



**Global**  
Energy Development PLC

Reconciliation Between IFRS and UK GAAP

Addendum to the Interim Results for 30 June 2007

# RECONCILIATION BETWEEN IFRS AND UK GAAP

For all periods up to and including the year ended 31 December 2006, Global Energy Development prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). From 1 January, 2007 Global is required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Financial information for the interim results of 2007 has been prepared on the basis of IFRS. In accordance with the standards, and to enable readers to better compare and interpret Global's financial results, adoption of IFRS was applied retrospectively to a transition date of 1 January 2006.

The intent of this document is to provide a comparative reconciliation between financial statements issued under UK GAAP for 2006, and the restatement of those financial statements prepared under the accounting principles defined by IFRS for the same period. These interim financial statements do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2006 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 statements under the Companies Act 1985, s237(2) or (3). The comparative figures for the financial year ended 31 December 2006 have been abridged from the Group's statutory accounts for that financial year, translated from United Kingdom Generally Accepted Accounting Principles (UK GAAP) to IFRS. The UK GAAP version of those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies.

The following reconciliations provide a description and quantification of the effects of transition to International Financial Reporting Standards on:

- Balance Sheet at 1 January 2006
  
- Income Statement for period ending 30 June 2006
- Balance Sheet at 30 June 2006
- Statement of Cash Flows for period ending 30 June 2006
  
- Income Statement for period ending 31 December 2006
- Balance Sheet at 31 December 2006
- Statement of Cash Flows for period ending 31 December 2006

The impact of IFRS adoption on the consolidated results and financial position of Global Energy Development, PLC is addressed for all the referenced Balance Sheets, Income Statements and Statements of Cash Flows. Notes have been prepared to explain the key changes from UK GAAP to IFRS.

## RECONCILIATION BETWEEN IFRS AND UK GAAP

<b>Balance Sheet</b>		(a)	(b)	(c)	(d)	(e)	
As at 1 January 2006		IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	
	UK GAAP			Transfer to			
	Numbers in	Well	Pre-licence	Intangible	Other	Transfer to	(Restated)
	IFRS format	Workovers	Costs	Assets	Misc.	Inventory	1 January 2006
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
<b>Non-current assets</b>							
Intangible assets	2,049	-	-	7,470	-	-	9,519
Property, plant and equipment	69,873	(444)	(25)	(7,470)	(11)	(202)	61,721
	<b>71,922</b>	<b>(444)</b>	<b>(25)</b>	<b>-</b>	<b>(11)</b>	<b>(202)</b>	<b>71,240</b>
<b>Current assets</b>							
Inventories	451	-	-	-	-	202	653
Trade and other receivables	5,697	-	-	-	-	-	5,697
Short term investments	548	-	-	-	-	-	548
Cash & cash equivalents	7,664	-	-	-	-	-	7,664
	<b>14,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202</b>	<b>14,562</b>
<b>Total assets</b>	<b>86,282</b>	<b>(444)</b>	<b>(25)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>85,802</b>
<b>Current liabilities</b>							
Trade and other payables	(3,772)	-	-	-	-	-	(3,772)
	<b>(3,772)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,772)</b>
<b>Non-current liabilities</b>							
Convertible loan notes	(10,482)	-	-	-	-	-	(10,482)
Long term provisions	(575)	-	-	-	-	-	(575)
	<b>(11,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,057)</b>
<b>Total liabilities</b>	<b>(14,829)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,829)</b>
<b>Net assets</b>	<b>71,453</b>	<b>(444)</b>	<b>(25)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>70,973</b>
<b>Capital &amp; reserves</b>							
Called up share capital	537	-	-	-	-	-	537
Share premium account	26,288	-	-	-	-	-	26,288
Other reserve	1,314	-	-	-	-	-	1,314
Capital reserve	210,844	-	-	-	-	-	210,844
Retained losses	(167,530)	(444)	(25)	-	(11)	-	(168,010)
	<b>71,453</b>	<b>(444)</b>	<b>(25)</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>70,973</b>

## RECONCILIATION BETWEEN IFRS AND UK GAAP

<b>Income Statement</b>		(a)	(b)	(d)	(f)	(g)	
For the period ended 30 June 2006		IAS 16	IAS 16	IAS 16	IAS 16	IAS 19	(Restated)
	UK GAAP	Well	Pre-licence	Other	DDA	Employee	30 June
	Numbers in	Workovers	Costs	Misc.	Impacts	Benefits	2006
	IFRS format	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Turnover	9,006	-	-	-	-	-	9,006
Cost of sales	(4,339)	(206)	(575)	(4)	(279)	-	(5,403)
<b>Gross Profit</b>	<b>4,667</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(279)</b>	<b>-</b>	<b>3,603</b>
Other income	247	-	-	-	-	-	247
General and Administrative costs	(2,658)	-	-	-	-	(20)	(2,678)
Finance income	-	-	-	-	-	-	-
Finance expense	(108)	-	-	-	-	-	(108)
<b>Profit before taxation</b>	<b>2,148</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(279)</b>	<b>(20)</b>	<b>1,064</b>
Income tax expense	(483)	-	-	-	-	-	(483)
<b>Profit after taxation</b>	<b>1,665</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(279)</b>	<b>(20)</b>	<b>581</b>

## RECONCILIATION BETWEEN IFRS AND UK GAAP

<b>Balance Sheet</b>		(a)	(b)	(c)	(d)	(e)	(f)	(g)	
As at 30 June 2006		IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	IAS 19	(Restated)
	UK GAAP			Transfer to	Other	Transfer to	DDA	Employee	30 June
	Numbers in	Well	Pre-licence	Intangible	Misc.	Inventory	Impacts	Benefits	2006
	IFRS format	Workovers	Costs	Assets					2006
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
<b>Non-current assets</b>									
Intangible assets	2,414	7,470	-	-	(83)	-	-	-	9,801
Property, plant and equipment	78,105	(8,151)	(206)	(575)	83	(4)	(42)	(279)	68,931
	<b>80,519</b>	<b>(681)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>(42)</b>	<b>(279)</b>	<b>-</b>
<b>Current assets</b>									
Inventories	462	202	-	-	-	-	42	-	706
Trade and other receivables	3,538	-	-	-	-	-	-	-	3,538
Short term investments	868	-	-	-	-	-	-	-	868
Cash & cash equivalents	2,180	-	-	-	-	-	-	-	2,180
	<b>7,048</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>7,292</b>
<b>Total assets</b>	<b>87,567</b>	<b>(479)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(279)</b>	<b>-</b>
<b>Current liabilities</b>									
Trade and other payables	(3,368)	-	-	-	-	-	-	(20)	(3,388)
	<b>(3,368)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>(3,388)</b>
<b>Non-current liabilities</b>									
Convertible loan notes	(10,482)	-	-	-	-	-	-	-	(10,482)
Long term provisions	(600)	-	-	-	-	-	-	-	(600)
	<b>(11,082)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,082)</b>
<b>Total liabilities</b>	<b>(14,450)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>(14,470)</b>
<b>Net assets</b>	<b>73,117</b>	<b>(479)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(279)</b>	<b>(20)</b>
<b>Equity</b>									
Called up share capital	538	-	-	-	-	-	-	-	538
Share premium account	26,287	-	-	-	-	-	-	-	26,287
Other reserve	1,314	-	-	-	-	-	-	-	1,314
Capital reserve	210,844	-	-	-	-	-	-	-	210,844
Retained losses	(165,866)	(479)	(206)	(575)	-	(4)	(279)	(20)	(167,429)
<b>Total equity</b>	<b>73,117</b>	<b>(479)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(279)</b>	<b>(20)</b>

## RECONCILIATION BETWEEN IFRS AND UK GAAP

**Cash Flow Statement**

For the period ended 30 June 2006

	(a)	(b)	(d)	(e)	(f)	(g)		
	IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	IAS 19	(Restated)	
UK GAAP								
Numbers in	Well	Pre-licence	Other	Transfer to	DDA	Employee	30 June	
IFRS format	Workovers	Costs	Misc.	Inventory	Impacts	Benefits	2006	
US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	
<b>Operating Activities</b>								
Profit before Taxation	2,148	(206)	(575)	(4)	-	(279)	(20)	1,064
Depreciation, depletion and amortisation	1,668	-	-	-	-	279	-	1,947
Increase in trade and other receivables	2,159	-	-	-	-	-	-	2,159
Increase/(decrease) in trade and other payables	(404)	-	-	-	-	-	20	(384)
Increase in inventories	(11)	-	-	-	(42)	-	-	(53)
Other non-cash items	(88)	-	-	-	-	-	-	(88)
<b>Cash generated from operations</b>	<b>5,472</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(42)</b>	<b>-</b>	<b>-</b>	<b>4,645</b>
Finance expense	108	-	-	-	-	-	-	108
Income taxes paid	(483)	-	-	-	-	-	-	(483)
<b>Net Cash provided by operating activities</b>	<b>5,097</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(42)</b>	<b>-</b>	<b>-</b>	<b>4,270</b>
<b>Investing activity</b>								
Capital expenditure and financial investment								
- Expenditure on tangible fixed assets	(10,261)	-	-	-	42	-	-	(10,219)
Disposal of fixed assets	-	206	575	4	-	-	-	785
Increase in short-term deposits	(320)	-	-	-	-	-	-	(320)
<b>Net cash used in investing activities</b>	<b>(10,581)</b>	<b>206</b>	<b>575</b>	<b>4</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>(9,754)</b>
<b>Financing activities</b>								
Issue of share capital	-	-	-	-	-	-	-	-
Convertible loan notes issued	-	-	-	-	-	-	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Decrease in cash and cash equivalents</b>	<b>(5,484)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,484)</b>
<b>Cash at beginning of year</b>	<b>7,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,664</b>
<b>Cash at end of year</b>	<b>2,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,180</b>

## RECONCILIATION BETWEEN IFRS AND UK GAAP

<b>Income Statement</b>		(a)	(b)	(d)	(f)	(h)	
For the period ended 31 December 2006		IAS 16	IAS 16	IAS 16	IAS 16	IAS 17	(Restated)
	UK GAAP Numbers in IFRS format US\$ 000's	Well Workovers US\$ 000's	Pre-licence Costs US\$ 000's	Other Misc. US\$ 000's	DDA Impacts US\$ 000's	Leases US\$ 000's	31 December 2006 US\$ 000's
Turnover	21,053	-	-	-	-	-	21,053
Cost of sales	(9,545)	(206)	(575)	(4)	(367)	-	(10,697)
<b>Gross Profit</b>	<b>11,508</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(367)</b>	<b>-</b>	<b>10,356</b>
Other income	200	-	-	-	-	-	200
General and Administrative costs	(6,081)	-	-	-	-	(50)	(6,131)
Finance income	152	-	-	-	-	-	152
Finance expense	(610)	-	-	-	-	-	(610)
<b>Profit before taxation</b>	<b>5,169</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(367)</b>	<b>(50)</b>	<b>3,967</b>
Income tax expense	(984)	-	-	-	-	-	(984)
<b>Profit after taxation</b>	<b>4,185</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(367)</b>	<b>(50)</b>	<b>2,983</b>

## RECONCILIATION BETWEEN IFRS AND UK GAAP

<b>Balance Sheet</b>		(a)	(b)	(c)	(d)	(e)	(f)	(h)	
As at 31 December 2006		IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	IAS 17	
	UK GAAP			Transfer to					(Restated)
	Numbers in	Well	Pre-licence	Intangible	Other	Transfer to	DDA	Leases	31 December
	IFRS format	Workovers	Costs	Assets	Misc.	Inventory	Impacts		2006
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
<b>Non-current assets</b>									
Intangible assets	3,514	7,470	-	-	(83)	-	-	-	10,901
Property, plant and equipment	79,596	(8,151)	(206)	(575)	83	(4)	(42)	(367)	70,334
	<b>83,110</b>	<b>(681)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>(42)</b>	<b>(367)</b>	<b>81,235</b>
<b>Current assets</b>									
Inventories	752	202	-	-	-	-	42	-	996
Trade and other receivables	4,681	-	-	-	-	-	-	-	4,681
Short term investments	893	-	-	-	-	-	-	-	893
Cash & cash equivalents	6,955	-	-	-	-	-	-	-	6,955
	<b>13,281</b>	<b>202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>13,525</b>
<b>Total assets</b>	<b>96,391</b>	<b>(479)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(367)</b>	<b>94,760</b>
<b>Current liabilities</b>									
Trade and other payables	(3,728)	-	-	-	-	-	-	-	(3,728)
	<b>(3,728)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,728)</b>
<b>Non-current liabilities</b>									
Convertible loan notes	(15,425)	-	-	-	-	-	-	-	(15,425)
Long term provisions	(625)	-	-	-	-	-	-	-	(625)
Trade and other payables		-	-	-	-	-	-	(50)	(50)
	<b>(16,050)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>(16,100)</b>
<b>Total liabilities</b>	<b>(19,778)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>(19,828)</b>
<b>Net assets</b>	<b>76,613</b>	<b>(479)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(367)</b>	<b>74,932</b>
<b>Equity</b>									
Called up share capital	539	-	-	-	-	-	-	-	539
Share premium account	26,439	-	-	-	-	-	-	-	26,439
Other reserve	1,826	-	-	-	-	-	-	-	1,826
Capital reserve	210,844	-	-	-	-	-	-	-	210,844
Retained losses	(163,035)	(479)	(206)	(575)	-	(4)	(367)	(50)	(164,716)
<b>Total equity</b>	<b>76,613</b>	<b>(479)</b>	<b>(206)</b>	<b>(575)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(367)</b>	<b>74,932</b>

## RECONCILIATION BETWEEN IFRS AND UK GAAP

**Cash Flow Statement**

For the period ended 31 December 2006

	(a)	(b)	(d)	(e)	(f)	(h)	
	IAS 16	IAS 16	IAS 16	IAS 16	IAS 16	IAS 17	(Restated)
UK GAAP							31 December
Numbers in	Well	Pre-licence	Other	Transfer to	DDA	Leases	2006
IFRS format	Workovers	Costs	Misc.	Inventory	Impacts		2006
US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
<b>Operating Activities</b>							
Profit before Taxation	5,169	(206)	(575)	(4)	-	(367)	3,967
Depreciation, depletion and amortization	3,975	-	-	-	-	367	4,342
Decrease in trade and other receivables	1,016	-	-	-	-	-	1,016
Increase/(decrease) in trade and other payables	(44)	-	-	-	-	50	6
Increase in inventories	(301)	-	-	-	(42)	-	(343)
Finance income	(152)	-	-	-	-	-	(152)
Accretion expense on convertible notes	180	-	-	-	-	-	180
Other non-cash items	(2)	-	-	-	-	-	(2)
Stock options expense	312	-	-	-	-	-	312
<b>Cash generated from operations</b>	<b>10,153</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(42)</b>	<b>-</b>	<b>9,326</b>
Finance expense	430	-	-	-	-	-	430
Income taxes paid	(984)	-	-	-	-	-	(984)
<b>Net cash provided by operating activities</b>	<b>9,599</b>	<b>(206)</b>	<b>(575)</b>	<b>(4)</b>	<b>(42)</b>	<b>-</b>	<b>8,772</b>
<b>Investing activity</b>							
Capital expenditure and financial investment							
- Expenditure on tangible fixed assets	(13,700)	-	-	-	42	-	(13,658)
- Expenditure on intangible fixed assets	(1,464)	-	-	-	-	-	(1,464)
Disposal of fixed assets	-	206	575	4	-	-	785
Increase in short-term deposits	(345)	-	-	-	-	-	(345)
<b>Net cash used in investing activities</b>	<b>(15,509)</b>	<b>206</b>	<b>575</b>	<b>4</b>	<b>42</b>	<b>-</b>	<b>(14,682)</b>
<b>Financing activities</b>							
Issue of share capital	-	-	-	-	-	-	-
Convertible loan notes issued	5,201	-	-	-	-	-	5,201
<b>Net cash used in financing activities</b>	<b>5,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,201</b>
<b>Decrease in cash and cash equivalents</b>	<b>(709)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(709)</b>
<b>Cash at beginning of year</b>	<b>7,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,664</b>
<b>Cash at end of year</b>	<b>6,955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,955</b>

# RECONCILIATION BETWEEN IFRS AND UK GAAP

## Notes to Reconciliation Statements:

- (a) Well Workovers: The Group has adopted an accounting policy for the full cost pool which identifies that from time to time some assets included in Property, Plant and Equipment may require periodic repair or replacement. Workovers which are maintenance in nature are expensed as incurred, however, in cases which meet specified criteria for capitalization, the cost of those workovers is capitalized. However under IAS 16, when the capital workover involves replacing parts or equipment that have been previously capitalized, the cost of the new parts or equipment is capitalized, and the carrying value of the items replaced is charged to operating expense as a cost of sales in the income statement.

Based on this policy, the Group has written-off the carrying value of certain parts replaced on Property, Plant and Equipment assets.

- (b) Pre-License Costs: IFRS 6 “Exploration for and Evaluation of Mineral Resources” requires that all pre-licence costs be charged to the income statement in the year that they are incurred. On transition to IFRS all such costs existing at 1 January 2006 were derecognized and transferred to retained earnings. All pre-licence costs incurred since the transition date have been written-off as expense to Costs of Sales in the income statement.
- (c) Transfer from Exploration and Evaluation to Production and Development: Per policies established by the Group under the guidelines of IFRS 6 and IAS 16 “Property, Plant and Equipment”, assets are initially classified as exploration and evaluation in nature. At the time the assets are to be reclassified to the production and development asset pool, the assets are first evaluated for impairment. If the assets are deemed commercially viable, the assets are then transferred to the full cost pool and included in the depreciable asset base. If an impairment were indicated, the assets would be written-down to the asset's recoverable value and charged as expense to the income statement. After evaluation of all assets at the date of transition and each subsequent reporting period, no impairment requirement was identified.

Furthermore, previous accounting policy under Full Cost Pool guidelines of UK GAAP, the Group's oil and gas assets were held in a geographic cost pool, which was Latin America. Consequently, all expenditures related to oil and gas exploration, evaluation, and development were capitalized immediately and included in the depreciable base of that single cost pool. However, under IFRS 6, the Group implemented a concept of Cash Generating Units (CGU) and defined individual CGU's by grouping assets which were largely independent in operations, expense and revenue generation processes from other assets. Expenditures related to exploration and evaluation activities under qualifying licenses or contracts in individual CGU's are capitalized but are not depreciated until the asset group is transferred to the production and development phase, at which time the assets are depreciated in accordance with IAS 16. As a consequence, exploration and evaluation expenditures previously treated as part of the single Full Cost Pool were reclassified from tangible assets to intangible assets as of the transition date and in subsequent periods.

- (d) Other Miscellaneous – In accordance with IAS 16, the Group has evaluated asset balances as of the date of transition and identified certain capitalized expenditures which have no current or future anticipated economic benefits, and thus were written-off to the income statement.
- (e) Transfer to Inventory – Per IFRS guidelines regarding the capitalization of costs, the Group has re-evaluated certain assets previously included in the full cost pool and transferred some parts and equipment previously included in tangible assets into inventory.
- (f) DDA Impacts – Due to the disclosed adjustments to the depreciable asset base, depreciation, depletion and amortization expense was recalculated in each corresponding period resulting in recognition of additional expense.
- (g) Employee Benefits – Due to new IFRS guidelines set out in IAS 19 “Employee Benefits” the Group has recorded an employee benefit liability for the periods reported. This liability reflects an accrual for Paid Time Off (PTO) comprised by vacation, personal and sick leave allowances earned by employees. Under existing personnel policies, PTO is earned based on length of service and must be used within the calendar year, therefore it does not accumulate or carry over to subsequent years. As a consequence, at the close of any reporting year, the remaining accrual balance is zero.
- (h) Leases – The Group reviewed and evaluated all Leases in relation to IAS 17 “Leases” and one lease was identified affected by the change to IFRS reporting guidelines. The corporate headquarters office lease in Houston, Texas has a term of seven years with escalating rent payments which included a two-month grace period. Under IAS 17, the terms and conditions of this lease required recalculation of lease expense over the life of the contract including the grace period on a straight-line basis. The difference between the actual rent payments and the expense recorded on a straight-line basis resulted in the disclosed adjustments to the balance sheet and income statements attached.
- (i) Deferred Tax and Financial Instruments - The Group have determined that there is nothing to recognise in terms of deferred tax for the period and that there are no financial instruments which require adjustments. As permitted by IFRS 1, business combinations prior to the date of transition have not been restated.