

President Energy

PPC-LSE

 Rating
Outperform (S)

 Price: Feb-7
£0.07

 Target
£0.11

 Total Rtn
59%

A New President - Making Puesto Guardian Great Again!

Bottom Line: We are initiating on President Energy with an Outperform Speculative rating and 11p Price Target. President offers standout value and near-term growth in a sector offering fewer opportunities right now. Its renewed focus on low-cost workovers in Argentina may be less impactful than the previous strategy but the risk profile feels more appropriate and President is still well placed to capture high value growth barrels. The current share price looks to be an attractive entry point to a high potential stock.

Key Points

Summary: President has developed a portfolio of onshore production and exploration assets in energy hungry geographies. The near-term opportunity is the redevelopment of the Puesto Guardian Concession in Argentina - a mature field that has suffered from under-investment but at its peak was producing ~20 times current levels. We initiate with an Outperform Speculative rating to reflect both the considerable potential but also the associated delivery risks and potential market volatility.

Investment Case: President offers standout value and near-term growth potential in a sector offering fewer opportunities following the recent commodity bounce. The story has been beset by notable drilling failures and funding concerns, however, the balance sheet has been repaired and the renewed focus on lower risk growth, in our view, better aligns the narrative to the risk criteria applied by investors.

Assets and Near-term Activity: President's focus is on the upcoming 10 well workover programme in Argentina that aims to increase production by over 140% to 1,200 bopd by end of summer 2017. Assuming the programme is successful, high netbacks in Argentina should not only remove any funding overhang on the stock but should generate sustainable cash flows to exploit additional development and exploration opportunities.

Key Risks: President's self-sufficiency relies on the successful delivery of the upcoming workover programme. Workovers to date have been encouraging, and support management's growth targets, however, President has also suffered various operational difficulties which if they continued, could hamper growth, and in a worst case impact the financial robustness of the business.

Valuation and View: Our Price Target of 11p is set at a discount to our Core NAV, reflecting the possibility of less than perfect execution, yet still implies upside of ~60%. The workovers should be lower risk yet still have the potential to be transformational.

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Oil & Gas: E&P

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Legal Entity: BMO Capital Markets Limited



Company Data				in £
Dividend	\$0.00	Market Cap (mm)	66	
Yield	0.0%	Net Debt (mm)	\$(8)	
Shares O/S (mm)	953.6			
BMO Estimates				in \$
(FY-Dec.)	2015A	2016E	2017E	
Prod'n(boepd)	489	578	1,162	
Revenue (m)	\$10	\$11	\$23	
EBITDA (m)	\$(4)	\$(3)	\$7	
EPS	\$(0.04)	\$(0.01)	\$0.00	
Brent (\$US/bbl)	53.00	45.04	56.23	
Consensus Estimates				
	2015A	2016E	2017E	
EPS		\$(0.01)	0	
Valuation				
	2015A	2016E	2017E	
P/E	NM	NM	NM	
Semi-Annual EPS		H1	H2	
2015A		\$(0.01)	\$(0.03)	
2016E		\$(0.02)a	\$(0.01)	
2017E		\$(0.00)	\$0.00	

Our Thesis

We rate President Outperform Speculative. President trades at a significant discount to our Core NAV. It looks well placed to capture high value production growth from low-cost workover opportunities. A successful workover programme should enable President to resume drilling and exploration activities.

President Energy - Block Summary Model

Income Statement	2015A	2016E	2017E
Revenue	\$10	\$11	\$23
Operating Costs	(8)	(9)	(10)
Total Cost of Sales	(10)	(11)	(14)
Exploration Costs	0	(0)	0
Impairment/Other	(11)	0	0
Operating Profit	(18)	(5)	4
Net Finance Income/(Expense)	(2)	(1)	(1)
Profit before Tax	(19)	(6)	3
Tax	0	(1)	(2)
Profit After Tax	(19)	(7)	1
ND/EBITDA	(2.2)x	2.3x	0.0x
Interest Coverage Ratio (%)	(163.7)	(327.5)	635.9
Cash Flow Statement	2015A	2016E	2017E
Cash Flow From Operations	(3)	(3)	7
Working Capital and Tax Paid	2	(1)	(2)
Net Cash Flow From Operations	(1)	(4)	5
Capex	(15)	(11)	(12)
Free Cash Flow	(16)	(15)	(7)
Investing Activities	(15)	(11)	(12)
Movement in Borrowings	(1)	0	0
Cash Provided From Financing	15	33	(1)
Change in Cash	(1)	18	(8)
Ending Cash Position	0	18	10
Balance Sheet	2015A	2016E	2017E
Total Non-Current Assets	163	173	181
Cash	\$0	\$18	\$10
Total Current Assets	4	22	15
Borrowings	8	10	10
Total Current Liabilities	11	3	4
Total Non-Current Liabilities	17	28	28
Total Shareholders' Equity	138	164	165
Net Debt/(Cash)	8	(8)	0

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

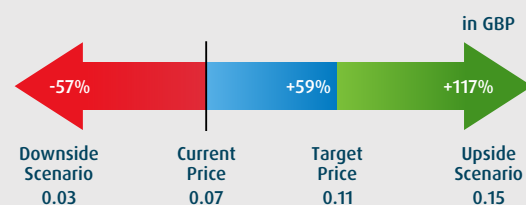
Our Target Price of 11 pence per share is at a small discount to our Core NAV of 12 pence per share but reflects additional contingencies for risks around less than perfect execution as well as volatility that may result from small changes in assumptions.

Upside Scenario £0.15

We currently risk President's 2P reserves in our Core NAV pending further visibility on the path and funding towards unlocking those reserves. Assuming a successful workover programme, however, the increased likelihood of monetising the full 2P reserves base would put upward pressure on our Target Price to ~15p/sh.

Downside Scenario £0.03

In the event the upcoming workovers are unsuccessful, President will be unable to generate the cash flows necessary for additional development and exploration drilling. This scenario would leave President trading an option value, which we estimate could be as low as ~3p/sh.



Company Description

Established in 2004, President Energy Plc is a UK-listed E&P company focused on the extraction of value from onshore producing assets in Argentina as well as significant exploration opportunities in Paraguay and Argentina. President also has a small cash generative production business in Louisiana and exploration licenses in Australia.



PPC-LSE
Research



Industry
Research



Company
Models

Unmatched Potential but Workovers Need to Deliver

We are initiating on President Energy with an Outperform Speculative rating and 11p/sh Target Price. President offers standout value and near-term growth in a sector offering fewer opportunities following the recent commodity bounce. Last year's funding difficulties, caused by mechanical difficulties on the DP 1002 S/T well, were a blow to investors, but looking ahead, the funding position has been rectified and the company now looks well positioned to exploit its extensive reserve base.

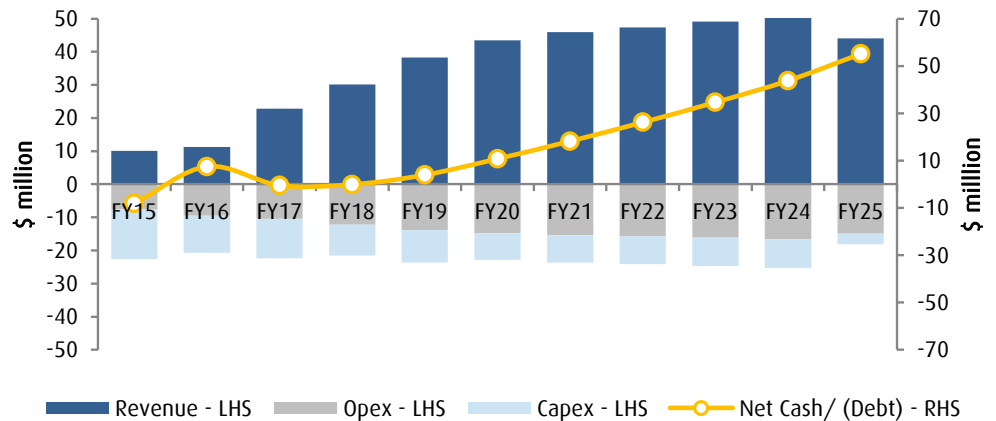
A renewed near-term focus on low-cost workover opportunities at Puesto Guardian, Argentina, may be less impactful than the previously envisaged horizontal wells but high operational gearing makes any growth particularly valuable to President. We believe the importance of lower risk self-sufficiency means this strategy in fact improves the investment case and makes the story better aligned to the risk criteria applied by investors.

That isn't to say President is without risk – the workover programme still needs to deliver to support the production base and recycle cash flows but the immediate funding risk has clearly diminished. In our view, the still notable growth profile, plus the opportunity to readily monetise what is a high value reserve base makes President an attractive option in the International E&P space.

Path to Sustainability; Building a Cash Stockpile

The workover programme was only a side note to the high impact drilling programme last year but alone it still represents a highly accretive tool for President to move towards self-sufficiency. President will workover 10 wells in 2017 for a total cost of ~\$10 million, all funded from existing cash resources. We expect each successful workover to payback within 12 months and ultimately deliver a cash return of up to 9x, materially improving the balance sheet and facilitating the drilling of more impactful wells further down the line. The 10 well programme should deliver incremental operating cash flows (before capex) of ~\$6.5 million in 2017.

Exhibit 1: Striving for Self-Funding Growth

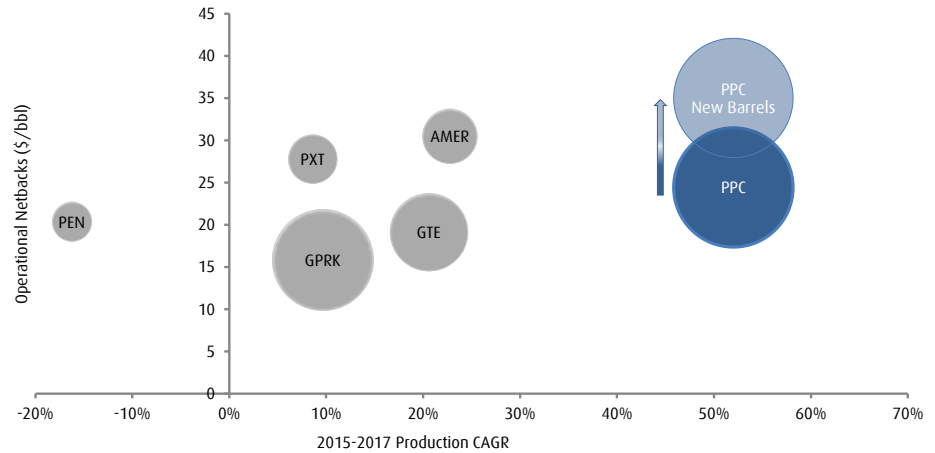


Source: BMO Capital Markets

Argentina Delivering Unparalleled Growth

The workover programmes over the last few years added 30-60% to production levels, however, suspension of the once promising DP 1002 S/T well owing to mechanical issues delayed plans for further notable growth last year. Nevertheless, the 2017 workover programme funded by the recent equity raise has improved President’s outlook with a revised plan of increasing production by a further 140% by end of summer 2017 and line of sight to ~4kboepd (over 8 times current levels) within five years.

Exhibit 2: Operational Netbacks vs Production Growth; President Leading the Pack



Source: BMO Capital Markets

Bubble size denotes 2P/EV

PEN: Pacific Exploration and Production; PXT: Parex Resources; GPRK: Geopark; AMER: Amerisur Resources; GTE: Gran Tierra Energy; PPC: President Energy

High Value Incremental Barrels Underpinning Cash flows

President already generates a healthy cash margin at current prices. Argentina may be phasing out crude subsidies that in the past created a healthy premium to international markets (and moving towards Brent parity) but given President’s largely fixed cost operations, netbacks on incremental barrels remain particularly strong – we estimate ~ \$35-40/bbl, putting it well ahead of its peers and highlighting the value opportunity for the capture of incremental barrels. Further the depreciation of the Argentinian Peso (over 40% in two years) continues to depress costs and protect President’s margins.

Stakeholder Alignment

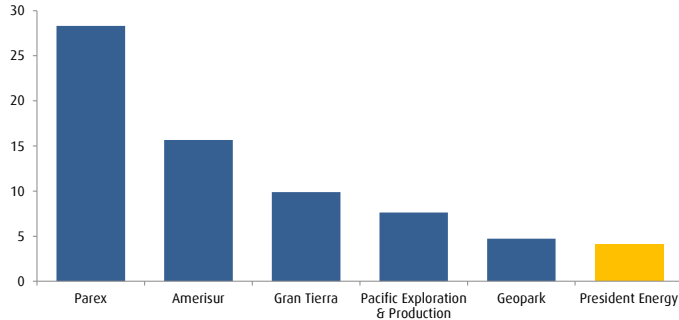
President has a small but experienced management team led by Peter Levine (Chairman and CEO) who previously founded and sold Imperial Energy for \$2.4 billion in January 2009. Peter is the sole beneficial owner of PLLG Investments, his family investment fund, which is a ~32% owner of President and also indirectly provides funding to President, that may otherwise not be available.

Shares Trading at 42% Discount to NAV

Based on our current commodity price assumptions (FY17 \$56/bbl, FY18 \$60/bbl, FY19 \$65/bbl, FY20+ \$70/bbl) we derive a risked Core NAV of 12p/sh. Our Base Case assumes the current workover programme is rolled into 2018 with the constraint that President operates within its financial means, i.e.

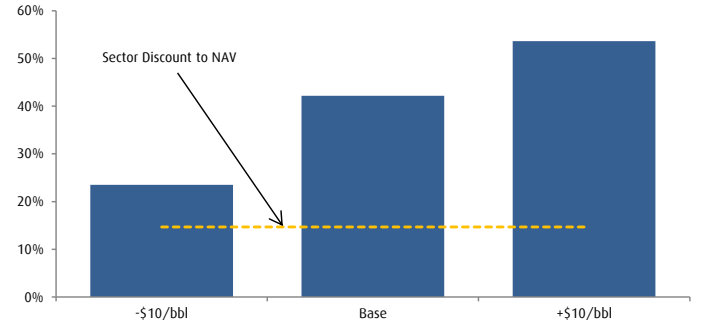
broadly remains in a cash neutral position near-term. In this scenario, we envisage President tripling production to ~ 1.5 kboepd in 2018, if not before.

Exhibit 3: EV/2P Shows Minimal Value for 2P Reserves vs South American Peers



Source: BMO Capital Markets, Company Data

Exhibit 4: Discount to NAV Sensitivity; Even Lower Commodity Assumptions Cannot Justify Trading Levels



Source: BMO Capital Markets

Financial Summary

We expect President to end 2016 in a net cash position of ~\$8 million, following last year’s ~\$32 million equity raise and issuance of loan conversion shares. The pre-existing loan facility has been refinanced to a new fully drawn loan facility of ~\$9.8 million. President is funded for the upcoming workover programme and we expect rapid payback (<12 months) for each well, facilitating considerable cash generation over the next five years. Our Base Case assumption, which could prove conservative, generates an average cash flow yield over the next five years of ~14% p.a.

Key Risks

Workovers and Drilling

The ramp up in production from the proposed workover programme will provide much needed cash flows to finance future development drilling and, in time, exploration activities. We assume a 20% rate of failure but additional significant failures or delays in the workover programme would potentially have a material negative impact on the production ramp-up, cash flow generation and valuation.

Funding

The current funding arrangement is provided by a company that is beneficially owned by the company’s Executive Chairman and Chief Executive, Peter Levine. Our Base Case puts President in a position to repay this loan but we believe it would be challenging for President to obtain new or additional funding if the current programme is unsuccessful.

Pricing

Operators have recently benefitted from Argentina’s attractive pricing for domestically produced crude. This appears unsustainable though, in our view, illustrated by the narrowing of the differential to Brent over the course of last year. In the medium-term we anticipate President will move to international pricing and with it the risks that low commodity prices cause most operators, although there is still some uncertainty over this transition. Lower-than-anticipated prices will obviously impact cash flows and valuation.

Political Backdrop

The Argentinian investment backdrop is improving but a history of credit issues and political volatility, evidenced by the expropriation of Repsol's 51% interest in YPF, means the country has some way to go to eliminate lingering concerns.

Catalysts

Ramping Up Production

The 2017 10 well workover programme aims to drive production to 1.2 kboepd by the end of summer 2017. There is a significant overhang on the shares so a successful programme, that should to a large extent demonstrate President's ability to be self-sufficient going forward, is likely to be taken as a significant positive by the market.

Compensation for DP 1002 S/T Well

There is limited visibility over recourse for the failed DP 1002 S/T well although the nature of the mechanical issues leads us to believe that President may be in a position to seek compensation. We believe little if anything is priced into the shares for this eventuality.

Exploration

Despite a lull at the moment, exploration still forms a part of President's longer-term investment case. Within the portfolio are a number of high impact prospects that can be drilled relatively inexpensively, or with a partner. The upside is considerable, but relies on available funding.

Valuation Summary; Trading at a Discount To Core NAV

Based on our current commodity price assumptions (FY17 \$56/bbl, FY18 \$60/bbl, FY19 \$65/bbl, FY20+ \$70/bbl) we derive a risked Core NAV of 12p/sh for the producing and development assets. Our Base Case assumes the current workover programme is rolled into 2018 with the constraint that President operates within its financial means, i.e. broadly remains in a cash neutral position. In this scenario, we envisage President tripling production to ~ 1.5 kboepd in 2018, if not before.

We overlay our Base Case with a 2P Case and also an Upside Case (which incorporates the higher productive potential from horizontal wells) but we risk each scenario at 70% and 50%, respectively, equating to 4p/sh and 1p/sh. We have de-emphasised the exploration potential President retains given the renewed focus on the production base.

Assumptions

Our valuation and financial forecasts are based on the realisations set out below. President typically receives a discount to the reported domestic Argentinian price, which we factor into our forward forecasts. From 2017 we assume a move to international pricing, albeit with a 5% discount.

Exhibit 5: Key Assumptions

Year End December	2015	2016E	2017E	2018E	2019E
Estimated Realisation (US\$/bbl)	67.0	56.5	53.4	57.0	61.8
Brent (US\$/bbl)	53.0	45.0	56.2	60.0	65.0
Discount Rate	12.0%	12.0%	12.0%	12.0%	12.0%

Source: BMO Capital Markets

Exhibit 6: Core NAV Snapshot

Asset	W.I. %	Net Resource mmboe	Risking C.o.S. %	Value \$/boe	NPV \$m	Risked value p/sh	Unrisked Value p/sh
Producing Assets							
Argentina	100%	9.9	100%	6.3	62	5 p	5 p
America EWL	22%	0.2	100%	6.9	2	0 p	0 p
America ELV	32%	0.5	100%	9.2	5	0 p	0 p
		10.7			68	6 p	6 p
Development Assets							
Argentina 2P	100%	7.8	70%	9.3	51	4 p	6 p
Argentina Upside	100%	0.8	50%	28.3	12	1 p	2 p
		8.6			63	5 p	8 p
Net Cash/(Debt)					20	2 p	2 p
Admin					-10	-1 p	-1 p
Exploration					0	0 p	0 p
Other (tax loss & hedging)					0	0 p	0 p
Core NAV					142	12 p	15 p

Source: BMO Capital Markets

Our core NAV stands at 12p/share, with Argentinian production and its associated upside being the principal contributors.

We have modelled three scenarios for production in Argentina.

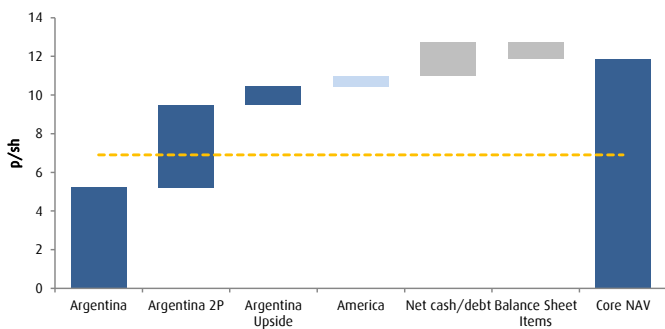
- **“Argentina”** represents our Base Case scenario assuming net reserves of 10 mmbob, approximating to the Proved Reserves set out in the latest CPR. We anticipate that eight out of the 10 workovers in 2017 are successful, adding on average ~90boepd per well. Overall, we expect this workover programme to add 600k incremental barrels by 2021 and we anticipate a further nine workovers to be performed between 2018 and 2019.

This scenario assumes President will resume drilling in early 2019 with each successful well coming on-stream at 350boepd. Overall, we anticipate production rates to reach ~1.2 kboepd by the end of summer 2017, in-line with guidance, with peak production of ~2 kboepd post 2020. We assume that each workover will cost \$1 million and each well ~ \$5 million. Total capex is assumed to be ~\$100 million.

- For **“Argentina 2P”**, we have modelled Proved and Probable (2P) Reserves of ~18mmbbls, accessed through additional workovers and drilling. We expect production to ramp up to peak levels of ~4kboepd assuming incremental capital expenditure ~\$50 million. Unit opex falls to ~\$12/bbl (from \$17/bbl) to reflect a high proportion of fixed costs. We have risked this scenario at 70%
- We have modelled an **“Argentina Upside”** scenario, risked at 50%, which assumes a modest additional ~0.5mmbbls recovery. The number of assumed workovers is consistent with our “Argentina 2P” case, however, we assume that President drills horizontal wells in place of vertical wells with higher initial production rates of ~1 kboepd. Total capital expenditure is assumed to be ~\$20 million lower than the Argentina 2P case.

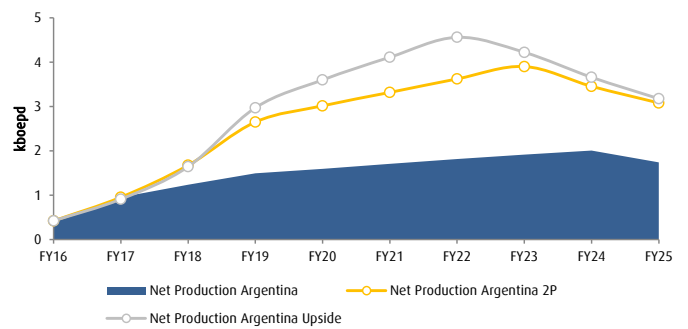
For the non-core production assets in Louisiana, we have modelled production to be largely maintained at current levels. We assume operating costs will remain stable and future capital expenditure to be minimal.

Exhibit 7: Waterfall Chart; Make-up of 12p Core NAV



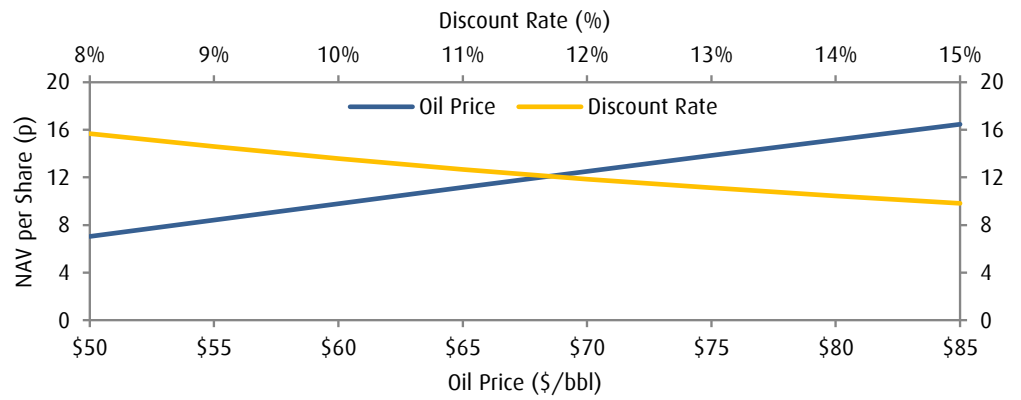
Source: BMO Capital Markets

Exhibit 8: Production Profiles; Base Case, 2P and Upside



Source: BMO Capital Markets

Exhibit 9: Core NAV Sensitivities



Source: BMO Capital Markets

In addition to the producing/developing assets, we carry 26p on a risked basis in our Total NAV for the exploration assets where there is a reasonable chance of drilling in the near-future, namely MDT, Boqueron and Tapir and an additional 86p/sh in our Total NAV for prospects that require further work before drilling.

Financial Summary; Bolstering the Cash Position through Workovers

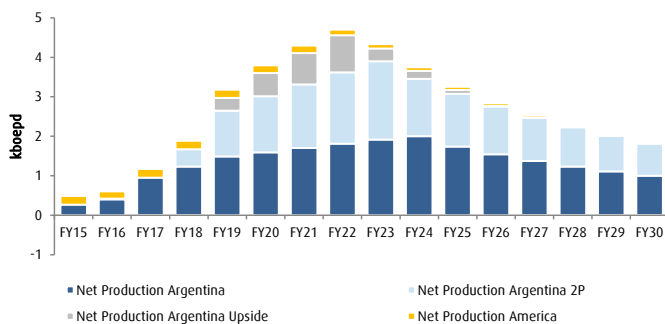
We expect President to end 2016 in a net cash position of ~\$8 million, following last year's ~\$32 million equity raise and issuance of loan conversion shares. The pre-existing loan facility has been refinanced to a new fully drawn loan facility of ~\$9.8 million.

President is fully funded for the upcoming workover programme. Each workover is expected to cost ~\$1 million and if successful will add an average of 90 boepd per well, bringing production to 1.2kboepd by the end of the summer 2017. We expect each successful workover to payback within 12 months and ultimately deliver a cash return of up to 9x. The 10 well programme should deliver incremental operating cash flows (before capex) of ~\$6.5 million in 2017, preserving the current balance sheet strength.

Overall, we expect President to remain in a broadly cash neutral position (excluding inorganic opportunities) over the next two years before the current investment cycle pays off and generates excess cash returns. Our Base Case assumption, which may prove conservative, forecasts that President moves to a net cash position of over \$50 million by 2025 (note market cap currently ~\$80 million), implying a healthy average cash flow yield of ~14% p.a. over the next five years.

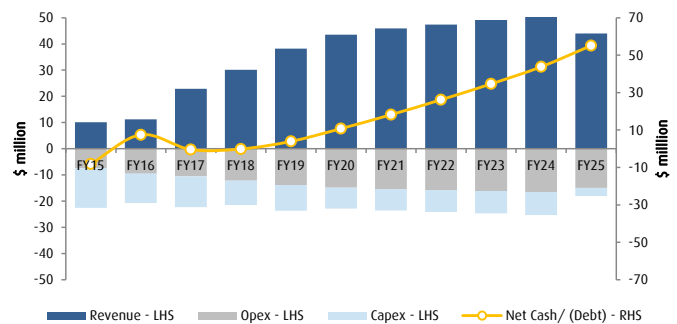
Management has continued to financially support the business, providing a source of capital that may not have been available to some of its peers. Late last year, the financing vehicle IYA, a member of the PLLG Group which is beneficially owned by President's CEO Peter Levine agreed to convert \$12 million to shares in the company. Provided the current work programme demonstrates that it is profitable, we expect small debt facilities to remain available to the company in order to pursue both inorganic and further organic growth.

Exhibit 10: Substantial Production Growth Potential Over the Next 5 Years



Source: BMO Capital Markets, Company Data

Exhibit 11: Net Cash Bolstered by Production Growth and High Fixed Costs

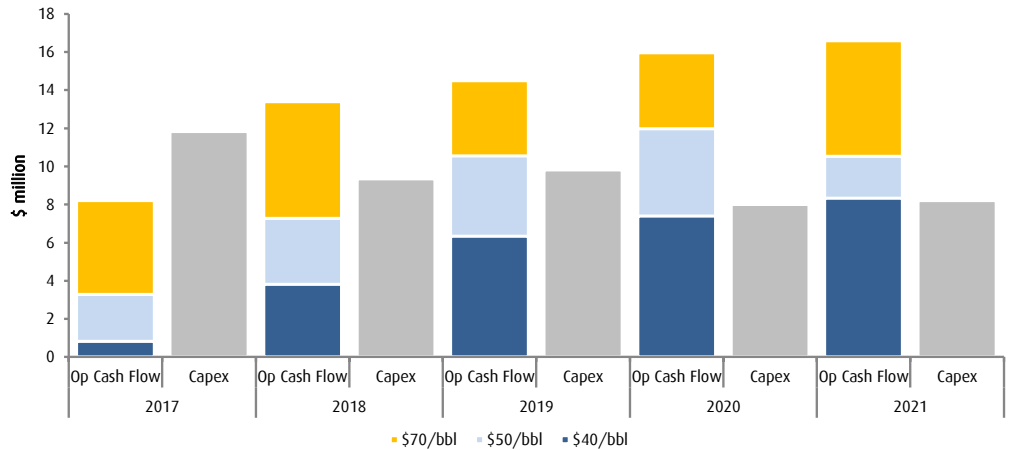


Source: BMO Capital Markets

President is currently in the midst of negotiations with the drilling contractors regarding the cost overruns and results of the failed DP 1002 S/T horizontal well. A successful resolution for compensation could see a new well drilled in 2017/18 although otherwise we assume drilling recommences in early 2019 once the balance sheet has been sufficiently bolstered.

In terms of exploration, we assume President needs to find a partner in order to target any prospects in the near-term.

Exhibit 12: Capex Broadly Aligned With Cash Flows For First Few Years Before Cash Flows Accelerate

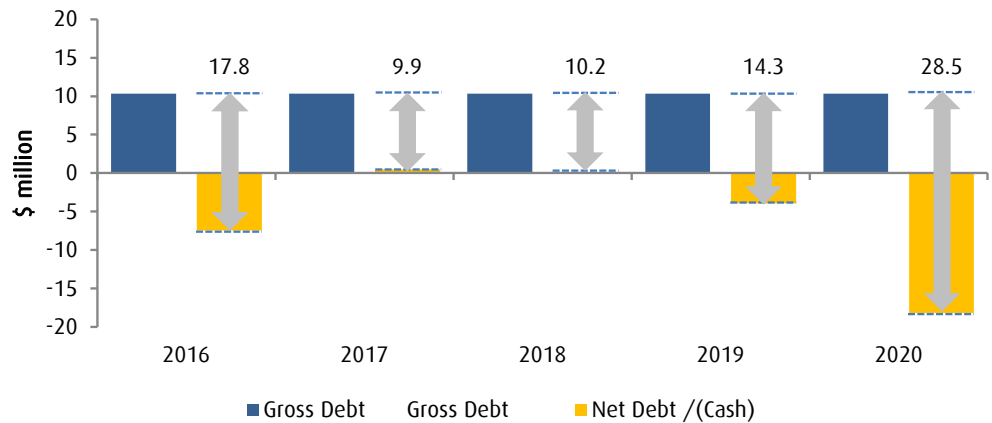


Source: BMO Capital Markets

Cash flow sensitivity to the oil price affects timing more than anything. At current price assumptions, each successful workover should have an IRR in excess of 150%. The cash breakeven for each workover is ~\$/10-20bbl so lower prices will likely only defer the capex programme, as opposed to putting President in a position where it cannot fund the forward programme.

Last year’s restructuring leaves President on a firm footing, even accounting for the fact \$10 million has been allocated to the current workover programme. At the end of FY17 and FY18 we expect President to be in a broadly cash neutral position with ~\$10 million still available for allocation to additional internal and inorganic growth opportunities. Further out, our Base Case envisages the overall headroom increases once more as President returns to a net cash position, although in reality some of this is likely to be recycled into further value enhancing opportunities, included within our 2P and Upside scenarios.

Exhibit 13: Preserving Headroom Through Capital Intensive Phase



Source: BMO Capital Markets

Background and Focus; All Eyes on Argentina

Company Background

Established in 2004, President Energy Plc is a UK-listed E&P company focused on the extraction of value from onshore producing assets in Argentina as well as exploration opportunities in Paraguay and Argentina. President also has a small cash generative production business in Louisiana and exploration licenses in Australia.

Exhibit 14: Company History

Date	Deal Type	Country	Description
Oct-15	Acquisition	Paraguay	Acquired remaining 36% interest in Pirity Concession from Petro-Victory Energy
Aug-14	Acquisition	Paraguay	Acquired 40% interest in Hernandarias Concession.
Jul-14	Acquisition	Argentina	Acquired 50% interest in Puesto Guardian Concession from Tripetrol Petroleum and Petrolera San Jose
Jun-14	Acquisition	Paraguay	Acquisition of LCH and its 5% interest in the Pirity Concession
Oct-12	Acquisition	Paraguay	Completed Farm-in Agreements. Acquired 59% interest in the Pirity Concession from Pirity Hidrocarburos and 60% interest in the Dermattei Block from Crescent Global Oil Paraguay S.A.
Aug-12	Expansions	Argentina	Awarded two licenses in Matorras and Ocular in Salta Province
Jul-11	Acquisition	Argentina	Acquired a 50% working interest in Puesto Guardian licence in Salta Province, Argentina. Net 2P reserves increased by ~600% (6.6 mmbb)
Jan-10	Acquisition	Louisiana, USA	Acquired 25% working interest in East White Lake from Peak Operating Company, Prep Assets LLC and Tenexco Inc.
Jun-08	Acquisition	Louisiana, USA	Acquired 60% interests in the East Lake Verret (ELV) Field from Rozel Energy II L.L.C.

Source: BMO Capital Markets

Management and the Board; Interests Aligned with Shareholders

Peter Michael Levine – *Executive Chairman & Chief Executive Officer*: Mr. Levine was Chairman since May 2012. Prior to joining President, he was the founder and executive Chairman of Imperial Energy and its largest individual shareholder until it was sold for \$2.4 billion in 2009. Mr Levine also served as Chairman of Severfield-Rowen Plc and Keltbray Plc.

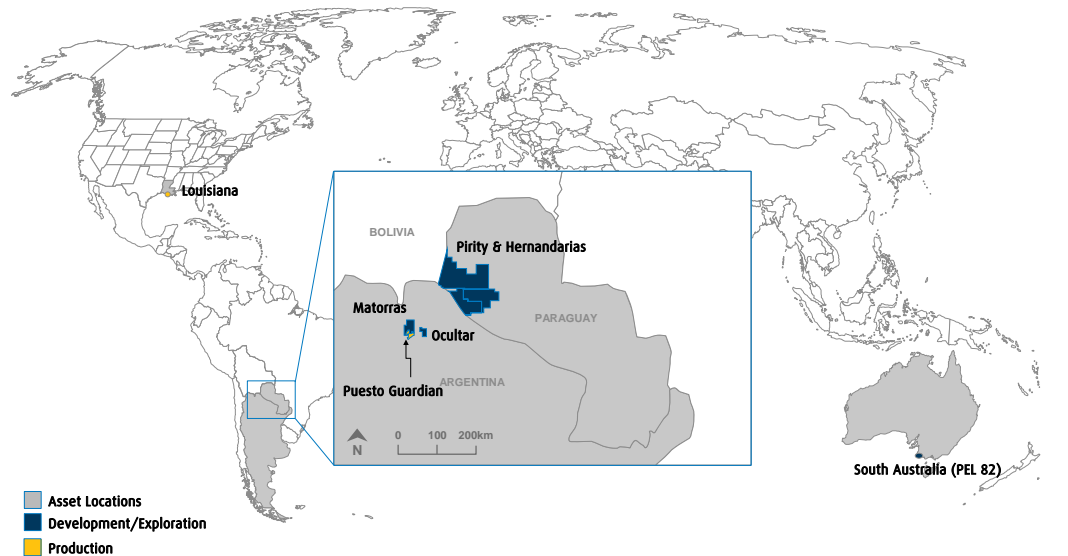
Miles Biggins – *Chief Operating Chairman & Director*: Mr. Biggins joined President in 2011. Prior to joining President, he was a petroleum engineer who gained 14 years of experience in business development working for Shell. Mr. Biggins also served as Business Development Manager for Northern Petroleum.

Rob Shepherd – *Independent Non-Executive Director*: Mr. Shepherd joined the Board in 2015 and currently serves as Chair of the Audit and Remuneration Committee. A qualified petroleum engineer, Mr. Shepherd was previously with ABN-Amro, Imperial Energy, Dominion Petroleum, Azonto Petroleum and Shell.

Jorge Dario Bongiovanni – *Independent Non-Executive Director*: Mr. Bongiovanni joined the Board in 2015 and has accumulated 39 years of experience in the oil and gas industry. Prior to joining President, he held senior positions in Repsol, Petrobras and the IFC (World Bank Group).

Asset Overview

Exhibit 15: Global Asset Map



Source: BMO Capital Markets

Exhibit 16: Licences

Country	Licence	Interest
Argentina	Puesto Guardian Concession	100%
Argentina	Matorras	100%
Argentina	Ocular	100%
Paraguay	Purity	100%
Paraguay	Hernandarias	40% with the potential to earn further 40% upon fulfilment of remaining ~US\$10 million work programme, including one well
USA	East Lake Verret	Effective Interest: 32% Simmons well (Working Interest: 43.9%; Net Revenue Interest: 33.2%) Triche Well (Working Interest: 12%; Net Revenue Interest: 12%)
USA	East White Lake	22%
Australia	Otway Basin (PEL 82)	100%

Source: BMO Capital Markets

Producing Assets – Argentina

Puesto Guardian Concession

President entered Argentina in 2011, acquiring an interest in the Puesto Guardian Concession from Tripetrol Petroleum for ~\$14.5 million for 6.6 mmbbls of 2P reserves (\$2.2/bbl). In 2012, it was awarded two further exploration licences – Matorras and Ocular – and in 2014 it acquired the remaining 50% interest in Puesto Guardian from Tripetrol Petroleum and Petrolera San Jose for ~\$7 million (~\$1/bbl).

Exhibit 17: Key Metrics

Project Name	Puesto Guardian Concession	PPC Peak Production (Gross)	2 kbopd
Country	Argentina	FID	Producing
President Equity	100%	PPC start-up date	2012
Operator	President Energy	NPV/bbl (\$40, \$60, \$80/bbl)	0.4, 4.8, 9.0
Partners	n/a	IRR (%)	63
2P Reserves (Gross)	18	Breakeven Price (\$/boe)	38.3
Fiscal Regime	Tax & Royalty		

Source: BMO Capital Markets, Company Data

For President, Argentina represented entry into proven onshore acreage with realistic near term potential to materially increase existing oil production, as well as providing further exploration opportunities.

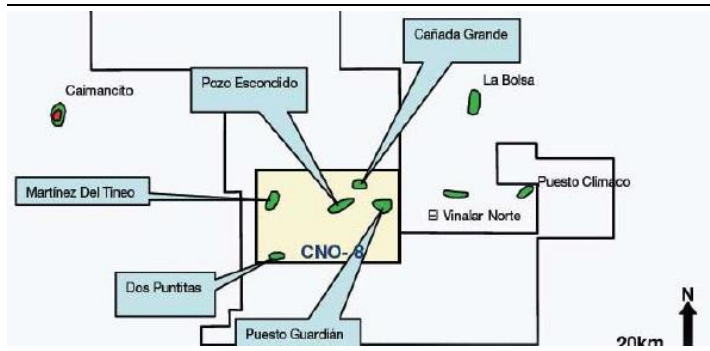
The Puesto Guardian Concession is situated in the Noroeste Basin in NW Argentina. It spans an area of 622 km² and comprises five producing fields: Puesto Guardian, Canada Grande, Dos Puntitas, Pozo Escondido Este and Martinez del Tineo. It is due to expire in August 2050. At its peak the Puesto Guardian Concession was producing 9 kboepd although decades of under investment has seen production decline to current levels of around 0.5 kboepd

The Proposed 2017 rolling workover programme of shut-in wells is targeting a production ramp up to 1.2 kboepd by the end of summer 2017. Production at the Puesto Guardian Concession currently stands at ~0.5 kboepd. President originally planned for a production ramp-up to above 1 kboepd by the end of 2016 facilitated by the DP1002 S/T horizontal well. However, owing to significant technical difficulties, President was forced to suspend the well and, at least initially, target production gains through lower impact workovers of existing wells. This workover programme aims to increase production to 1.2 kboepd by the end of summer 2017 and ultimately fund future drilling to achieve peak production rates in excess of 4 kboepd.

President has proven it they can increase production through its workover programmes:

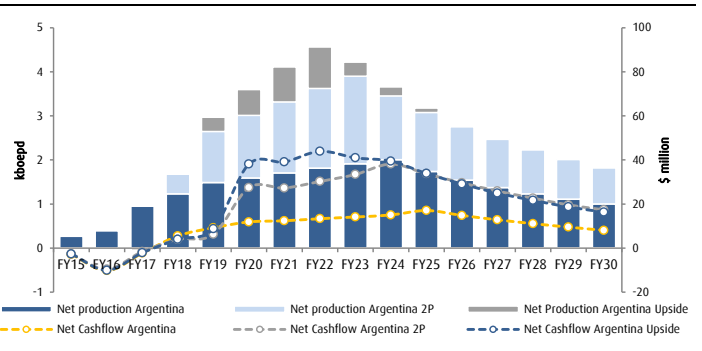
- a. **2013 Fracking Operations at PE7, PE8 (Pozo Escondido Field) and DP-1001 (Dos Puntitas Field):** Hydraulic stimulation of the DP-1001, PE-7 and PE-8 well successfully increased production by 40% to 415boepd.
- b. **Completion of a two well workover programme at the end of 2015 and a four well workover programme at the end of H1 2016:** 2 well (DP-10 and DP-12) workover programme in 2015 added 120 boepd production from the two wells versus pre-workover mid case of 88 boepd. A four well workover programme in 2016 increased production by over 150 boepd to 500 boepd and was completed at \$400,000, less than a third of the two well workover programme.

Exhibit 18: Puesto Guardian Concession Map



Source: Company Data

Exhibit 19: BMO Estimated Net Production and Cash flow For Different Scenarios

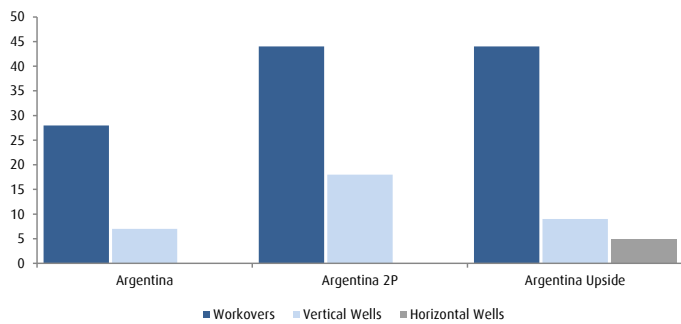


Source: BMO Capital Markets, Company Data

Revised workover programme following disappointing well results at DP-1002. President announced plans for the commencement of a three well workover programme (subsequently increased to five) at the end of H1 2016. Following the disappointing results at DP-1002, President is targeting a 10 well workover programme in 2017 costing \$10 million, funded by the recent equity raise. Each well workover is estimated to add ~0.088 kboepd.

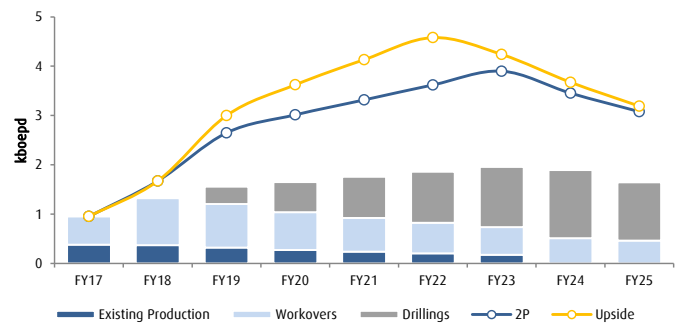
President has identified a further 26 shut in wells, with undrained oil, as potential workover candidates to be ranked based on the results of the aforementioned workover programme.

Exhibit 20: Workovers/Drilled Wells from FY17 to FY25



Source: Company Data

Exhibit 21: Source of Base Case Production Growth



Source: BMO Capital Markets, Company Data

Reserves and Resources

Originally discovered by YPF in 1937, the field was awarded to a consortium, consisting of Tripetrol Petroleum and Petrolera San Jose, in 1991 as part of the privatisation of YPF. Peak production had reached 9 kbopd in the 1980's, however, since the concession was awarded in 1991 only one well has been drilled and production has declined accordingly. Production hovered around 1,100 bopd between 1994 and 2007 before steadily declining to 300 bopd (gross).

In December 2014, Gaffney Cline published a CPR on the field, reporting a significant increase in reserves and resources (2P to 14.1 mmbbls from 6.58 mmbbls), which has shaped the subsequent work programmes. Subsequently, this was upgraded to 2P reserves of 18.1 mmbbls in the latest CPR to reflect the extended concession licence term.

Exhibit 22: Net Reserves (mmbbl)

Date	Proved	Probable	Total	Comments
Dec-15	10.99	7.12	18.12	Extension of licence term to 2050 and the subsequent independent reserve report
Dec-14	9.12	5.00	14.12	Acquisition of the remaining 50% interest in the Puesto Guardian Concession and the subsequent independent reserve report
Dec-13	1.90	4.56	6.46	Production
Dec-12	1.97	4.56	6.53	Production
Dec-11	2.04	4.56	6.60	Acquisition of 50% interest in Puesto Guardian Licence

Source: BMO Capital Markets

U.S.

The ELV field, located 35 miles south of Baton Rouge and the EWL field, located 80 miles west of East Lake Verret both lie in shallow, inland waters. The ELV field has two wells, namely the Simmons well and the Petroquest operated Triche well, which produces both natural gas and light sweet crude oil.

Exhibit 23: Key Metrics

Project Name	Louisiana (East White Lake & East Lake Verret)	Peak Production (Gross)	1.1 kbopd
Country	America	FID	Producing
President Equity	25% and 32%	Start-up date	2010 & 2014
Operator	President Energy	NPV/bbl (\$40, \$60, \$80/bbl)	1.2, 8.3, 15.2
Partners	Petroquest, Peak Energy, Houston Energy	IRR (%)	na
2P Reserves (Gross)	3	Breakeven Price (\$/boe)	37
Fiscal Regime	Tax & Royalty		

Source: BMO Capital Markets, Company Data

As the focus on profitable production in Argentina increases, Louisiana has become less core to the business. President reported slightly disappointing H1/2016 average production of 180boepd due to well shut-ins and natural declines. The A55 S/T well at the East White Lake field, drilled in August 2016, and the Triche well, which was out of working commission for ~6 months, have now come back on stream with production recovering back to ~220 boepd in Q4/2016.

The U.S. operations continue to be cash generative, with profits in the next 3 years sheltered by previous tax losses. Gas represents 23% of President’s current production in Louisiana, so President is benefiting from the uptick in U.S. pricing. President is estimating approximately \$150,000 per month profit after tax from its Louisiana operation for Q4/2016. In effect this amount also represents the free cash generation back to the Group from Louisiana operations.

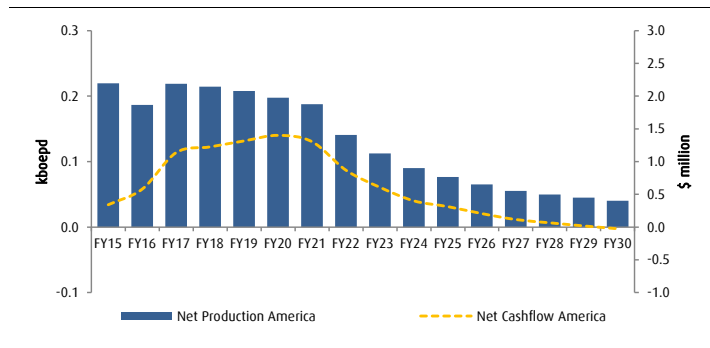
We assume production levels remain robust until the end of the decade before declining thereafter.

Exhibit 24: Louisiana Concession Map



Source: Company Data

Exhibit 25: Estimated Net Production and Cash flow



Source: BMO Capital Markets, Company Data

Exploration

Argentina

Martinez del Tineo (“MDT”)

Beneath the producing horizons in the Puesto Guardian Concession sits the Martinez Del Tineo (“MDT”) deep gas / condensate Paleozoic prospect. Gaffney Cline assessed the prospect at gross unrisked prospective resources 570 bcf and ~15mmbbls condensate with a 26% geologic chance of success. The prospect was partially de-risked by the identification of Paleozoic source rock and hydrocarbons in the two wells drilled by President in 2014 across the border in Paraguay. It is likely that the prospect will be tested by the deeper leg of an oil production well.

Matorras and Ocular Licenses

In 2012, President acquired 100% of two exploration licences; Matorras and Ocular - the combined area of which covers 2,203 km² and surrounds the 633 km² Puesto Guardian licence. Matorras follows the same structural trend as the MDT prospect, and has substantial follow on potential should a paleozoic discovery be made there. The Ocular licence area is located east of Puesto Guardian.

Paraguay

Paraguay is an energy hungry democratic country surrounded by hydrocarbon-rich countries: Brazil, Argentina and Bolivia. It is relatively under explored, especially in the North, with no domestic production of liquid hydrocarbons and only a negligible amount of gas production from one well. In order to incentivise operators the pro-energy government has put in place particularly attractive fiscal terms (10-14% royalty and a 10% corporate tax rate) that make any commercial discovery in the country highly lucrative.

President farmed into two blocks - Pirity and Demattei (now relinquished) in Paraguay in 2012, followed by the Hernandarias Block in 2014. The Pirity and Hernandarias concessions cover 34,000 km² and are located in the Pirity Sub-Basin in North West Paraguay, an extension of the Olmedo Sub-Basin on the Argentine side of the border. President has a 100% interest in the Pirity Block and a 40% interest (with the ability to earn a further 40%) in the Hernandarias Block.

Together, the Pirity and Hernandarias Concessions are estimated to hold about 3 Tcf and 440 mmbbls of gross mean Prospective Resources in six identified structures.

Pirity Concession

President drilled two exploration wells on the Pirity block in 2014, as part of the earn-out / farm-in agreement in 2012. The Jacaranda well encountered over 800m of Devonian source rock in the oil and gas condensate window (the first time the Paleozoic play system has been proved to exist in the Pirity Basin, Paraguay) with good reservoir sands, although there was no seal at the primary target.

Next the Lapacho well discovered oil/condensate and gas in two separate reservoirs - the Silurian Santa Rosa and Devonian Icla reservoirs. President was unable to recover hydrocarbons to surface but the wells de-risked remaining prospectivity by encountering both source rock and moveable hydrocarbons in Paleozoic formations.

President has also delineated a Cretaceous play fairway in the Pirity Concession as a direct extension of the proved Palmar Largo oilfield trend in adjacent Argentina. The Tapir prospect is one of a series of

significant Cretaceous prospects within the Jurumi Complex which is estimated to hold up to ~350mmboe.

In 2016 the Paraguay Ministry of Public Works agreed a 12-18 month extension to the Concession, allowing President until September 2017 to complete the relevant work programme – in effect to drill one more exploration well.

Exhibit 26: Exploration Prospectivity

Country	Key Prospects	Net Mean Unrisked mmboe
Pirity Concession	Lapacho/Paleozoic (1 prospect)	1032.5
	Jurumi Complex Cretaceous (4 prospects)	342.5
Hernandarias Concession	Boqueron (1 prospect)	116.0
Total		1482.0

Source: BMO Capital Markets

Hernandarias Concession

The majority of the Paleozoic prospectivity in President’s operated acreage lies in the Hernandarias Concession where the Santa Rosa target interval can be reached at much shallower depths, hopefully improving porosity and liquids content.

In 2015, President acquired new 2D seismic over the Hernandarias Block which identified several drillable Paleozoic prospects ~1000m shallower than the two exploration wells drilled in 2014. The Boqueron prospect has been identified as the first candidate for a well.

The remaining commitments on the block include one well to be drilled by October 2019, which once satisfied would likely see President’s stake in the licence double to 80%.

Other (Australia)

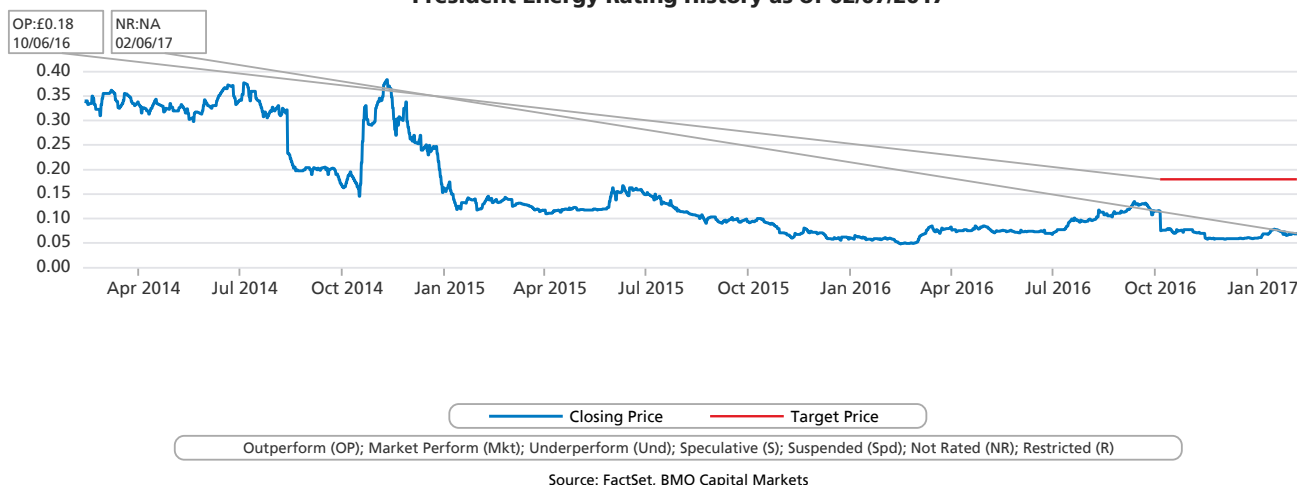
Exhibit 27: Australia Asset Map



Source: BMO Capital Markets

President holds a 100% interest PEL82 in South Australia. In 2011 President drilled the Northumberland 2 exploration well, which failed to demonstrate moveable hydrocarbons in commercial quantities. For the time being the current oil price environment has diminished the attractiveness of the block and caused President to sideline it as a non-core asset. The current licence expires in March 2017.

President Energy Rating History as of 02/07/2017



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Buy	Outperform	42.6%	21.5%	56.8%	42.6%	55.3%	52.8%
Hold	Market Perform	53.5%	12.7%	42.1%	53.8%	43.1%	41.6%
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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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(S) = Speculative investment;

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