

# Identifying and exploiting potential

Global Energy Development PLC  
Interim Report 2005



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**Global Energy Development PLC** is a petroleum exploration and production company focused on Latin America, an area where the management team have decades of operating experience and have pursued a long-term strategy of finding and developing reserves.

## Company Strategy

- Continue to aggregate high potential acreage under contract and/or Technical Evaluation Agreement in Latin America – particularly in Colombia, Peru and Panama.
- Escalate cash flow from current and near-term production to allow an increasing capital expenditure budget directed at further workovers and development drilling and, increasingly, exploration activities.

# Highlights

Global Energy Development PLC (“Global” or the “Company”), the Latin America focused petroleum exploration and production company (LSE-AIM: “GED”), is pleased to announce its interim results for the six months ended 30 June 2005.

## HIGHLIGHTS

- Revenues up 64.8% at \$9,103,000 against the comparable period last year (2004: \$5,524,000)
- Gross profit up 69.4% at \$4,997,000 (2004: \$2,949,000)
- Profit before tax up 38.3% at \$3,138,000 (2004: \$2,269,000) and greater than the full year ended 31 December 2004
- Net income up 42.6% at \$2,797,000 (2004: \$1,961,000) and greater than the full year ended 31 December 2004
- Capital expenditure up 158.3% at \$6,361,000 (2004: \$2,463,000) with capital expenditure for the year ended 31 December 2005 anticipated at approximately \$16 million
- No debt as at 30 June 2005
- Escalation of production under way for the second half of 2005
- Rapid progression towards exploratory drilling on several existing contracts
- Additional acreage anticipated to be secured during the remainder of 2005 and into 2006

## OVERVIEW

Global currently holds approximately 5.1 million acres through six contracts in Colombia and Peru, an exclusive Technical Evaluation Agreement (“TEA”) in Colombia and a concluded exclusive TEA in Panama which is in the process of being converted into an exclusive contract. As at 31 December 2004, Global had independently reported proved and probable reserves totalling 16.5 million BOE.

1 September 2005

# Chairman and Managing Director's Statement

## FINANCIALS

Revenues for the six months ended 30 June 2005 were \$9,103,000, a 64.8% increase against the comparable period last year (2004: \$5,524,000). Gross profit increased by 69.4% to \$4,997,000 (2004: \$2,949,000). General and administrative costs rose to \$1,859,000 (2004: \$691,000) reflecting the increased number of employees and consultants working on a portfolio much enlarged from 2004 and actively sourcing and progressing new contracts and Technical Evaluation Agreements ("TEAs"). Notwithstanding the increase in general and administrative costs, profit before tax for the six months ended 30 June 2005 increased by 38.3% to \$3,138,000 (2004: \$2,269,000), with this being greater than the profit before tax for the full year ended 31 December 2004 of \$3,127,000. Likewise, profit after tax, up 42.6% at \$2,797,000 (2004: \$1,961,000), also exceeded the post tax profits for the full year ended 31 December 2004 of \$2,566,000. This financial performance was influenced by historically high oil prices as well as the new crude oil sales contract Global entered into with Petrobras, the state oil company of Brazil, effective 1 May 2005 offering improved financial terms for Global. As at 30 June 2005, Global had no debt.

Net production for the period was 233,119 barrels of oil (2004: 199,669 net barrels of oil) with the mostly second-half weighted 2005 workover and drilling programme expected to culminate in full year production being materially ahead of last year which totalled 365,527 net barrels of oil for the year ended 31 December 2004.

The Company has had a finding and development cost of approximately \$4.01 per proved and probable barrel in the period from April 2002, the year of the Company's flotation on the AIM Market of the London Stock Exchange ("AIM"), to 30 June 2005. During the six months ended 30 June 2005, the Company averaged a cash netback per barrel of \$27.26 (2004: \$21.78) with cash netbacks in the month of June 2005 averaging \$38.96 per barrel. These netback figures were again influenced by historically high oil prices and the new sales contract with Petrobras. Netback figures are derived after deducting all productions costs, including general and administrative costs, from net wellhead prices.

## OPERATIONS

Global remains committed to Latin America, particularly Colombia, Peru and Panama, in order to continue capitalising on the Company's extensive operating history in the region.

For the remainder of 2005, Global intends to grow production, to add to the high potential acreage already under the Company's control and progress rapidly to exploratory drilling on several of its newer acreage positions which the management of Global believe offer significant scope for substantial finds based on historic data and recently completed third-party reports.

Capital expenditure for the full year 2005 is anticipated to total approximately \$16 million and be fully funded from cash flow from the enlarged production and cash available. This marks a significant transition from the \$2.8 million spent in 2002, the year of the Company's flotation on AIM, and is almost double the 2004 capital expenditure of \$8.7 million.

Of the \$16 million 2005 capital expenditure budget, only approximately \$4 million is required under the terms of the existing contracts and agreements with the remainder at the Company's discretion and being utilised to accelerate the Company's current operations, specifically advancing the exploration operations and supporting this with the increasing production from the workover and drilling programme.

Global is actively working on obtaining several more contracts and TEAs in Colombia and Peru, all currently at various stages of progression, with hopes that one or more will be signed during the remainder of 2005 with others falling into early 2006. In addition, the exclusive contract for the Garachiné Block area in Panama is scheduled to be signed in the fourth quarter of 2005 or early 2006 with the Panamanian Government recently publicly announcing its commitment.

The first exploratory wells on the Valle Lunar TEA area in Colombia and the Block 95 contract area in Peru are currently scheduled to be drilled in the second half of 2006, reflecting the Company's efforts in accelerating its exploratory drilling programme, and any securing of additional new contracts or TEAs during the remainder of 2005 may result in more exploratory drilling around this time. However, the exact timing of drilling may be influenced by rig availability.

As previously indicated, a much larger proportion of capital expenditure will be directed towards exploration activities going forward and 2006 should reflect this with approximately 50% of expenditure planned to be directed towards exploration against the less than 10% expected in 2005. This change is reflective of the Company's enlarged exploration opportunities which have been amassed during 2004 and so far in 2005 to supplement its productive assets. The Company, along with an independent report, identified approximately \$200 million of developmental and exploratory drilling in total within the portfolio as at 31 December 2004, with this figure not taking into account the Valle Lunar TEA acreage as it was signed in 2005 nor the Garachiné Block area as it was deemed purely exploratory at that time.

The Company's other contracts, namely the three Association contracts and two exclusive Concession contracts in Colombia, offer the expected near-term continued uplift in production as well as exploratory operations. The anticipated uplift in production for 2005 is expected to be predominantly due to workovers and drilling within the Alcaravan Association contract plus the newer Rio Verde and Los Hatos Concession contracts. Within the Rio Verde contract, the Company is looking to exit 2005 with three wells producing as the exploratory well Tilodiran 2 is scheduled to be drilled later this year. The Rio Verde contract only had two weeks contribution to production from one well in 2004. The Los Hatos Concession contract is also expected to contribute to production in 2005 as the first well, the exploratory well Los Hatos 1, is currently being spudded and if successful is expected to be brought onto production in October 2005.

#### **CONCLUSION**

Global should begin 2006 with a portfolio further enlarged from the existing approximate 5.1 million acres and offering additional high potential exploration projects and drilling opportunities, all intended to be rapidly progressed against a backdrop of continued growing production. This production should provide the cash flow to direct towards a capital expenditure budget which should be a significant enlargement compared to 2005. Global owns a 100% of all its contracts in order to maintain maximum capital expenditure flexibility and to quickly capture new opportunities as they arise. In addition, Global will continue monitoring any opportunities to supplement its operations.

Global looks forward to the remainder of 2005 and beyond with confidence.

**Mike D. Faulkner**  
Executive Chairman

**Stephen C. Voss**  
Managing Director

1 September 2005

# Unaudited Financial Highlights

FOR THE SIX MONTHS ENDED 30 JUNE 2005

## UNAUDITED FINANCIAL HIGHLIGHTS<sup>(1)</sup>

	<b>Six months ending 30 June 2005 \$000</b>	Six months ending 30 June 2004 \$000	12 months ending 31 December 2004 \$000
(Figures in thousands except for per share information)			
<b>Turnover</b>	<b>9,103</b>	5,524	10,974
Earnings per share	<b>0.10</b>	0.07	0.09
Expenditures on capital assets	<b>6,361</b>	2,463	8,700
Net current assets	<b>5,967</b>	4,112	228
Capital and reserves	<b>68,365</b>	57,481	58,091
Common shares outstanding			
End of period	<b>34,965,047</b>	27,971,832	28,060,349

## RESERVE INFORMATION – UK GAAP BASIS AS OF 1 JANUARY 2005<sup>(2)</sup>

	Quantity (bbls) thousands	Future net revenue \$000	NPV at 10% \$000
Proved	4,200	120,079	79,857
Probable	12,252	328,223	201,123
Total	16,452	448,302	280,980

Note (1) Global Energy Development PLC has no debt as of the reporting dates stated above.

Note (2) The reserve information for Global Energy Development PLC has been certified by a third-party firm at 31 December 2004.

# Independent Review Report to Global Energy Development PLC

## INTRODUCTION

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 set out on pages 6 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 trading securities on the AIM Market of the London Stock Exchange ("AIM"). 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.

## 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 trading securities on AIM which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## REVIEW WORK PERFORMED

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## REVIEW CONCLUSION

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

## **BDO Stoy Hayward LLP**

London

1 September 2005

# Unaudited Summarised Profit and Loss Account

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	<b>Six months ending 30 June 2005 \$000</b>	Six months ending 30 June 2004 \$000	12 months ending 31 December 2004 \$000
<b>Turnover</b>	<b>9,103</b>	5,524	10,974
Cost of Sales	<b>(4,106)</b>	(2,575)	(5,625)
<b>Gross profit</b>	<b>4,997</b>	2,949	5,349
Administration expenses	<b>(1,859)</b>	(691)	(2,241)
Other income	<b>18</b>	22	42
<b>Operating profit</b>	<b>3,156</b>	2,280	3,150
Net interest (payable)/receivable	<b>(18)</b>	(11)	(23)
<b>Profit on ordinary activities before taxation</b>	<b>3,138</b>	2,269	3,127
Tax charge on profit for the financial period	<b>(341)</b>	(308)	(561)
<b>Profit on ordinary activities after taxation and transfer to reserves</b>	<b>2,797</b>	1,961	2,566
<b>Earnings per ordinary share</b>			
- Basic	<b>\$0.10</b>	\$0.07	\$0.09
- Diluted	<b>\$0.09</b>	\$0.06	\$0.09

# Unaudited Summarised Balance Sheet

AS AT 30 JUNE 2005

	<b>30 June 2005 \$000</b>	30 June 2004 \$000	31 December 2004 \$000
<b>Fixed assets</b>			
Intangible assets	<b>1,494</b>	1,186	1,222
Tangible assets	<b>61,433</b>	52,660	57,170
	<b>62,927</b>	53,846	58,392
<b>Current assets</b>			
Stocks	<b>448</b>	484	473
Debtors and prepayments	<b>5,447</b>	2,300	2,005
Cash at bank and in hand	<b>3,169</b>	2,598	2,857
	<b>9,064</b>	5,382	5,335
<b>Creditors: amounts falling due within one year</b>	<b>(3,097)</b>	(1,270)	(5,107)
<b>Net current assets</b>	<b>5,967</b>	4,112	228
<b>Total assets less current liabilities</b>	<b>68,894</b>	57,958	58,620
Provisions for liabilities and charges	<b>(529)</b>	(477)	(529)
	<b>68,365</b>	57,481	58,091
<b>Capital and reserves</b>			
Called up share capital	<b>532</b>	405	406
Capital reserve	<b>210,844</b>	210,844	210,844
Share premium account	<b>26,091</b>	18,736	18,740
Profit and loss account	<b>(169,102)</b>	(172,504)	(171,899)
	<b>68,365</b>	57,481	58,091

# Unaudited Reconciliation of Shareholders' Funds and Movement on Reserves

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Share capital account \$000	Share reserve account \$000	Share premium account \$000	Profit and loss account \$000	Total shareholders' equity account \$000
<b>At 1 January 2004</b>	405	210,844	18,736	(174,465)	55,520
Placement for new share capital	1	–	4	–	5
Profit for the period	–	–	–	2,566	2,566
<b>At 31 December 2004</b>	406	210,844	18,740	(171,899)	58,091
Placement for new share capital	126	–	7,351	–	7,477
Profit for the period	–	–	–	2,797	2,797
<b>At 30 June 2005</b>	<b>532</b>	<b>210,844</b>	<b>26,091</b>	<b>(169,102)</b>	<b>68,365</b>

# Unaudited Summarised Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2005

	<b>Six months ending 30 June 2005 \$000</b>	Six months ending 30 June 2004 \$000	12 months ending 31 December 2004 \$000
<b>Net cash flow from operating activities</b>	<b>(220)</b>	1,908	8,196
<b>Returns on investments and servicing of finance</b>			
Interest (paid)/received	<b>(18)</b>	7	18
<b>Taxation paid</b>	<b>(341)</b>	(32)	(65)
	<b>(579)</b>	1,883	8,149
<b>Capital expenditure and financial investment</b>			
Expenditure on tangible fixed assets	<b>(6,361)</b>	(2,463)	(8,700)
<b>Net cash flow before financing</b>	<b>(6,940)</b>	(580)	(551)
<b>Financing</b>			
Issue of share capital	<b>7,477</b>	–	5
<b>Decrease in cash</b>	<b>537</b>	(580)	(546)
Cash at beginning of period	<b>2,632</b>	3,178	3,178
<b>Cash at end of period</b>	<b>3,169</b>	2,598	2,632

# Notes to the Financial Information

FOR THE SIX MONTHS ENDED 30 JUNE 2005

## 1. ACCOUNTING POLICY

### BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention. The financial statements for the year ended 31 December 2004 and the periods ending 30 June 2005 and 2004 have been prepared in accordance with accounting standards and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development and Decommissioning Activities".

### BASIS OF CONSOLIDATION

The financial statements have been prepared using the principles of merger accounting. Under merger accounting, the results of the Group are combined from the beginning of the financial period in which the combination occurred and their assets and liabilities combined at the amounts at which they were previously recorded.

The financial information shown in this publication is unaudited and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The comparative figures for the year ended 31 December 2004 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report, which did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Turnover is attributable to one continuing activity, which is oil production from the Harken de Colombia, Ltd. branch located in Colombia, South America.
3. The calculation of earnings per ordinary share for the six months ended 30 June 2005 is based on the weighted average number of ordinary shares.
4. No interim dividend has been declared.

## 5. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	<b>Six months ending 30 June 2005 \$000</b>	Six months ending 30 June 2004 \$000	12 months ending 31 December 2004 \$000
<b>Operating profit on ordinary activities</b>	<b>3,156</b>	2,280	3,150
Depreciation, depletion and amortisation	<b>1,881</b>	1,386	3,087
Loss on sale of fixed assets	-	-	34
Increase in debtors and prepayments	<b>(3,442)</b>	(2,195)	(2,088)
Decrease/(increase) in inventory	<b>25</b>	10	(26)
(Decrease)/increase in creditors	<b>(1,840)</b>	427	4,039
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(220)</b>	1,908	8,196

## 6. ANALYSIS OF NET FUNDS

	<b>At 1 January 2005 \$000</b>	Net cash flows \$000	At 30 June 2005 \$000
Cash at bank and in hand	<b>2,857</b>	312	3,169
Bank overdrafts	<b>(225)</b>	225	-
	<b>2,632</b>	537	3,169

# Notes

# Corporate Directory

## **DIRECTORS**

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

## **SECRETARY**

Catherine Miles

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