



# Global

Energy Development PLC



**INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2010**

**SEPTEMBER 2010**

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# COMPANY OVERVIEW

## Large Reserves:

- 3<sup>rd</sup> largest 2P reserves among AIM-listed Oil & Gas companies
- 2P reserves of 147.1 million BOE\* against market cap of just c £24 million - trading at £0.16 / \$0.25 per 2P BOE
- Focused on Colombia & Peru - areas of recent corporate transactions (i.e. Emerald Energy, PanAndean)
- Average production in H1 2010 of c 1,015 bopd (net) - Company producing from a fraction of the reserve base

## Aggressive 3 Year Plan:

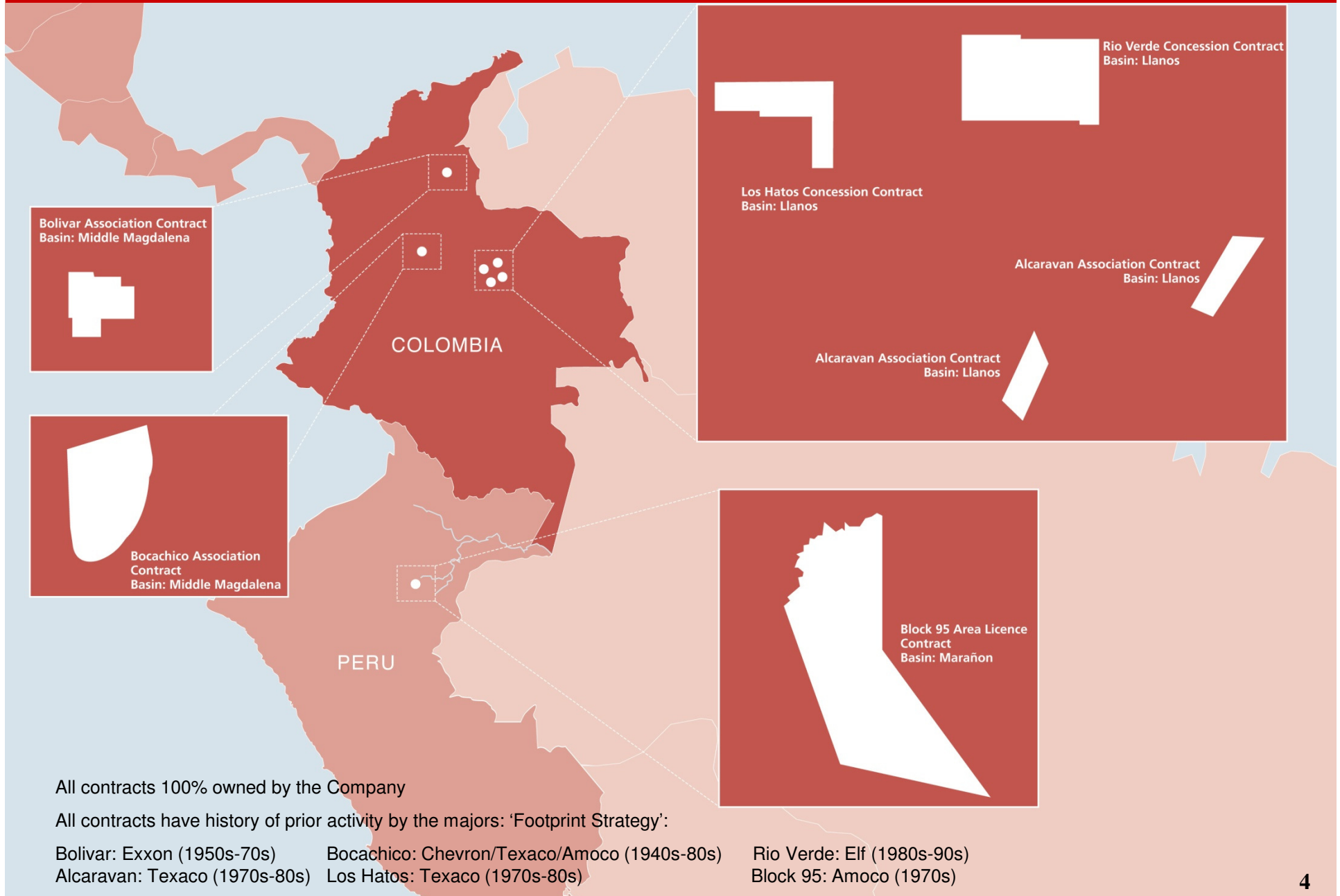
- Aggressive '3 Year Plan' announced March 2010 - aim to develop reserves and increase production
- Plan developed using independent consultants and conservative estimates
- Next well required to reach Total Depth prior to year end
- Remaining wells in Plan considered relatively low-risk as developmental in nature - all 100% owned by the Company

\* Independently audited by Ralph E. Davis Associates, Inc ('RED') as at 31 December 2009

\* 2P reserves currently estimated at 146.2 million BOE due to recent Rio Verde 2 well result

\* RED, one of the oldest reserve engineering companies, used by, among others: Sinopec, BNY Mellon, Citibank, Consol Energy

# COMPREHENSIVE PORTFOLIO OF CONTRACTS



# RESERVE RICH CONTRACTS

## Independent Reserve Report

Prepared by Ralph E. Davis Associates, Inc. as at 31 December 2009  
Millions of BOE

| Contract Name                                 | P1                   | 2P                   | P3                   | 3P                   |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Alcaravan &amp; Los Hatos</b> (Colombia)   | 1.9                  | 4.8                  | 4.7                  | 9.5                  |
| <b>Block 95</b> (Peru)                        | 11.9                 | 21.0                 | 42.9                 | 63.9                 |
| <b>Bocachico</b> (Colombia)                   | 15.3                 | 78.4                 | 62.3                 | 140.7                |
| <b>Bolivar</b> (Colombia)                     | 28.1                 | 37.3                 | 11.3                 | 48.6                 |
| <b>Rio Verde*</b> (Colombia)                  | 3.5                  | 5.4                  | 4.8                  | 10.2                 |
| <b>Total Reserves</b><br>(net to the Company) | <b>60.8</b>          | <b>147.1</b>         | <b>125.8</b>         | <b>272.9</b>         |
| <b>NPV @ 10%</b>                              | <b>\$2.0 billion</b> | <b>\$5.0 billion</b> | <b>\$4.0 billion</b> | <b>\$8.9 billion</b> |

**Note:** Utilising production history, geologic data and industry standard development practices these reserves have been audited by Ralph E. Davis Associates, Inc., based upon a WTI crude oil price of \$79.36, this being the closing price as at 31 December 2009, the date of the Reserve Report.

\* Rio Verde contract reserves now estimated lower by Company due to recent Rio Verde 2 well result: 2P: 4.5m BOE; 3P: 7.1m BOE

# INTERIM RESULTS - SIX MONTHS ENDED 30 JUNE 2010

|                                   | Year<br>2009 | H1<br>2009 | H1<br>2010 |
|-----------------------------------|--------------|------------|------------|
| Revenue                           | \$22.2m      | \$9.0m     | \$11.3m    |
| Cost of Sales                     | \$13.8m      | \$6.4m     | \$7.0m     |
| Gross Profit                      | \$8.3m       | \$2.6m     | \$4.3m     |
| Admin. Expenses                   | \$4.4m       | \$2.4m     | \$2.9m     |
| Unsuccessful<br>Exploration Costs | -            | -          | \$1.2m*    |
| Profit from Operations            | \$4.1m       | \$0.3m     | \$0.2m     |
| Profit/(Loss) Before Tax          | \$2.7m       | (\$0.4m)   | (\$0.6m)   |
| Average WTI                       | c \$61       | c \$51     | c \$78     |
| Total Assets                      | \$116.0m     | \$114.7m   | \$121.5m   |

\* Exceptional charge - relinquishment of Panamanian contract

# INTERIM RESULTS - SIX MONTHS ENDED 30 JUNE 2010

- Revenue +25% at \$11.3m - largely as a direct consequence of oil price recovery
- Production in line with expectations - moderate decline rates and no new production
- Significant increase in Colombia production - caused pipeline and port capacity issues
  - 20,000 bbls produced during period not delivered/sold prior to period end
  - Efforts underway throughout Colombia to improve capacity issues
- Gross Profit +63% at \$4.3m
- Admin Expenses higher to support Three Year Plan commenced in the period
- Charge of \$1.2m relating to relinquishment of Panamanian contract
  - Without charge, Profit from Operations would have been \$1.4m (H1 2009: \$0.3m)
- Capex of \$8.7m - predominately related to unsuccessful Rio Verde 2 well (1<sup>st</sup> well in the Three Year Plan)
- Activity in H2 2010 focused on Rio Verde contract
  - Tilodiran 4 well (2<sup>nd</sup> well in the Three Year Plan)
  - Workover on Boral 1 well
- \$3.3m line of credit and \$5.0m loan agreement signed July and September (respectively) - supplementary funds with which to continue executing Three Year Plan

**Company committed to Three Year Plan**

# 3 YEAR PLAN - OVERVIEW

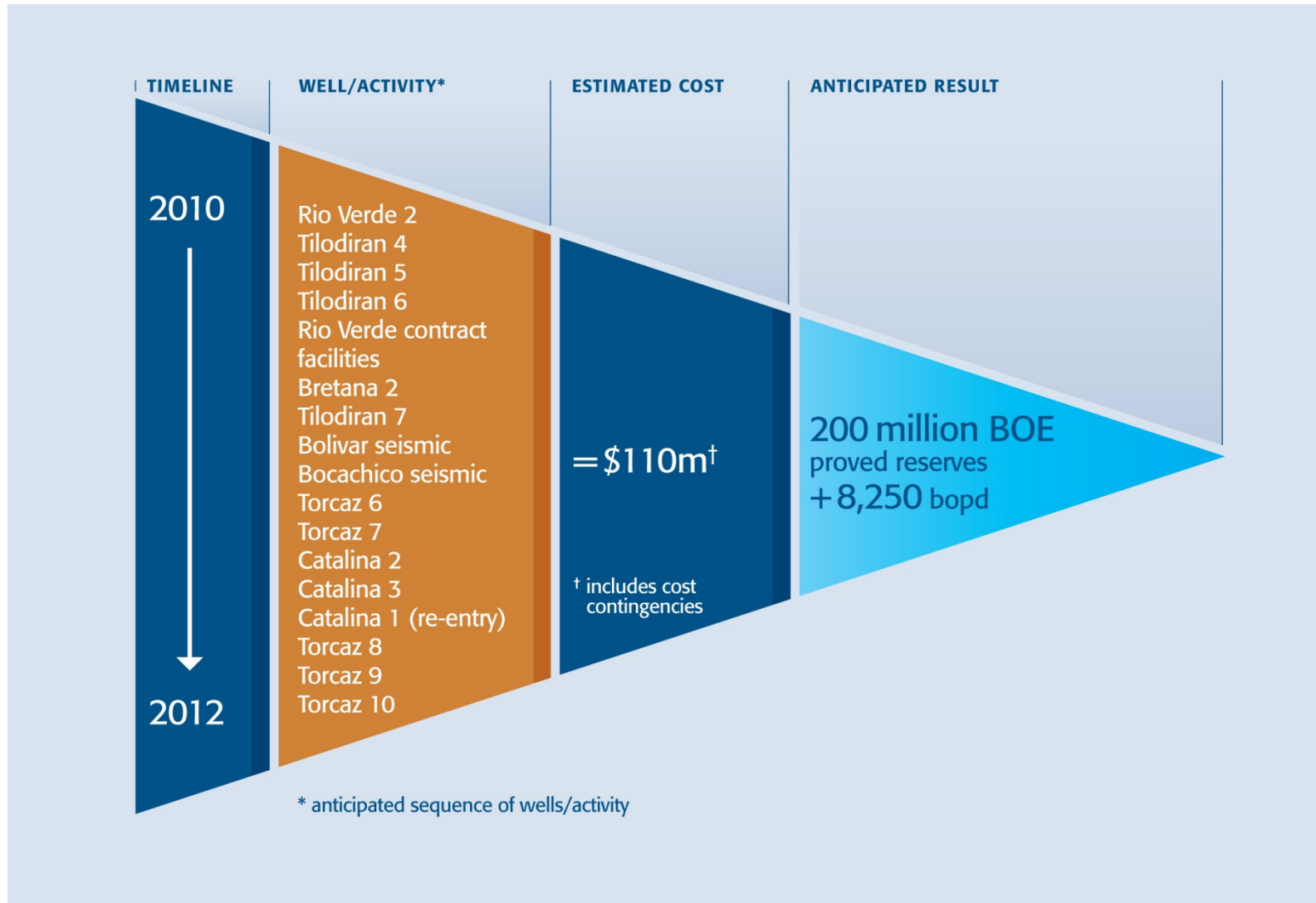
- Most aggressive Plan in the Company's history announced in March 2010
- Targeting the Company's substantial P2 + P3 reserves
- Extensive input from independent consultants
- Consultants selected drilling locations and assessed production rates and costs
- Total cost estimated at \$110 million<sup>1</sup>:
  - 13 wells drilled + 1 well re-entry + 2 3D seismic acquisition programmes + construction of facilities
- Designed to be mainly self-funding through increasing cash flow from drilling
- Transformational for the Company as projected to:
  - Increase P1 reserves by c 200 million BOE (current: 60.8 million BOE)
  - Increase production by c 8,250 bopd<sup>2</sup>

<sup>1</sup> Includes cost contingencies of 17% added by the Company - 13 wells drilled accounts for c \$90 million of \$110 million total

<sup>2</sup> Ralph E Davis' production estimates risked downwards 15% by the Company

<sup>2</sup> Total undeclined initial rate for all wells combined

# 3 YEAR PLAN - ACTIVITY



All Rio Verde and Tilodiran wells - Rio Verde Contract  
 Bretaña 2 well - Block 95 Contract  
 All Torcaz wells - Bocachico Contract  
 All Catalina wells - Bolivar Contract

# 3 YEAR PLAN - ACTIVITY BY YEAR

## 2010:

- 2 wells drilled - 1<sup>st</sup> well (Rio Verde 2) unsuccessful; 2<sup>nd</sup> well (Tilodiran 4) total depth prior to year end
- Now focused on development of relatively low-risk, producing, cash generative Tilodiran field within **Rio Verde contract, Colombia**
- Previous Tilodiran field well tests (approx): 860 bopd (Tilodiran 2) and 1,280 bopd (Tilodiran 3)

## 2011:

- 3 wells drilled
- Activity expanded to include 1<sup>st</sup> well on **Block 95 contract, Peru** in addition to Rio Verde contract drilling
- Bretaña 1-X well drilled in 1974 on Block 95 contract area - tested at 807 bopd (18 degrees API gravity)

## 2012:

- 8 wells drilled + 1 re-entry
- Final year of Plan moves to long-held **Colombian contracts, Bolivar and Bocachico** (Catalina & Torcaz fields)
- The two most reserve rich of the Company's contracts and more complex geology

**Plan designed using assumption of \$75 oil price in 2010**

# ANALYSIS OF COMPANY'S POTENTIAL

- 3<sup>rd</sup> largest 2P reserves among AIM-listed Oil & Gas companies:

| Rank            | Company            | 2P Reserves (BOE) | Market Cap (approx. at 14 Sept 10) | Daily Production (approx bopd) | Market Cap per 2P BOE | Market Cap per bopd |
|-----------------|--------------------|-------------------|------------------------------------|--------------------------------|-----------------------|---------------------|
| 1 <sup>st</sup> | Bankers Petroleum  | 213.9 million     | £1.2 billion                       | 10,300                         | £5.61                 | £116,505            |
| 2 <sup>nd</sup> | Regal Petroleum    | 151.3 million     | £98 million                        | 1,930                          | £0.65                 | £50,777             |
| 3 <sup>rd</sup> | Global Energy Dev. | 147.1 million     | £24 million                        | 1,015                          | £0.16                 | £23,645             |

- Total number of wells that could potentially be drilled in each reserve category per the 2009 Reserve Report:

| Reserve category | Wells to be drilled |
|------------------|---------------------|
| P1               | 192                 |
| P2               | 351                 |
| Total 2P         | 543                 |

← 3 Year Plan accounts for just 13 of these

- Price Sensitivity:

2P reserves NVP10 increases \$74 million for every \$1 increase in the oil price over the price used in the 2009 Reserve Report (i.e. \$79.36 as at 31 December 2009)

# SUMMARY

## **Strong Fundamentals:**

- Underlying profitable, financially stable Company
- Substantial independently audited reserves, very low market capitalisation in comparison
- Operating in increasingly sought-after countries:
  - Emerald Energy sold for c £18 per 2P BOE (H2 2009)
  - PanAndean's Colombian and Peruvian assets acquired by Petrominerales (no reserves)

## **Aggressive Plan:**

- 3 Year Plan commenced, most aggressive in Company's history
- Plan designed to be mainly self-funding through increasing cash flow from drilling

## **Activity & Newsflow:**

- Potential for acceleration of Plan with higher oil prices or higher production volumes
- 'Developmental' drilling with substantial rewards in terms of production and reserves
- Significant activity and newsflow between now and end 2012



# **APPENDICES**

# FINANCIAL RESULTS SINCE ADMISSION TO AIM

## Long-term stability with no recourse to bank debt

|                          | Year<br>2002 | Year<br>2003 | Year<br>2004 | Year<br>2005 | Year<br>2006 * | Year<br>2007 * | Year<br>2008 * | Year<br>2009 * |
|--------------------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>           | \$7.6m       | \$8.6m       | \$11.0m      | \$19.0m      | \$21.1m        | \$27.3m        | \$32.8m        | \$22.2m        |
| <b>Gross Profit</b>      | \$1.9m       | \$3.2m       | \$5.3m       | \$9.3m       | \$9.5m         | \$13.8m        | \$17.3m        | \$8.3m         |
| <b>Profit Before Tax</b> | (\$1.9m)     | \$0.8m       | \$3.1m       | \$4.8m       | \$4.7m         | \$8.9m         | \$9.9m         | \$2.7m         |
| <b>Net Income</b>        | (\$2.5m)     | \$1.0m       | \$2.6m       | \$4.1m       | \$3.5m         | \$7.0m         | \$7.3m         | \$0.7m         |
| <b>Capex</b>             | \$2.8m       | \$4.4m       | \$8.7m       | \$18.5m      | \$15.2m        | \$13.3m        | \$22.7m        | \$6.4m         |
| <b>Total Assets</b>      | \$56.1m      | \$56.8m      | \$63.7m      | \$82.5m      | \$95.2m        | \$103.9m       | \$116.6m       | \$116.0m       |

\* Financial Results reported in accordance with International Financial Reporting Standards ('IFRS')

# MANAGEMENT TEAM

## Board of Directors:

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

## Bogota Office:

Operational office - 39 office personnel and 25 field personnel

- Elmer Johnston (President of CEDCo\* & Chief Compliance Officer)
- Henry Hernandez (Vice President of Drilling, CEDCo\*)
- Hernando Gomez (Vice President of Special Projects, CEDCo\*)
- Ana Maria Revollo (General Counsel, Secretary & Compliance Director, CEDCo\*)
- Alejandro Troncoso (Vice President of Operations, CEDCo\*)
- Rocio Calderon (Vice President of Finance, CEDCo\*)

## London Office:

Corporate and Registered office

- Patrick Garo (Chief Financial Officer)
- Catherine Miles (Corporate Development & Company Secretary)

\* Colombia Energy Development Co. ("CEDCo") (formerly Harken de Colombia Ltd) - the Company's wholly-owned Colombian subsidiary

# CORPORATE & LEGAL STRUCTURE

**Shares in issue: 35,439,009** (as at 1 September 2010)

- 5,118,530 Director and Employee Options outstanding (ranging from 50.0p to 265.1p)
- Notes convertible into 4,565,027 shares\*

**Shares in issue on fully diluted basis: 45,122,566**

## **Advisers:**

- NOMAD and Broker - Matrix Corporate Capital LLP
- Auditors - BDO LLP
- Solicitors - Norton Rose LLP
- Independent petroleum engineers - Ralph E. Davis Associates, Inc.

\*

November 2005: US\$5,798,000 worth of convertible notes outstanding - fixed exchange rate of \$1.78, 305.8p conversion price = 1,065,174 shares

December 2006: US\$11,903,000 worth of convertible notes outstanding - fixed exchange rate of \$1.90, 179p conversion price = 3,499,853 shares



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