar and Bocachico Contracts from its CEDCO Colombia branch to new wholly-owned Colombian branches resulting in an increase in its current income tax expense, due to the taxable profit generated from the transfer. However in contrast, deferred tax expense was reduced due to the revaluation of tax balances resulting from this transfer of assets and liabilities at the Colombian branch level. In addition, during the first half of 2013, a significant increase in the exchange rate of the Colombian Peso to the US dollar caused an overall increase in the Group's net deferred tax liabilities which required the Group to recognise a non-cash deferred tax expense of $2.4 million during the prior year period. Overall, the Group's net tax expense decreased to $656,000 (H1 2013: $2.9 million), resulting in the same level of net profit $1.2 million reported for the Period as in the first half of 2013.

Cash flows from operations decreased to $5.2 million compared to $6.7 million in the prior year period, and the Group ended the Period with a cash balance of $8.6 million. Capital expenditures of $3.6 million relate primarily to the completion of the Catalina 1-Simiti Test, improvements to surface facilities at the Group's Tilodiran, Torcaz and Palo Blanco fields and the pump replacement for the Tilodiran 2 well. During the Period, the Group received approximately $8.2 million from partner contributions, net of fees, for the Bolivar and Bocachico Contract area farm-out agreements and Catalina 1-Simiti Test. Debt and interest payments totalled $4.1 million reducing the outstanding debt balance by approximately 25 per cent.

Conclusion

The Group remains confident in its oil reserves in the Magdalena Valley and its cash flow from operations in the Llanos Basin. Technical lessons were learned from the results of the Catalina #1 Simiti project which should serve to benefit future projects in the Bolivar Contract area. The Group's cash position is strong while its outstanding debt balance was reduced by 25 per cent during the Period.

Mikel Faulkner
Chairman

Stephen Voss
Managing Director

Independent Review Report to Global Energy Development PLC

Introduction

We have been engaged by the Company to review the interim financial information in the half-yearly financial report for the six months ended 30 June 2014 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 10. 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 interim financial information.

This report is made solely to the Company 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. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report, is the responsibility of, and has been approved by the Directors. The Directors are responsible for the preparation and presentation of interim financial information that gives a true and fair view of the financial position of the Group as at 30 June 2014 and of the financial performance of the Group and the cash flows of the Group for six months period then ended in accordance with the applicable law and International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The Directors are also responsible for preparing and presenting the half-yearly financial report in accordance with AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The interim financial information included in this half-yearly financial report has been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union.

Our Responsibility

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

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 statements in the half yearly financial report for the six months ended 30 June 2014 is not prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted in the European Union, and the AIM Rules of the London Stock Exchange.

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

15 September 2014

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2014

	Note	**Six months ended 30 June 2014 $'000 (Unaudited)**	Six months ended 30 June 2013 $'000 (Unaudited)	Year ended 31 December 2013 $'000 (Audited)
Revenue	4	**14,865**	19,672	33,612
Cost of sales		**(9,681)**	(12,502)	(22,736)
Gross profit		**5,184**	7,170	10,876
Other income		**6**	253	145
Administrative expenses		**(2,164)**	(1,964)	(4,872)
Other expenses		**–**	–	(22)
Finance income		**15**	18	30
Finance expense		**(1,148)**	(1,402)	(2,746)
Profit before taxation		**1,893**	4,075	3,411
Tax expense	7	**(656)**	(2,866)	(3,401)
Profit from continuing operations, net of tax		**1,237**	1,209	10
Profit from discontinued operations, net of tax		**–**	–	368
Profit and total comprehensive income attributable to the equity holders of the parent		**1,237**	1,209	378
Earnings /(loss) per share for continuing operations				
– Basic	5	**$0.03**	$0.03	$(0.00)
– Diluted	5	**$0.03**	$0.03	$(0.00)
Total earning/(loss) per share				
– Basic and diluted	5	**$0.03**	$0.03	$(0.01)

Figures in thousands except for per share information.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 $'000 (Unaudited)	30 June 2013 $'000 (Unaudited)	31 December 2013 $'000 (Audited)
Assets				
Non-current assets				
Intangible assets		**491**	604	486
Property, plant and equipment		**102,255**	110,673	110,089
Trade receivables		**1,387**	1,387	1,388
Total non-current assets		**104,133**	112,664	111,963
Current assets				
Inventories		**2,444**	1,913	1,903
Trade and other receivables		**2,406**	5,259	3,445
Prepayments and other assets		**2,623**	1,335	1,697
Term deposits		**1,367**	713	896
Cash and cash equivalents		**8,664**	5,311	3,415
Total current assets		**17,504**	14,531	11,356
Total assets		**121,637**	127,195	123,319
Liabilities				
Non-current liabilities				
Deferred tax liabilities (net)	8	**(15,684)**	(15,772)	(16,291)
Equity tax liability		**(271)**	(662)	–
Long-term provisions		**(6,258)**	(5,447)	(6,304)
Long-term loans payable	6	**(626)**	(9,926)	(6,878)
Total non-current liabilities		**(22,839)**	(31,807)	(29,473)
Current liabilities				
Trade and other payables		**(5,011)**	(5,596)	(4,487)
Corporate and equity tax liability		**(2,109)**	(1,688)	(1,974)
Short-term loan payable and financing leases	6	**(9,518)**	(6,403)	(6,495)
Total current liabilities		**(16,638)**	(13,687)	(12,956)
Total liabilities		**(39,477)**	(45,494)	(42,429)
Net assets		**82,160**	81,701	80,890
Capital and reserves attributable to equity holders of the company				
Share capital	9	**608**	608	608
Share premium account		**27,139**	27,139	27,139
Capital reserve		**210,844**	210,844	210,844
Retained deficit		**(156,431)**	(156,890)	(157,701)
Total equity		**82,160**	81,701	80,890

The financial information on pages 6 to15 was approved and authorised for issue by the Board of Directors on 15 September 2014 and is signed on its behalf by:

Mikel Faulkner
Chairman – 15 September 2014

Stephen Voss
Managing Director – 15 September 2014

Unaudited Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2014

	Notes	**Six months ended 30 June 2014 $'000 (Unaudited)**	Six months ended 30 June 2013 $'000 (Unaudited)	Year ended 31 December 2013 $'000 (Audited)
Cash flows from operating activities				
Operating profit before interest and taxation from continuing operations		**3,026**	5,459	6,127
Operating profit before interest and taxation from discontinued operations		**–**	–	372
Amortisation of intangible assets		**–**	–	253
Depreciation, depletion and amortisation		**5,094**	4,121	7,107
Decrease in trade and other receivables		**1,039**	1,388	2,696
Increase in inventories		**(541)**	(159)	(149)
Decrease in trade and other payables, net		**(2,912)**	(3,007)	(4,234)
Use in decommising liability		**(22)**	–	–
Decrease in long-term provisions		**(313)**	(846)	(681)
Share-based payments and other non-cash items		**35**	9	44
Cash generated from operating activities		**5,406**	6,964	11,535
Taxes paid		**(238)**	(290)	(545)
Net cash flows from operating activities		**5,168**	6,674	10,990
Investing activities				
Capital expenditure				
– Expenditure on property, plant and equipment		**(3,587)**	(8,150)	(10,062)
– Disposal of property, plant and equipment		**–**	3,283	3,283
Interest received		**14**	18	30
Increase (decrease) in term deposits		**(471)**	895	712
Net cash flows from investing activities		**(4,044)**	(3,954)	(6,037)
Financing activities				
Farm-out partner cash calls	3	**4,600**	–	–
Bolivar contract farm-out proceeds	3	**2,883**	–	–
Bocachico contract farm-out proceeds	3	**729**	–	–
Debt principal repayments	6	**(3,000)**	(2,185)	(5,000)
Loans subscribed for during the period		**–**	–	(329)
Interest paid		**(781)**	(1,433)	(2,418)
Capital lease payments		**(306)**	–	–
Net cash flows from financing activities		**4,125**	(3,618)	(7,747)
Increase (decrease) in cash and cash equivalents		**5,249**	(898)	(2,794)
Cash and cash equivalents at beginning period		**3,415**	6,209	6,209
Cash and cash equivalents at the end of period		**8,664**	5,311	3,415

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital $'000	Share premium $'000	Capital reserve $'000	Retained deficit $'000	Total $'000
At 1 January 2013 (Audited)	**608**	**27,139**	**210,844**	**(158,123)**	**80,468**
Total comprehensive income	–	–	–	1,209	1,209
Share-based payments	–	–	–	24	24
At 30 June 2013 (Unaudited)	**608**	**27,139**	**210,844**	**(156,890)**	**81,701**
Total comprehensive loss	–	–	–	(831)	(831)
Share-based payments	–	–	–	20	20
At 31 December 2013 (Audited)	**608**	**27,139**	**210,844**	**(157,701)**	**80,890**
Total comprehensive income	–	–	–	1,237	1,237
Share-based payments	–	–	–	33	33
At 30 June 2014 (Unaudited)	**608**	**27,139**	**210,844**	**(156,431)**	**82,160**

Unaudited Notes Forming Part of the Condensed Consolidated Interim Financial Report

For the six months ended 30 June 2014

1. Accounting policies

Basis of preparation

The 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 interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial information for the year ending 31 December 2014. Of the new international accounting standards issued with effective date of 1 January 2014, none have an impact on the Group. The interim financial information has been prepared in accordance with IAS 34 – Interim Financial Reporting.

2. Financial reporting period

The interim financial information for the period 1 January 2014 to 30 June 2014 is unaudited. In the opinion of the Directors the 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 interim financial information incorporates unaudited comparative figures for the interim period 1 January 2013 to 30 June 2013 and the audited financial year to 31 December 2013.

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 2013 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. Interests in joint arrangements

In March and May 2014, the Group entered into two separate farm-out agreements with Everest Hill Energy Group Ltd ("Everest") on behalf of its affiliated company, Magdalena Energy Management Inc. ("Magdalena"), to share costs and risks associated with exploration activities in the Bolivar and Bocachico Contract Areas in Colombia. The Group has been appointed as operator under both farm-out arrangements. Everest is an affiliated company of the Quasha family trusts which also have an interest in Lyford Investments, Inc., an existing shareholder of the Group. HKN Inc, ("HKN"), the Group's principal shareholder, Lyford Investments, Inc. and its parties acting in concert with it are interested in 21,849,016 shares of the Group, representing approximately 60.50 per cent of the issued share capital of the Company. By virtue of these holdings, entry into these farm-out agreements constituted related party transactions.

The Group accounts for its farm-out arrangements as jointly controlled operations under IFRS 11 "Joint Arrangements". A jointly controlled operation involves the use of assets and other resources of the Group and other venturers rather than the establishment of a separate corporation, partnership or other entity

Bolivar farm-out arrangement

Under the Bolivar Agreement, Magdalena will acquire, subject to Ecopetrol approvals, a 50 per cent interest in the Contract Area, including any and all rights, obligations and duties in respect of the Contract Area, in exchange for payment of the work commitments stipulated in the Bolivar Agreement and cash consideration of $5.0 million, net of fees, which was paid in March 2014. Under the Bolivar Agreement, Magdalena commits to undertake the funding of a work programme with respect to the proposed operations:

1. Within one year of completion of the agreement, to re-enter two existing wells within the Contract Area; and
2. Within two years of completion, to drill and complete one new exploitation well in the Contract Area.

The work programme is governed by a joint-venture agreement between the Group and Magdalena.

3. Interests in joint arrangements continued

During the six months ended 30 June 2014, the Group recorded the cash consideration of $5.0 million, less fees, as a reduction of the carrying value of its property, plant and equipment applied as a recovery of prior costs. During the period, Magdalena funded the $4.6 million of costs towards the first obligation under the work programme for the re-entry of the Catalina #1 well into the Simiti formation, and the Group did not recognise any related increase to property, plant and equipment in its consolidated statement of financial position for these costs since these costs were fully funded by its partner. The Group will not recognise the value of future assets to be received under the remaining work programme obligations due to the uncertainty of future costs but only recognise future assets when the obligations are completed and will defer any possible future gain recognition until that point.

Bocachico farm-out arrangement

Under the Bocachico Agreement, Magdalena will acquire, subject to Ecopetrol approvals, a 50 per cent interest in the Contract Area, including any and all rights, obligations and duties in respect of the Contract Area, in exchange for payment of the work commitments stipulated in the Bocachico Agreement and cash consideration of $1.0 million, net of fees, which was paid in May 2014. Under the Bocachico Agreement, Magdalena commits to undertake the funding of a work programme with respect to the proposed operations:

1. Within one year of completion of the agreement, to re-enter two existing wells within the Contract Area; and
2. Within two years of completion, to drill and complete one new exploitation well in the Contract Area.

The work programme is governed by a joint-venture agreement between the Group and Magdalena.

During the six months ended 30 June 2014, the Group recorded the cash consideration of $1.0 million, less fees, as a reduction of the carrying value of its property, plant and equipment applied as a recovery of prior costs. During the period, no other activity under the Bocachico farm-out agreement occurred. The Group will not recognise the value of future assets to be received under the work programme obligations due to the uncertainty of future costs but only recognise future assets when the obligations are completed and will defer any possible future gain recognition until that point.

4. Revenue

Revenue is attributable to one continuing activity, which is oil liftings from the Group's wholly-owned subsidiaries of the Group, located in Colombia, South America.

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.

5. Earnings per share continued

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

	Six months ended 30 June 2014 $'000 (Unaudited)	Six months ended 30 June 2013 $'000 (Unaudited)	Year ended 31 December 2013 $'000 (Audited)
Profit from continuing operations after taxation	1,237	1,209	10
Profit from discontinued operations after taxation	–	–	368
Net profit attributable to equity holders of the parent used in dilutive calculation	1,237	1,209	378
Earnings per share for continuing operations			
– Basic	$0.03	$0.03	$(0.00)
– Diluted	$0.03	$0.03	$(0.00)
Earnings per share for discontinued operations			
– Basic and Diluted	–	–	$0.01
Total earnings per share			
– Basic	$0.03	$0.03	$0.01
– Diluted	$0.03	$0.03	$0.01
Basic weighted average number of shares	36,112,187	36,111,964	36,112,064
Dilutive potential ordinary shares			
Employee and Director share option plans	1,004,033	1,245,535	1,205,054
Diluted weighted average number of shares	37,116,220	37,357,500	37,317,118

Figures in thousands 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. Amortising Note Payable

In 2013, the Group completed the restructuring of its notes payable to HKN of $5 million and $12 million, respectively, which were both due and payable in 2013 into one new Amortising Note Payable (the "Amortising Note Payable") for the combined principal amount of $17 million. The Amortising 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 the following principal repayment amount amounts and dates:

- $500,000 – paid on 31 March 2013
- $1.5 million – paid on 30 June 2013, 30 September 2013, 31 December 2013, 31 March 2014 and 30 June 2014
- $1.5 million – due quarterly through 31 March 2015
- $4.5 million – due on 15 June 2015

The Amortising Note Payable is currently unsecured, but HKN can require the Company to provide adequate collateral security in the event of a material adverse effect. The Company also paid to HKN a 2 per cent transaction fee of approximately $340,000 during 2013. As of 30 June 2014, the outstanding principal balance of the Amortising Note Payable was $9.0 million and is reported as a short-term loan payable in the condensed consolidated statement of financial position.

6. Amortising Note Payable continued

Under the terms of the Amortising Note Payable, in the possible event of a decrease in the Company's profit from operations or cash flow from operations at each interim or annual period as compared to the prior period, the interest rate shall immediately be adjusted from 12.75 per cent per annum to 13.50 per cent per annum from the date of publication of the applicable period report and through the maturity date of the Amortising Note Payable. Based upon the 2014 interim results, the Group's interest rate on the amortising note payable will increase to 13.50 per cent.

7. Tax expense

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

UK taxation

The Group does not expect to be liable for UK corporation tax in the foreseeable future because, as of the date of the last UK tax return, the Group had trading losses carried forward of $32.5 million.

Colombian taxation

The Group pays taxes in Colombia through the branch offices of its wholly owned subsidiaries. Beginning in 2013, as determined by Colombian Tax Law 1607, the corporate income tax rate applicable to Colombian entities and branches of non-Colombian companies was reduced from 34 per cent to 25 per cent. However this rate reduction was effectively offset by a new income tax, known as "CREE tax".

During 2014, the Colombian corporation tax is calculated as CREE tax and the higher of net income tax or presumptive income tax 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 25 per cent is applied to the presumptive income to arrive at the tax obligation; or
- Net income tax. Calculated at a rate of 25 per cent taking into account revenues minus costs, standard and special deductions.
- CREE tax. Calculated at a rate of 9 per cent through 2015, and 8 per cent thereafter, as an income tax except for certain limitations on the ability to claim costs and expenses. Tax loss carryforwards are not eligible to offset the CREE taxable amount. Lastly, the CREE tax may not be less than 3 per cent of the taxpayer's net equity as of 31 December of the preceding taxable year.

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. The last installment payment of this Equity Tax will be paid in September 2014.

7. Tax expense continued

The major components of income tax expense for the periods ended 30 June 2014 and 2013 as disclosed in the condensed consolidated statement of comprehensive income are:

	Six months ended 30 June 2014 $'000 (Unaudited)	Six months ended 30 June 2013 $'000 (Unaudited)	Year ended 31 December 2013 $'000 (Audited)
Current taxes for continuing operations:			
CREE income tax[1]	**1,032**	292	125
Current income tax charge for continuing operations	**124**	132	283
Other withholdings	**107**	23	55
Total current taxes for continuing operations	**1,263**	447	463
Deferred tax:			
Change in deferred tax related to temporary differences and other	**(607)**	2,419	2,938
Tax expense for continuing operations	**656**	2,866	3,401

1 The increase in CREE income tax is due to the taxable profit generated from the transfer the Bolivar and Bocachico Contracts between branch offices of the Group's wholly-owned Colombian subsidiaries in 2014. Any transfer of assets located in Colombia (even between wholly-owned Group subsidiaries) constitutes a disposition of assets for Colombian tax purposes if such assets represent more than 20 per cent of the assets of the Group. The transfer of the Bolivar and Bocachico Contracts to newly-created wholly-owned Colombian branches during 2014 constituted more than 20 per cent of the Group's consolidated assets.

8. 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 the Group's Colombian branches.

Temporary differences between the tax basis 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:

	30 June 2014 $'000	30 June 2013 $'000	31 December 2013 $'000
Opening balance of deferred tax liabilities (net)	**(16,291)**	(13,353)	(13,353)
Change in deferred tax related to temporary differences and other	**607**	(2,419)	(2,938)
Ending balance of deferred tax liabilities (net)	**(15,684)**	(15,772)	(16,291)
Deferred tax assets	**7,524**	8,306	10,090
Deferred tax liabilities	**(23,208)**	(24,078)	(26,381)
Deferred tax liabilities (net)	**(15,684)**	(15,772)	(16,291)

8. Deferred tax liabilities (net) continued

The Group changed its depreciation method for fiscal (tax) balances in 2014 following the transfer of the Bolivar and Bocachico contracts to new wholly-owned branches in Colombia which reduced temporary differences. Temporary differences between the tax base and carrying values arise in relation to the effect of inflation adjustments, differences in exchange rate of non-monetary assets, differences between tax and accounting depreciation and the adjustment and use of tax losses.

9. Share capital

	Six months ended 30 June 2014 (Unaudited)		Six months ended 30 June 2013 (Unaudited)		Year ended 31 December 2013 (Audited)	
	Number of shares	**$'000**	Number of shares	$'000	Number of shares	$'000
Allotted, called up and fully paid						
Ordinary shares of 1p each	**36,112,187**	**608**	36,112,187	608	36,112,187	608

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.

10. Related party disclosures

HKN, Lyford and its parties in concert are major shareholders of the Group. The Group holds an Amortising Note Payable with HKN with a principal balance of $9.0 million, less capitalised arrangement fees, as at 30 June 2014. Please see note 6 for information on the Amortising Note Payable.

The Group entered into two separate farm-out agreements with Everest, an affiliate of Lyford, with respect to the Bolivar and Bocachico Association Contract areas. Please see note 3 for information on these farm-out agreements.

Notes

Notes

Corporate Directory

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

Executive Management
Anna Williams (Finance Director)
Elmer Johnston (General Counsel and Company Secretary)
Rodolfo Rivera (Exploration Vice President – CEDCO)

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