

A landscape photograph showing a dirt road curving along a body of water, with tall green grass on the left and forested hills in the background under a blue sky with white clouds.

**2015  
BUSINESS REPORT**



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## A Message From Our CEO

To our Stakeholders,

I am proud of the perseverance that the Omega Energy Group has shown over the past year. In 2015 we intended to pursue production but due to economics and conventional play in the Texas Basins our progress was halted. We had to establish projects to develop oil and gas in non-conventional plays. Similar to 2014, we have been confronted with the challenge to continue to evolve despite stringent market conditions. Confronting adversity has served to strengthen our team and gain experience by improving efficiency that will benefit us in the long term.

At present, the cost to develop reserves neared \$50 per barrel. When the price per barrel went below the benchmark set we had to halt the project. That does not mean that we have let it go, but we are waiting for the price to rise back up to re-initiate the project. Currently we are re-orienting our focus to investing in conventional plays not only in Texas but also in Louisiana and Canada on behalf of the focus of Omega Energy USA. The prospects of advancing our North American operation look bright.

In our continuous pursuit of high potential wells and light oil we have successfully implemented a cost reduction strategy to achieve our goals. Our cost per barrel in 2014 was \$40, and our cost to produce the same amount in 2015 is now \$18. We have managed to cut costs by over 50%. We concentrated our efforts in reducing our operational costs as a viable means to solidify our operation.

Just as important as it was to improve our operational efficiency, we completed the construction of the gas pipeline of the Corrales field in Colombia. This has been an important step for our sustainability by selling this commodity resulting in an income improvement. In addition, we have stopped burning the gas and we have started to generate cash-flow incomes due in large part to the contract signed with Gas Natural Fenosa.

Our application to the program to reduce Greenhouse Gas emissions has been approved. We are now receiving bonds in form of Carbon Credits for this vital component in environmental protection. Our status was approved worldwide so that Omega Energy can receive credits internationally. This aligns to my vision which has always been to make Omega Energy into a strong international company expanding into biofuel production and alternative energy projects. This was a 3 year process that has been realized as we continue move forward as a leader in environmental responsibility.

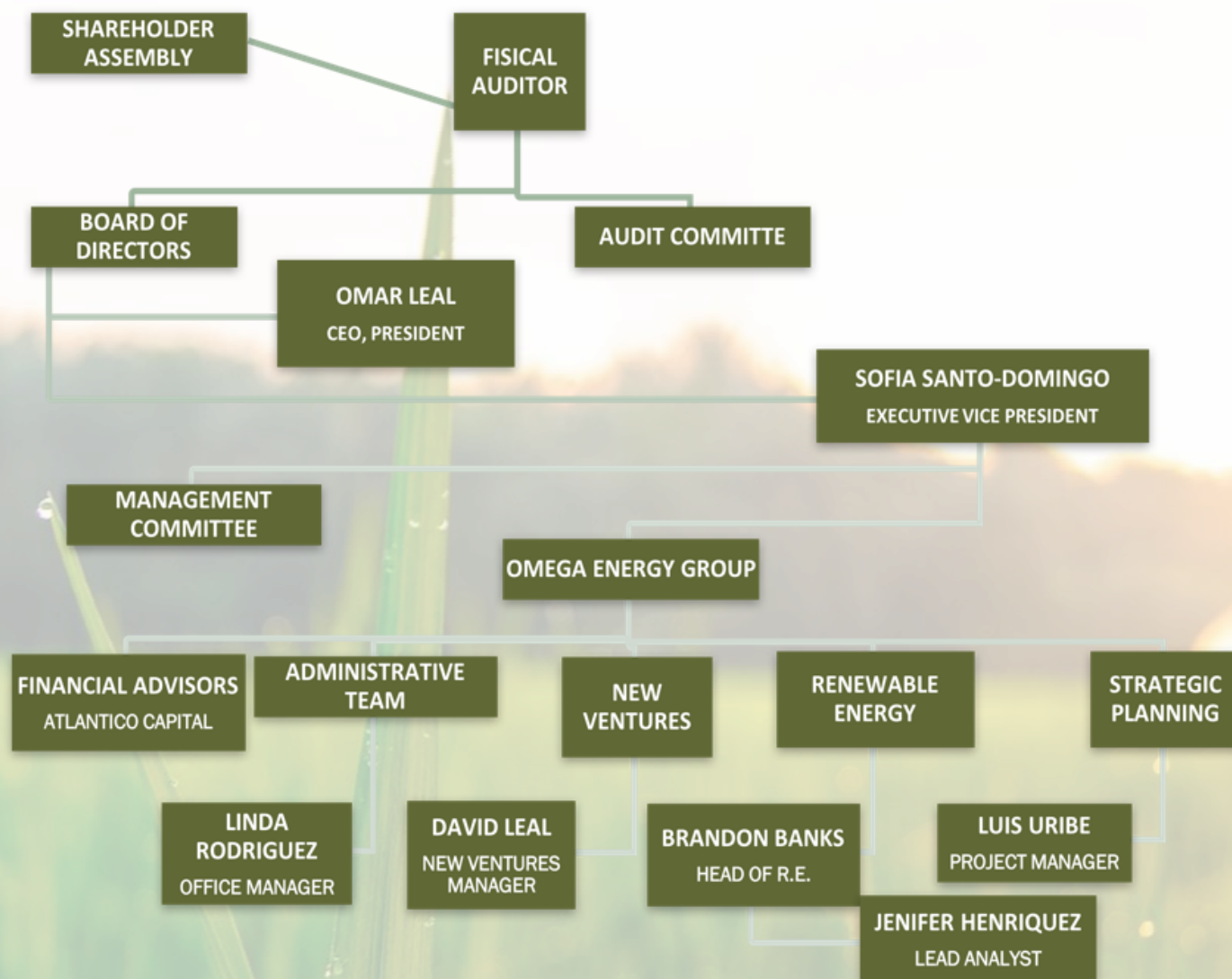
Our goal is to be the first energy company to produce an advanced second generation bio-fuel from a domestic feedstock. There are multiple opportunities including the primary goal of producing a finished motor-fuel for distribution within the USA.



The demand for a renewable sustainable clean bio-fuel is at the forefront of American policy. Legislation is in place to support the execution of our sugarcane ethanol plant to be built in Louisiana. I am confident that we will continue to positively impact the American economy and continue our expansion to become one of the strongest environmentally responsible energy companies in the world.

  
 Omar Leal  
 Chairman, President, and Chief Executive Officer

## OMEGA Energy USA - Organizational Chart





## OMEGA Energy USA

### Main Activities.

Omega Energy USA, LLC focuses its main activities on the development of Oil and Gas exploration and production projects. The Omega Energy USA team focuses on the negotiation and development of new deals, financial direction of existing projects, debt administration, international asset management, and new venture development. Our diverse portfolio features several alternative energy projects focused on biofuels, ethanol production, and sponsored research for a cleaner, environmentally responsible hydrocarbon industry.

During 2015, due to global economic factors in the hydrocarbon industry, the group has focused on redirecting its business model to provide an optimized structure that has allowed business to continue both in the USA and in our international sites. Despite the current state of the market, we have been able to grow through our diverse portfolio, operating in a wide range of energy platforms.

### Organizational Structure.

Omega Energy USA, LLC conducts its business operations in the U.S. under outsourced services agreements to support Human Resources, IT, Accounting and Reporting. All accounting, tax reporting, and filing is conducted by Berkowitz Pollack Brant. Other foreign employees are deployed in Colombia.



## OMEGA Energy Group

Omega Energy is a global group of 10 companies that focus on Hydrocarbon extraction and production and are developing a new branch that focuses on alternative energy production in the Southern United States. Omega Energy has more than 15 years operating mostly in South America, and has now expanded to be an inter-continental energy provider. The group is owned by the Leal family, who are the founders and principal shareholders. Currently OEG (Omega Energy Group) has 103 direct employees and 12 indirect employees.





## OMEGA Energy Group

### Our Clients

The Omega Group's main client is the Empresa Colombiana de Petróleos – ECOPETROL, which accounts for 98% of our sales. Other important clients include: SPEO ENERGY NETHERLANDS B.V, Gas Natural Fenosa, Codis S.A., and Trafigura.

### Products and Services

Oil = 91.50%

Naphtha = 4.17%

LPG 2.98%

### Our Associations and Certifications

Since June 2012, Omega has been a member of the United Nations Global Compact, the world's largest voluntary initiative of corporate citizenship. Since December 2008, Omega Energy has been certified in International Standards ISO 9001:2008 (quality management), ISO 14001:2004 (environmental management), NORSOK S-006:2003 (safety value adding and cost effectiveness) and OHSAS 18001:2007 (occupational health and industrial safety). These certifications were awarded by Bureau Veritas, the nationally and internationally recognized certification body. In January 2012, Omega obtained recertification in these three standards with a greater scope that includes geological and geophysical exploration of areas with potential for deposits of oil and gas and hydrocarbon production.



# OMEGA Energy USA

## Our Sustainable Business Model

1. Sustainability in a coordinated, systematic and continual way in all business units, areas and processes.
2. Focus efforts on the most relevant issues for the stakeholders, company, industry, and the environment.
3. Effectively engage and communicate with our stakeholders.
4. Ensure that our sustainability plan is in line with our strategic goals and corporate risks.

## Value System





## Assets OMEGA Energy USA

Omega Energy USA acquired 5000 acres of land in Southern Louisiana in 2013. The purpose of this acquisition was to develop a sustainable bio-fuel enterprise from the ground up. Our primary operation and the industry at large has been affected by the market conditions during the last two years which has steered our focus further in the direction of renewable energy. With the rapid technological advancements in agriculture we see an opportunity whereby the cost of farming energy cane is significantly reduced; higher yields are rendered and the feasibility of the ethanol plant is now coming to fruition.

We are excited about the prospect of building the first second generation cane ethanol plant in the United States. Omega Energy USA is prepped to secure meeting the Renewable Fuel Standard and California's Low Carbon Fuel Standard. This is the opportune time to develop a clean sustainable energy program.





## Assets: Omega Energy



During 2015, Omega Energy USA, has to put Eureka, on hold. The market prices presently have forced us to be patient in developing this project. Eureka being a hydrocarbon energy company, the plan has been placed on hold, and in due time will be revitalized. It was Omar Leal's vision to redevelop several primary recovery oil fields and to begin to develop large potential projects within the US with projects that add value to the local economy and fortify the community. In growing cane specifically for generating an advanced bio-fuel will bring a great deal of prestige to the region as well. Our advances in the U.S. are all part of the long term strategic plan to become a leader in renewable fuel generation.



The Buenavista Block is operated by the Unión Temporal Omega Energy (UTOE) and is located in the Cordillera Oriental basin. It is divided into three areas: Santander and Corrales, both in the exploration and evaluation phase, and Bolívar, which is in the production and development phase. Three wells were drilled in 2011, and 5 more in 2012. Additionally, we drilled a series of stratigraphic wells that allows us to find more shallow lying heavy crude and increase our reserves. In 2015, Omega Energy has been transporting natural gas for sale to several companies from the three wells that were drilled the previous year.



La Punta Block is located in the Llanos Orientales basin and is divided into two areas: La Punta development field, which is in the production and development phase, and La Punta Exploratoria, which is in the exploration and evaluation Phase. One well was drilled in 2011 and 2 more in 2012. In 2015 the two wells that were drilled last year have continued to produce.



The Llanos 21 Block is operated by Omega Energy Colombia and is located in the Llanos Orientales basin. It is currently in the exploration and evaluation phase. In 2013, two exploratory wells were drilled based on forecasts of high production due to their proximity to large deposits.



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The Cóndor Block has been operated by Nikoil Energy Corp. Colombia Branch since 2012. It is located in the foothills of the Cordillera Oriental and measures 800 km<sup>2</sup>. Several projects are being performed to begin production of natural gas utilizing a new pipeline and the installation of a Natural Gas Power Plant.



Omega Energy's investment in Nigeria is centered on exploration, production and development of the oil fields in the offshore OML 110 Block. This block is located 16km from the coast in the Gulf of Guinea on the west coast of Africa. It lies 18m below sea level and is 10km from the current Chevron facilities. The OML 110 Block enormous potential and is strategic for entering into new onshore and offshore business in Nigeria. In the next year, we plan to drill 6 wells.



Our investment in Paraguay is centered on exploration, production and development of in the Hernandarias Block. This block measures 1,850,000 hectares and is operated by the Sociedad Hidrocarburos Chaco, of which Omega Energy Colombia is a shareholder. The block is currently in the exploration phase. In 2012, Omega Energy opened a subsidiary in Paraguay called Omega Energy Paraguay. Through this subsidiary we are currently applying to become the operator of the Parapití Block.



# Omega Energy – Financial Highlights

## Crude Oil and Natural Gas Revenue

The following is a summary of the total volumes of crude oil and natural gas sold during 2015:

<b>TOTAL 2015 REVENUES</b>	<b>M USD\$</b>
Crude Oil Sales	29,097
Natural Gas Sales	5,193
Services	3,219
Other Incomes	0,012
	<b>37,521</b>

<b>Barrels Produced in 2015</b>	<b>BBD</b>
Total Gross Production	1,000,202
Total Net Production	846,571
Barrels Sold	<b>892,814</b>

- During the year 2015, Omega Energy Group generated Natural Gas revenues of \$29M from Oil Production
- Natural Gas Sales generated \$5.1M
- Omega Energy sold 892,814 barrels in 2015
- The average realized price per barrel in 2014 were WTI \$93.17 and Brent \$98.89. The price per barrel in 2015 Crude Oil was WTI \$48.67 and Brent \$52.32
- The sales volumes are marketed using a combination of WTI Vasconia Caño Limon and Rubiales pricing dependent of the quality of oil, location and delivery point.
- The total production and the monthly average during 2015 were 892,814 and 70,578 barrels respectively. The barrels for day produced by OEI, in average during the current year was 2,353 Bbpd.

## Operating Expenses

- The production expense include the cost of activities in the field to operate the wells and facilities and lift to surface, gather, and process and treat production. The transportation cost from field to sales point is also included. The following summary shows the costs and unit cost per barrel.

<b>Operational Expenses per Oil Field/Contract</b>	<b>M USD\$</b>
La Punta	2,725
Condor	1,213
Buenvista	10,253
Other Costs	2,892
	<b>17,083</b>

- The operating expense for 2015 were \$17M
- The unit cost per barrel for the month of December was \$14.2 and \$14.8 in average for the total year.

## Capital Expenditure

For the year 2015, the corporation has incurred \$9.3 million in capital additions, mainly due to the following:

**Capital Expenditure (Figures in USD \$0.00)**

Blocks	Drilling and Completions	Facilities and Infrastructure	Total 2015
Buenavista	4,180	-	4,180
La Punta	2,030	-	2,030
<b>Total Consolidated</b>	<b>6,209</b>	<b>3,104</b>	<b>9,314</b>

## 2015 Financial Recap

The EBITDA in 2015 is \$18.9M.

	2015 USD\$ '000	Margin%
Revenues MUSD\$	37,521	
Opex MUSD\$	16,952	45.2%
G&A MUSD\$	7,770	20.7%

<b>EBITDA MUSD\$</b>	<b>18,882</b>	<b>50.3%</b>
<b>CAPEX</b>	<b>12,358</b>	<b>32.9%</b>

Component	2015 USD\$'000
Asset	140,968
Liability	107,799
Equity	33,169

Production Buenavista OIL BB	352,509
Production La Punta OIL BBL	494,062
<b>Total Production OIL</b>	<b>846,571</b>

## Omega Energy – Financial Highlights

### Relevant Business Activities in 2015

The presence of a U.S. office and personnel is instrumental to achieve the goals for Omega Energy International which requires strong capital resources as it operates six blocks in Colombia.

In addition, Omega Energy International performed an internal business remodeling operation to optimize the current workforce. This was necessary in order to provide better project management and direction, re-organize assets and personnel to allow for them to utilize their maximum potential and harness their skills. It is critical to structure the company internally for success in achieving our long term corporate goals.



### New Ventures

#### Innovation in Renewable Energy

Our commitment to sustainable development and innovation has seen us launch initiatives that stand out in the hydrocarbon industry, including the creation of carbon credits, gas transport projects, self-generation of electricity and biofuel production. With these initiatives, we are envisioning the future of our business and offering society renewable energy options.

At Omega Energy USA, we are focused on meeting the world's changing energy needs with environmentally responsible goals to help in the transition to a clean energy. Omega Energy USA is focused on diversifying its' energy portfolio to develop sustainable energy technologies that move beyond the hydrocarbon industry and develop efficient methods to produce energy while conserving natural resources and protecting the planet. Omega Energy USA is currently working on projects that include Plasma Water Treatment, Natural Gas Polymerization, and Second Generation Ethanol production.





## The Louisiana Project

### Development of the Omega Louisiana Project:

In our Louisiana Project, Omega Energy USA is developing a biofuel project that will create jobs, strengthen the local economy, and provide fuel with the development of a 5,000 acre sugar cane field and an Ethanol production plant. The project will grow to a 25,000 acre project.

The project is located in the Jefferson Davis Parish, which offers strategic advantages for Omega Energy USA. It is located between New Orleans and Houston with fertile soils and adequate climate conditions for growing rice, soybeans, and sugarcane, altogether with government incentives for investment and development. The vision is to develop a 360 project that not only provides for agricultural growth and jobs in the community, but offers an on-site plant that will produce high-grade ethanol and other products. It is our prerogative to invest in the U.S. and simultaneously aid in the growth of new technologies that foment the use of biofuels with clean technology.

Omega Energy is currently developing a multidisciplinary team that is providing a broad vision on potential commercial exploitation of land. For the first quarter of 2015, Omega Energy USA has conducted the following tasks:

- (i) Location and infrastructure: Coordinates, access roads, distance to ports, railroads, storage centers, residential areas, etc.
- (ii) Water sources: Evaluation of hydric resources, water availability and quality, additional water resources such as dams and deep wells.
- (iii) Topographic and soil characterization: Photographic records, registration of coordinates, soil sampling, lab testing, etc.
- (iv) Socioeconomic environment Region's economic study, labor force availability and qualification, agricultural traditions, ongoing farming and agro-industrial projects in the area.

Based on the result of these activities, Omega Energy USA will run a correlation model based on requirements of different potential crops, to determine viability and suitability of land. Omega's Louisiana project is a long term, ample vision project that will include hydrocarbon industry investments that can allow Omega to go beyond the ethanol production operation and produce refined gasoline ethanol mixtures, develop farming, and produce and sell energy projects both up-stream and down-stream.



# Sugarcane Ethanol, Oil and Gas Model

## Business Stages

### Land

Markup of land value due to current developments in the area of influence.

### Sugar

U.S. sugar production is essentially dictated by government policies, the main objective of which is to maintain domestic prices well above world levels.

### Ethanol

RFS2 will fuel a rapid expansion of the U.S. ethanol industry by setting goals for production of renewable fuels made from U.S. agricultural resources. Market conditions and policy initiatives contribute to the development of the ethanol industry. Monopolistic income with prices referenced to the marginal cost of imported ethanol from Brazil.

### Energy

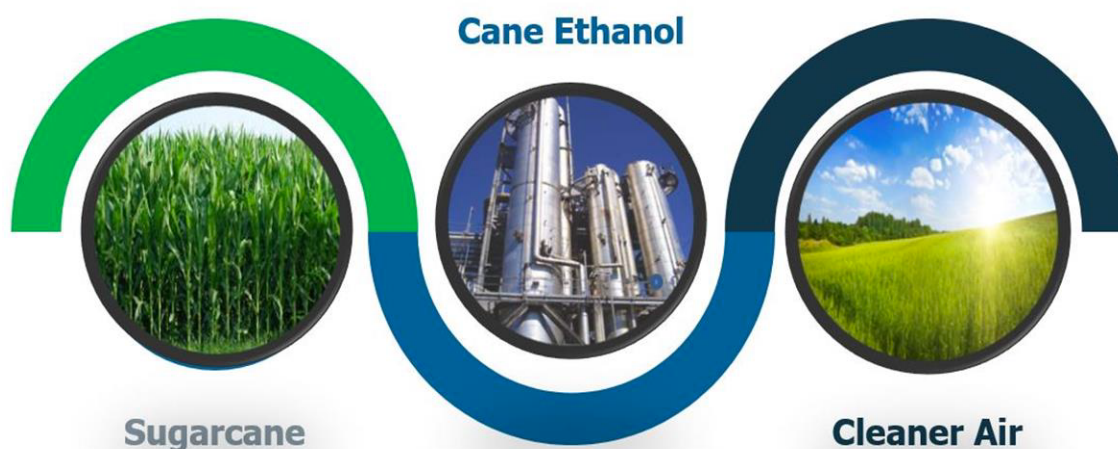
When using sugarcane and sweet sorghum, the producer does not need an external source of energy for the industrial phase of biofuels production as bagasse supplies all energy requirements.

The final product is a renewable fuel generating low Greenhouse Gas emissions. Entergy's Geaux Green Program offers electricity generated from environmentally renewable energy producers in the state (at premium prices). In addition, new markets for energy producing derivatives such as energy pellets made from bagasse, butanol, and other new chemical agents created from sugarcane syrups provide a growing market for sugarcane products that is very favorable.

The state of Louisiana consumes more sugar than it actually produces and hence it is expected that the vast majority of sugar production will be sold. The market for ethanol is also consistently strong due to the fact that current gasoline production requires an ethanol mixture.

In the long run, the ethanol business could be very profitable, particularly if production subsidies for distillation of corn syrup are eliminated and if the sweet sorghum production is implemented and hence the plant handles a mixed production schema such as is done in Brazil.

The project site also has an interesting Oil & Gas potential as many discoveries have been made in the area and the project owns the mineral rights for new discoveries.





## Corporate Goals for 2016

In 2016 Omega Energy USA expects to generate steam for launching what is sure to be one of the most exciting energy projects in the United States in the last century. The Renewable Fuel Standard, Low Carbon Fuel Standard and the ratification of the Paris Agreement set the table for Omega Energy USA to have sufficient legislation in place for the momentum to propel the advanced ethanol project into the early development stages.

In an effort to move forward, Omega Energy USA will begin to secure private investments as well as Federal, State, and Local financial aid to ensure the success of the project economically. The environmental benefits target California and are designed to meet and exceed the state requirements.

Over the years, Omega Energy has been heralded for their environmental and social responsibility. Developing a clean energy platform that benefits all living things across the world is the fundamental essence of our core values.





